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

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

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 (State or other jurisdiction of incorporation or organization)	74-1884980 (I.R.S. Employer Identification No.)
55 WAUGH DRIVE, SUITE 1000 HOUSTON, TEXAS (Address of principal executive offices)	77007 (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 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 [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No [ ]

As of March 5, 2003, 24,065,789 shares of common stock were outstanding. The aggregate market value of common stock held by nonaffiliates of the registrant, based on the closing sales price of such stock on the New York Stock Exchange on March 4, 2003 was $440,238,000. 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.

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. [X]

DOCUMENTS INCORPORATED BY REFERENCE

The Company's definitive proxy statement in connection with the Annual Meeting of the Stockholders to be held April 22, 2003, to be filed with the Commission pursuant to Regulation 14A, is incorporated by reference into Part III of this report.

PART I

ITEM 1. BUSINESS

THE COMPANY

Kirby Corporation (the "Company") was incorporated in Nevada on January 31, 1969 as a subsidiary of Kirby Industries, Inc. ("Industries"). The Company became publicly owned on September 30, 1976 when its common stock was distributed pro rata to the stockholders of Industries in connection with the liquidation of Industries. At that time, the Company was engaged in oil and gas exploration and production, marine transportation and property and casualty insurance. Since then, through a series of acquisitions and divestitures, the Company has become primarily a marine transportation company and is no longer engaged in the oil and gas or the property and casualty insurance businesses. In 1990, the name of the Company was changed from "Kirby Exploration Company, Inc." to "Kirby Corporation" because of the changing emphasis of its business.

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.

WEBSITE ACCESS TO SEC REPORTS

The Internet address of the Company's website is www.kirbycorp.com. The Company makes available free of charge through its website, 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.

BUSINESS AND PROPERTY

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

The Company's marine transportation segment is engaged in the inland transportation of petrochemicals, refined petroleum products, black oil products and agricultural chemicals by tank barges, and, to a lesser extent, the offshore transportation of dry-bulk cargoes by barge. The segment is strictly a provider of transportation services for its customers and does not assume ownership of any of the products that it transports. All of the segment's vessels operate under the United States flag and are qualified for domestic trade under the Jones Act.

The Company's diesel engine services segment is engaged in the overhaul and repair of diesel engines and reduction gears, and related parts sales in three distinct markets: the marine market, providing aftermarket service for vessels powered by large medium-speed diesel engines utilized in the various inland and offshore marine industries; the railroad market, providing aftermarket service and parts for shortline, industrial, and certain transit and Class II railroads; and the power generation and industrial markets, providing aftermarket service for diesel engines that provide standby, peak and base load power generation, users of industrial reduction gears and stand-by generation components of the nuclear industry.

The Company and its marine transportation and diesel engine services segments have approximately 2,300 employees, all 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):

	2002	2001	2000
Revenues from unaffiliated customers:			
Marine transportation	$450,280	$481,283	$443,203
Diesel engine services	85,123	85,601	69,441
Consolidated revenues	$535,403	$566,884	$512,644
Operating profits:			
Marine transportation	$ 74,595	$ 83,074	$ 78,100
Diesel engine services	8,841	8,111	6,955
General corporate expenses	(5,677)	(7,088)	(7,053)
Impairment of long-lived assets	(17,712)	--	--
Merger related charges	--	--	(199)
Gain on disposition of assets	624	363	1,161
	60,671	84,460	78,964
Equity in earnings of marine affiliates	700	2,950	3,394
Impairment of equity investment	(1,221)	--	--
Other income (expense)	(155)	(540)	337
Minority interests	(962)	(706)	(966)
Interest expense	(13,540)	(19,038)	(23,917)
Earnings before taxes on income	$ 45,493	$ 67,126	$ 57,812
Identifiable assets:			
Marine transportation	$726,353	$681,976	$673,999
Diesel engine services	45,531	48,288	45,344
	771,884	730,264	719,343
Investment in marine affiliates	10,238	10,659	10,004
General corporate assets	9,636	11,512	17,194
Consolidated assets	$791,758	$752,435	$746,541

MARINE TRANSPORTATION

The marine transportation segment is primarily a provider of transportation services by barge for the inland and offshore markets. As of March 5, 2003, the equipment owned or operated by the marine transportation segment comprised 967 inland tank barges, 230 inland towboats, four offshore dry-cargo barges, four offshore tugboats and one shifting tugboat with the following specifications and capacities:

CLASS OF EQUIPMENT	NUMBER IN CLASS	AVERAGE AGE (IN YEARS)	BARREL CAPACITIES
Inland tank barges:			
Active:			
Regular double hull:			
20,000 barrels and under	433	24.9	5,063,000
Over 20,000 barrels	325	19.5	8,755,000
Specialty double hull	79	27.5	1,168,000
Double side, single bottom	20	27.1	411,000
Single hull:			
20,000 barrels and under	19	35.1	333,000
Over 20,000 barrels	35	28.6	888,000
Total active inland tank barges	911	23.6	16,618,000
Inactive	56	31.7	997,000
Total inland tank barges	967	24.1	17,615,000
Inland towing vessels:			
Inland towboats:			
Active:			
Less than 800 horsepower	3	23.5	
800 to 1300 horsepower	114	25.6	
1400 to 1900 horsepower	72	26.1	
2000 to 2400 horsepower	4	31.6	
2500 to 3200 horsepower	11	29.9	
3300 to 4900 horsepower	7	25.8	
Greater than 5200 horsepower	4	31.9	
Total active inland towboats	215	26.2	
Inactive	15	26.6	
Total inland towboats	230	26.2	
			DEADWEIGHT TONNAGE
Offshore dry-cargo barges*	4	22.9	70,000
Offshore tugboats*	5	25.7	

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* The four barges and five tugboats are owned by Dixie Fuels Limited, a partnership in which the Company owns a 35% interest.

The 215 active inland towboats and five offshore tugboats provide the power source and the 911 active inland tank barges and four offshore dry-cargo barges provide the freight capacity. 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 offshore tows consist of one tugboat and one dry-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 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 40 states, with 635 shallow draft ports. These navigable inland waterways link the United States heartland to the world.

Based on cost and safety, inland barge transportation is often the most efficient and safest means of transporting bulk commodities compared with railroads and trucks. The cargo capacity of a 30,000 barrel inland tank barge is the equivalent of 40 rail tank cars or 150 tractor-trailer tank trucks. A typical Company lower Mississippi River linehaul tow of 15 barges has the carrying capacity of approximately 225 rail tank cars or approximately 870 tractor-trailer tank trucks. The 225 rail cars would require a freight train approximately 2 3/4 miles long and the 870 tractor-trailer tank trucks would stretch approximately 35 miles, assuming a safety margin of 150 feet between the trucks. The Company's active tank barge fleet capacity of 16.6 million barrels equates to approximately 22,000 rail cars or approximately 82,700 tractor-trailer tank trucks. In addition, in studies comparing inland water transportation to railroads and trucks, shallow draft water transportation has been proven to be the most energy efficient and environmentally friendly method of moving bulk raw materials. One ton of bulk product can be carried 522 miles by inland barge on one gallon of fuel, compared with 386 miles by rail or 59 miles by truck.

Inland barge transportation is also the safest mode of transportation in the United States. It generally involves less urban exposure than rail or truck. It 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. For the amount of tonnage carried, barge spills generally occur quite infrequently.

INLAND TANK BARGE INDUSTRY

The Company's marine transportation segment operates within the United States inland tank barge industry, a diverse and independent mixture of 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, along the Mississippi River and its tributaries and the Gulf Intracoastal Waterway. The most significant segments of this industry include the transportation of petrochemicals, refined petroleum products, black oil products and agricultural chemicals. The Company operates in each of these segments. 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 St. Marks, 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 total number of tank barges that operate in the inland waters of the United States declined from approximately 4,200 in 1982 to approximately 2,900 in 1993, and remained relatively constant at 2,900 until 2002, when the number declined slightly to 2,800. The Company believes this decrease 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 programs supporting small refineries which created a demand for tank barge services; 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 hull work for required annual Coast Guard certifications, as well as general safety and environmental concerns, force operators to periodically reassess their ability to recover maintenance costs. The proliferation of small refineries due to government regulations, along with tax and financing incentives to operators and investors to construct tank barges, including short-life tax depreciation, investment tax credits and government guaranteed financing, led to growth in the supply of domestic tank barges to its peak of approximately 4,200 in 1982. The tax incentives have since been eliminated; however, the government guaranteed financing programs, dormant since the mid-eighties, have been more actively used since 1993 to finance the construction of some tank barges. The supply of tank barges resulting from the earlier programs has slowly aligned with demand for tank barge services, primarily through attrition, as discussed above.

Improved technology in steel coating and paint has added to the life expectancy of inland tank barges. The average age of the nation's tank barge fleet is over 22 years old, with 22% of the fleet built in the last 10 years. Single hull barges comprise approximately 13% of the nation's tank barge fleet, with an average age of 29 years. Single hull barges are being driven from the nation's tank barge fleet by market forces, stringent environmental regulations and rising maintenance costs. Single hull tank barges are required by current federal law to be retrofitted with double hulls or phased out of domestic service by 2015.

In September 2002, the U.S. Coast Guard issued new regulations that require the installation of tank level monitoring devices on all single hull tank barges by October 17, 2007. With the new regulations, coupled with a market bias against single hull tank barges, the Company plans to retire all of its single hull tank barges by October 17, 2007, and may result in reduced lives for single hull tank barges industry wide. In December 2002, the Company recorded pre-tax non-cash impairment charges totaling $17,712,000, of which single hull tank barges accounted for $11,559,000 of the charges, the result of reduced estimated cash flows resulting from reduced estimated useful lives. As of March 5, 2003, the Company owned 98 single hull tank barges, of which approximately 74 were active and 24 inactive.

During the 1970's and early 1980's, the industry overbuilt tank barge capacity. However, the Company believes that the current more consolidated industry will be less prone to overbuilding of the nation's tank barge fleet. Of the approximately 745 tank barges built since 1989, 126, or 17%, were built by the Company and by Hollywood Marine, Inc. ("Hollywood Marine") prior to its merger with the Company effective October 12, 1999. The balance was primarily replacement barges for single hull barges removed from service, special purpose barges or barges constructed for specific contracts.

The Company's marine transportation segment, though a partnership in which the Company owns a 35% interest, is also engaged in ocean-going dry-cargo barge operations transporting dry-bulk cargoes. Such cargoes are transported primarily between domestic ports along the Gulf of Mexico.

COMPETITION IN THE INLAND TANK BARGE INDUSTRY

The inland tank barge industry remains very competitive despite some consolidation. The Company's inland tank barge fleet has grown from 71 tank barges in 1988 to 911 active tank barges as of March 5, 2003. Competition in this business has historically been based primarily on price; however, the industry's customers, through an increased emphasis on safety, the environment, quality and a greater reliance on a "single source" supply of services, are more frequently requiring that their supplier of inland tank barge services have the capability to handle a variety of tank barge requirements, offer distribution capability throughout the inland waterway system, and offer flexibility, safety, environmental responsibility, financial responsibility, adequate insurance and quality of service consistent with the customer's own operational standards.

The Company's direct competitors are primarily noncaptive inland tank barge operators. "Captive" companies are those companies that are owned by major oil and/or 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. It currently operates approximately 33% of the total domestic inland tank barge capacity.

While the Company competes primarily with other tank barge companies, it also competes with companies owning refined product and chemical pipelines, rail tank cars and tractor-trailer tank trucks. As noted above, the Company believes that inland marine transportation of bulk liquid products enjoys a substantial cost advantage over rail and truck transportation. The Company believes that refined products and petrochemical pipelines, although often a less expensive form of transportation than inland 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.

MARINE TRANSPORTATION ACQUISITIONS

In March 2002, the Company purchased the Cargo Carriers fleet of 21 inland tank barges for $2,800,000 in cash from Cargill Corporation ("Cargill"), and resold six of the tank barges for $530,000 in April 2002.

On October 31, 2002, the Company purchased seven inland black oil tank barges and 13 inland towboats from Coastal Towing, Inc. ("Coastal") for $17,053,000 in cash. In addition, the Company and Coastal entered into a barge management agreement whereby the Company serves as manager of the combined black oil fleet for a period of seven years. The combined black oil fleet consists of Coastal's 54 remaining barges and the Company's 66 black oil barges. In a related transaction, on September 25, 2002, the Company purchased from Coastal three black oil tank barges for $1,800,000 in cash.

On December 15, 2002, the Company purchased from Union Carbide Finance Corporation ("Union Carbide"), 94 double hull inland tank barges for $23,000,000. Nine of the 94 tank barges were out-of-service and will be sold. The Company had operated the tank barges since February 2001 under a long-term lease agreement between the Company and Union Carbide, following the February 5, 2001 merger between Union Carbide and the Dow Chemical Company ("Dow"). The Company has a long-term contract with Dow to provide for Dow's bulk liquid inland marine transportation requirements.

On January 15, 2003, the Company purchased from SeaRiver Maritime, Inc., ("SeaRiver"), the U.S. transportation affiliate of Exxon Mobil Corporation ("ExxonMobil"), 45 double hull inland tank barges and seven inland towboats for $32,113,000 in cash, and assumed from SeaRiver the leases of 16 double hull inland tank barges. On February 28, 2003, the Company purchased three double hull inland tank barges, leased by SeaRiver from Banc of America Leasing & Capital, LLC ("Banc of America Leasing") for $3,453,000 in cash. In addition, the Company entered into a contract to provide inland marine transportation services to SeaRiver.

PRODUCTS TRANSPORTED

During 2002, the Company's marine transportation segment moved over 50 million tons of liquid cargo on the United States inland waterway system. Products transported for its customers comprised the following: petrochemicals, refined petroleum products, black oil products and agricultural chemicals.

Petrochemicals. Bulk liquid petrochemicals transported include such products as benzene, styrene, methanol, acrylonitrile, xylene and caustic soda, all consumed in the production of paper, fibers 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 approximately 70% of the segment's 2002 revenues. Customers shipping these products are petrochemical companies in the United States.

Refined Petroleum Products. Refined petroleum products transported include the various blends of gasoline, jet fuel, naphtha and diesel fuel, and represented approximately 13% of the segment's 2002 revenues. Customers are oil and refining companies in the United States.

Black Oil Products. Black oil products transported include such products as asphalt, No. 6 fuel oil, coker feed, vacuum gas oil, crude oil and ship bunkers (ship engine fuel). Such products represented approximately 12% of the segment's 2002 revenues. Black oil customers are United States refining companies, marketers and end users that require the transportation of black oil products between refineries and storage terminals. Ship bunkers customers are oil companies and oil traders in the bunkering business.

Agricultural Chemicals. Agricultural chemicals transported represented approximately 5% of the segment's 2002 revenues. They include anhydrous ammonia and nitrogen-based liquid fertilizer, as well as industrial ammonia. Agricultural chemical customers consist mainly of United States and foreign producers of such products.

DEMAND DRIVERS IN THE INLAND TANK BARGE INDUSTRY

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

Bulk petrochemical volumes generally track the general domestic economy and correlate to the United States Gross Domestic Product. These products are used in housing, automobiles, clothing and consumer goods. The other significant component of petrochemical production consists of gasoline additives, the demand for which closely parallels the United States gasoline consumption.

Refined product volumes are driven by United States gasoline consumption, principally vehicle usage, air travel and weather conditions. Volumes also relate to inventory balances within the United States Midwest. Generally, gasoline, No. 2 oil and heating oil are exported from the Gulf Coast where refining capacity exceeds demand. The Midwest is a net importer of such products. Demand for tank barge transportation from the Gulf Coast to the Midwest region reflects the relative price differentials of Gulf Coast production and gasoline produced in the Midwest.

The demand for black oil products, including ship bunkers, varies with the type of product transported. Asphalt shipments are generally seasonal, with higher volumes shipped during April through November, months when weather allows for efficient road construction. Other black oil shipments are more constant and service the United States oil refineries.

Demand for marine transportation of agricultural fertilizer is directly related to domestic nitrogen based fertilizer consumption, driven by the production of corn, cotton and wheat. The nitrogen based liquid fertilizers carried by the Company are distributed from United States manufacturing facilities, generally located in the southern United States where natural gas feedstocks are plentiful, and from imported sources. 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 911 active inland tank barges and 215 active inland towboats. Through a partnership, the segment operates four offshore dry-cargo barges, four offshore tugboats and one shifting tugboat. The Company also owns 50% interests in two bulk liquid terminals through two partnerships.

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 performed by Western Towing Company ("Western"), a division of Kirby Inland Marine.

The Canal fleet transports petrochemical feedstocks, processed chemicals, pressurized products, refined petroleum products and black oil 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 refinery to another refinery for further processing. Processed chemicals and certain pressurized products are moved to waterfront terminals and chemical plants. Refined petroleum products are transported to waterfront terminals along the Gulf Intracoastal Waterway for distribution. Certain black oil products are transported to waterfront terminals and products such as No. 6 fuel oil are transported directly to the end users.

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

The transportation of petrochemical feedstocks, processed chemicals and pressurized products is generally consistent throughout the year. Transportation of refined petroleum products, certain black oil products and agricultural chemicals is generally more seasonal. 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 black oil products, such as asphalt, generally increase in the spring through fall months. Movements of agricultural chemicals generally increase during the spring and fall planting seasons.

The marine transportation segment moves and handles a broad range of sophisticated cargoes. To meet the specific requirements of the cargoes transported, the 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 911 active tank barges currently operated, 713 are petrochemical and refined products barges, 120 are black oil barges, 60 are pressure barges, 11 are anhydrous ammonia barges and seven are specialty barges.

The fleet of 215 active inland towboats ranges from 600 to 6000 horsepower. Towboats in the 600 to 1900 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 6000 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 in 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 tons to 30,000 tons.

Marine transportation services are conducted under long-term contracts, ranging from one to five years with renewal options, with customers with whom the Company has long-standing relationships, as well as under short-term and spot contracts. Currently, approximately 70% of the revenues are derived from term contracts and 30% are derived from spot market movements.

Inland tank barges used in the transportation of petrochemicals 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 concerns.

The marine transportation segment is one of a 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 distribution 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 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 traffic department located in its corporate office. Electronic orders are communicated to the vessel personnel, with reports of towing activities communicated electronically back to the traffic department. The electronic interface between the traffic 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 website.

Western operates the largest commercial tank barge fleeting service (temporary barge storage facilities) in the ports of Houston, Corpus Christi and Freeport, Texas, and on the Mississippi River at Baton Rouge and New Orleans, Louisiana. Western provides service for Kirby Inland Marine's barges, as well as outside customers, transferring barges within the areas noted, as well as fleeting barges.

Kirby Terminals, Inc. ("Kirby Terminals"), a wholly owned subsidiary of the Company, manages the operations of Matagorda Terminal Ltd. and Red River Terminals, LLC, a Texas limited partnership and Louisiana limited liability company, respectively, in each of which Kirby Terminals owns a 50% interest. Both operations are bulk liquid terminals.

Kirby Inland Marine's Logistics Management division offers barge tankerman services and related distribution services primarily to the Company and to some third parties.

Offshore Operations. The segment's offshore operations are conducted through a wholly owned subsidiary, Dixie Offshore Transportation Company ("Dixie Offshore"), and its subsidiary. The offshore fleet consists of equipment owned through a limited partnership, Dixie Fuels Limited ("Dixie Fuels"), in which a subsidiary of Dixie Offshore, Dixie Bulk Transport, Inc. ("Dixie Bulk"), owns a 35% interest.

Dixie Bulk, as general partner, manages the operations of Dixie Fuels, which operates a fleet of four ocean-going dry-bulk barges, four ocean-going tugboats and one shifting tugboat. The remaining 65% interest in Dixie Fuels is owned by Progress Fuels Corporation ("PFC"), a wholly owned subsidiary of Progress Energy, Inc. ("Progress Energy"). Dixie Fuels operates primarily under term contracts of affreightment, including a contract that expires in the year 2005 with PFC to transport coal across the Gulf of Mexico to Progress Energy's power generation facility at Crystal River, Florida.

Dixie Fuels also has a long-term contract with Holcim (US) Inc. ("Holcim") to transport Holcim's limestone requirements from a facility adjacent to the Progress Energy facility at Crystal River to Holcim's plant in Theodore, Alabama. The Holcim contract, which expires in 2010, provides cargo for a portion of the return voyage for the vessels that carry coal to Progress Energy's Crystal River facility. Dixie Fuels is also engaged in the transportation of coal, fertilizer and other bulk cargoes on a short-term basis between domestic ports and the transportation of grain from domestic ports to ports primarily in the Caribbean Basin.

CONTRACTS AND CUSTOMERS

The majority of the marine transportation contracts with its customers are for terms of one year. The Company also operates under longer term contracts with certain other customers. These companies have generally been customers of the Company's marine transportation segment for several years and management anticipates a continuing relationship, however, there is no assurance that any individual contract will be renewed. Dow, with which the Company has a contract through 2016, including renewal options, accounted for 13% of the Company's revenues in 2002, 12% in 2001 and 10% in 2000.

EMPLOYEES

The Company's marine transportation segment has approximately 1,950 employees, of which approximately 1,375 are vessel crew members. None of the segment's operations are subject to collective bargaining agreements.

PROPERTIES

The principal office of Kirby Inland Marine is located in Houston, Texas, in the Company's facilities under a lease that expires in April 2006. Kirby Inland Marine's operating locations are on the Mississippi River at Baton Rouge, Louisiana, New Orleans, Louisiana, and Greenville, Mississippi, two locations in Houston, Texas, on and near the Houston Ship Channel, and in Corpus Christi, Texas. The Baton Rouge, New Orleans and Houston facilities are owned, and the Greenville and Corpus Christi facilities are leased. The Western and Kirby Logistics Management divisions' principal offices are located in facilities owned by Kirby Inland Marine in Houston, Texas, near the Houston Ship Channel. The principal office of Dixie Offshore is in Belle Chasse, Louisiana, in owned facilities.

GOVERNMENTAL REGULATIONS

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

Most of the Company's inland tank barges are inspected by the United States Coast Guard and carry certificates of inspection. The Company's inland and offshore towing vessels and offshore dry-bulk barges are not subject to United States Coast Guard inspection requirements. The Company's offshore towing vessels and offshore 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 United States Coast Guard.

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 may 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 the equal of such 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 corporations to qualify as United States citizens for the purpose of domestic trade, 75% of the corporations' beneficial stockholders must be United States citizens. The Company presently meets all of the requirements of the Jones Act for its owned 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 significant negative effect for the Company. The Company monitors the citizenship requirements under the Jones Act of its employees and beneficial stockholders, and will take action as necessary to ensure compliance with the Jones Act requirements.

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 Coast Guard, and the application of United States labor and tax laws significantly increase the cost of U.S. flag vessels when compared with comparable foreign flag vessels. The Company's business could be adversely affected if the Jones Act was to be modified so as to permit foreign competition that is not subject to the same United States government imposed burdens.

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 Corps of Engineers.

The Company presently pays a federal fuel tax of 24.4 cents per gallon, reflecting a 4.3 cents per gallon transportation fuel tax for deficit reduction imposed in October 1993, a .1 cent per gallon leaking underground storage tank tax and a 20 cents per gallon waterway use tax. There can be no assurance that additional user taxes may not be imposed in the future.

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.

Water Pollution Regulations. The Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, the Comprehensive Environmental Response, Compensation and Liability Act of 1981 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 is 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 retrofitted with double hulls or phased out of domestic service by 2015. In September 2002, the U.S. Coast Guard issued new regulations that require the installation of tank level monitoring devices on all single hull tank barges by October 17, 2007.

The Company manages its exposure to losses from potential discharges of pollutants through the use of well maintained and equipped vessels, the safety, training and environmental programs of the Company, and the Company's insurance program. In addition, the Company uses double hull barges in the transportation of more hazardous chemical substances. 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.

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 United States Coast Guard. 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 ("Clean Air Act") 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 degassing 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 toxic 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 products are already equipped with vapor control systems. Additionally, in Texas, a SIP calling for voluntary reductions in towboat diesel engine exhaust emissions for the Houston-Galveston area has been approved. 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 United States Coast Guard has not yet promulgated these regulations; however, the Company anticipates that they will not be significantly more difficult to comply with than the oil spill plans.

Occupational Health Regulations. The Company's inspected vessel operations are primarily regulated by the United States Coast Guard for occupational health standards and 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 $810 million in hull values. Liabilities such as collision, cargo, environmental, personal injury and general liability are insured up to $500 million per occurrence.

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. Others are the participation by the Company in the American Waterways Operators Responsible Carrier program and the American Chemistry Council Responsible Care program, both of which are oriented towards continuously reducing the barge industry's and chemical and petroleum industries' 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. The Company believes that its safety performance consistently places it among the industry leaders as evidenced by what it believes are lower injury frequency and pollution incident levels than many of its competitors.

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 fully endorses the development and institution of effective training programs.

Centralized training is provided through the 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 owned and operated facility includes state-of-the-art equipment and instruction aids, including a working towboat, three tank barges and a tank barge simulator for tankerman training. During 2002, approximately 1,900 certificates were issued for the completion of courses at the training facility.

Quality. The Company has made a substantial commitment to the implementation, maintenance and improvement of Quality Assurance Systems in compliance with the International Quality Standard, ISO 9002. Currently, all of the Company's marine transportation units have been certified. These Quality Assurance Systems have enabled both shore and vessel personnel to effectively manage the changes which occur in the working environment. In addition, such Quality Assurance Systems have enhanced the Company's already excellent safety and environmental performance.

DIESEL ENGINE SERVICES

The Company is engaged in the overhaul and repair of large medium-speed diesel engines and reduction gears, and related parts sales through Kirby Engine Systems, Inc. ("Kirby Engine Systems"), a wholly owned subsidiary of the Company, and its three wholly owned operating subsidiaries, Marine Systems, Inc. ("Marine Systems"), Engine Systems, Inc. ("Engine Systems") and Rail Systems, Inc. ("Rail Systems"). Through these three operating subsidiaries, the Company sells OEM replacement parts, provides service mechanics to overhaul and repair engines and reduction gears, and maintains facilities to rebuild component parts or entire engines and entire reduction gears. The Company serves the marine market and stand-by power generation market throughout the United States, Pacific Rim and Caribbean, the shortline, industrial, and certain transit and Class II railroad markets throughout the United States, other industrial markets such as cement, paper and mining in the Midwest, and components of the nuclear industry worldwide. No single customer of the diesel engine services segment accounted for more than 10% of the Company's revenues in 2002, 2001, or 2000. The diesel engine services segment also provides service to the Company's marine transportation segment, which accounted for approximately 2% of the diesel engine services segment's total 2002 revenues and approximately 3% of its revenues for 2001 and 2000. Such revenues are eliminated in consolidation and not included in the table below.

In July 2001, Rail Systems expanded its distributorship agreement with the Electro-Motive Division of General Motors ("EMD") with the addition of an agreement to distribute EMD replacement parts to certain United States transit and Class II railroads effective July 1, 2001.

In October 2000, Marine Systems completed the acquisition of the Powerway Division of Covington Detroit Diesel -- Allison, Inc. ("Powerway") for $1,428,000 in cash. In November 2000, Marine Systems completed the acquisition of West Kentucky Machine Shop, Inc. ("West Kentucky") for an aggregate consideration of $6,674,000, consisting of $6,629,000 in cash, the assumption of $20,000 of West Kentucky's existing debt and $25,000 of merger costs. The acquisitions were accounted for using the purchase method of accounting. With the acquisition of Powerway, the Company became the sole distributor of aftermarket parts and service for Alco engines throughout the United States for marine, power generation and industrial applications. With the acquisition of West Kentucky, the Company increased its distributorship capabilities to the marine industry with Falk Corporation ("Falk"), a reduction gear manufacturer, and also became a certified industrial renew center for Falk reduction gears for industrial applications in the Midwest. In October 2000, Engine Systems entered into a distributorship agreement with Cooper Energy Services, Inc. ("Cooper") to become the exclusive worldwide distributor for Enterprise and Cooper-Bessemer KSV engines to the nuclear industry.

The following table sets forth the revenues for the diesel engine services segment for the periods indicated (dollars in thousands):

	YEAR ENDED DECEMBER 31,					
	2002		2001		2000	
	AMOUNTS	%	AMOUNTS	%	AMOUNTS	%
Overhaul and repairs..................	$43,100	51%	$46,363	54%	$38,228	55%
Direct parts sales....................	42,023	49	39,238	46	31,213	45
	$85,123	100%	$85,601	100%	$69,441	100%

MARINE OPERATIONS

The Company is engaged in the overhaul and repair of diesel engines and reduction gears, line boring, block welding services and related parts sales for customers in the marine industry. The Company services tugboats and towboats powered by large 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 and vessels owned by the United States government.

The Company has marine operations throughout the United States providing in-house and in-field repair capabilities and related parts sales. These operations are located in Houma, Louisiana, Chesapeake, Virginia, Paducah, Kentucky, Harvey, Louisiana and Seattle, Washington. The operation based in Chesapeake, Virginia is an authorized distributor for 17 eastern states and the Caribbean for EMD. The marine operations based in Houma, Louisiana, Paducah, Kentucky and Seattle, Washington are nonexclusive authorized service centers for EMD providing service and related parts sales. All of the marine locations are authorized distributors for Falk reduction gears, and all of the marine locations except for Harvey, Louisiana, are also authorized distributors for Alco engines. The Chesapeake, Virginia operation concentrates on East Coast inland and offshore dry-bulk, tank barge and harbor docking operators, the United States Coast Guard and United States Navy. The Houma and Harvey, Louisiana operations concentrate on the inland and offshore barge and oil services industries. The Paducah, Kentucky operation concentrates on the inland river towboat and barge operators and the Great Lakes carriers. The Seattle, Washington operation primarily concentrates on the offshore commercial fishing industry, tugboat and barge industry, the United States Coast Guard and United States Navy, and other customers in Alaska, Hawaii and the Pacific Rim. 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.

MARINE CUSTOMERS

The Company's major marine customers include inland and offshore barge operators, oil service companies, petrochemical companies, offshore fishing companies, other marine transportation entities, and the United States Coast Guard and Navy.

Since the marine business is linked to the relative health of the diesel power tugboat and towboat industry, the offshore supply boat industry, the oil and gas drilling industry, the military and the offshore commercial fishing industry, there is no assurance that its present gross revenues can be maintained in the future. The results of the diesel engine services industry are largely tied to the industries it serves and, therefore, are influenced by the cycles of such industries.

MARINE COMPETITIVE CONDITIONS

The Company's primary competitors are approximately 10 independent diesel services companies and other EMD authorized distributors and authorized service centers. 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 significant factors. A substantial portion of the Company's business is obtained by competitive bids. However, the Company has entered into preferential service agreements with certain large operators of diesel powered marine equipment. These agreements provide such operators with one source of support and service for all of their requirements at pre-negotiated prices.

Many of the parts sold by the Company are generally available from other service providers, but the Company is one of a limited number of authorized resellers of EMD parts. The Company is also the only marine distributor for Falk reduction gears and the only distributor for Alco engines throughout the United States. Although the Company believes it is unlikely, termination of its distributorship relationship with EMD or its authorized service center relationships with other EMD distributors could adversely affect its business.

POWER GENERATION AND INDUSTRIAL OPERATIONS

The Company is engaged in the overhaul and repair of diesel engines and reduction gears, line boring, block welding service and related parts sales for power generation and industrial customers. The Company is also engaged in the sale and distribution of parts for diesel engines and governors to the nuclear industry. The Company services users of diesel engines that provide standby, peak and base load power generation, as well as users of industrial reduction gears such as the cement, paper and mining industries.

The Company has power generation and industrial operations providing in-house and in-field repair capabilities and safety-related products to the nuclear industry. These operations are located in Rocky Mount, North Carolina, Medley, Florida, Paducah, Kentucky, Harvey, Louisiana and Seattle, Washington. The operations based in Rocky Mount, North Carolina and Medley, Florida are EMD authorized distributors for 17 eastern states and the Caribbean for power generation and industrial applications, and provide in-house and in-field service. The Rocky Mount operation is also the exclusive worldwide distributor of EMD products to the nuclear industry, the exclusive worldwide distributor for Woodward Governor ("Woodward") products to the nuclear industry and the exclusive worldwide distributor of Cooper products to the nuclear industry. The Paducah, Kentucky operation is a certified industrial renew center for Falk, and provides in-house and in-field repair services for industrial reduction gears in the Midwest. The Seattle, Washington operation provides in-house and in-field repair services for Alco engines located on the West Coast and the Pacific Rim.

POWER GENERATION AND INDUSTRIAL CUSTOMERS

The Company's major power generation customers are Miami-Dade County, Florida Water and Sewer Authority, Progress Energy and the worldwide nuclear power industry. The Company's major industrial customers include the cement, paper and mining industries in the Midwest and southeast United States.

POWER GENERATION AND INDUSTRIAL COMPETITIVE CONDITIONS

The Company's primary competitors are other independent diesel services companies and industrial reduction gear repair 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 significant factors. A substantial portion of the Company's business is obtained by competitive bids. The Company has entered into preferential service agreements with certain large operators of diesel powered generation equipment, providing such operations with one source of support and service for all of their requirements at pre-negotiated prices.

The Company is also the exclusive worldwide distributor of EMD, Cooper and Woodward parts for the nuclear industry. Specific regulations relating to equipment used in nuclear power generation require extensive testing and certification of replacement parts. Non-genuine parts and parts not properly tested and certified cannot be used in the nuclear applications.

ENGINE DISTRIBUTION AGREEMENT

Engine Systems has an agreement with Stewart & Stevenson Services, Inc., allowing Stewart & Stevenson to sell EMD engines in certain applications within Engine Systems' distributorship territory encompassing 17 eastern states and the Caribbean. Engine Systems receives an annual fee based on sales within the distributorship territory.

RAIL OPERATIONS

The Company is engaged in the overhaul and repair of locomotive diesel engines and the sale of replacement parts for locomotives serving shortline, industrial, and certain transit and Class II railroads within the continental United States. The Company serves as an exclusive distributor for EMD providing replacement parts, service and support to these markets. EMD is the world's largest manufacturer of diesel-electric locomotives, a position it has held for over 80 years.

RAIL CUSTOMERS

The Company's rail customers are United States shortline, industrial, transit and Class II operators. The shortline and industrial operators are located throughout the United States, and are primarily branch or spur rail lines that provide the final connection between the plants or mines and the major railroad operators. The shortline railroads are independent operators. The plants and mines own the industrial railroads. The transit railroads are primarily located in larger cities in the Northeast and West Coast of the United States. Transit railroads are operated by cities, states and Amtrak. The Class II railroads are larger regionally operated railroads.

RAIL COMPETITIVE CONDITIONS

As an exclusive United States distributor for EMD parts, the Company provides all EMD parts sales to these markets, as well as providing rebuild and service work. There are several other companies providing service for shortline and industrial locomotives. In addition, the industrial companies, in some cases, provide their own service.

EMPLOYEES

Marine Systems, Engine Systems and Rail Systems together have approximately 260 employees.

PROPERTIES

The principal offices of the diesel engine services segment are located in Houma, Louisiana. The Company also operates seven parts and service facilities that are located in Houma, Louisiana, Chesapeake, Virginia, Rocky Mount, North Carolina, Paducah, Kentucky, Medley, Florida, Harvey, Louisiana and Seattle, Washington. All of these facilities are located on leased property except the Houma, Louisiana facility that is situated on approximately seven acres of Company owned land.

ITEM 2. PROPERTIES

The information appearing in Item 1 is incorporated herein by reference. The Company and Kirby Inland Marine currently occupy leased office space at 55 Waugh Drive, Suite 1000, Houston, Texas, under a lease that expires in April 2006. The Company believes that its facilities at 55 Waugh Drive are adequate for its needs and additional facilities would be available if required.

ITEM 3. LEGAL PROCEEDINGS

The Company and a group of approximately 45 other companies have been notified that they are Potentially Responsible Parties ("PRPs") under the Comprehensive Environmental Response, Compensation and Liability Act with respect to a potential Superfund site, the Palmer Barge Line Site ("Palmer"), located in Port Arthur, Texas. In prior years, Palmer had provided tank barge cleaning services to various subsidiaries of the Company. The Company and three other PRPs have entered into an agreement with the EPA to perform a remedial investigation and feasibility study. Based on information currently available, the Company is unable to ascertain the extent of its exposure, if any, in this matter.

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 has recorded necessary reserves and believes that it has adequate insurance coverage or has meritorious defenses for these other claims and contingencies.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of the fiscal year ended December 31, 2002, no matter was submitted to a vote of security holders through solicitation of proxies or otherwise.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company are as follows:

NAME	AGE	POSITIONS AND OFFICES
C. Berdon Lawrence....................	60	Chairman of the Board of Directors
Joseph H. Pyne........................	55	President, Director and Chief Executive Officer
Norman W. Nolen.......................	60	Executive Vice President, Chief Financial Officer, Treasurer and Assistant Secretary
Steven P. Valerius....................	48	President -- Kirby Inland Marine
Dorman L. Strahan.....................	46	President -- Kirby Engine Systems
Mark R. Buese.........................	47	Senior Vice President -- Administration
Jack M. Sims..........................	60	Vice President -- Human Resources
Howard G. Runser......................	52	Vice President -- Information Technology
G. Stephen Holcomb....................	57	Vice President -- Investor Relations and Assistant Secretary
Ronald A. Dragg.......................	39	Controller

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.

C. Berdon Lawrence holds an M.B.A. degree and a B.B.A. degree in business administration from Tulane University. He has served the Company as Chairman of the Board since October 1999. Prior to joining the Company in October 1999, he served for 30 years as President of Hollywood Marine, an inland tank barge company of which he was the founder and principal shareholder and which was acquired by the Company in October 1999.

Joseph H. Pyne holds a degree in liberal arts from the University of North Carolina and has served as President and Chief Executive Officer of the Company since April 1995. He has served the Company as a Director since 1988. He served as Executive Vice President of the Company from 1992 to April 1995 and as President of Kirby Inland Marine from 1984 to November 1999. 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 United States Navy.

Norman W. Nolen is a Certified Public Accountant and holds an M.B.A. degree from the University of Texas and a degree in electrical engineering from the University of Houston. He has served the Company as Executive Vice President, Chief Financial Officer and Treasurer since October 1999 and served as Senior Vice President, Chief Financial Officer and Treasurer from February 1999 to October 1999. Prior to joining the Company, he served as Senior Vice President, Treasurer and Chief Financial Officer of Weatherford International, Inc. from 1991 to 1998. He served as Corporate Treasurer of Cameron Iron Works from 1980 to 1990 and as a corporate banker with Texas Commerce Bank from 1968 to 1980.

Steven P. Valerius holds a J.D. degree from South Texas College of Law and a degree in business administration from the University of Texas. He has served the Company as President of Kirby Inland Marine since November 1999. Prior to joining the Company in October 1999, he served as Executive Vice President of Hollywood Marine. Prior to joining Hollywood Marine in 1979, he was employed by KPMG LLP.

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, President of Rail Systems since 1993 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.

Mark R. Buese holds a degree in business administration from Loyola University and has served the Company as Senior Vice President -- Administration since October 1999. He served the Company or one of its subsidiaries as Vice President -- Administration from 1993 to October 1999. He also served as Vice President of Kirby Inland Marine from 1985 to 1999 and served in various sales, operating and administrative capacities with Kirby Inland Marine from 1978 through 1985.

Jack M. Sims holds a degree in business administration from the University of Miami and has served the Company, or one of its subsidiaries, as Vice President -- Human Resources since 1993. Prior to joining the Company in March 1993, he served as Vice President -- Human Resources for Virginia Indonesia Company from 1982 through 1992, Manager -- Employee Relations for Houston Oil and Minerals Corporation from 1977 through 1981 and in various professional and managerial positions with Shell Oil Company from 1967 through 1977.

Howard G. Runser holds an M.B.A. degree from Xavier University and a Bachelor of Science degree from Penn State University. He has served the Company as Vice President -- Information Technology since January 2000. He is a Certified Data Processor and a Certified Computer Programmer. Prior to joining the Company in January 2000, he was Vice President of Financial Information Systems for Petroleum Geo-Services, and previously held management positions with Weatherford International, Inc. and Compaq Computer Corporation.

G. Stephen Holcomb holds a degree in business administration from Stephen F. Austin State University and has served the Company as Vice President -- Investor Relations and Assistant Secretary since November 2002. He also served as Vice President, Controller and Assistant Secretary from 1989 to November 2002, Controller from 1987 through 1988 and as Assistant Controller from 1976 through 1986. Prior to that, he was Assistant Controller of Kirby Industries from 1973 to 1976. Prior to joining the Company in 1973, he was employed by Cooper Industries, Inc.

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 Controller since November 2002, 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.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

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
2003 First Quarter (through March 5, 2003)	$29.25	$21.62
2002 First Quarter	33.50	25.65
Second Quarter	32.01	23.82
Third Quarter	24.90	20.50
Fourth Quarter	28.26	20.40
2001 First Quarter	22.19	18.35
Second Quarter	25.45	19.83

	SALES PRICE	
	HIGH	LOW
Third Quarter	25.60	20.85
Fourth Quarter	29.00	22.00

As of March 5, 2003, the Company had 24,065,789 outstanding shares held by approximately 1,000 stockholders of record.

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.

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, 2002. The information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company and the Financial Statements included under Item 8 elsewhere herein (in thousands, except per share amounts):

	FOR THE YEARS ENDED DECEMBER 31,				
	2002	2001*	2000*	1999*	1998*
Revenues:					
Marine transportation	$450,280	$481,283	$443,203	$290,956	$244,839
Diesel engine services	85,123	85,601	69,441	74,648	82,241
	$535,403	$566,884	$512,644	$365,604	$327,080
Net earnings	$ 27,446	$ 39,603	$ 34,113	$ 21,441	$ 10,109
Earnings per share of common stock:					
Basic	$ 1.14	$ 1.65	$ 1.40	$ 1.01	$ .46
Diluted	$ 1.13	$ 1.63	$ 1.39	$ 1.01	$ .46
Weighted average shares outstanding:					
Basic	24,061	24,027	24,401	21,172	21,847
Diluted	24,394	24,270	24,566	21,293	22,113

	DECEMBER 31,				
	2002	2001*	2000*	1999*	1998*
Property and equipment, net	$486,852	$466,239	$453,807	$451,851	$256,899
Total assets	$791,758	$752,435	$746,541	$753,397	$390,299
Long-term debt, including current portion	$266,001	$249,737	$293,372	$321,607	$142,885
Stockholders' equity	$323,311	$301,022	$262,649	$240,036	$141,040

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* Comparability with prior periods is affected by the following: goodwill amortization of $6,253, $5,844, $1,660, and $600 in 2001, 2000, 1999 and 1998, respectively; and the purchase of the stock of Hollywood Marine effective October 12, 1999.

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, fog and ice, marine accidents, lock delays, construction of new equipment by competitors, including construction with government assisted financing, government and environmental laws and regulations, and the timing, magnitude and number of acquisitions made by the Company.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with 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 uncollectable receivables each period and establishes an allowance for uncollectable 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 uncollectable 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 significant change in the level of uncollectable amounts 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 income. Routine maintenance and repairs are charged to operating expense as incurred on an annual basis. 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 are 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 measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average weighted cost of capital. 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 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. 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 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 AND LEASES

On October 12, 2000, the Company's subsidiary, Marine Systems, completed the acquisition of Powerway for $1,428,000 in cash. On November 1, 2000, Marine Systems completed the acquisition of West Kentucky for an aggregate consideration of $6,674,000, consisting of $6,629,000 in cash, the assumption of $20,000 of West Kentucky's existing debt and $25,000 in merger costs.

In February 2001, the Company, through its marine transportation segment, entered into a long-term lease with Union Carbide for 94 inland tank barges. The 94 inland tank barges, all double hull, have a total capacity of 1,335,000 barrels. The inland tank barges were acquired by Dow as part of the February 5, 2001 merger between Union Carbide and Dow. The Company has a long-term contract with Dow to provide for Dow's bulk liquid inland marine transportation requirements throughout the United States inland waterway system. With the merger between Union Carbide and Dow, the Company's long-term contract with Dow was amended to provide for Union Carbide's bulk liquid inland marine transportation requirements. At the inception of the lease, the Union Carbide barges were used exclusively in Union Carbide service. Partial transition of the tank barges into the Company's marine transportation fleet began in the 2001 third quarter and was completed during September 2001.

In March 2002, the Company purchased the Cargo Carriers fleet of 21 inland tank barges for $2,800,000 in cash from Cargill, and resold six of the tank barges for $530,000 in April 2002.

On October 31, 2002, the Company completed the acquisition of seven inland tank barges and 13 inland towboats from Coastal for $17,053,000 in cash. In addition, the Company and Coastal entered into a barge management agreement whereby the Company will serve as manager of the two companies' combined black oil fleet for a period of seven years. The combined black oil fleet consists of 54 barges owned by Coastal and the Company's 66 black oil barges. In a related transaction, on September 25, 2002, the Company purchased from Coastal three black oil tank barges for $1,800,000 in cash.

On December 15, 2002, the Company purchased the 94 inland tank barges leased in February 2001, as noted above, from Union Carbide for $23,000,000. Nine of the 94 tank barges were out-of-service and will be sold.

On January 15, 2003, the Company purchased from SeaRiver, the U.S. transportation affiliate of ExxonMobil, 45 double hull inland tank barges and seven inland towboats for $32,113,000 in cash, and assumed from SeaRiver the leases of 16 double hull inland tank barges. On February 28, 2003, the Company purchased three double hull inland tank barges leased by SeaRiver from Banc of America Leasing for $3,453,000 in cash. In addition, the Company entered into a contract to provide inland marine transportation services to SeaRiver.

RESULTS OF OPERATIONS

The Company reported 2002 net earnings of $27,446,000, or $1.13 per share, on revenues of $535,403,000, compared with net earnings of $39,603,000, or $1.63 per share, on revenues of $566,884,000 for

2001, and net earnings of $34,113,000, or $1.39 per share, on revenues of $512,644,000 for 2000. The 2002 year included a $18,933,000, before taxes, $12,498,000 after taxes, or $.51 per share, non-cash impairment of long-lived assets and an equity investment. For the 2001 and 2000 years, net earnings and earnings per share included $6,253,000, or $.26 per share, and $5,844,000, or $.24 per share, respectively, of goodwill amortization expense. Amortization of goodwill ceased January 1, 2002 as a result of adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142").

Marine transportation revenues for 2002 totaled $450,280,000, or 84% of total revenues, compared with $481,283,000, or 85% of total revenues for 2001 and $443,203,000, or 86% of total revenues for 2000. Diesel engine services revenues for 2002 totaled $85,123,000, or 16% of total revenues, compared with $85,601,000, or 15% of total revenues for 2001 and $69,441,000, or 14% of total revenues for 2000.

For purposes of the Management's Discussion, all earnings per share are "Diluted earnings per share". The weighted average number of common shares applicable to diluted earnings for 2002, 2001 and 2000 were 24,394,000, 24,270,000 and 24,566,000, respectively.

MARINE TRANSPORTATION

The Company, through its marine transportation segment, is a provider of marine transportation services, operating a current fleet of 911 active inland tank barges and 215 active inland towing vessels, transporting petrochemicals, refined petroleum products, black oil products and agricultural chemicals along the United States inland waterways. The marine transportation segment is also the managing partner of a 35% owned offshore marine partnership, consisting of four dry-bulk barge and tug units. The partnership is accounted for under the equity method of accounting.

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, 2002 (dollars in thousands):

	2002	2001	% CHANGE 2001 TO 2002	2000	% CHANGE 2000 TO 2001
Marine transportation revenues...	$450,280	$481,283	(6)%	$443,203	9%
Costs and expenses:					
Costs of sales and operating expenses....................	269,838	286,641	(6)	262,725	9
Selling, general and administrative.............	52,967	54,070	(2)	47,149	15
Taxes, other than on income....	10,548	11,211	(6)	9,908	13
Depreciation and other amortization................	42,332	40,677	4	39,705	2
Amortization of goodwill.......	--	5,610	N/A	5,616	--
	375,685	398,209	(6)	365,103	9
Operating income.......	$ 74,595	$ 83,074	(10)%	$ 78,100	6%
Operating margins......	16.6%	17.3%		17.6%	

2002 COMPARED WITH 2001

MARINE TRANSPORTATION REVENUES

Revenues for 2002 compared with 2001 declined 6%, reflecting a overall continued weakness in petrochemical volumes, lower refined products volumes into the Midwest and lower liquid fertilizer volumes. During 2002, petrochemical volumes along the Gulf Coast remained depressed, the continued impact of the sluggish U.S. economy; however, petrochemical volumes into the Midwest improved in the second half of

2002 with the gradual replenishment of low inventory levels by Midwest manufacturers. Late in the fourth quarter, petrochemical volumes along the Gulf Coast reflected some improvement.

Refined products volumes began the 2002 year strong, declined during the first quarter, remained weak the entire second quarter, and improved during the second half. During the 2002 first half, high Midwest refined products inventories and a new refined products pipeline from the Gulf Coast to the Midwest that went online April 1, 2002, negatively impacted the volumes moved by inland tank barge. During the 2002 second half, the movement of refined products into the Midwest returned to more traditional levels, or pre-2000 levels, driven by seasonal demand variables based on inventory requirements and Midwest refinery outages for maintenance.

Black oil volumes were below 2001 volume levels for the first nine months of 2002. In November and December 2002, volumes increased with the addition of the black oil tank barges and towboats purchased from Coastal and the barge management agreement signed with Coastal for the management of Coastal's remaining black oil barges.

Liquid fertilizer volumes were weak in the 2002 first half, the result of significant rainfall amounts in the Midwest that kept farmers out of their fields, reducing the demand for fertilizer usage, thereby reducing the demand for upriver volumes of liquid fertilizer by tank barge. During the 2002 third quarter, volumes returned to normal seasonal levels, but declined in the fourth quarter as a major customer significantly curtailed its fertilizer output due to production problems at its facility.

In late September 2002, Tropical Storm Isidore, and in early October 2002, Hurricane Lili, both made landfall in central Louisiana, creating delays and diversions of marine equipment away from the path of the storms, and thereby lowering the Company's third and fourth quarter revenues. The impact of Tropical Storm Isidore and Hurricane Lili on the 2002 results was an estimated $.05 per share after taxes.

During the 2002 year, approximately 70% of marine transportation volumes were under term contracts and 30% were spot market volumes. During 2002, contract renewals remained relatively flat. Spot market rates declined approximately 10% to 15% during the 2002 first quarter and certain spot market rates declined an additional 15% to 20% during the second quarter. Weak petrochemical and refined products volumes during the 2002 first half created lower utilization and excess tank barge capacity industry wide. During the 2002 third quarter, spot market rates remained depressed, even though petrochemical and refined products volumes into the Midwest improved. During the fourth quarter, spot market rates moved higher as petrochemical and refined products volumes improved, however, spot market rates for 2002 remained below 2001 fourth quarter levels.

MARINE TRANSPORTATION COSTS AND EXPENSES

Total costs and expenses for 2002 were 6% lower than 2001, primarily reflecting the 6% reduction in revenues for 2002 compared with 2001 and corresponding lower expenses. The 2001 year included $5,610,000 of amortization of goodwill, which the Company ceased amortizing in 2002 under SFAS No. 142.

Costs of sales and operating expenses for 2002 decreased 6% compared with the 2001 year, primarily reflecting the decrease in marine transportation activity and corresponding lower voyage related expenses. Depending on the amount of volumes moved, the segment adjusts the number of towboats operated and crews required on a daily basis. The segment operated 217 towboats at December 31, 2001, 203 at March 31, 2002, 198 at June 30, 2002, 206 at September 30, 2002 and 215 at December 31, 2002. The increase in the number of towboats operated from September 30 to December 31, reflected the fourth quarter acquisition of the Coastal vessels and the management of Coastal's remaining 54 black oil barge fleet. Partially offsetting the operating cost savings was the negative impact of inclement weather conditions, which decreased revenues and increased operating expenses. Ice conditions, frontal systems and high water during the 2002 first half and fourth quarter, and the tropical storm and hurricane noted above in the third and fourth quarters, required additional horsepower to complete movements, additional fuel and other variable expenses associated with longer transit times.

Selling, general and administrative expenses for 2002 decreased 2% compared with 2001, reflecting lower incentive compensation accruals and professional fees, partially offset by annual salary increases effective January 2002.

Taxes, other than on income for 2002 decreased 6% compared with 2001. The decrease reflected lower waterway use taxes, the result of decreased marine transportation volumes, and lower franchise taxes attributable to legal restructuring.

Depreciation and other amortization expense for 2002 increased 4% compared with 2001. The increase reflected new inland tank barge additions in 2001 and 2002, the acquisition of the Cargill 15 barge fleet in March 2002, the acquisition of the 10 black oil barges and 13 towboats from Coastal in late October 2002, and the acquisition of 94 tank barges from Union Carbide in December 2002. In addition, the segment decreased the remaining useful lives of certain older tank barges to correspond with the anticipated retirement dates of such barges.

MARINE TRANSPORTATION OPERATING INCOME AND OPERATING MARGINS

Operating income for 2002 was 10% lower than 2001. The 2001 operating income included $5,610,000 of goodwill amortization expense. Amortization of goodwill ceased January 1, 2002 with the adoption of SFAS No. 142. Goodwill will be evaluated annually for impairment, or whenever events or circumstances indicate that interim impairment testing is necessary. The operating margin for 2002 was 16.6% compared with 17.3% for 2001, or 18.4% when adjusted for goodwill amortization expense. The decline in the 2002 operating margin primarily reflected lower 2002 spot market rates and relatively flat contract renewals compared with 2001, as well as reduced volumes.

2001 COMPARED WITH 2000

MARINE TRANSPORTATION REVENUES

Revenues for 2001 were 9% over 2000 revenues. The increase included revenues generated from the leasing in February 2001 of 94 inland tank barges from Union Carbide. The marine transportation segment generated approximately $24,000,000 of revenues during 2001 from such service. From the date of the lease until late in the 2001 third quarter, the leased barges were employed exclusively in Union Carbide service. Late in the 2001 third quarter, the partial integration of the leased tank barges was completed into the segment's inland tank barge fleet under the terms of the long-term contract with Dow. The completed partial integration allowed for the achievement of additional operating synergies and total use of the distribution system.

For the 2001 year, the Company benefited from strong upriver refined products volumes and favorable black oil volumes. The Company's liquid fertilizer volumes were higher than expected for the 2001 first half. Petrochemical volumes were depressed for the entire year, the result of the slow U.S. economy.

The strong Midwest refined products volumes were accelerated in mid-August by a Chicago, Illinois area refinery fire, which closed the facility for an estimated six-month period. The facility closure created an anomaly in the normal distribution patterns of refined petroleum products into the Midwest. Midwest volumes of refined products remained strong for the remainder of 2001.

The favorable 2001 black oil volumes were primarily driven by the high demand for asphalt for use in rebuilding of the U.S. highway infrastructure. In addition, in the 2001 first half, high natural gas prices aided black oil volumes by creating additional demand for residual fuel as a natural gas substitute for boiler fuel for utility customers.

During the 2001 first quarter, and into April and May, high natural gas prices caused the U.S. manufacturers of nitrogen based fertilizer to significantly curtail production. The agricultural demand for nitrogen based fertilizer was strong, and foreign producers made up the shortfall of domestic production. The significant importing of liquid fertilizer disrupted the traditional rail and inland tank barge distribution pattern and created additional barging volumes. Liquid fertilizer volumes in the 2001 third quarter were at normal levels while the fourth quarter volumes were weak, the result of high Midwest inventory levels.

During 2001, approximately 70% of volumes were under term contracts, with 30% spot market volumes. Contract renewals during 2001 were generally at modestly higher prices. Spot market rates, after the mid-August 2001 refinery fire, were generally higher than the 2001 first half, the result of increased utilization to meet the demand for refined products volumes into the Midwest.

During the 2001 first half, and particularly the first quarter, operations were hampered by adverse weather conditions. Along the Gulf Coast, heavy fog and strong winds caused delays, thereby increasing transit times. Operations on the Illinois River ceased for the majority of January 2001 due to ice. In February, March, April and early May, high water caused navigational delays on the Mississippi River. During the second half of 2001, and particularly the third quarter, the segment benefited from favorable weather and water conditions.

MARINE TRANSPORTATION COSTS AND EXPENSES

Total costs and expenses for 2001 were 9% higher than 2000, in proportion to the higher revenues recorded in 2001. The 2001 and 2000 years included $5,610,000 and $5,616,000, respectively, of amortization of goodwill, which the Company ceased amortizing in 2002.

Costs of sales and operating expenses were 9% higher in 2001 compared with 2000. The increase was in proportion to the higher revenues recorded in 2001. The 2001 year included lease costs, as well as operating expenses, associated with the February 2001 leasing of 94 inland tank barges from Union Carbide.

Selling, general and administrative expenses for 2001 were 15% higher than 2000. The increase primarily reflected higher salaries, bonus and profit-sharing accruals, and the hiring of additional personnel as a result of the leasing of inland tank barges from Dow.

Taxes, other than on income was 13% higher in 2001 than 2000, primarily reflecting increased waterway use taxes associated with higher business activity levels, including the additional Dow business.

Depreciation and other amortization increased 2% for 2002 compared with 2001. The increase primarily resulted from the addition of eleven new tank barges placed into service during 2000 and 2001.

MARINE TRANSPORTATION OPERATING INCOME AND OPERATING MARGINS

Operating income for 2001 increased 6% compared with 2000 and the operating margin was 17.3% in 2001 and 17.6% for 2000. Excluding amortization of goodwill, the operating margin for 2001 was 18.4% compared with 18.9% for 2000. The slight decline in the operating margin for 2001 compared with 2000 reflected reduced petrochemical volumes during 2001, as petrochemical volumes typically earn a higher operating margin than refined products and liquid fertilizer volumes.

DIESEL ENGINE SERVICES

The Company, through its diesel engine services segment, sells genuine replacement parts, provides service mechanics to overhaul and repair large medium-speed diesel engines and reduction gears, and maintains facilities to rebuild component parts or entire large medium-speed diesel engines or entire reduction gears. The segment services the marine, power generation and industrial, and railroad markets.

The following table sets forth the Company's diesel engine services segment's revenues, costs and expenses, operating income and operating margins for the three years ended December 31, 2002 (dollars in thousands):

	2002	2001	% CHANGE 2002 TO 2001	2000	% CHANGE 2001 TO 2000
Diesel engine services revenues.....	$85,123	$85,601	(1)%	$69,441	23%
Costs and expenses:					
Costs of sales and operating expenses......................	63,928	64,150	--	52,610	22
Selling, general and administrative................	11,111	11,680	(5)	8,917	31
Taxes, other than on income.......	303	286	6	268	7
Depreciation and other amortization..................	940	873	8	605	44
Amortization of goodwill..........	--	501	N/A	86	483
	76,282	77,490	(2)	62,486	24
Operating income..........	$ 8,841	$ 8,111	9%	$ 6,955	17%
Operating margins.........	10.4%	9.5%		10.0%	

2002 COMPARED WITH 2001

DIESEL ENGINE SERVICES REVENUES

Revenues for 2002 compared with 2001 were relatively flat, benefiting from a strong 2002 power generation, industrial and railroad markets, thereby offsetting a weak 2002 Gulf Coast oil and gas services market, a market weak since the second half of 2001. The power generation market benefited from favorable service and parts sales to the nuclear industry. Sales to the railroad market benefited from the July 2001 agreement with EMD to distribute replacement parts for locomotive engines used by certain U.S. transit and Class II railroads, and improved service and parts sales to a slightly improved U.S. steel industry.

DIESEL ENGINE SERVICES COSTS AND EXPENSES

Costs and expenses for 2002 compared with 2001 were in line with 2002 revenues, remaining relatively flat. The 2001 year included $501,000 of amortization of goodwill, which the Company ceased amortizing in 2002, in accordance with SFAS No. 142.

DIESEL ENGINE SERVICES OPERATING INCOME AND OPERATING MARGINS

Operating income for the diesel engine services segment for 2002 was 9% higher than 2001, primarily the result of the $501,000 of goodwill amortization recorded in 2001. The operating margin for 2002 was 10.4% compared with 9.5% for 2001, or 10.1% adjusted for amortization of goodwill. The operating margin for 2002 was positively influenced by increased power generation revenues, which historically earn a higher gross profit margin, and negatively influenced by increased railroad revenues, which historically earn a lower gross profit margin.

2001 COMPARED WITH 2000

DIESEL ENGINE SERVICES REVENUES

Revenues for 2001 reflected a 23% increase when compared with 2000. The 2001 year included a full year of revenues from two service company acquisitions, Powerway, acquired in October 2000 and West Kentucky in November 2000, as well as from an agreement signed in July 2001 with EMD as noted above. During 2001, the power generation market was strong, reflecting favorable nuclear parts sales, and the Gulf Coast oil and gas services market was strong in the 2001 first half, however, weakened in the second half of the year. The shortline and industrial railroad market remained weak for the entire year.

DIESEL ENGINE SERVICES COSTS AND EXPENSES

Costs and expenses for 2001 generally increased in proportion to the higher revenues in 2001 over 2000, reflecting the full year impact of the two acquisitions, Powerway in October and West Kentucky in November of 2000 and the impact of the July 2001 agreement with EMD.

DIESEL ENGINE SERVICES OPERATING INCOME AND OPERATING MARGINS

Operating income for the diesel engine services segment for 2001 was 17% higher than 2000, however, the operating margin declined to 9.5% for 2001 compared with 10.0% for 2000. The decline in the operating margin for 2001 was primarily attributable to increased lower margin replacement parts sales to the transit and Class II railroads.

GENERAL CORPORATE EXPENSES

General corporate expenses for 2002, 2001 and 2000 were $5,677,000, $7,088,000 and $7,053,000, respectively. The 20% decline in 2002 compared with 2001 reflected lower employee incentive compensation accruals and professional fees, partially offset by annual salary increases effective January 2002.

OTHER INCOME AND EXPENSES

The following table sets forth the impairment of long-lived assets, merger related charges, gain on disposition of assets, equity in earnings of marine affiliates, impairment of equity investment, other income (expense), minority interests and interest expense for the three years ended December 31, 2002 (dollars in thousands):

	2002	2001	% CHANGE 2002 TO 2001	2000	% CHANGE 2001 TO 2000
Impairment of long-lived assets.......	$(17,712)	$ --	N/A	$ --	N/A
Merger related charges................	--	--	--%	(199)	N/A
Gain on disposition of assets.........	624	363	72%	1,161	(69)%
Equity in earnings of marine affiliates.........................	700	2,950	(76)%	3,394	(13)%
Impairment of equity investment.......	(1,221)	--	N/A	--	N/A
Other income (expense)................	(155)	(540)	71%	337	(260)%
Minority interests....................	(962)	(706)	(36)%	(966)	27%
Interest expense......................	(13,540)	(19,038)	(29)%	(23,917)	(20)%

ASSET IMPAIRMENTS

During the fourth quarter of 2002, the Company recorded $18,933,000 of non-cash pre-tax impairment charges. The after-tax effect of the charges was $12,498,000 or $.51 per share. Of the total pre-tax charges, $17,241,000 was due to reduced estimated cash flows resulting from reduced lives on the Company's single hull fleet and its commitment to sell certain vessels during 2003. The reduced estimated useful lives on 114 single hull tank barges is due to market bias against single hull tank barges and the assessment of the impact of new regulations issued in September 2002 by the U.S. Coast Guard that require the installation of tank level monitoring devices on all single hull tank barges by October 2007. The Company plans to retire all of its single hull tank barges by October 17, 2007. The Company has committed to sell 21 inactive or out-of-service double hull tank barges and five inactive towboats during 2003 and has reduced the carrying value of these vessels by $5,682,000 to fair value of $2,621,000. The charges also included a $1,221,000 write-down of an investment in a non-consolidated affiliate to its estimated fair value and a $471,000 write-down of surplus diesel shop equipment.

GAIN ON DISPOSITION OF ASSETS

The Company reported net gains on disposition of assets of $624,000 in 2002, $363,000 in 2001 and $1,161,000 in 2000. The net gains were predominantly from the sale of marine equipment.

EQUITY IN EARNINGS OF MARINE AFFILIATES

Equity in earnings of marine affiliates, consisting primarily of a 35% owned offshore marine partnership, declined to $700,000, a 76% decrease for 2002 compared with 2001, and declined $444,000, or 13% for 2001 compared with 2000. During the 2002, 2001 and 2000 years, the four offshore dry-cargo barge and tugboats units owned through the 35% owned partnership with a public utility were generally employed under the partnership's contract to transport coal across the Gulf of Mexico, with a separate contract for the backhaul of limestone rock. The lower results for 2002 primarily reflected reduced rates on the recently renewed coal transportation contract, and the timing of maintenance on three of the four units in the partnership. The results for 2001 reflected major maintenance at the customer's docking facility which closed the facility for a portion of the 2001 third quarter, and the Company's decision to conduct maintenance on two of the offshore barge and tugboat units while the facility was closed. For the 2000 year, the four units were primarily fully employed in the partnership's coal and rock trade.

INTEREST EXPENSE

The 29% reduction in interest expense for 2002 compared with 2001 and 20% reduction for 2001 compared with 2000 was attributable to lower debt levels during 2002 and lower interest rates on the Company's variable rate debt. In January 2002, the Company retired the remaining $50,000,000 of 7.05% medium term notes, refinancing the notes through the Company's bank revolving credit facility. During 2002, 2001 and 2000, the average interest rate under the Company's revolving credit facility was 3.0%, 6.0% and 7.7%, respectively. Interest rate swap agreements totaling $150,000,000, executed in February and April 2001 to hedge a portion of its exposure to fluctuations in short-term interest rates and more fully discussed in Long-Term Financing below, resulted in additional interest expense of $5,476,000 in 2002 and $2,210,000 in 2001. The average debt and average interest rates for 2002, including the effect of interest rate swaps, were $240,954,000 and 5.6%, compared with $264,568,000 and 7.2% for 2001 and $320,955,000 and 7.5% for 2000, respectively.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

BALANCE SHEET

Total assets as of December 31, 2002 were $791,758,000 compared with $752,435,000 as of December 31, 2001 and $746,541,000 as of December 31, 2000. The following table sets forth the significant components of the balance sheet as of December 31, 2002 compared with 2001 and 2001 compared with 2000 (dollars in thousands):

	2002	2001	% CHANGE 2002 TO 2001	2000	% CHANGE 2001 TO 2000
Assets:					
Current assets	$119,468	$113,991	5%	$118,519	(4)%
Property and equipment, net	486,852	466,239	4	453,807	3
Investment in marine affiliates	10,238	10,659	(4)	10,004	7
Goodwill, net	156,726	156,726	--	162,604	(4)
Other assets	18,474	4,820	283	1,607	200
	$791,758	$752,435	5%	$746,541	1%
Liabilities and stockholders' equity:					
Current liabilities	$ 91,245	$ 95,021	(4)%	$ 94,310	1%
Long-term debt-less current portion	265,665	249,402	7	288,037	(13)
Deferred income taxes	85,768	89,542	(4)	89,138	--
Minority interests and other long-term liabilities	25,769	17,448	48	12,407	41
Stockholders' equity	323,311	301,022	7	262,649	15
	$791,758	$752,435	5%	$746,541	1%

2002 COMPARED WITH 2001

Current assets as of December 31, 2002 increased 5% compared with December 31, 2001. Prepaid expenses and other current assets increased 41%, partially from the recording as a current asset $1,550,000 of a $17,500,000 November 2002 contribution to the Company's defined benefit plan for vessel personnel. The increased contribution was the result of lower interest rates and lower investment returns from the plan's assets, which consist primarily of fixed income securities and corporate stocks. Funding of the plan is based on actuarial projections that are designed to satisfy minimum ERISA funding requirements to achieve adequate funding of accumulated benefit obligations. Additionally, vessels with a fair value of $2,621,000, and committed to be sold in 2003, have been reclassified from property and equipment to prepaid expenses and other current assets. The Company also wrote-off $738,000 of trade accounts receivables against the allowance for doubtful accounts primarily recorded in 2001.

Property and equipment, net of accumulated depreciation, as of December 31, 2002 increased 4% compared with December 31, 2001. The increase reflected $47,709,000 of capital expenditures and the acquisition of tank barges and towboats totaling $44,653,000, more fully described under Capital Expenditures below, net of $45,401,000 of depreciation for the 2002 year and $6,015,000 of dispositions of marine equipment during the 2002 year. In addition, during the 2002 year the Company took impairment charges of $17,712,000, more fully described under Asset Impairments above, and reclassified $2,621,000 of property as assets held for sale included in prepaid expenses and other current assets.

Other assets as of December 31, 2002 increased 283% during 2002 compared with December 31, 2001, primarily from the $17,500,000 contribution to the Company's defined benefit plan for vessel personnel, of which $1,550,000 was classified as a current asset.

Current liabilities as of December 31, 2002 declined 4% compared with December 31, 2001, primarily due to a decrease in accrued liabilities, the result of lower employee compensation accruals, the timing of such compensation payments, and lower accrued interest expense the result of lower average interest rates and lower average debt levels, partially offset by higher accruals for casualty losses.

Long-term debt, less current portion, as of December 31, 2002 increased 7% compared with December 31, 2001. The increase was impacted by borrowings to finance the 2002 first quarter Cargo Carriers acquisition, 2002 fourth quarter Coastal and Union Carbide marine equipment acquisitions, the November 2002 $17,500,000 defined benefit plan contribution, the 2002 capital expenditures and common stock repurchases.

Minority interests and other long-term liabilities as of December 31, 2002 increased 48% compared with December 31, 2001, primarily due to the recording of a $7,228,000 increase in the fair value of the interest rate swap agreements for 2002, more fully described under Long-Term Financing below.

Stockholders' equity as of December 31, 2002 increased 7% compared with December 31, 2001. The increase for 2002 primarily reflected net earnings of $27,446,000, a net increase in treasury stock of $1,252,000, and a $4,698,000 decrease in accumulated other comprehensive income. The increase in treasury stock reflected $3,931,000 of open market treasury stock purchases less $2,679,000 associated with the exercise of employee stock options. The $4,698,000 decrease in accumulated other comprehensive income resulted from the net changes in fair value of interest rate swap agreements, net of taxes, more fully described under Long-Term Financing below.

2001 COMPARED WITH 2000

In December 2000, Oceanic, the Company's wholly owned captive insurance subsidiary, liquidated its remaining available-for-sale securities, which totaled $9,781,000 as of September 30, 2000. Prior to 1999, Oceanic was used to insure risks of the Company and its subsidiaries, which required Oceanic to be more fully capitalized.

Total current assets as of December 31, 2001 decreased 4% compared with December 31, 2000. The 4% decrease reflected a $2,808,000 reduction in cash and cash equivalents and a $1,816,000, or 2% reduction in trade accounts receivables, even though marine transportation and diesel engine services revenues increased during 2001 by a combined 11% over 2000. The reduction in trade accounts receivable reflected the Company's emphasis on the collection of such receivables during 2001. The Company also recorded a $500,000 allowance for doubtful accounts in the 2001 fourth quarter when a large Houston based trading company filed for bankruptcy.

Property and equipment, net of accumulated depreciation, remained relatively constant with December 31, 2000. The 2000 balance reflected two diesel engine services acquisitions in the 2000 fourth quarter and a final purchase price adjustment to the Hollywood Marine acquisition totaling approximately $4,600,000 to reflect the fair value of the property and equipment acquired in the transaction.

Goodwill as of December 31, 2001 decreased 4% compared with December 31, 2000. Goodwill totaling $157,352,000 was recorded in 1999, and adjusted in 2000 by an additional $3,900,000, for the Hollywood Marine acquisition, representing the excess of the purchase price over the amount allocated to identifiable assets and liabilities. In 2000, the Company also recorded goodwill totaling approximately $3,300,000 from two diesel engine services acquisitions. Effective January 1, 2002, the Company ceased the amortization of goodwill in accordance with SFAS No. 142.

Total current liabilities as of December 31, 2001 and December 31, 2000 were relatively constant. In December 2001, the current portion of long-term debt decreased $5,000,000 from the prepayment of a private placement note, more fully described under Long-Term Financing below. The debt prepayment was offset by higher bonus, pension and profit sharing accruals and deferred revenues as of December 31, 2001.

Long-term debt, less current portion, as of December 31, 2001 declined 13% compared with December 31, 2000. The reduction primarily resulted from the pay down of long-term debt from the free cash flow generated by the Company in 2001, less capital expenditures and treasury stock repurchases.

Minority interests and other long-term liabilities as of December 31, 2001 increased 41% compared with December 31, 2000. During 2001, the Company recorded $5,176,000 representing the fair value of the interest rate swap agreements for 2001.

Stockholders' equity as of December 31, 2001 increased 15% compared with December 31, 2000. The increase for the 2001 year primarily reflected net earnings of $39,603,000, a net decrease in treasury stock of $1,635,000, an increase of $499,000 in additional paid-in capital, and a $3,364,000 decrease in accumulated other comprehensive income. The reduction in treasury stock reflected $4,385,000 associated with the exercise of employee stock options, less $2,750,000 of open market treasury stock purchases. The $3,364,000 decrease in accumulated other comprehensive income resulted from the net change in the fair value of interest rate swap agreements, net of taxes, more fully described under Long-Term Financing below.

LONG-TERM FINANCING

The Company has an unsecured revolving credit facility (the "Revolving Credit Facility") with a syndicate of banks, with JPMorgan Chase as the agent bank. On November 5, 2001, the Company amended the Revolving Credit Facility to increase the revolving credit amount from $100,000,000 to $150,000,000 and to extend the maturity date to October 9, 2004. Borrowing options under the amended Revolving Credit Facility allow the Company to borrow at an interest rate equal to either the London Interbank Offered Rate ("LIBOR") plus a margin ranging from ..75% to 1.50%, depending on the Company's senior debt rating; or an adjusted Certificate of Deposit ("CD") rate plus a margin ranging from .875% to 1.625%, also depending on the Company's senior debt rating; or the greater of prime rate, Federal Funds rate plus .50%, or the secondary market rate for three-month CD rate plus 1%. A commitment fee is charged on the unused portion of the Revolving Credit Facility at rates ranging from .20% to .40%, depending on the Company's senior debt rating, multiplied by the average unused portion of the Revolving Credit Facility, and is paid quarterly. A utilization fee equal to ..125% to .25%, also depending on the Company's senior debt rating, of the average outstanding borrowings during periods in which the total borrowings exceed 33% of the total $150,000,000 commitment, is also paid quarterly. At March 5, 2003, the applicable interest rate spread over LIBOR was .875% and the commitment fee and utilization fee were .25% and .125%, respectively. The amended Revolving Credit Facility also included modifications to certain financial covenants, including an increase in the minimum net worth requirement, as defined, to $225,000,000. 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 was in compliance with all Revolving Credit Facility covenants at December 31, 2002. As of December 31, 2002, $88,000,000 was outstanding under the Revolving Credit Facility. The Revolving Credit Facility includes a $10,000,000 commitment which may be used for standby letters of credit. Outstanding letters of credit under the Revolving Credit Facility totaled $741,000 as of December 31, 2002.

The Company has an unsecured term loan credit facility (the "Term Loan") with a syndicate of banks, with Bank of America, N.A. ("Bank of America") as the agent bank. Interest rate options under the Term Loan include interest rates equal to either LIBOR plus a margin ranging from .75% to 1.50%, depending on the Company's senior debt rating; or an adjusted CD rate plus a margin ranging from ..875% to 1.625%, also depending on the Company's senior debt rating; or the greater of prime rate, Federal Funds rate plus .50%, or the secondary market rate for three-month CD rate plus 1%. A utilization fee equal to .125% to .25%, depending on the Company's senior debt rating, of the average outstanding borrowings during periods in which the total borrowings exceed 33% of the original $200,000,000 commitment, is paid quarterly. At March 5, 2003, the applicable interest rate spread over LIBOR was ..875% and the utilization fee was .25%. On November 5, 2001, the Term Loan was amended to conform existing financial covenants to the amended Revolving Credit Facility. In addition to financial covenants, the Term Loan 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. The Term Loan quarterly principal payments of $12,500,000, plus interest, began on October 9, 2002, with the remaining principal due on October 9, 2004, the maturity date of the Term Loan. The principal payments of $50,000,000 due in 2003 were classified as long-term debt at December 31, 2002, as the Company has the ability and intent through the Revolving Credit Facility to refinance the payments on a long-term basis. The Company was in compliance with all Term Loan covenants at December 31, 2002. As of December 31, 2002, the amount borrowed under the Term Loan was $171,500,000.

The Company has an uncommitted and unsecured $10,000,000 line of credit ("Credit Line") with Bank of America whereby Bank of America will provide short-term advances and the issuance of letters of credit on an uncommitted basis. The Credit Line, which matured on November 15, 2002, was extended to November 4, 2003. Borrowings under the Credit Line allow the Company to borrow at an interest rate equal to either LIBOR plus a margin of 1%; or the higher of prime rate or the Federal Funds rate plus .50%. As of December 31, 2002, $5,900,000 was borrowed under the Credit Line and outstanding letters of credit totaled $560,000. Amounts borrowed on the Credit Line were classified as long-term debt at December 31, 2002, as the Company has the ability and the intent to refinance the amount due under the Credit Line on a long-term basis through the Revolving Credit Facility.

In September 2002, the Company entered into a $10,000,000 uncommitted and unsecured revolving credit note ("Credit Note") with BNP Paribas ("BNP") whereby BNP will consider short-term advances through the maturity date of May 31, 2003. The Credit Note allows the Company to borrow at an interest rate equal to BNP's current day cost of funds plus .35%. Also, in September 2002, the Company entered into a $5,000,000 uncommitted letter of credit line with BNP whereby BNP will consider letters of credit for periods no longer than 15 months from issuance through the maturity date of May 31, 2003. The Company did not have any borrowings or letters of credit outstanding under the Credit Note or uncommitted letters of credit line as of December 31, 2002. On February 27, 2003, the available limit of the Credit Note was reduced from $10,000,000 to $5,000,000 by mutual agreement between BNP and the Company. The $5,000,000 uncommitted letter of credit line was cancelled due to a lack of need.

The Company has on file with the Securities and Exchange Commission a shelf registration for the issuance of up to $250,000,000 of debt securities, including medium term notes providing for the issuance of fixed rate or floating rate debt with maturities of nine months or longer. As of December 31, 2002, 2001 and 2000, $121,000,000 was available under the shelf registration, subject to mutual agreement to terms, to provide financing for future business or equipment acquisitions, and to fund working capital requirements. On January 29, 2002, the Company used proceeds from the Revolving Credit Facility to retire the $50,000,000 of medium term notes due on that date. As of December 31, 2002, there were no outstanding debt securities under the shelf registration.

On December 31, 2001, the Company prepaid the remaining $5,000,000 of principal outstanding on a $50,000,000 private placement 8.22% senior note with a maturity date of June 30, 2002. Principal payments of $5,000,000, plus interest, were due annually through June 30, 2002.

In February and April 2001 the Company hedged a portion of its exposure to fluctuations in short-term interest rates by entering into interest rate swap agreements. Five-year swap agreements with notional amounts totaling $100 million were executed in February 2001 and three-year swap agreements with notional amounts totaling $50 million were executed in April 2001. Under the swap agreements, the Company will pay a fixed rate of 4.96% on a notional amount of $50 million for three years, an average fixed rate of 5.64% on a notional amount of $100 million for five years, and will receive floating rate interest payments based on LIBOR for United States dollar deposits. The interest rate swap agreements are designated as cash flow hedges, therefore, the changes in fair value, to the extent the swap agreements are effective, are recognized in other comprehensive income until the hedged interest expense is recognized in earnings. No gain or loss on ineffectiveness was required to be recognized in 2002 or 2001. The fair value of the interest rate swap agreements was recorded as an other long-term liability of $12,404,000 and $5,176,000 at December 31, 2002 and 2001, respectively. The Company has recorded, in interest expense, losses related to the interest rate swap agreements of $5,476,000 and $2,210,000 for the years ended December 31, 2002 and 2001, respectively. The Company anticipates $3,922,000 of net losses included in accumulated other comprehensive income will be transferred into earnings over the next year based on current interest rates. Fair value amounts were determined as of December 31, 2002 and 2001 based on quoted market values of the Company's portfolio of derivative instruments.

On February 28, 2003, the Company issued $250,000,000 of floating rate senior notes ("Senior Notes") due February 28, 2013. The unsecured notes pay interest quarterly at an interest rate equal to LIBOR plus a margin of 1.2% and are not callable for the first year. Thereafter, the Senior Notes may be prepaid without penalty. The proceeds were used to repay $121,500,000 of the Term Loan due October 9, 2004 and $128,500,000 of the Revolving Credit Facility due October 9, 2004. The terms of the Senior Notes include certain 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. Additionally, the Company must comply with certain financial covenants based on the results of its operations.

In connection with the issuing of the Senior Notes, the Company hedged a further portion of its exposure to fluctuations in short-term interest rates by entering into a one-year interest rate swap agreement on February 28, 2003 with a notional amount of $100,000,000. Under the agreement, the Company will pay a fixed rate of 1.39% for one year and will receive floating rate interest payments based on LIBOR for United States dollar deposits. The interest rate swap was designated as a cash flow hedge. Existing swap agreements totaling $150,000,000 which had been used as cash flow hedges for floating rate bank debt were re-designated as cash flow hedges for the Senior Notes. As of February 28, 2003, the Company had a total notional amount of $250,000,000 of interest rate swaps with terms ranging from one to three years designated as cash flow hedges for its Senior Notes. The Senior Notes' effective average rate on that date, including the effect of interest rate swaps, was 5.0%.

CAPITAL EXPENDITURES

Capital expenditures for the 2002 year totaled $47,709,000, of which $11,348,000 were for fleet and project construction, and $36,361,000 were primarily for upgrading of the existing marine transportation fleet. Capital expenditures for the 2001 year totaled $59,159,000, of which $20,305,000 were for fleet and project construction, and $38,854,000 were primarily for upgrading of the existing marine transportation fleet. For the 2000 year, capital expenditures totaled $47,683,000, of which $5,635,000 were for fleet and project construction and $42,048,000 were primarily for upgrading of the existing marine transportation fleet.

In September 2000, the Company entered into a contract for the construction of six double hull, 30,000 barrel capacity, inland tank barges for use in the transportation of petrochemicals and refined petroleum products. The six barges were placed into service during 2001. The total purchase price of the six barges was approximately $8,700,000. Financing of the construction of the six barges was through operating cash flows and available credit under the Company's Revolving Credit Facility.

In January 2001, the Company entered into a contract for the construction of five double hull, 30,000 barrel capacity, inland tank barges which will be used for transporting asphalt. The five barges were placed into service during the second half of 2001. The total purchase price of the five barges was approximately $8,900,000. Financing of the construction of the five barges was through operating cash flows and available credit under the Company's Revolving Credit Facility.

In June 2001, the Company entered into a contract for the construction of six double hull, 30,000 barrel capacity, inland tank barges for use in the transportation of petrochemicals and refined petroleum products. During the 2002 first quarter, one tank barge was placed into service, three tank barges were placed into service in the second quarter, one in the third quarter and the last tank barge was placed into service in

October 2002. The total purchase price of the six barges was approximately $8,900,000. Financing of the construction of the six barges was through operating cash flows and available credit under the Company's Revolving Credit Facility.

In February 2002, the Company entered in a contract for the construction of two double hull, 30,000 barrel capacity, inland tank barges which will be used for transporting asphalt. The two tank barges were placed into service during the 2003 first quarter. The total purchase price of the two barges was approximately $3,600,000 of which $164,000 was expended in 2002. Financing of the construction of the two barges was through operating cash flows and available credit under the Company's Revolving Credit Facility.

In February 2002, the Company also entered into a contract for the construction of six double hull, 30,000 barrel capacity, inland tank barges for use in the transportation of petrochemicals and refined products. Delivery of the six barges is scheduled over a six-month period starting in March 2003. The total purchase price of the six barges is approximately $8,900,000, of which $780,000 was expended in 2002. Financing of the construction of the six barges will be through operating cash flows and available credit under the Company's Revolving Credit Facility.

In October 2002, the Company entered into a contract for the construction for six double hull, 30,000 barrel capacity, inland tank barges for use in the transportation of petrochemical and refined products. Delivery of the six barges is scheduled over a six-month period starting in March 2004. The total purchase price of the six barges is approximately $8,900,000, of which no payments were made in 2002. Financing of the construction of the six barges will be through operating cash flows and available credit under the Company's Revolving Credit Facility.

TREASURY STOCK PURCHASES

During 2002, the Company purchased 165,000 shares of its common stock at a total purchase price of $3,931,000, for an average price of $23.76 per share. During 2001, the Company purchased 126,000 shares of its common stock at a total purchase price of $2,750,000, for an average price of $21.77 per share. During 2000, the Company purchased 860,000 shares of its common stock at a total purchase price of $15,791,000, for an average price of $18.37 per share.

On April 20, 1999, the Board of Directors increased the Company's common stock repurchase authorization by an additional 2,000,000 shares. As of March 5, 2003, the Company had 1,210,000 shares available under the repurchase authorization. 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 $72,554,000, $96,940,000 and $83,303,000 for the years ended December 31, 2002, 2001 and 2000, respectively. Uses of cash for the 2002 year included a $17,500,000 contribution to the Company's defined benefit plan for vessel personnel, higher trade accounts receivable primarily attributable to the Coastal acquisition in late October 2002, the timing of employee incentive compensation plan payments in 2002 that were accrued in 2001, as well as lower employee incentive compensation plan accruals for the 2002 year. Higher operating income and a $3,106,000 decrease in working capital influenced the increase in 2001 compared with 2000.

The Company accounts for its ownership in its four marine partnerships under the equity method of accounting, recognizing cash flow upon the receipt or distribution of cash from the partnerships and joint venture. For the year ended December 31, 2002, the Company made a net cash payment of $30,000 to the partnerships and joint ventures and received cash totaling $2,295,000 and $5,592,000 from the partnerships and joint ventures during the years ended December 31, 2001 and 2000, respectively.

Funds generated are available for acquisitions, capital expenditure projects, treasury stock repurchases, repayment of borrowing associated with each of the above and other operating requirements. In addition to net cash flow provide by operating activities, the Company also had available as of March 5, 2003, $149,222,000 under its Revolving Credit Facility and $121,000,000 under its shelf registration program, subject to mutual agreement and terms. As of March 4, 2003, the Company had $4,629,000 available under its Bank of America Credit Line and $2,000,000 under the BNP Credit Note.

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 Term Loan, Revolving Credit Facility, Credit Line or Credit Note. The pricing grids on the Company's long-term debt are discussed in Note 5, Long-Term Debt in the financial statements.

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

There are numerous factors that may negatively impact the Company's cash flow in 2003. For a list of significant risks and uncertainties that could impact cash flows, see Note 12, Contingencies and Commitments in the financial statements. Amounts available under the Company's existing financial arrangements are subject to the Company continuing to meet the covenants of the credit facilities as also described in Note 5, Long-Term Debt in the financial statements.

The Company has a 50% interest in a joint venture bulk liquid terminal business which has a $5,888,000 term loan outstanding at December 31, 2002. The loan is non-recourse to the Company and the Company has no guarantee obligation. The Company uses the equity method of accounting to reflect its investment in the joint venture.

The contractual obligations of the Company and its subsidiaries at December 31, 2002, after consideration of the long-term financing subsequent to year-end as discussed in Note 15, Subsequent Events, consisted of the following (in thousands):

	PAYMENTS DUE BY PERIOD				
CONTRACTUAL OBLIGATIONS:	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-5 YEARS	AFTER 5 YEARS
Long-term debt......................	$266,001	$56,236	$ 229	$ 8	$209,528
Non-cancelable operating leases.....	34,636	10,364	17,202	6,917	153
Capital expenditures................	19,751	10,851	8,900	--	--
	$320,388	$77,451	$26,331	$6,925	$209,681

The Company has issued guaranties or obtained stand-by 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 $6,468,000 at December 31, 2002, including $1,552,000 in letters of credit and $4,916,000 in performance bonds at December 31, 2002, of which $4,679,000 of these financial instruments relates to contingent legal obligations which are covered by the Company's liability insurance program in the event the obligations are incurred. All of these instruments have an expiration date within two 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.

During the last three years, inflation has had a relatively minor effect on the financial results of the Company. The marine transportation segment has long-term contracts which generally contain cost escalation clauses whereby certain costs, including fuel, can be passed through to its customers; however, there is typically a 30 to 90 day delay before contracts are adjusted for fuel prices. The repair portion of the diesel engine services segment is based on prevailing current market rates.

ACCOUNTING STANDARDS

In June 2001, Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143") was issued. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. SFAS No. 143 requires the fair value of a liability associated with an asset retirement be recognized in the period in which it is incurred if a reasonable estimate of fair value can be determined. The associated retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over the life of the asset. SFAS No. 143 is effective for the Company at the beginning of fiscal 2003. The Company will adopt SFAS No. 143 effective January 1, 2003 and expects there will be no effect on the Company's financial position or results of operations.

In April 2002, Statement of Financial Accounting Standards No. 145, "Rescission of SFAS No. 4, 44, and 64, Amendment of SFAS No. 13 and Technical Corrections" ("SFAS No. 145") was issued. SFAS No. 145 provides guidance for accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions and income statement classification of gains and losses on extinguishment of debt. The Company adopted SFAS No. 145 effective January 1, 2003 with no effect on the Company's financial position or results of operations.

In July 2002, Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS No. 146") was issued. SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than accruing costs at the date of management's commitment to an exit or disposal plan. The Company adopted SFAS No. 146 for all exit or disposal activities initiated after December 31, 2002.

In November 2002, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57, and 197 and a rescission of FASB Interpretation No. 34." This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and initial measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002 and are not expected to have a material effect on the Company's financial position or results of operations. The disclosure requirements are effective for the Company's financial statements for interim and annual periods ending after December 15, 2002.

In December 2002, Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure" ("SFAS No. 148") was issued. SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation" and provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in the notes to these consolidated financial statements.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51." This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies immediately to variable interest in variable interest entities created after January 31, 2003, and to variable interests in variable entities obtained after January 31, 2003. The application of this Interpretation is not expected to have a material effect on the Company's financial position or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates on certain of its outstanding debt and changes in fuel prices. 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 2003 interest expense by approximately $428,000, based on balances outstanding at December 31, 2002, and change the fair value of the Company's debt by less than 1%. The potential impact on the Company of fuel price increases is limited because most of its term contracts contain escalation clauses under which increases in fuel costs, among other, can be passed on to the customers, while its spot contract rates are set based on prevailing fuel prices. The Company does not presently use commodity derivative instruments to manage its fuel costs. The Company has no foreign exchange risk.

From time to time, the Company has utilized and expects to continue to utilize derivative financial instruments with respect to a portion of its interest rate risks to achieve a more predictable cash flow by reducing its exposure to interest rate fluctuations. These transactions involve interest rate swap agreements which are entered into with major financial institutions. Derivative financial instruments related to the Company's interest rate risks are intended to reduce the Company's exposure to increases in the benchmark interest rates underlying the Company's variable rate bank credit facilities. The Company does not enter into derivative financial instrument transactions for speculative purposes.

In February and April 2001 the Company hedged a portion of its exposure to fluctuations in short-term interest rates by entering into interest rate swap agreements. Five-year swap agreements with notional amounts totaling $100 million were executed in February 2001 and three-year swap agreements with notional amounts totaling $50 million were executed in April 2001. Under the swap agreements, the Company will pay a fixed rate of 4.96% on a notional amount of $50 million for three years, an average fixed rate of 5.64% on a notional amount of $100 million for five years, and will receive floating rate interest payments based on the LIBOR for United States dollar deposits. The interest rate swap agreements are designated as cash flow hedges, therefore, the changes in fair value, to the extent the swap agreements are effective, are recognized in other comprehensive income until the hedged interest expense is recognized in earnings. No gain or loss on ineffectiveness was required to be recognized in 2002 or 2001. The fair value of the interest rate swap agreements was recorded as an other long-term liability of $12,404,000 and $5,176,000 at December 31, 2002 and 2001, respectively. The Company has recorded, in interest expense, losses related to the interest rate swap agreements of $5,476,000 and $2,210,000 for the years ended December 31, 2002 and 2001, respectively. Fair value amounts were determined as of December 31, 2002 and 2001 based on quoted market values of the Company's portfolio of derivative instruments.

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 68).

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEMS 10 THROUGH 13.

The information for these items is incorporated by reference to the definitive proxy statement filed by the Company with the Commission pursuant to the Regulation 14A within 120 days of the close of the fiscal year ended December 31, 2002, except for the information regarding executive officers which is provided in a separate item, captioned "Executive Officers of the Registrant," and is included as an unnumbered item following Item 4 in Part I of this Form 10-K.

ITEM 14. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. Based on their evaluation of the Company's disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of a date within ninety days of the filing date of this annual report, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) Changes in Internal Controls. There were no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation. There were no significant deficiencies or material weaknesses in the internal controls.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Kirby Corporation:

We have audited the accompanying consolidated balance sheets of Kirby Corporation and consolidated subsidiaries as of December 31, 2002 and 2001 and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2002. 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 conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kirby Corporation and consolidated subsidiaries as of December 31, 2002 and 2001, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the consolidated financial statements, effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets."

KPMG LLP

Houston, Texas
January 30, 2003,
except as to notes 5 and 15,
which are as of March 4, 2003.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2002 AND 2001

	2002	2001
	($ IN THOUSANDS)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,432	$ 1,850
Accounts receivable:		
Trade -- less allowance for doubtful accounts of $819,000 ($1,583,000 in 2001)	79,829	78,677
Other	6,129	6,164
Inventory -- finished goods, at lower of average cost or market	15,549	15,105
Prepaid expenses and other current assets	12,777	9,082
Deferred income taxes	3,752	3,113
Total current assets	119,468	113,991
Property and equipment:		
Marine transportation equipment	732,087	714,397
Land, buildings and equipment	65,850	61,760
	797,937	776,157
Accumulated depreciation	311,085	309,918
	486,852	466,239
Investment in marine affiliates	10,238	10,659
Goodwill -- less accumulated amortization of $15,566,000 in 2002 and 2001	156,726	156,726
Other assets	18,474	4,820
	$791,758	$752,435
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 336	$ 335
Income taxes payable	1,443	961
Accounts payable	37,509	35,378
Accrued liabilities:		
Interest	228	1,526
Insurance premiums and claims	25,435	23,420
Bonus, pension and profit-sharing plans	11,531	15,963
Taxes -- other than on income	4,649	5,707
Other	5,549	7,481
Deferred revenues	4,565	4,250
Total current liabilities	91,245	95,021
Long-term debt -- less current portion	265,665	249,402
Deferred income taxes	85,768	89,542
Minority interests	2,691	2,819
Other long-term liabilities	23,078	14,629
	377,202	356,392
Contingencies and commitments	--	--
Stockholders' equity:		
Preferred stock, $1.00 par value per share. Authorized 20,000,000 shares	--	--
Common stock, $.10 par value per share. Authorized 60,000,000 shares, issued 30,907,000 shares	3,091	3,091
Additional paid-in capital	176,867	176,074
Accumulated other comprehensive income	(8,062)	(3,364)
Retained earnings	269,657	242,211
	441,553	418,012
Less cost of 6,900,000 shares in treasury (6,892,000 in 2001)	118,242	116,990
	323,311	301,022
	$791,758	$752,435

See accompanying notes to consolidated financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

	2002	2001	2000
	($ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Revenues:			
Marine transportation	$450,280	$481,283	$443,203
Diesel engine services	85,123	85,601	69,441
	535,403	566,884	512,644
Costs and expenses:			
Costs of sales and operating expenses	334,146	351,155	315,435
Selling, general and administrative	66,855	69,720	60,780
Taxes, other than on income	11,136	11,668	10,223
Depreciation and other amortization	45,507	44,133	42,502
Amortization of goodwill	--	6,111	5,702
Impairment of long-lived assets	17,712	--	--
Merger related charges	--	--	199
Gain on disposition of assets	(624)	(363)	(1,161)
	474,732	482,424	433,680
Operating income	60,671	84,460	78,964
Equity in earnings of marine affiliates	700	2,950	3,394
Impairment of equity investment	(1,221)	--	--
Other income (expense)	(155)	(540)	337
Minority interests	(962)	(706)	(966)
Interest expense	(13,540)	(19,038)	(23,917)
Earnings before taxes on income	45,493	67,126	57,812
Provision for taxes on income	(18,047)	(27,523)	(23,699)
Net earnings	$ 27,446	$ 39,603	$ 34,113
Net earnings per share of common stock:			
Basic	$ 1.14	$ 1.65	$ 1.40
Diluted	$ 1.13	$ 1.63	$ 1.39

See accompanying notes to consolidated financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

	2002	2001	2000
	($ IN THOUSANDS)		
Common stock: Balance at beginning and end of year	$ 3,091	$ 3,091	$ 3,091
Additional paid-in capital:			
Balance at beginning of year	$ 176,074	$ 175,575	$ 175,231
Excess (deficit) of cost of treasury stock sold over proceeds received upon exercise of stock options	248	(6)	(455)
Tax benefit realized from stock option plans	545	505	470
Adjustment for treasury stock reissued for acquisition	--	--	329
Balance at end of year	$ 176,867	$ 176,074	$ 175,575
Accumulated other comprehensive income:			
Balance at beginning of year	$ (3,364)	$ --	$ (317)
Change in fair value of derivative financial instruments, net of tax	(4,698)	(3,364)	--
Unrealized net gain in value of available-for-sale securities, net of tax	--	--	317
Balance at end of year	$ (8,062)	$ (3,364)	$ --
Retained earnings:			
Balance at beginning of year	$ 242,211	$ 202,608	$ 168,495
Net earnings for the year	27,446	39,603	34,113
Balance at end of year	$ 269,657	$ 242,211	$ 202,608
Treasury stock:			
Balance at beginning of year	$(116,990)	$(118,625)	$(106,464)
Purchase of treasury stock (165,000 shares in 2002, 126,000 shares in 2001 and 860,000 shares in 2000)	(3,931)	(2,750)	(15,791)
Cost of treasury stock sold upon exercise of stock options (157,000 in 2002, 259,000 shares in 2001 and 130,000 shares in 2000)	2,679	4,385	2,157
Cost of treasury stock reissued for acquisition (88,000 shares in 2000)	--	--	1,473
Balance at end of year	$(118,242)	$(116,990)	$(118,625)
Comprehensive income:			
Net earnings for the year	$ 27,446	$ 39,603	$ 34,113
Other comprehensive income (loss), net of tax	(4,698)	(3,364)	317
Total comprehensive income	$ 22,748	$ 36,239	$ 34,430

See accompanying notes to consolidated financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

	2002	2001	2000
	($ IN THOUSANDS)		
Cash flows from operating activities:			
Net earnings	$ 27,446	$ 39,603	$ 34,113
Adjustments to reconcile net earnings to net cash provided by operations:			
Depreciation and amortization	45,507	50,244	48,204
Provision (credit) for deferred income taxes	(1,883)	2,994	194
Gain on disposition of assets	(624)	(363)	(1,161)
Equity in earnings of marine affiliates, net of distributions and contributions	(730)	(656)	2,197
Impairment of long-lived assets	17,712	--	--
Impairment of equity investment	1,221	--	--
Merger related charges, net of cash expenditures	--	--	199
Other	1,050	2,012	1,505
Increase (decrease) in cash flows resulting from changes in:			
Accounts receivable	(1,092)	1,569	(5,444)
Inventory	(444)	545	(955)
Other assets	(13,599)	(5,650)	2,944
Income taxes payable	1,028	813	522
Accounts payable	2,131	(528)	5,017
Accrued and other liabilities	(5,169)	6,357	(4,032)
Net cash provided by operating activities	72,554	96,940	83,303
Cash flows from investing activities:			
Proceeds from sale and maturities of investments	--	--	13,568
Capital expenditures	(47,709)	(59,159)	(47,683)
Acquisition of marine equipment and companies, net of cash acquired	(44,818)	--	(7,942)
Proceeds from disposition of assets	5,938	2,774	3,583
Other	(70)	10	(40)
Net cash used in investing activities	(86,659)	(56,375)	(38,514)
Cash flows from financing activities:			
Borrowings (payments) on bank credit facilities, net	66,600	(33,300)	22,100
Payments on long-term debt	(50,335)	(10,335)	(50,355)
Purchase of treasury stock	(3,931)	(2,750)	(15,791)
Return of investment to minority interests	(1,091)	(1,195)	(996)
Proceeds from exercise of stock options	2,444	4,207	1,340
Net cash provided by (used in) financing activities	13,687	(43,373)	(43,702)
Increase (decrease) in cash and cash equivalents	(418)	(2,808)	1,087
Cash and cash equivalents, beginning of year	1,850	4,658	3,571
Cash and cash equivalents, end of year	$ 1,432	$ 1,850	$ 4,658
Supplemental disclosures of cash flow information:			
Cash paid during the year:			
Interest	$ 14,441	$ 18,275	$ 24,538
Income taxes	$ 18,501	$ 24,591	$ 20,035
Noncash investing and financing activity:			
Treasury stock reissued in acquisition	$ --	$ --	$ 1,802
Cash acquired in acquisition	$ --	$ --	$ 140
Debt assumed in acquisition	$ --	$ --	$ 20

Disposition of asset for note receivable	$ 1,100	$ --	$ --

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

(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"). One affiliated limited partnership in which the Company owns a 50% interest, is the general partner and has effective control, and whose activities are an integral part of the operations of the Company is consolidated. All other 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, 2002 and 2001 were $3,377,000 and $7,066,000, respectively, of accruals for diesel engine services work in process which have not been invoiced as of the end of each year.

The Company's marine transportation and diesel engine services operations are subject to hazards associated with such businesses. The Company maintains insurance coverage against these hazards with mutual insurance and reinsurance companies. As of December 31, 2002 and 2001, the Company had receivables of $1,494,000 and $1,550,000, respectively, from the mutual insurance and reinsurance companies to cover claims over 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 diesel engine services customers are offshore oil and gas service companies, inland and offshore marine transportation companies, commercial fishing companies, power generation companies, shortline, industrial, and certain transit and Class II railroads, and the United States government. Credit risk with respect to these trade receivables is generally considered minimal because of the financial strength of such companies as well as the Company having procedures in effect to monitor the creditworthiness of customers.

Fair Value of Financial Instruments. Cash, accounts receivable, accounts payable and accrued liabilities 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 5, 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, 6-37 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 income. Maintenance and repairs are charged to operating expense as incurred on an annual basis.

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

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. Through the end of 2001, goodwill was amortized on the straight-line method over the lesser of its expected useful life or forty years. Effective January 1, 2002, the Company ceased the amortization of goodwill with the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 142 also requires periodic tests of the goodwill's impairment at least annually in accordance with the provisions of SFAS No. 142 and that intangible assets other than goodwill be amortized over their useful lives. The Company did not incur any transitional impairment losses or gains as a result of adopting SFAS No. 142. The Company conducted its annual impairment test as required by SFAS No. 142 at November 30, 2002, noting no impairment of goodwill. The Company will continue to conduct goodwill impairment tests as required under SFAS No. 142 effective November 30 of subsequent years, or whenever events or circumstances indicate that interim impairment testing is necessary.

Amortization of goodwill for 2001 and 2000 was $6,253,000 and $5,844,000, respectively. The following table sets forth the reported and adjusted net earnings, and basic and diluted earnings per share for 2001 and 2000 (in thousands, except earnings per share amounts):

	2001	2000
Reported net earnings	$39,603	$34,113
Amortization of goodwill -- marine transportation	5,610	5,616
Amortization of goodwill -- diesel engine services	501	86
Amortization of goodwill -- equity in earnings of marine affiliates	142	142
Adjusted net earnings	$45,856	$39,957
Reported basic earnings per share	$ 1.65	$ 1.40
Amortization of goodwill	.26	.24
Adjusted basic earnings per share	$ 1.91	$ 1.64
Reported diluted earnings per share	$ 1.63	$ 1.39
Amortization of goodwill	.26	.24
Adjusted diluted earnings per share	$ 1.89	$ 1.63

Revenue Recognition. The majority of marine transportation revenue is derived from term contracts, ranging from one to five years, with 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 strictly a provider of marine transportation services for its customers and does not assume ownership of any 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. 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. Term contracts typically only set agreement as to rates and do not have volume requirements. 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. The Company uses a voyage accounting method of revenue recognition for its marine transportation revenues which allocates voyage revenue and expenses 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.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

Diesel engine service 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. Diesel engine parts sales are recognized when title passes upon shipment to customers. Diesel overhauls and repairs revenue are reported on the percentage of completion method of accounting using measurements of progress towards completion appropriate for the work performed.

Stock-Based Compensation. The intrinsic value method of accounting is used for stock-based employee compensation whereby no compensation expense is recorded when the stock option exercise price is equal to, or greater than, the market price of the Company's common stock on the date of the grant. Income tax benefits attributable to stock options exercised are credited to additional paid-in capital.

In December 2002, Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure" ("SFAS No. 148") was issued. SFAS No. 148 amends SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") and provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. Certain of the disclosure modifications are required for fiscal years ending after December 15, 2002 and are included in the notes to these consolidated financial statements.

The following table summarizes pro forma net earnings and earnings per share for the years ended December 31, 2002, 2001 and 2000 assuming the Company had used the fair value method of accounting for its stock option plans (in thousands, except per share amounts):

	2002	2001	2000
Net earnings, as reported	$27,446	$39,603	$34,113
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(3,405)	(2,448)	(2,490)
Pro forma net earnings	$24,041	$37,155	$31,623
Earnings per share:			
Basic -- as reported	$ 1.14	$ 1.65	$ 1.40
Basic -- pro forma	$ 1.00	$ 1.55	$ 1.30
Diluted -- as reported	$ 1.13	$ 1.63	$ 1.39
Diluted -- pro forma	$ .99	$ 1.53	$ 1.29

The weighted average fair value of options granted during 2002, 2001 and 2000 was $15.30, $12.88 and $10.27, respectively. The fair value of each option was determined using the Black-Scholes option valuation model. The key input variables used in valuing the options were as follows: no dividend yield for any year; average risk-free interest rate based on five- and 10-year Treasury bonds -- 2.6% for 2002, 4.2% for 2001 and 4.8% for 2000; stock price volatility -- 67% for 2002, 71% for 2001 and 70% for 2000; and estimated option term -- four or nine years.

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

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

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.

The Company files a consolidated federal income tax return with its domestic subsidiaries and its Bermudan subsidiary, Oceanic Insurance Limited.

Accrued Insurance. Accrued insurance liabilities include estimates based on individual incurred claims outstanding and an estimated amount for losses incurred but not reported (IBNR) based on past experience. Insurance premiums, IBNR losses and incurred claims losses, up to the Company's deductible, for 2002, 2001 and 2000 were $10,366,000, $14,109,000 and $12,198,000 respectively.

Minority Interests. The Company has a majority interest in and is the general partner for the 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 is determined on a day by day basis and is 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. Barge vessel classes are based on similar capacities, hull type, and type of product and towboats are based on 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. An impairment charge incurred by the Company in the fourth quarter of 2002 is described in Note 3, Asset Impairments.

Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 144, issued in August 2001, addresses the accounting and reporting for the impairment or disposal of long-lived assets and supersedes Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS No. 121") and APB Opinion No. 30, "Reporting the Results of Operations -- Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." The objective of SFAS No. 144 is to establish one accounting model for long-lived assets to be disposed of by sale, as well as to resolve implementation issues related to SFAS No. 121, while retaining many of the fundamental provisions of SFAS No. 121. The adoption of SFAS No. 144 had no effect on the Company's financial position or results of

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

operations. The impairment charges taken in 2002 were a result of certain business events, not the adoption of SFAS No. 144.

Accounting Standards

In June 2001, Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143") was issued. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. SFAS No. 143 requires the fair value of a liability associated with an asset retirement be recognized in the period in which it is incurred if a reasonable estimate of fair value can be determined. The associated retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over the life of the asset. SFAS No. 143 is effective for the Company at the beginning of fiscal 2003. The Company will adopt SFAS No. 143 effective January 1, 2003 and expects there will be no effect on the Company's financial position or results of operations.

In April 2002, Statement of Financial Accounting Standards No. 145 "Rescission of SFAS No. 4, 44, and 64, Amendment of SFAS No. 13 and Technical Corrections" ("SFAS No. 145") was issued. SFAS No. 145 provides guidance for accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions and income statement classification of gains and losses on extinguishment of debt. The Company adopted SFAS No. 145 effective January 1, 2003 with no effect on the Company's financial position or results of operations.

In July 2002, Statement of Financial Accounting Standards No. 146 "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS No. 146") was issued. SFAS No. 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than accruing costs at the date of management's commitment to an exit or disposal plan. The Company adopted SFAS No. 146 for all exit or disposal activities initiated after December 31, 2002.

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46 "Consolidation of Variable Interest Entities, an interpretation of ARB No. 51." This Interpretation addresses the consolidation by business enterprises of variable interest entities as defined in the Interpretation. The Interpretation applies immediately to variable interest in variable interest entities created after January 31, 2003, and to variable interests in variable entities obtained after January 31, 2003. The application of this Interpretation is not expected to have a material effect on the Company's financial position or results of operations.

(2) ACQUISITIONS

In March 2002, the Company purchased the Cargo Carriers fleet of 21 inland tank barges for $2,800,000 in cash from the Cargill Corporation, and resold six of the tank barges for $530,000 in April 2002. Financing for the equipment acquisition was through the Company's revolving credit facility.

On October 31, 2002, the Company completed the acquisition of seven inland tank barges and 13 inland towboats from Coastal for $17,053,000 in cash. In addition, the Company and Coastal entered into a barge management agreement whereby the Company will serve as manager of the two companies' combined black oil fleet for a period of seven years. The combined black oil fleet consists of 54 barges owned by Coastal and the Company's 66 black oil barges. Coastal is engaged in the inland tank barge transportation of black oil products along the Gulf Intracoastal Waterway and the Mississippi River and its tributaries. In a related transaction, on September 25, 2002, the Company purchased from Coastal three black oil tank barges for

(2) ACQUISITIONS -- (CONTINUED)

$1,800,000 in cash. Financing for the equipment acquisitions was through the Company's revolving credit facility.

On December 15, 2002, the Company completed the acquisition of 94 inland tank barges from Union Carbide Finance Corporation ("Union Carbide") for $23,000,000. The Company had operated the tank barges since February 2001 under a long-term lease agreement between the Company and Union Carbide. The Dow Chemical Company ("Dow") acquired the inland tank barges as part of the February 2001 merger between Union Carbide Corporation and Dow. The Company has a long-term contract with Dow to provide for Dow's bulk liquid inland marine transportation requirements throughout the United States inland waterway system. With the merger between Union Carbide and Dow, the Company's long-term contract with Dow was amended to provide for Union Carbide's liquid inland marine transportation requirements. Financing for the equipment acquisition was through the Company's revolving credit facility.

On October 12, 2000, the Company completed the acquisition of the Powerway Division of Covington Detroit Diesel -- Allison, Inc. ("Powerway") for $1,428,000 in cash. With the acquisition of Powerway, the Company became the sole distributor of aftermarket parts and service for Alco diesel engines throughout the United States for marine, power generation and industrial applications. On November 1, 2000, the Company completed the acquisition of West Kentucky Machine Shop, Inc. ("West Kentucky") for an aggregate consideration of $6,674,000, consisting of $6,629,000 in cash, the assumption of $20,000 of West Kentucky's existing debt and $25,000 of merger costs. The acquisition of West Kentucky provided the Company with increased distributorship capabilities with Falk Corporation, a reduction gear manufacturer used in marine and industrial applications. The acquisitions were accounted for using the purchase method of accounting. Financing for the two acquisitions was through the Company's revolving credit facility.

(3) ASSET IMPAIRMENTS

During the fourth quarter of 2002, the Company recorded $18,933,000 of non-cash pre-tax impairment charges. The after-tax effect of the charges was $12,498,000 or $.51 per share. Of the total pre-tax charges, $17,241,000 was due to reduced estimated cash flows resulting from reduced lives on the Company's single hull fleet and its commitment to sell certain vessels during 2003. The reduced estimated useful lives on 114 single hull tank barges is due to market bias against single hull tank barges and the assessment of the impact of new regulations issued in September 2002 by the U.S. Coast Guard that require the installation of tank level monitoring devices on all single hull tank barges by October 2007. The Company plans to retire all of its single hull tank barges by October 17, 2007. The Company has committed to sell 21 inactive or out-of-service double hull tank barges and five inactive towboats during 2003 and has reduced the carrying value of these vessels by $5,682,000 to a fair value of $2,621,000. The charges also included a $1,221,000 write-down of an investment in a non-consolidated affiliate to its estimated fair value and a $471,000 write-down of surplus diesel shop equipment.

(4) DERIVATIVE INSTRUMENTS

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133") establishes accounting and reporting standards requiring that derivative instruments (including certain derivative instruments embedded in other contracts) be recorded at fair value and included in the balance sheet as assets or liabilities. The accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative and the resulting designation, which is established at the inception date of a derivative. Special accounting for derivatives qualifying as fair value hedges allows a derivative's gain and losses to offset related results on the hedged item in the statement of earnings. For derivative instruments designated as cash flow hedges, changes in fair value, to the extent the hedge is effective, are recognized in

(4) DERIVATIVE INSTRUMENTS -- (CONTINUED)

other comprehensive income until the hedged item is recognized in earnings. Hedge effectiveness is measured at least quarterly based on the relative cumulative changes in fair value between the derivative contract and the hedged item over time. Any change in fair value resulting from ineffectiveness, as defined by SFAS No. 133, is recognized immediately in earnings.

From time to time, the Company has utilized and expects to continue to utilize derivative financial instruments with respect to a portion of its interest rate risks to achieve a more predictable cash flow by reducing its exposure to interest rate fluctuations. These transactions generally are interest rate swap agreements and are entered into with major financial institutions. Derivative financial instruments related to the Company's interest rate risks are intended to reduce the Company's exposure to increases in the benchmark interest rates underlying the Company's variable rate bank credit facilities.

In February and April 2001 the Company hedged a portion of its exposure to fluctuations in short-term interest rates by entering into interest rate swap agreements. Five-year swap agreements with notional amounts totaling $100 million were executed in February 2001 and three-year swap agreements with notional amounts totaling $50 million were executed in April 2001. Under the swap agreements, the Company will pay a fixed rate of 4.96% on a notional amount of $50 million for three years, an average fixed rate of 5.64% on a notional amount of $100 million for five years, and will receive floating rate interest payments based on London Interbank Offered Rate ("LIBOR") for United States dollar deposits. Under SFAS No. 133, the interest rate swap agreements are designated as cash flow hedges, therefore, the changes in fair value, to the extent the swap agreements are effective, are recognized in other comprehensive income until the hedged interest expense is recognized in earnings. No gain or loss on ineffectiveness was required to be recognized in 2002 or 2001. The fair value of the interest rate swap agreements was recorded as an other long-term liability of $12,404,000 and $5,176,000 at December 31, 2002 and 2001, respectively. The Company has recorded, in interest expense, losses related to the interest rate swap agreements of $5,476,000 and $2,210,000 for the years ended December 31, 2002 and 2001, respectively. The Company anticipates $3,922,000 of net losses included in accumulated other comprehensive income will be transferred into earnings over the next twelve months based on current interest rates. Fair value amounts were determined as of December 31, 2002 and 2001 based on quoted market values of the Company's portfolio of derivative instruments.

(5) LONG-TERM DEBT

Long-term debt at December 31, 2002 and 2001 consisted of the following (in thousands):

	2002	2001
Long-term debt, including current portion:		
$150,000,000 revolving credit facility due October 9, 2004	$ 88,000	$ 13,000
Term loan credit facility, maturing in varying amounts through October 9, 2004	171,500	184,000
$10,000,000 credit line due November 4, 2003	5,900	1,800
Medium term notes due January 29, 2002	--	50,000
Other long-term debt	601	937
	$266,001	$249,737

(5) LONG-TERM DEBT -- (CONTINUED)

The aggregate payments due on the long-term debt in each of the next five years, after consideration of the long-term debt financing subsequent to year end as discussed in Note 15, Subsequent Events, were as follows (in thousands):

2003	$ 56,236
2004	225
2005	4
2006	4
2007	4
Thereafter	209,528
	$266,001

The Company has a $150,000,000 unsecured revolving credit facility (the "Revolving Credit Facility") with a syndicate of banks, with a maturity date of October 9, 2004. The syndicate of banks includes JPMorgan Chase as administrative agent, Bank of America as syndication agent, and First Union National Bank, Fleet National Bank and Wells Fargo Bank (Texas), N.A. as documentation agents. Borrowing options under the amended Revolving Credit Facility allow the Company to borrow at an interest rate equal to either the LIBOR plus a margin ranging from .75% to 1.50%, depending on the Company's senior debt rating; or an adjusted Certificate of Deposit ("CD") rate plus a margin ranging from .875% to 1.625%, also depending on the Company's senior debt rating; or the greater of prime rate, Federal Funds rate plus .50%, or the secondary market rate for three-month CD rate plus 1%. A commitment fee is charged on the unused portion of the Revolving Credit Facility at rates ranging from .20% to .40%, depending on the Company's senior debt rating, multiplied by the average unused portion of the Revolving Credit Facility, and is paid quarterly. A utilization fee equal to .125% to .25%, also depending on the Company's senior debt rating, of the average outstanding borrowings during periods in which the total borrowings exceed 33% of the total $150,000,000 commitment, is also paid quarterly. At December 31, 2002, the applicable interest rate spread over LIBOR was .875% and the commitment fee and utilization fee were .25% and .125%, respectively. The Revolving Credit Facility includes certain financial covenants, including a minimum net worth requirement, as defined, of $225,000,000. 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 was in compliance with all Revolving Credit Facility covenants as of December 31, 2002. As of December 31, 2002, $88,000,000 was outstanding under the Revolving Credit Facility and the average interest rate was 2.7%. The average borrowing under the Revolving Credit Facility during the 2002 year was $53,417,000, computed by using the daily balance, and the weighted average interest rate was 3.0%, computed by dividing the interest expense under the Revolving Credit Facility by the average Revolving Credit Facility borrowing. The Revolving Credit Facility includes a $10,000,000 commitment which may be used for standby letters of credit. Outstanding letters of credit under the Revolving Credit Facility totaled $741,000 as of December 31, 2002.

The Company has an unsecured term loan credit facility (the "Term Loan"), dated October 12, 1999, with Bank of America as syndication agent, JPMorgan Chase as administrative agent and Bank One, Texas, N.A. as documentation agent. Interest rate options under the Term Loan include interest rates equal to either LIBOR plus a margin ranging from .75% to 1.50%, depending on the Company's senior debt rating; or an adjusted CD rate plus a margin ranging from .875% to 1.625%, also depending on the Company's senior debt rating; or the greater of prime rate, Federal Funds rate plus .50% or the secondary market rate for three-month

(5) LONG-TERM DEBT -- (CONTINUED)

CD rate plus 1%. A utilization fee equal to .125% to .25%, depending on the Company's senior debt rating, of the average outstanding borrowings during periods in which the total borrowings exceed 33% of the original $200,000,000 commitment, is paid quarterly. At December 31, 2002, the applicable interest rate spread over LIBOR was .875% and the utilization fee was .125%. The financial covenants of the Term Loan conform to existing financial covenants of the Revolving Credit Facility. In addition to financial covenants, the Term Loan 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. The Company was in compliance with all Term Loan covenants as of December 31, 2002. At December 31, 2002, the amount borrowed under the Term Loan totaled $171,500,000 and the average interest rate was 2.4%. The average borrowing under the Term Loan during the 2002 year was $181,177,000, computed by using the daily balance, and the weighted average interest rate was 2.9%, computed by dividing the interest expense under the Term Loan by the average Term Loan borrowing. The Term Loan has quarterly principal payments of $12,500,000, plus interest, which began on October 9, 2002, with the remaining principal due on October 9, 2004, the maturity date of the Term Loan. The principal payments of $50,000,000 due in the next twelve months were classified as long-term debt at December 31, 2002, as the Company has the ability and intent through the Revolving Credit Facility to refinance the payments on a long-term basis.

The Company has on file a shelf registration on Form S-3 with the Securities and Exchange Commission providing for the issue of up to $250,000,000 of debt securities, including medium term notes at fixed or floating interest rates with maturities of nine months or longer. The $121,000,000 available balance, subject to mutual agreement to terms, as of December 31, 2002 may be used for future business and equipment acquisitions, working capital requirements and reductions of the Company's Revolving Credit Facility and Term Loan. Activities under the shelf registration have been as follows (dollars in thousands):

	OUTSTANDING BALANCE	INTEREST RATE	AVAILABLE BALANCE
Medium Term Notes program	$ --	--	$250,000
Issuance March 1995 (Maturity March 10, 1997)	34,000	7.77%	216,000
Issuance June 1995 (Maturity June 1, 2000)	45,000	7.25%	171,000
Outstanding December 31, 1995 and 1996	79,000		171,000
Issuance January 1997 (Maturity January 29, 2002)	50,000	7.05%	121,000
Payment March 1997	(34,000)		121,000
Outstanding December 31, 1997, 1998 and 1999	95,000		121,000
Payment June 2000	(45,000)		121,000
Outstanding December 31, 2000 and 2001	50,000		121,000
Payment January 2002	(50,000)		121,000
Outstanding December 31, 2002	$ --		121,000

The Company has a $10,000,000 uncommitted and unsecured line of credit ("Credit Line") with Bank of America whereby Bank of America will provide short-term advances and the issuance of letters of credit on an uncommitted basis. On November 5, 2002, the Credit Line was amended to extend the maturity date to November 4, 2003. Borrowings under the Credit Line allow the Company to borrow at an interest rate equal to either LIBOR plus a margin of 1%; or the higher of prime rate or the Federal Funds rate plus .50%. As of December 31, 2002, $5,900,000 was borrowed under the Credit Line and the average interest rate was 4.3%. Outstanding letters of credit under the Credit Line totaled

$560,000 as of December 31, 2002. Amounts

(5) LONG-TERM DEBT -- (CONTINUED)

borrowed on the Credit Line were classified as long-term debt at December 31, 2002, as the Company has the ability and intent to refinance the Credit Line on a long-term basis through the Revolving Credit Facility.

In September 2002, the Company entered into a $10,000,000 uncommitted and unsecured revolving credit note ("Credit Note") with BNP Paribas ("BNP") whereby BNP will consider short-term advances through the maturity date of May 31, 2003. The Credit Note allows the Company to borrow at an interest rate equal to BNP's current day cost of funds plus .35%. Also in September 2002, the Company entered into a $5,000,000 uncommitted letter of credit line with BNP whereby BNP will consider letters of credit for periods no longer than 15 months from issuance through the maturity date of May 31, 2003. The Company did not have any borrowings or letters of credit outstanding under the Credit Note or uncommitted letter of credit line as of December 31, 2002.

In August 1992, the Company's principal marine transportation subsidiary entered into a $50,000,000 private placement of 8.22% senior notes due June 30, 2002. Principal payments of $5,000,000, plus interest, were due annually through June 30, 2002. On December 31, 2001, the senior notes were prepaid, with a final principal payment of $5,000,000, plus interest, and a make-whole interest payment of $145,000.

The Company is of the opinion that the amounts included in the consolidated financial statements for outstanding debt materially represent the fair value of such debt at December 31, 2002 and 2001.

(6) TAXES ON INCOME

Earnings before taxes on income and details of the provision for taxes on income for the years ended December 31, 2002, 2001 and 2000 were as follows (in thousands):

	2002	2001	2000
Earnings before taxes on income -- United States........	$45,493	$67,126	$57,812
	=======	=======	=======
Provision (credit) for taxes on income:			
Federal			
Current...	$18,948	$23,243	$22,022
Deferred..	(2,047)	3,094	294
State and local.....................................	1,146	1,186	1,383
	-------	-------	-------
	$18,047	$27,523	$23,699
	=======	=======	=======

During the three years ended December 31, 2002, 2001 and 2000, tax benefits related to the exercise of stock options that were allocated directly to additional paid-in capital totaled $545,000, $505,000 and $470,000, respectively.

(6) TAXES ON INCOME -- (CONTINUED)

The Company's provision for taxes on income varied from the statutory federal income tax rate for the years ended December 31, 2002, 2001 and 2000 due to the following:

	2002	2001	2000
United States income tax statutory rate	35.0%	35.0%	35.0%
State and local taxes, net of federal benefit	1.6	1.2	1.6
Non-deductible goodwill amortization	--	3.1	3.5
Non-deductible equity goodwill impairment	1.0	--	--
Other non-deductible items	2.1	1.7	.9
	39.7%	41.0%	41.0%

The tax effects of temporary differences that give rise to significant portions of the current deferred tax assets and non-current deferred tax assets and liabilities at December 31, 2002, 2001 and 2000 were as follows (in thousands):

	2002	2001	2000
Current deferred tax assets:			
Compensated absences	$ 1,076	$ 1,011	$ 934
Allowance for doubtful accounts	287	554	286
Insurance accruals	2,166	1,548	1,974
Merger charges	--	--	407
Other	223	--	120
	$ 3,752	$ 3,113	$ 3,721
Non-current deferred tax assets and liabilities:			
Deferred tax assets:			
Postretirement health care benefits	$ 2,730	$ 2,471	$ 2,303
Insurance accruals	3,093	3,446	2,130
Deferred compensation	1,150	984	1,004
Unrealized loss on derivative financial instruments	4,341	1,812	--
Other	2,782	3,167	3,459
	14,096	11,880	8,896
Deferred tax liabilities:			
Property	(86,969)	(93,708)	(92,166)
Deferred state taxes	(5,329)	(5,164)	(5,265)
Pension benefits	(7,369)	(2,209)	(357)
Other	(197)	(341)	(246)
	(99,864)	(101,422)	(98,034)
	$(85,768)	$ (89,542)	$(89,138)

As of December 31, 2002, the Company has determined that it is more likely than not that the deferred tax assets will be realized and a valuation allowance for such assets is not required.

(7) LEASES

The Company and its subsidiaries currently lease various facilities and equipment under a number of cancelable and noncancelable operating leases. Lease agreements for tank barges have terms from two to twelve years expiring at various dates through 2008. Total rental expense for the years ended December 31, 2002, 2001 and 2000 were as follows (in thousands):

	2002	2001	2000
Rental expense:			
Marine equipment -- tank barges	$12,610	$11,839	$ 5,289
Marine equipment -- towboats *	34,196	35,379	31,969
Other buildings and equipment	3,439	3,245	2,361
Sublease rental	--	(6)	(20)
Net rental expense	$50,245	$50,457	$39,599

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* All of the Company's towboat rental agreements provide the Company with the option to terminate the agreements with notice ranging from seven to 90 days.

Future minimum lease payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2002 were as follows (in thousands):

	LAND, BUILDINGS AND EQUIPMENT
2003	$10,364
2004	9,142
2005	8,060
2006	4,798
2007	2,119
Thereafter	153
	$34,636

(8) STOCK OPTION PLANS

The Company has five employee stock option plans which were adopted in 1989, 1994, 1996, 2001 and 2002 for selected officers and other key employees. The 1989 Employee Plan provided for the issuance until July 1999 of incentive and nonincentive stock options to purchase up to 600,000 shares of common stock. The 1994 Employee Plan provides for the issuance of incentive and non-qualified stock options to purchase up to 1,000,000 shares of common stock. The 1996 Employee Plan provides for the issuance of incentive and non-qualified stock options to purchase up to 900,000 shares of common stock. The 2002 Employee Plan provides for the issuance of incentive and nonincentive stock options to purchase up to 1,000,000 shares of common stock. The 2001 Employee Plan provided for the issuance of incentive and nonincentive stock options to purchase up to 1,000,000 shares of common stock. With the approval of the 2002 Employee Plan by stockholders at the April 2002 Annual Meeting, the 2001 Employee Plan was terminated, except for stock options and restricted stock previously granted. Under the above plans, the exercise price for each option equals the fair market value per share of the Company's common stock on the date of grant. The terms of the options granted prior to February 10, 2000 are ten years and the options vest ratably over four years. Options granted after February 10, 2000 have terms of five years and vest ratably over three years. At December 31,

(8) STOCK OPTION PLANS -- (CONTINUED)

2002, 1,115,180 shares were available for future grants under the employee plans and no outstanding stock options under the employee plans were issued with stock appreciation rights.

The following is a summary of the stock option activity under the employee plans described above for the years ended December 31, 2002, 2001 and 2000:

	OUTSTANDING NON-QUALIFIED OR NONINCENTIVE STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding December 31, 1999	1,684,725	$17.75
Granted	389,000	$18.06
Exercised	(113,575)	$ 9.39
Canceled or expired	(4,000)	$18.13
Outstanding December 31, 2000	1,956,150	$18.30
Granted	439,500	$21.53
Exercised	(233,595)	$15.82
Canceled or expired	(231,167)	$19.70
Outstanding December 31, 2001	1,930,888	$19.17
Granted	377,178	$27.39
Exercised	(157,482)	$17.39
Canceled or expired	(15,003)	$23.68
Outstanding December 31, 2002	2,135,581	$20.64

The following table summarizes information about the Company's outstanding and exercisable stock options under the employee plans at December 31, 2002:

OPTIONS OUTSTANDING
WEIGHTED
OPTIONS EXERCISABLE
AVERAGE
REMAINING
WEIGHTED
WEIGHTED
CONTRACTUAL
AVERAGE
AVERAGE
RANGE OF
NUMBER LIFE
IN EXERCISE
NUMBER
EXERCISE
EXERCISE
PRICES
OUTSTANDING
YEARS PRICE
EXERCISABLE
PRICE

$12.94-$16.44

	101,150	1.85	$15.04	101,150	$15.04
$17.28-$19.01	576,875	3.10	$18.14	414,062	$18.15
$19.50-$21.53	1,104,342	3.58	$20.30	163,313	$21.36
$27.13-$28.18	353,214	4.10	$27.40	--	$ --
$12.94-$28.18	2,135,581	3.45	$20.64	678,525	$18.46

For the years ended December 31, 2002, 2001 and 2000, the number of options exercisable were 678,525, 503,280 and 582,650, respectively, and the weighted average exercise prices of those options were $18.46, $17.37 and $16.68, respectively.

The Company has three director stock option plans for nonemployee directors of the Company. The 1989 Director Plan, under which no additional options can be granted, provided for the issuance until July 1999 of nonincentive options to directors of the Company to purchase up to 150,000 shares of common stock. The 1994 Director Plan, which was superseded by the 2000 Director Plan adopted in September 2000, provided for

(8) STOCK OPTION PLANS -- (CONTINUED)

the issuance of non-qualified options to directors of the Company, including advisory directors, to purchase up to 100,000 shares of common stock. The 2000 Director Plan provides for the issuance of nonincentive options to directors of the Company to purchase up to 300,000 shares of common stock. The 2000 Director Plan provides for the automatic grants of stock options to nonemployee directors on the date of first election as a director and after each annual meeting of stockholders. In addition, the 2000 Director Plan provides for the issuance of stock options in lieu of cash for all or part of the annual director fee. The exercise price for all options granted under the 2000 Director Plan is equal to the fair market value per share of the Company's common stock on the date of grant. The terms of the options under the 2000 Director Plan are 10 years. The options granted when first elected as a director vest immediately. The options granted after each annual meeting of stockholders vest six months after the date of grant. Options granted in lieu of cash director fees vest in equal quarterly increments during the year to which they relate. At December 31, 2002, 213,607 shares were available for future grants under the 2000 Director Plan. The director stock option plans are intended as an incentive to attract and retain qualified and competent independent directors.

The following is a summary of the stock option activity under the director plans described above for the years ended December 31, 2002, 2001 and 2000:

	OUTSTANDING NON-QUALIFIED OR NONINCENTIVE STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding December 31, 1999	91,000	$19.48
Granted	25,984	$19.70
Exercised	(19,500)	$17.79
Canceled or expired	(11,000)	$20.84
Outstanding December 31, 2000	86,484	$19.75
Granted	40,467	$20.83
Exercised	(16,500)	$17.86
Canceled or expired	(10,500)	$23.05
Outstanding December 31, 2001	99,951	$20.15
Granted	32,442	$31.48
Exercised	--	$ --
Outstanding December 31, 2002	132,393	$22.93

(8) STOCK OPTION PLANS -- (CONTINUED)

The following table summarizes information about the Company's outstanding and exercisable stock options under the director plans at December 31, 2002:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE IN YEARS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$16.63-$19.88	41,484	5.42	$18.39	41,484	$18.39
$20.13-$25.50	58,467	7.16	$21.40	58,467	$21.40
$31.48	32,442	9.30	$31.48	29,580	$31.48
$16.63-$31.48	132,393	7.13	$22.93	129,531	$22.74

For the years ended December 31, 2002, 2001 and 2000, the number of options exercisable were 129,531, 95,600 and 83,382, respectively, and the weighted average exercise prices of those options were $22.74, $20.13 and $19.79, respectively.

The Company also has a 1993 nonqualified stock option for 25,000 shares granted to Robert G. Stone, Jr., at an exercise price of $18.63, which is currently exercisable. The grant served as an incentive to retain the optionee as a member of the Board of Directors of the Company.

(9) RETIREMENT PLANS

The Company sponsors a defined benefit plan for vessel personnel. The plan benefits are based on an employee's years of service and compensation. The plan assets primarily consist of fixed income securities and corporate stocks. Funding of the plan is based on actuarial computations that are designed to satisfy minimum funding requirements of applicable regulations and to achieve adequate funding of projected benefit obligations.

The Company sponsors an unfunded defined benefit health care plan that provides limited postretirement medical benefits to employees who meet minimum age and service requirements, and to eligible dependents. The plan is contributory, with retiree contributions adjusted annually.

(9) RETIREMENT PLANS -- (CONTINUED)

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 plans (dollars in thousands):

	PENSIONS		POSTRETIREMENT BENEFITS OTHER THAN PENSION BENEFITS	
	2002	2001	2002	2001
CHANGE IN BENEFIT OBLIGATION				
Benefit obligation at beginning of year.......	$49,819	$41,092	$ 8,913	$ 6,968
Service cost..................................	2,543	1,915	649	520
Interest cost.................................	3,930	3,383	725	650
Actuarial loss................................	7,157	5,137	2,560	1,479
Benefits paid.................................	(1,868)	(1,708)	(670)	(704)
Benefit obligation at end of year.............	61,581	49,819	12,177	8,913
CHANGE IN PLAN ASSETS				
Fair value of plan assets at beginning of year......................................	46,748	44,333	--	--
Actual return on plan assets..................	(5,479)	(2,377)	--	--
Employer contribution.........................	17,500	6,500	670	704
Benefits paid.................................	(1,868)	(1,708)	(670)	(704)
Fair value of plan assets at end of year......	56,901	46,748	--	--
Funded status.................................	(4,680)	(3,071)	(12,177)	(8,913)
Unrecognized net actuarial loss...............	25,273	9,002	2,776	222
Unrecognized prior service cost...............	(756)	(845)	373	404
Unrecognized net transition obligation........	--	7	--	--
Other...	--	--	56	60
Net amount recognized at end of year..........	$19,837	$ 5,093	$ (8,972)	$(8,227)
ACCUMULATED BENEFIT OBLIGATION AT END OF YEAR...	$56,180	$46,200	$ 1,549	$ 1,460
WEIGHTED AVERAGE ASSUMPTIONS				
Discount rate.................................	6.75%	7.25%	6.75%	7.25%
Expected return on plan assets................	9.25%	9.25%	--	--
Average rate of compensation increase.........	4.00%	4.00%	--	--

(9) RETIREMENT PLANS -- (CONTINUED)

The components of net periodic benefit cost were as follows (in thousands):

	PENSION BENEFITS			POSTRETIREMENT BENEFITS OTHER THAN PENSIONS		
	2002	2001	2000	2002	2001	2000
Service cost	$ 2,543	$ 1,915	$ 1,751	$ 649	$ 520	$ 513
Interest cost	3,930	3,383	3,021	725	650	535
Expected return on assets	(4,236)	(4,016)	(4,130)	--	--	--
Amortization of transition obligation	7	17	17	--	--	--
Amortization of prior service cost	(89)	(89)	(89)	32	31	32
Amortization of actuarial (gain) loss	601	--	(146)	5	3	(49)
Less partnerships' allocation	(103)	(70)	(52)	--	--	22
Net periodic benefit cost	$ 2,653	$ 1,140	$ 372	$1,411	$1,204	$1,053

The Company's unfunded defined benefit health care plan, which provides limited postretirement medical benefits, limits cost increases in the Company's contribution to 4% per year. For measurement purposes, the assumed health care cost trend rate was 10.3% for 2002, declining gradually to 5% by 2006 and remaining at that level thereafter. Accordingly, a 1% increase in the health care cost trend rate assumption would have an immaterial effect on the amounts reported.

In addition to the defined benefit plan and postretirement medical benefit plan, the Company sponsors defined contribution plans for all shore-based employees and certain vessel personnel. Maximum contributions to these plans equal the lesser of 15% of the aggregate compensation paid to all participating employees or up to 20% of each subsidiary's earnings before federal income tax after certain adjustments for each fiscal year. The aggregate contributions to the plans were $6,951,000, $6,562,000 and $6,201,000 in 2002, 2001 and 2000, respectively.

(10) EARNINGS PER SHARE OF COMMON STOCK

The following table presents the components of basic and diluted earnings per share for the years ended December 31, 2002, 2001 and 2000 (in thousands, except per share amounts):

	2002	2001	2000
Net earnings	$27,446	$39,603	$34,113
Shares outstanding:			
Weighted average common stock outstanding	24,061	24,027	24,401
Effect of dilutive securities: Employee and director common stock options	333	243	165
	24,394	24,270	24,566
Basic earnings per share of common stock	$ 1.14	$ 1.65	$ 1.40
Diluted earnings per share of common stock	$ 1.13	$ 1.63	$ 1.39

Certain outstanding options to purchase approximately 392,000 and 1,103,000 shares of common stock were excluded in the computation of diluted earnings per share as of December 31, 2002 and 2000,

(10) EARNINGS PER SHARE OF COMMON STOCK -- (CONTINUED)

respectively, as such stock options would have been antidilutive. No shares were excluded in the computation of diluted earnings per share as of December 31, 2001.

(11) QUARTERLY RESULTS (UNAUDITED)

The unaudited quarterly results for the year ended December 31, 2002 were as follows (in thousands, except per share amounts):

	THREE MONTHS ENDED			
	MARCH 31, 2002	JUNE 30, 2002	SEPTEMBER 30, 2002	DECEMBER 31, 2002
Revenues	$131,437	$129,478	$134,607	$139,881
Costs and expenses	114,541	111,940	111,853	119,310
Impairment of long-lived assets	--	--	--	17,712
Gain on disposition of assets	141	27	425	31
Operating income	17,037	17,565	23,179	2,890
Equity in earnings of marine affiliates	803	137	(68)	(172)
Impairment of equity investment	--	--	--	(1,221)
Other expense	(27)	(52)	(22)	(54)
Minority interests	(100)	(162)	(425)	(275)
Interest expense	(3,507)	(3,366)	(3,378)	(3,289)
Earnings (loss) before taxes on income	14,206	14,122	19,286	(2,121)
Provision for taxes on income	(5,398)	(5,366)	(7,329)	46
Net earnings (loss)	$ 8,808	$ 8,756	$ 11,957	$ (2,075)
Net earnings (loss) per share of common stock:				
Basic	$ .37	$ .36	$ .50	$ (.09)
Diluted	$ .36	$ .36	$ .49	$ (.09)

(11) QUARTERLY RESULTS (UNAUDITED) -- (CONTINUED)

The unaudited quarterly results for the year ended December 31, 2001 were as follows (in thousands, except per share amounts):

	THREE MONTHS ENDED			
	MARCH 31, 2001	JUNE 30, 2001	SEPTEMBER 30, 2001	DECEMBER 31, 2001
Revenues	$133,128	$147,622	$141,797	$144,337
Costs and expenses	116,790	125,877	118,380	121,740
Gain on disposition of assets	13	102	153	95
Operating income	16,351	21,847	23,570	22,692
Equity in earnings of marine affiliates	716	1,099	487	648
Other expense	(325)	(30)	(76)	(109)
Minority interests	(148)	(162)	(311)	(85)
Interest expense	(5,144)	(4,510)	(4,365)	(5,019)
Earnings before taxes on income	11,450	18,244	19,305	18,127
Provision for taxes on income	(4,695)	(7,480)	(7,916)	(7,432)
Net earnings	$ 6,755	$ 10,764	$ 11,389	$ 10,695
Net earnings per share of common stock:				
Basic	$ .28	$ .45	$ .47	$ .45
Diluted	$ .28	$ .44	$ .47	$ .44

Quarterly basic and diluted earnings per share of common stock 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 shares repurchased by the Company and the assumed exercise of stock options.

(12) CONTINGENCIES AND COMMITMENTS

The Company and a group of approximately 45 other companies have been notified that they are Potentially Responsible Parties ("PRPs") under the Comprehensive Environmental Response, Compensation and Liability Act with respect to a potential Superfund site, the Palmer Barge Line Site ("Palmer"), located in Port Arthur, Texas. In prior years, Palmer had provided tank barge cleaning services to various subsidiaries of the Company. The Company and three other PRPs have entered into an agreement with the EPA to perform a remedial investigation and feasibility study. Based on information currently available, the Company is unable to ascertain the extent of its exposure, if any, in this matter.

In addition, there are various other suits and claims against the Company, 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 has recorded necessary 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 Company's marine transportation segment is engaged in the inland marine transportation of petrochemical feedstocks, industrial chemicals, agricultural chemicals, refined petroleum products, pressurized products and black oil products by tank barge along the Mississippi River System, Gulf Intracoastal Waterway and Houston Ship Channel. In addition, the segment, through a partnership in which the Company owns a 35% interest, is engaged in the offshore marine transportation of dry-bulk cargo by barge. Such products are transported between United States ports, with an emphasis on the

(12) CONTINGENCIES AND COMMITMENTS -- (CONTINUED)

Gulf of Mexico and along the Atlantic Seaboard and Caribbean Basin ports, with occasional voyages to South American ports.

The Company's diesel engine services segment is engaged in the overhaul and repair of large medium-speed diesel engines and related parts sales in the marine, power generation and industrial, and railroad markets. The marine market serves vessels powered by large diesel engines utilized in the various inland and offshore marine industries. The power generation and industrial market serves users of diesel engines that provide standby, peak and base load power generation, users of industrial gears such as cement, paper and mining industries, and provides parts for the nuclear industry. The railroad market provides parts and service for diesel-electric locomotives used by shortline, industrial, and certain transit and Class II railroads.

The preparation of financial statements in conformity with 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 includes the major industrial petrochemical and chemical manufacturers, agricultural chemical manufacturers and refining companies in the United States. Approximately 70% of the movements of such products are under long-term contracts, ranging from one year to five years, with renewal options. While the manufacturing and refining companies have generally been customers of the Company for numerous years (some as long as 30 years) and management anticipates a continuing relationship, there is no assurance that any individual contract will be renewed. The Dow Chemical Company accounted for 13% of the Company's revenues in 2002, 12% in 2001 and 10% in 2000.

Major customers of the diesel engine services segment include the inland and offshore barge operators, oil service companies, petrochemical companies, offshore fishing companies, other marine transportation entities, the United States Coast Guard and Navy, shortline railroads, industrial owners of locomotives, certain transit and Class II railroads, and power generation, nuclear and industrial companies. The segment operates as an authorized distributor in 17 eastern states and the Caribbean, and as non- exclusive authorized service centers for Electro-Motive Division of General Motors ("EMD") throughout the rest of the United States for marine power generation and industrial applications. The railroad portion of the segment serves as the exclusive distributorship of EMD aftermarket parts sales and services to the shortline and industrial railroad market. The Company also serves as the exclusive distributor of EMD parts to the nuclear industry. The results of the diesel engine services segment are largely tied to the industries it serves and, therefore, can be influenced by the cycles of such industries. The diesel engine services segment's relationship with EMD has been maintained for 37 years. No single customer of the diesel engine services segment accounted for more than 10% of the Company's revenues in 2002, 2001 and 2000.

Weather can be a major factor in the day-to-day operations of the marine transportation segment. Adverse weather conditions, such as fog in the winter and spring months, can impair the operating efficiencies of the fleet. Shipments of products can be significantly delayed or postponed by weather conditions, which are totally beyond the control of management. River 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 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.

(12) CONTINGENCIES AND COMMITMENTS -- (CONTINUED)

The Company's marine transportation segment is subject to regulation by the United States Coast Guard, federal laws, state laws and certain international conventions. 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. During the past several years, the Jones Act cabotage provisions have come under attack by interests seeking to facilitate foreign flag competition in trades reserved for domestic companies and vessels under the Jones Act. The efforts have been consistently defeated by large margins in the United States Congress. 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.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness to Others, an interpretation of FASB Statements No. 5, 57, and 197 and a rescission of FASB Interpretation No. 34." This Interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees issued. The Interpretation also clarifies that a guarantor is required to recognize, at inception of a guarantee, a liability for the fair value of the obligation undertaken. The initial recognition and initial measurement provisions of the Interpretation are applicable to guarantees issued or modified after December 31, 2002 and are not expected to have a material effect on the Company's financial position or results of operations. The disclosure requirements are effective for the Company's financial statements for interim and annual periods ending after December 15, 2002.

The Company has issued guaranties or obtained stand-by 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 $6,468,000 at December 31, 2002, including $1,552,000 in letters of credit and $4,916,000 in performance bonds at December 31, 2002, of which $4,679,000 of these financial instruments relates to contingent legal obligations which are covered by the Company's liability insurance program in the event the obligations are incurred. All of these instruments have an expiration date within two 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.

(13) SEGMENT DATA

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

Marine Transportation -- Marine transportation by United States flag vessels on the United States inland waterway system. The principal products transported on the United States inland waterway system include petrochemicals, agricultural chemicals, refined petroleum products, pressurized products and black oil products.

Diesel Engine Services -- Overhaul and repair of large medium-speed diesel engines, reduction gear repair, and sale of related parts and accessories for customers in the marine, power generation and industrial, and railroad industries.

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

(13) SEGMENT DATA -- (CONTINUED)

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, minority interests, accounting changes, and nonrecurring items. Intersegment sales for 2002, 2001 and 2000 were not significant.

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, 2002, 2001 and 2000 (in thousands):

	2002	2001	2000
Revenues:			
Marine transportation	$450,280	$481,283	$443,203
Diesel engine services	85,123	85,601	69,441
	$535,403	$566,884	$512,644
Segment profit (loss):			
Marine transportation	$ 74,595	$ 83,074	$ 78,100
Diesel engine services	8,841	8,111	6,955
Other	(37,943)	(24,059)	(27,243)
	$ 45,493	$ 67,126	$ 57,812
Total assets:			
Marine transportation	$726,353	$681,976	$673,999
Diesel engine services	45,531	48,288	45,344
Other	19,874	22,171	27,198
	$791,758	$752,435	$746,541
Depreciation and amortization:			
Marine transportation	$ 42,332	$ 46,287	$ 45,321
Diesel engine services	940	1,374	691
Other	2,235	2,583	2,192
	$ 45,507	$ 50,244	$ 48,204
Capital expenditures:			
Marine transportation	$ 44,141	$ 56,008	$ 43,205
Diesel engine services	2,040	1,755	351
Other	1,528	1,396	4,127
	$ 47,709	$ 59,159	$ 47,683

The following table presents the details of "Other" segment profit (loss) for the years ended December 31, 2002, 2001 and 2000 (in thousands):

	2002	2001	2000
General corporate expenses	$ (5,677)	$ (7,088)	$ (7,053)
Interest expense	(13,540)	(19,038)	(23,917)

(13) SEGMENT DATA -- (CONTINUED)

	2002	2001	2000
Equity in earnings of affiliates	700	2,950	3,394
Impairment of equity investment	(1,221)	--	--
Gain on disposition of assets	624	363	1,161
Minority interests	(962)	(706)	(966)
Impairment of long-lived assets	(17,712)	--	--
Merger related charges	--	--	(199)
Other income (expense)	(155)	(540)	337
	$(37,943)	$(24,059)	$(27,243)

The following table presents the details of "Other" total assets as of December 31, 2002, 2001 and 2000 (in thousands):

	2002	2001	2000
General corporate assets	$ 9,636	$11,512	$17,194
Investments in affiliates	10,238	10,659	10,004
	$19,874	$22,171	$27,198

The $17,712,000 charges for impairment of long-lived assets, consisted of $17,241,000 related to assets in the marine transportation segment and $471,000 related to assets in the diesel engine services segment.

(14) RELATED PARTY TRANSACTIONS

During 2002, the Company and its subsidiaries paid Knollwood, L.L.C. ("Knollwood"), a company owned by C. Berdon Lawrence, the Chairman of the Board of the Company, $197,000 for air transportation services provided by Knollwood. Such services were in the ordinary course of business of the Company.

The Company is a 25% member of The Hollywood Camp, L.L.C. ("Hollywood Camp"), a company that owns and operates a hunting facility used by the Company and two other members primarily for customer entertainment. Knollwood is a 25% member and acts as manager of the facility. The other 50% member is not affiliated with the Company or Knollwood. During 2002, the Company was billed $683,000 by the hunting facility for its share of the facility expenses.

Walter E. Johnson, a director of the Company, is a 25% limited partner in a limited partnership that owns one barge operated by a subsidiary of the Company, which owns the other 75% interest in the partnership. The partnership was entered into on October 1, 1974. In 2002, Mr. Johnson received $82,000 in proportionate distributions from the partnership, made in the ordinary course of business.

Southwest Bank of Texas has a 5% participation in the Company's Term Loan. As of December 31, 2002, the outstanding balance of the Term Loan was $171,500,000, of which Southwest Bank of Texas' participation was $8,575,000. Mr. Johnson is Chairman of the Board of Southwest Bank of Texas. Southwest Bank of Texas is one of 14 lenders under the Term Loan, which was consummated in the ordinary course of business of the Company, and before Mr. Johnson's appointment to the Company's board of directors.

(15) SUBSEQUENT EVENTS

On January 15, 2003, the Company purchased from SeaRiver Maritime, Inc. ("SeaRiver"), the U.S. transportation affiliate of Exxon Mobil Corporation, 45 double hull inland tank barges and seven inland

(15) SUBSEQUENT EVENTS -- (CONTINUED)

towboats for $32,113,000 in cash, and assumed from SeaRiver the leases of 16 double hull inland tank barges. On February 28, 2003, the Company purchased three double hull inland tank barges leased by SeaRiver from Banc of America Leasing & Capital LLC for $3,453,000 in cash. The Company entered into a contract to provide inland marine transportation services to SeaRiver, transporting petrochemicals, refined petroleum products and black oil products throughout the Gulf Intracoastal Waterway and the Mississippi River System. Financing of the equipment acquisitions was through the Company's revolving credit facility.

On February 28, 2003, the Company issued $250,000,000 of floating rate senior notes ("Senior Notes") due February 28, 2013. The unsecured notes pay interest quarterly at an interest rate equal to LIBOR plus a margin of 1.2% and are not callable for the first year. Thereafter, the Senior Notes may be prepaid without penalty. The proceeds were used to repay $121,500,000 of the Term Loan due October 9, 2004 and $128,500,000 of the Revolving Credit Facility due October 9, 2004. The terms of the Senior Notes include certain 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. Additionally, the Company must comply with certain financial covenants based on the results of its operations.

In connection with the issuing of the Senior Notes, the Company hedged a further portion of its exposure to fluctuations in short-term interest rates by entering into a one-year interest rate swap agreement on February 28, 2003 with a notional amount of $100,000,000. Under the agreement, the Company will pay a fixed rate of 1.39% for one year and will receive floating rate interest payments based on LIBOR for United States dollar deposits. The interest rate swap was designated as a cash flow hedge. Existing swap agreements totaling $150,000,000 which had been used as cash flow hedges for floating rate bank debt were re-designated as cash flow hedges for the Senior Notes. As of February 28, 2003, the Company had a total notional amount of $250,000,000 of interest rate swaps with terms ranging from one to three years designated as cash flow hedges for its Senior Notes. The Senior Notes' effective average rate on that date, including the effect of interest rate swaps, was 5.0%.

On February 27, 2003, the available limit of the Credit Note was reduced from $10,000,000 to $5,000,000 by mutual agreement between BNP and the Company. The $5,000,000 uncommitted letter of credit line was also cancelled.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

1. Financial Statements

Included in Part III of this report:

Report of KPMG LLP, Independent Accountants, on the financial statements of Kirby Corporation and Consolidated Subsidiaries for the years ended December 31, 2002, 2001 and 2000.

Consolidated Balance Sheets, December 31, 2002 and 2001.

Consolidated Statements of Earnings, for the years ended December 31, 2002, 2001 and 2000.

Consolidated Statements of Stockholders' Equity, for the years ended December 31, 2002, 2001 and 2000.

Consolidated Statements of Cash Flows, for the years ended December 31, 2002, 2001 and 2000.

Notes to Consolidated Financial Statements, for the years ended December 31, 2002, 2001 and 2000.

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. Reports on Form 8-K

There were no reports on Form 8-K filed for the three months ended December 31, 2002.

4. Exhibits

EXHIBIT NUMBER DESCRIPTION OF EXHIBIT - ------- ---------------------- 3.1 -- Restated Articles of Incorporation of Kirby Exploration Company, Inc. (the "Company"), as amended (incorporated by reference to Exhibit 3.1 of the Registrant's 1989 Registration Statement on Form S-3 (Reg. No. 33-30832)). 3.2 -- Certificate of Amendment of Restated Articles of Incorporation of the Company filed with the Secretary of State of Nevada April 30, 1990 (incorporated by reference to Exhibit 3.2 of the

Registrant's Annual Report on Form 10-K for the year ended December 31, 1990). 3.3 -- Bylaws of the Company, as amended (incorporated by reference to Exhibit 2 of the Registrant's July 20, 2000 Registration Statement on Form 8A (Reg. No. 01-07615)). 4.1 -- Indenture, dated as of December 2, 1994, between the Company and Texas Commerce Bank National Association, Trustee, (incorporated by reference to Exhibit 4.3 of the Registrant's 1994 Registration Statement on Form S-3 (Reg. No. 33-56195)). 4.2 -- Rights Agreement, dated as of July 18, 2000, between Kirby Corporation and Fleet National Bank, a national bank association, which includes the Form of Resolutions Establishing Designations, Preference and Rights of Series A Junior Participating Preferred Stock of Kirby Corporation, the form of Rights Certificate and the Summary of Rights (incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K dated July 18, 2000). 4.3* -- Master Note Purchase Agreement dated as of February 15, 2003 among the Company and the Purchasers named therein.

10.1 -- Indemnification Agreement, dated April 29, 1986, between the Company and each of its Directors and certain key employees (incorporated by reference to Exhibit 10.11 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1986).

10.2+ -- 1989 Employee Stock Option Plan for the Company, as amended (incorporated by reference to Exhibit 10.11 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1989).

EXHIBIT NUMBER DESCRIPTION OF EXHIBIT - ------- ----- ----------------- 10.3+ -- 1989 Director Stock Option Plan for the Company, as amended (incorporated by reference to Exhibit 10.12 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1989). 10.4+ -- Deferred Compensation Agreement dated August 12, 1985 between Dixie Carriers, Inc., and J. H. Pyne (incorporated by reference to Exhibit 10.19 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992). 10.5+ -- 1994 Employee Stock Option Plan for Kirby Corporation (incorporated by reference to Exhibit 10.21 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993). 10.6+ -- 1994 Nonemployee Director Stock Option Plan for Kirby Corporation (incorporated by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993). 10.7+

-- 1993 Stock Option Plan of Kirby Corporation for Robert G. Stone, Jr. (incorporated by reference to Exhibit 10.23 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993). 10.8+ -- Amendment to 1989 Director Stock Option Plan for Kirby Exploration Company, Inc. (incorporated by reference to Exhibit 10.24 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1993). 10.9 -- Distribution Agreement, dated December 2, 1994, by and among Kirby Corporation and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Salomon Brothers Inc, and Wertheim Schroder & Co. Incorporated (incorporated by reference to Exhibit 1.1 of the Registrant's Current Report on Form 8-K dated December 9, 1994). 10.10+ -- 1996 Employee Stock Option Plan for Kirby Corporation (incorporated by reference to Exhibit 10.24 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1996). 10.11+ -- Amendment No. 1 to the 1994 Employee Stock Option Plan for Kirby Corporation (incorporated by reference to Exhibit 10.25 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1996). 10.12 -- Credit Agreement, dated September 19, 1997, among Kirby Corporation, the Banks named therein, and Texas Commerce Bank National Association as Agent and Funds Administrator (incorporated by reference to Exhibit 10.0 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997). 10.13 -- First Amendment to Credit Agreement, dated January 30, 1998, among Kirby Corporation, the Banks named therein, and Chase Bank of Texas, N.A. as Agent and Funds Administrator (incorporated by reference to Exhibit B2 of the Registrant's Tender Offer Statement on Schedule 13E-4 filed with the Securities and Exchange Commission on February 17, 1998). 10.14

-- Second Amendment to Credit Agreement, dated November 30, 1998, among Kirby Corporation, the Banks named therein, and Chase Bank of Texas, N.A. as Agent and Funds Administrator (incorporated by reference to Exhibit 10.22 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1998). 10.15 -- Agreement and Plan of Merger, dated July 28, 1999, by and among Kirby Corporation, Kirby Inland Marine, Inc., Hollywood Marine, Inc., C. Berdon Lawrence, and Robert B. Egan and Eddy J. Rogers, Jr., as Co-Trustees under certain Berdon Lawrence Trusts (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K dated July 30, 1999). 10.16 -- Credit Facility, dated as of October 12, 1999, among Kirby Corporation, the Banks named therein, Chase Bank of Texas, National Association as Administrative Agent, Bank of America, N.A. as Syndication

Agent, and Bank One, Texas, N.A. as Documentation Agent (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K dated October 14, 1999).

10.17+ -- 2001 Employee Stock Option Plan for Kirby Corporation (incorporated by reference to Exhibit 10.23 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000).

EXHIBIT NUMBER DESCRIPTION OF EXHIBIT - ------- ----- ------------- ---- 10.18+ -- Third Amendment to Credit Agreement, dated November 5, 2001, among Kirby Corporation, the Banks named therein, and The Chase Manhattan Bank as Agent and Funds Administrator (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001). 10.19 -- First Amendment to Credit Agreement, dated November 5, 2001, among Kirby Corporation, the Banks named herein, The Chase Manhattan Bank as Administrative Agent, Bank of America N.A. as syndication Agent, and Bank One, Texas, N.A. as Documentation Agent (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001). 10.20*+ -- Nonemployee Director Compensation Program.

10.21+ -- 2000 Nonemployee Director Stock Option Plan (incorporated by reference to Exhibit 10.27 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2001). 10.22+ -- 2002 Stock and Incentive Plan (incorporated by reference to Exhibit 4.4 of the Registrant's Registration Statement on Form S-8 filed on October 28, 2002). 21.1* -- Principal Subsidiaries of the Registrant. 23.1* -- Consent of KPMG LLP. 99.1* -- Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Filed herewith

+ 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/ NORMAN W. NOLEN

Norman W. Nolen
Executive Vice President

Dated: March 5, 2003

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/ C.
BERDON
LAWRENCE
Chairman
of the
Board and
Director
March 5,
2003 -----

--- of the
Company C.
Berdon
Lawrence
/s/ J. H.
PYNE
President,
Director
of the
Company
March 5,
2003 -----

--- and
Principal
Executive
Officer J.
H. Pyne
/s/ NORMAN
W. NOLEN
Executive
Vice
President,
March 5,
2003 -----

Treasurer,
Assistant
Secretary
of Norman
W. Nolen
the
Company

and Principal Financial Officer /s/ RONALD A. DRAGG Controller of the Company March 5, 2003 -- Ronald A. Dragg /s/ C. SEAN DAY Director of the Company March 5, 2003 -- C. Sean Day /s/ BOB G. GOWER Director of the Company March 5, 2003 -- Bob G. Gower /s/ WALTER E. JOHNSON Director of the Company March 5, 2003 -- Walter E. Johnson /s/ WILLIAM M. LAMONT, JR. Director of the Company March 5, 2003 -- William M. Lamont, Jr. /s/ GEORGE A. PETERKIN, JR. Director of the Company March 5, 2003 -----

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--- George A. Peterkin, Jr. /s/ ROBERT G. STONE, JR. Director of the Company March 5, 2003 -----
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--- Robert G. Stone, Jr. /s/ RICHARD C. WEBB Director of the Company March 5, 2003 -----
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Richard C. Webb

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

In connection with the filing of the Annual Report on Form 10-K for the year ended December 31, 2002 by Kirby Corporation, J. H. Pyne, President and Chief Executive Officer, hereby certifies that:

1. I have reviewed this annual report on Form 10-K of Kirby Corporation (the "Company");

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and we have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   (b) evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of the Company's board of directors:

   (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and

6. The Company's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ J. H. PYNE

J. H. Pyne
President and Chief Executive Officer

Dated: March 5, 2003

CERTIFICATION OF CHIEF FINANCIAL OFFICER

In connection with the filing of the Annual Report on Form 10-K for the year ended December 31, 2002 by Kirby Corporation, Norman W. Nolen, Executive Vice President, Treasurer and Chief Financial Officer, hereby certifies that:

1. I have reviewed this annual report on Form 10-K of Kirby Corporation (the "Company");

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this annual report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and we have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Company's other certifying officer and I have disclosed, based on our most recent evaluation, to the Company's auditors and the audit committee of the Company's board of directors:

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and

6. The Company's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

/s/ NORMAN W. NOLEN

Norman W. Nolen
Executive Vice President, Treasurer
and Chief Financial Officer

Dated: March 5, 2003

EXHIBIT INDEX

EXHIBIT	DESCRIPTION
4.3	-- Master Note Purchase Agreement dated as of February 15, 2003 among the Company and the Purchasers named therein.
10.20	-- Nonemployee Director Compensation Program.
21.1	-- Principal Subsidiaries of the Registrant.
23.1	-- Consent of KPMG LLP.
99.1	-- Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EXHIBIT 4.3

CONFORMED COPY

KIRBY CORPORATION

MASTER NOTE PURCHASE AGREEMENT

Dated as of February 15, 2003

Providing for the Issuance of Senior Notes in Series
Without Limitation as to Principal Amount

Initial Issuance of
$250,000,000
Floating Rate Senior Notes
Series 2003-A, Due February 28, 2013

PPN: 497266 A* 7

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EXHIBIT 4.4(a)	--	Form of Opinion of Counsel for the Company
EXHIBIT 4.4(b)	--	Form of Opinion of Special Counsel for the Purchasers

KIRBY CORPORATION
55 Waugh Drive
Suite 1000
Houston, Texas 77007
(713) 435-1000
Fax: (713) 435-1011

Senior Notes Issuable in Series
Without Limitation as to Principal Amount

$250,000,000
Floating Rate Senior Notes
Series 2003-A, Due February 28, 2013

Dated as of February 15, 2003

TO EACH OF THE PURCHASERS LISTED IN
THE ATTACHED SCHEDULE A:

Ladies and Gentlemen:

KIRBY CORPORATION, a Nevada corporation (the "Company"), agrees with you as follows:

1. AUTHORIZATION OF NOTES.

1.1. AMOUNT; ESTABLISHMENT OF SERIES.

The Company desires to provide for the issuance from time to time of Senior Notes in series (the "Notes," such term to include any such Notes issued in substitution therefor pursuant to Section 13 of this Agreement), without limitation as to the aggregate principal amount that may be issued. The Notes will be substantially in the form set out in Exhibit 1.1(a), with such changes therefrom, if any, as may be approved by the purchasers of such Notes, or series thereof, and the Company. Certain capitalized terms used in this Agreement are defined in Schedule B; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement. Each series of Notes may consist of one or more tranches.

Each series of Notes, other than the Series 2003-A Notes, will be issued pursuant to a supplement to this Agreement (a "Supplement") in substantially the form of Exhibit 1.1(b), and will be subject to the following terms and conditions:

(a) the designation of each series of Notes shall distinguish the Notes of one series from the Notes of all other series;

(b) the Notes of each series shall rank pari passu with each other series of the Notes and the Company's other outstanding senior unsecured Debt;

(c) each series of Notes shall be dated the date of issue, bear interest at such rate or rates, mature on such date or dates, be subject to such mandatory prepayments, if any, on the dates and with the make-whole amounts, premiums or breakage amounts, if any, as are provided in the Supplement under which such Notes are issued, and shall have such additional or different conditions precedent to closing and such additional or different representations and warranties or, subject to Section 1.1(d), other terms and provisions as shall be specified in such Supplement;

(d) except to the extent provided in foregoing clause (c), all of the provisions of this Agreement shall apply to the Notes of each series; and

(e) the issuance of any subsequent series of Notes shall not dilute or otherwise affect the relative priority or other rights of the holders of the Series 2003-A Notes or in any way affect the percentages of Series 2003-A Notes required to approve an amendment or effectuate a waiver under the provisions of Section 17 or the percentages of Series 2003-A Notes required to accelerate the Series 2003-A Notes or rescind such an acceleration under the provisions of Section 12.1 or 12.3.

1.2. THE SERIES 2003-A NOTES.

(a) Amount; Designation. The Company has authorized, as the initial series of Notes hereunder, the issue and sale of $250,000,000 aggregate principal amount of Floating Rate Notes, Series 2003-A, due February 28, 2013 (the "Series 2003-A Notes," such term to include any such Notes issued in substitution therefor pursuant to Section 13 of this Agreement). The Series 2003-A Notes shall be substantially in the form set out in Exhibit 1.2, with such changes therefrom, if any, as may be approved by you and the Company. The Notes shall bear interest (computed on the basis of a 360-day year and the actual number of days elapsed) (i) on the unpaid principal thereof at a floating rate equal to the Adjusted LIBOR Rate from time to time, payable quarterly on each Interest Payment Date until the principal shall have become due and payable, and (ii) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any LIBOR Breakage Amount at the Default Rate until paid.

(b) Adjusted LIBOR Rate. "ADJUSTED LIBOR RATE" means, for each Interest Period, the rate per annum equal to 1.2% plus LIBOR for such Interest Period. For purposes of determining Adjusted LIBOR Rate, the following terms have the following meanings:

"LIBOR" means, for any Interest Period, the rate per annum (rounded upwards, if necessary, to the next higher one hundred-thousandth of a percentage point) for deposits in U.S. Dollars for a 90-day period that appears on the

Bloomberg Financial Markets Service Page BBAM-1 (or if such page is not available, the Reuters Screen LIBO Page) as of 11:00 a.m. (London, England time) on the date two Business Days before the commencement of such Interest Period (or three Business Days before the commencement of the first Interest Period).

"REUTERS SCREEN LIBO PAGE" means the display designated as the "LIBO" page on the Reuters Monitory Money Rates Service (or such other page as may replace the LIBO page on that service or such other service as may be nominated by the British Bankers' Association as the information vendor for the purpose of displaying British Bankers' Association Interest Settlement Rates for U.S. Dollar deposits).

(c) Determination of the Adjusted LIBOR Rate. The Adjusted LIBOR Rate shall be determined by the Company, and notice thereof shall be given to the holders of the Series 2003-A Notes, within two Business Days after the beginning of each Interest Period, together with (i) a copy of the relevant screen used for the determination of LIBOR, (ii) a calculation of the Adjusted LIBOR Rate for such Interest Period, (iii) the number of days in such Interest Period, (iv) the date on which interest for such Interest Period will be paid and (v) the amount of interest to be paid to each holder of Series 2003-A Notes on such date. If Required Holders do not concur with such determination by the Company, as evidenced by a single written notice delivered to the Company within 10 Business Days after receipt by such holders of the notice delivered by the Company pursuant to the immediately preceding sentence, the determination of the Adjusted LIBOR Rate shall be made by such holders of the Notes, and any such determination made in accordance with the provisions of this Agreement shall be conclusive and binding absent manifest error.

(d) Interest Period. "INTEREST PERIOD" means for any period for which interest is to be calculated or paid, the period commencing on the date of an interest payment on the Series 2003-A Notes, or on the date of Closing in the case of the first such period, and ending on the next February 28, May 28, August 28 or November 28, as the case may be, or if such date is not a Business Day, the next succeeding Business Day.

2. SALE AND PURCHASE OF SERIES 2003-A NOTES.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to you and each of the other purchasers named in Schedule A (the "Other Purchasers"), and you and the Other Purchasers will purchase from the Company, at the Closing provided for in Section 3, Series 2003-A Notes of the series and in the principal amount specified opposite your names in Schedule A at the purchase price of 100% of the principal amount thereof. Your obligation hereunder and the obligations of the Other Purchasers are several and not joint obligations and you shall have no liability to any Person for the performance or non-performance by any Other Purchaser hereunder.

3. CLOSING.

The sale and purchase of the Series 2003-A Notes to be purchased by you and the Other Purchasers shall occur at the offices of Gardner, Carton & Douglas, 191 North Wacker Drive, Suite 3700, Chicago, Illinois 60606-1698, at 9:00 a.m., Chicago time, at a closing (the "Closing") on February 28, 2003 or on such other Business Day thereafter on or prior to March 7, 2003 as may be agreed upon by the Company and you and the Other Purchasers. At the Closing the Company will deliver to you the Series 2003-A Notes to be purchased by you in the form of a single Note (or such greater number of Series 2003-A Notes in denominations of at least $100,000 as you may request) dated the date of the Closing and registered in your name (or in the name of your nominee), against delivery by you to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number 00100359554 at JPMorgan Chase Bank, 712 Main Street, Houston, Texas 77002, ABA No. 113000609. If at the Closing the Company fails to tender such Series 2003-A Notes to you as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to your satisfaction, you shall, at your election, be relieved of all further obligations under this Agreement, without thereby waiving any rights you may have by reason of such failure or such nonfulfillment.

4. CONDITIONS TO CLOSING.

Your obligation to purchase and pay for the Series 2003-A Notes to be sold to you at the Closing is subject to the fulfillment to your satisfaction, prior to or at the Closing, of the following conditions:

4.1. REPRESENTATIONS AND WARRANTIES.

The representations and warranties of the Company in this Agreement shall be correct when made and at the time of the Closing.

4.2. PERFORMANCE; NO DEFAULT.

The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing and after giving effect to the issue and sale of the Series 2003-A Notes (and the application of the proceeds thereof as contemplated by Schedule 5.14) no Default or Event of Default shall have occurred and be continuing. Neither the Company nor any Restricted Subsidiary shall have entered into any transaction since the date of the Memorandum that would have been prohibited by Section 10 hereof had such Section applied since such date.

4.3. COMPLIANCE CERTIFICATES.

(a) Officer's Certificate. The Company shall have delivered to you an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(b) Secretary's Certificate. The Company shall have delivered to you a certificate certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Series 2003-A Notes and the Agreement.

4.4. OPINIONS OF COUNSEL.

You shall have received opinions in form and substance satisfactory to you, dated the date of the Closing (a) from Jenkens & Gilchrist, counsel to the Company, covering the matters set forth in Exhibit 4.4(a) and covering such other matters incident to the transactions contemplated hereby as you or your counsel may reasonably request (and the Company instructs its counsel to deliver such opinion to you) and (b) from Gardner Carton & Douglas LLC, your special counsel in connection with such transactions, substantially in the form set forth in Exhibit 4.4(b) and covering such other matters incident to such transactions as you may reasonably request.

4.5. PURCHASE PERMITTED BY APPLICABLE LAW, ETC.

On the date of the Closing your purchase of Series 2003-A Notes shall (i) be permitted by the laws and regulations of each jurisdiction to which you are subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (ii) not violate any applicable law or regulation (including, without limitation, Regulation U, T or X of the Board of Governors of the Federal Reserve System) and (iii) not subject you to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by you, you shall have received an Officer's Certificate certifying as to such matters of fact as you may reasonably specify to enable you to determine whether such purchase is so permitted.

4.6. SALE OF OTHER SERIES 2003-A NOTES.

Contemporaneously with the Closing the Company shall sell to the Other Purchasers and the Other Purchasers shall purchase the Series 2003-A Notes to be purchased by them at the Closing as specified in Schedule A.

4.7. PAYMENT OF SPECIAL COUNSEL FEES.

Without limiting the provisions of Section 15.1, the Company shall have paid on or before the Closing the fees, charges and disbursements of your special counsel referred to in Section 4.4, to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

4.8. PRIVATE PLACEMENT NUMBER.

A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance

Commissioners) shall have been obtained by Gardner, Carton & Douglas for each series of the Series 2003-A Notes.

4.9. CHANGES IN CORPORATE STRUCTURE.

Except as specified in Schedule 4.9, the Company shall not have changed its jurisdiction of incorporation or been a party to any merger or consolidation and shall not have succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

4.10. PROCEEDINGS AND DOCUMENTS.

All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to you that:

5.1. ORGANIZATION; POWER AND AUTHORITY.

The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Series 2003-A Notes and to perform the provisions hereof and thereof.

5.2. AUTHORIZATION, ETC.

This Agreement and the Series 2003-A Notes have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

5.3. DISCLOSURE.

The Company, through its agent, Banc of America Securities LLC, has delivered to you and each Other Purchaser a copy of a Private Placement Memorandum, dated January 2003 (the "Memorandum"), relating to the transactions contemplated hereby. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries. Except as disclosed in Schedule 5.3, this Agreement, the Memorandum, the documents, certificates or other writings delivered to you by or on behalf of the Company in connection with the transactions contemplated hereby and the financial statements listed in Schedule 5.5, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Memorandum or as expressly described in Schedule 5.3, or in one of the documents, certificates or other writings identified therein, or in the financial statements listed in Schedule 5.5, since September 30, 2002, there has been no change in the financial condition, operations, business or properties of the Company or any Subsidiary except changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Memorandum or in the other documents, certificates and other writings delivered to you by or on behalf of the Company specifically for use in connection with the transactions contemplated hereby.

5.4. ORGANIZATION AND OWNERSHIP OF SHARES OF SUBSIDIARIES; AFFILIATES.

(a) Schedule 5.4 contains (except as noted therein) complete and correct lists of: (i) the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, (ii) the Company's Affiliates, other than Subsidiaries, and (iii) the Company's directors and senior officers. Each Subsidiary listed in Schedule 5.4 is designated a Restricted Subsidiary by the Company.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 5.4).

(c) Each Subsidiary identified in Schedule 5.4 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to, any legal restriction or any agreement (other than this Agreement, the agreements listed on Schedule 5.4 and customary limitations imposed by corporate, limited liability company, limited partnership or similar statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

5.5. FINANCIAL STATEMENTS.

The Company has delivered to you and each Other Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such financial statements and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments).

5.6. COMPLIANCE WITH LAWS, OTHER INSTRUMENTS, ETC.

The execution, delivery and performance by the Company of this Agreement and the Series 2003-A Notes will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority, including the USA Patriot Act, applicable to the Company or any Subsidiary.

5.7. GOVERNMENTAL AUTHORIZATIONS, ETC.

No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement or the Series 2003-A Notes.

5.8. LITIGATION; OBSERVANCE OF AGREEMENTS, STATUTES AND ORDERS.

Except as disclosed in Schedule 5.8,

(a) there are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect; and

(b) neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including Environmental Laws and the USA Patriot Act) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

5.9. TAXES.

The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate. The Federal income tax liabilities of the Company and its Subsidiaries have been determined by the Internal Revenue Service and paid for all fiscal years up to and including the fiscal year ended December 31, 1998.

5.10. TITLE TO PROPERTY; LEASES.

The Company and its Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

5.11. LICENSES, PERMITS, ETC.

Except as disclosed in Schedule 5.11,

(a) the Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto necessary for the conduct of their businesses without known conflict with the rights of others;

(b) to the best knowledge of the Company, no product of the Company infringes any license, permit, franchise, authorization, patent, copyright, service mark, trademark, trade name or other right owned by any other Person; and

(c) to the best knowledge of the Company, there is no violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries;

except, in each instance, for the lack of ownership or possession, conflicts or violations that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.12. COMPLIANCE WITH ERISA.

(a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by more than 5% of consolidated stockholders equity of the Company and its Subsidiaries as reflected in the most recent balance sheet referred to in Schedule 5.5. The term "benefit liabilities" has the meaning specified in section 4001 of ERISA and the terms "current value" and "present value" have the meaning specified in section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Subsidiaries is not Material or is reflected in the most recent consolidated financial statements of the Company and its Subsidiaries reflected in Schedule 5.5.

(e) The execution and delivery of this Agreement and the issuance and sale of the Series 2003-A Notes hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of your representation in Section 6.2 as to the sources of the funds used to pay the purchase price of the Series 2003-A Notes to be purchased by you.

5.13. PRIVATE OFFERING BY THE COMPANY.

Neither the Company nor anyone acting on its behalf has offered the Series 2003-A Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than you, the Other Purchasers and not more than 50 other Institutional Investors, each of which has been offered the Series 2003-A Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Series 2003-A Notes to the registration requirements of Section 5 of the Securities Act.

5.14. USE OF PROCEEDS; MARGIN REGULATIONS.

The Company will apply the proceeds of the sale of the Series 2003-A Notes for general corporate purposes, including to refinance Debt as set forth in Schedule 5.14. No part of the proceeds from the sale of the Series 2003-A Notes will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 10% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 10% of the value of such assets. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

5.15. EXISTING DEBT; FUTURE LIENS.

(a) Except as described therein, Schedule 5.15 sets forth a complete and correct list of all outstanding Debt of the Company and its Subsidiaries as of December 31, 2002, since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Debt of the Company or its Subsidiaries. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Debt of the Company or such Subsidiary and no event or condition exists with respect to any Debt of the Company or any Subsidiary that is outstanding in an aggregate principal amount of $5,000,000 or more and that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Debt to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Except as disclosed in Schedule 5.15, neither the Company nor any Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.3.

5.16. FOREIGN ASSETS CONTROL REGULATIONS, ANTI-TERRORISM ORDER, ETC.

Neither the sale of the Series 2003-A Notes by the Company hereunder nor its use of the proceeds thereof will violate (a) the Trading with the Enemy Act, as amended, (b) any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto or (c) to the knowledge of the Company, the Anti-Terrorism Order. Without limiting the foregoing, neither Company nor any Subsidiary (i) is a blocked person described in Section 1 of the Anti-Terrorism Order or (ii) engages in any dealings or transactions, or is otherwise associated, with any such person.

5.17. STATUS UNDER CERTAIN STATUTES.

Neither the Company nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 1935, as amended, or the Federal Power Act, as amended. Neither the Company nor any Subsidiary is subject to any regulation in any Material respect under the Interstate Commerce Act, as amended by the ICC Termination Act, as amended, and no approvals or consents are required to be obtained pursuant to such Acts in connection with the issuance and sale of the Notes.

5.18. ENVIRONMENTAL MATTERS.

Except as otherwise disclosed to you in writing, neither the Company nor any Subsidiary has knowledge of any claim or has received any notice of any claim, and no proceeding has been instituted raising any claim against the Company or any of its Subsidiaries or any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect. Except as otherwise disclosed to you in writing,

(a) neither the Company nor any Subsidiary has knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect;

(b) neither the Company nor any of its Subsidiaries has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them and has not disposed of any Hazardous Materials in a manner contrary to any Environmental Laws in each case in any manner that could reasonably be expected to result in a Material Adverse Effect; and

(c) all buildings on all real properties now owned, leased or operated by the Company or any of its Subsidiaries are in compliance with applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

6. REPRESENTATIONS OF THE PURCHASERS.

6.1. PURCHASE FOR INVESTMENT.

You represent that you are purchasing the Series 2003-A Notes for your own account or for one or more separate accounts maintained by you or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of your or their property shall at all times be within your or their control. You understand that the Series 2003-A Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Series 2003-A Notes. You represent that you are an "accredited investor" as such term is defined in Rule 501(a) of Regulation D under the Securities Act.

6.2. SOURCE OF FUNDS.

You represent that at least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by you to pay the purchase price of the Series 2003-A Notes to be purchased by you hereunder:

(a) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption ("PTE") 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the National Association of Insurance Commissioners (the "NAIC Annual Statement") for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 (issued January 29, 1990), or (ii) a bank collective investment fund, within the meaning of PTE 91-38 (issued July 12, 1991) and, except as you have disclosed to the Company in writing pursuant to this paragraph (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an "investment fund" (within the meaning of Part V of PTE 84-14 (the "QPAM Exemption") managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a "plan(s)" (within the meaning of Section IV of PTE 96-23 (the "INHAM Exemption") managed by an "in-house asset manager" or "INHAM" (within the meaning of Part IV of the INHAM exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of "control" in Section IV(h) of the INHAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this paragraph (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms "employee benefit plan", "governmental plan" and "separate account" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

7. INFORMATION AS TO COMPANY.

7.1. FINANCIAL AND BUSINESS INFORMATION

The Company will deliver to each holder of Notes that is an Institutional Investor:

(a) Quarterly Statements -- within 60 days (or such other shorter period within which Quarterly Reports on Form 10-Q are required to be timely filed with the Securities and Exchange Commission, including any extension permitted by Rule 12b-25 of the Exchange Act) after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of,

(i) consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter,

(ii) consolidated statements of earnings and stockholders' equity of the Company and its Subsidiaries for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter, and

(iii) consolidated statements of cash flows of the Company and its Subsidiaries for such quarter or (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, provided that delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 7.1(a);

(b) Annual Statements -- within 105 days (or such other shorter period within which Annual Reports on Form 10-K are required to be timely filed with the Securities and Exchange Commission, including any extension permitted by Rule 12b-25 of the Exchange Act) after the end of each fiscal year of the Company, duplicate copies of,

(i) consolidated balance sheet of the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidated statements of earnings, stockholders' equity and cash flows of the Company and its Subsidiaries, for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, provided that the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 7.1(b);

(c) Unrestricted Subsidiaries -- if, at the time of delivery of any financial statements pursuant to Section 7.1(a) or (b), Unrestricted Subsidiaries account for more than 10% of (i) the consolidated total assets of the Company and its Subsidiaries reflected in the balance sheet included in such financial statements or (ii) the consolidated revenues of the Company and its Subsidiaries reflected in the consolidated statement of income included in such financial statements, an unaudited balance sheet for all Unrestricted Subsidiaries taken as whole as at the end of the fiscal period included in such financial statements and the related unaudited statements of income, stockholders' equity and cash flows for such Unrestricted Subsidiaries for such period, together with consolidating statements reflecting all eliminations or adjustments necessary to reconcile such group financial statements to the consolidated financial statements of the Company and its Subsidiaries shall be delivered together with the financial statements required pursuant to Sections 7.1(a) and (b);

(d) SEC and Other Reports -- promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Restricted Subsidiary to public securities holders generally, and (ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such holder), other than registration statements on Form S-8, and each prospectus and all amendments thereto filed by the Company or any Restricted Subsidiary with the Securities and Exchange Commission and of all press releases and other statements made available generally by the Company or any Restricted Subsidiary to the public concerning developments that are Material;

(e) Notice of Default or Event of Default -- promptly, and in any event within 10 days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(f) ERISA Matters -- promptly, and in any event within five Business Days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect;

(g) Notices from Governmental Authority -- promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any Federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect;

(h) Supplements -- if an additional series of Notes is issued under this Agreement (whether or not you are a purchaser thereof), promptly, and in any event within 10 Business Days after execution and delivery thereof, a copy of the Supplement pursuant to which such Notes were issued; and

(i) Requested Information -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Series 2003-A Notes as from time to time may be reasonably requested by any such holder of Notes.

7.2. OFFICER'S CERTIFICATE.

Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or (b) shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance -- the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of Section 10.1 through Section 10.8, inclusive, during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence); and

(b) Event of Default -- a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review has not disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

7.3. INSPECTION.

The Company will permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default -- if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Restricted Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) Default -- if a Default or Event of Default then exists, at the expense of the Company, to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances, and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

8. PREPAYMENT OF THE NOTES.

8.1. NO SCHEDULED PREPAYMENTS.

No regularly scheduled prepayments are due on the Series 2003-A Notes prior to their stated maturity.

8.2. OPTIONAL PREPAYMENTS.

The Notes are not subject to prepayment at the option of the Company prior to February 28, 2004. Thereafter, the Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Series 2003-A Notes in an amount not less than $1,000,000 in the aggregate in the case of a partial prepayment, at 100% of the principal amount so prepaid, plus interest on such principal amount accrued to such prepayment date and, if such prepayment is to occur on any date other than an Interest Payment Date, the LIBOR Breakage Amount, if any. The Company will give each holder of Series 2003-A Notes written notice of each optional prepayment under this Section 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date, the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Series 2003-A Note held by such holder to be prepaid (determined in accordance with Section 8.3), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid.

8.3. ALLOCATION OF PARTIAL PREPAYMENTS.

In the case of each partial prepayment of the Notes of a series pursuant to this Section 8, the principal amount of the Notes of such series to be prepaid shall be allocated among all of the Notes of such series at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

8.4. MATURITY; SURRENDER, ETC.

In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable LIBOR Breakage Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and the applicable LIBOR Breakage Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and canceled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

8.5. PURCHASE OF NOTES.

The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Series 2003-A Notes except (a) upon the payment or prepayment of the Series 2003-A Notes in accordance with the terms of this Agreement and the Series 2003-A Notes or (b) pursuant to an offer to purchase made by the Company or an Affiliate pro rata to the holders of all Series 2003-A Notes at the time outstanding upon the same terms and conditions. Any such offer shall provide each holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least 15 Business Days. The Company will promptly cancel all Series 2003-A Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Series 2003-A Notes pursuant to any provision of this Agreement and no Series 2003-A Notes may be issued in substitution or exchange for any such Series 2003-A Notes.

8.6. LIBOR BREAKAGE AMOUNT.

The term "LIBOR BREAKAGE AMOUNT" means any loss, cost or expense reasonably incurred by any holder of a Series 2003-A Note as a result of any payment or prepayment of any Series 2003-A Note (whether voluntary, mandatory, automatic, by reason of acceleration or otherwise) on a day other than an Interest Payment Date for such Note or at scheduled maturity thereof, and any loss or expense arising from the liquidation or reemployment of funds obtained by such holder or from fees payable to terminate the deposits from which such funds were obtained; provided that any such loss, cost or expense shall be limited to the time period from the date of such prepayment through the earlier of (i) the next Interest Payment Date or (ii) the maturity of the Series 2003-A Note. Each holder of a Series 2003-A Note shall determine the LIBOR Breakage Amount with respect to the principal amount of its Series 2003-A Notes then being paid or prepaid (or required to be paid or prepaid) by written notice to the Company setting forth such determination in reasonable detail not less than two Business Days prior to the date of prepayment. Each such determination shall be conclusive absent manifest error.

9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

9.1. COMPLIANCE WITH LAW.

The Company will, and will cause each Subsidiary to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.2. INSURANCE.

The Company will, and will cause each Restricted Subsidiary to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated, except for instances where the failure to maintain such insurance could not reasonably be expected to have a Material Adverse Effect.

9.3. MAINTENANCE OF PROPERTIES.

The Company will and will cause each Restricted Subsidiary to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Restricted Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

9.4. PAYMENT OF TAXES AND CLAIMS.

The Company will, and will cause each Subsidiary to, file all income tax or similar tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary, provided that neither the Company nor any Subsidiary need pay any such tax or assessment or claims if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes and assessments in the aggregate could not reasonably be expected to have a Material Adverse Effect.

9.5. CORPORATE EXISTENCE, ETC.

Subject to Section 10.5, the Company will at all times preserve and keep in full force and effect its corporate existence. Subject to Sections 10.4, 10.5 and 10.6, the Company will at all times preserve and keep in full force and effect the corporate, partnership or limited liability company existence of each of its Restricted Subsidiaries (unless merged into the Company or a Restricted Subsidiary) and all rights and franchises of the Company and its Restricted Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate, partnership or limited liability company existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

10.1. DEBT; PRIORITY DEBT.

The Company will not at any time permit:

(a) the ratio of Consolidated Debt (as of any date of determination) to Consolidated EBITDA (for the Company's then most recently completed four fiscal quarters) to be greater than 3.25 to 1.0; or

(b) Priority Debt to exceed 20% of Adjusted Consolidated Net Worth.

10.2. INTEREST COVERAGE.

The Company will not permit the ratio of Consolidated EBITDA to Consolidated Interest Expense (in each case for the Company's then most recently completed four fiscal quarters) to be less than 2.50 to 1.0 at any time.

10.3. LIENS.

The Company will not, and will not permit any Restricted Subsidiary to, permit to exist, create, assume or incur, directly or indirectly, any Lien on its properties or assets, whether now owned or hereafter acquired, except:

(a) Liens for taxes, assessments or governmental charges not then due and delinquent or the nonpayment of which is permitted by Section 9.4;

(b) Liens incidental to the conduct of business or the ownership of properties and assets (including landlords', lessors', carriers', warehousemen's, mechanics', materialmen's and other similar Liens) and Liens to secure the performance of bids, tenders, leases or trade contracts, or to secure statutory obligations (including obligations under workers compensation, unemployment insurance and other social security legislation), surety or appeal bonds or other Liens of like general nature incurred in the ordinary course of business and not in connection with the borrowing of money;

(c) any attachment or judgment Lien, unless the judgment it secures has not, within 60 days after the entry thereof, been discharged or execution thereof stayed pending appeal, or has not been discharged within 60 days after the expiration of any such stay;

(d) Liens securing Debt of a Restricted Subsidiary owed to the Company or to another Restricted Subsidiary;

(e) Liens securing Debt existing on property or assets of the Company or any Restricted Subsidiary as of the date of this Agreement that are described in Schedule 10.3;

(f) encumbrances in the nature of leases, subleases, zoning restrictions, easements, rights of way, minor survey exceptions and other rights and restrictions of record on the use of real property and defects in title arising or incurred in the ordinary course of business, which, individually and in the aggregate, do not materially impair the use of the property or assets subject thereto by the Company or such Restricted Subsidiary in their business or which relate only to assets that in the aggregate are not Material;

(g) Liens (i) existing on property at the time of its acquisition by the Company or a Restricted Subsidiary and not created in contemplation thereof, whether or not the Debt secured by such Lien is assumed by the Company or a Restricted Subsidiary; or (ii) on property created contemporaneously with its acquisition or within 365 days of the acquisition or completion of construction or improvements thereof to secure or provide for all or a portion of the purchase price or cost of construction or improvements of such property after the date of Closing; or (iii) existing on property of a Person at the time such Person is merged or consolidated with, or becomes a Restricted Subsidiary of, or substantially all of its assets are acquired by, the Company or a Restricted Subsidiary and not created in contemplation thereof; provided in each case that such Liens do not extend to additional property of the Company or any Restricted Subsidiary (other than property that is an improvement to or is acquired for specific use in connection with the subject property) and that the aggregate principal amount of Debt secured by each such Lien does not exceed the cost of acquisition or construction of the property subject thereto;

(h) Liens resulting from extensions, renewals or replacements of Liens permitted by paragraphs (d), (e) and (g), provided that (i) there is no increase in the principal amount or decrease in maturity of the Debt secured thereby at the time of such extension, renewal or replacement, (ii) any new Lien attaches only to the same property theretofore subject to such earlier Lien and (iii) immediately after such extension, renewal or replacement no Default or Event of Default would exist; and

(i) Liens securing Debt not otherwise permitted by paragraphs (a) through (h) above, provided that, after giving effect to the incurrence of the Debt so secured, Priority Debt does not exceed 20% of Adjusted Consolidated Net Worth.

10.4. SALE OF ASSETS.

Except as permitted by Section 10.5, the Company will not, and will not permit any Restricted Subsidiary to, sell, lease, transfer or otherwise dispose of, including by way of merger (collectively a "Disposition"), any assets, including capital stock of Restricted Subsidiaries, in one or a series of transactions, to any Person, other than:

(a) Dispositions in the ordinary course of business;

(b) Dispositions by the Company to a Restricted Subsidiary or by a Restricted Subsidiary to the Company or a Restricted Subsidiary; or

(c) Dispositions not otherwise permitted by Section 10.4(a) or (b), provided that:

(i) the aggregate net book value of all assets disposed of in any fiscal year pursuant to this Section 10.4(c) does not exceed 10% of Consolidated Total Assets as of the end of the immediately preceding fiscal year; and

(ii) at the time of such Disposition and after giving effect thereto no Default or Event of Default shall have occurred and be continuing.

Notwithstanding the foregoing, the Company may, or may permit any Restricted Subsidiary to, make a Disposition and the assets subject to such Disposition shall not be subject to or included in the foregoing limitation and computation contained in Section 10.4(c)(ii) of the preceding sentence if

(A) such assets are leased back by the Company or any Restricted Subsidiary, as lessee, within 365 days of the original acquisition or construction thereof by the Company or such Restricted Subsidiary; or

(B) the net proceeds from such Disposition are within 365 days of such Disposition:

(i) reinvested in productive assets used in carrying on the business of the Company and its Restricted Subsidiaries; or

(ii) applied to the payment or prepayment of any outstanding Debt of the Company or any Restricted Subsidiary that is pari passu with or senior to the Notes, including the Notes.

Any prepayment of Notes pursuant to this Section 10.4 shall be in accordance with Sections 8.2 and 8.3, without regard to the minimum prepayment requirements of Section 8.2 if such proceeds are less than such minimum.

10.5. MERGERS, CONSOLIDATIONS, ETC.

The Company will not, and will not permit any Restricted Subsidiary to, consolidate with or merge with any other Person or convey, transfer, sell or lease all or substantially all of its assets in a single transaction or series of transactions to any Person except that:

(a) the Company may consolidate or merge with any other Person or convey, transfer, sell or lease all or substantially all of its assets in a single transaction or series of transactions to any Person, provided that:

(i) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer, sale or lease all or substantially all of the assets of the Company as an entirety, as the case may be, is a solvent corporation organized and existing under the laws of the United States or any state thereof (including the District of Columbia), and, if the Company is not such corporation, such corporation (y) shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement and the Notes and (z) shall have caused to be delivered to each holder of any Notes an opinion of independent counsel reasonably satisfactory to the Required Holders, to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and comply with the terms hereof; and

(ii) immediately before and after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing; and

(b) Any Restricted Subsidiary may (x) merge into the Company (provided that the Company is the surviving corporation) or a Restricted Subsidiary or (y) sell, transfer or lease all or any part of its assets to the Company or a Restricted Subsidiary, or (z) merge or consolidate with, or sell, transfer or lease all or substantially all of its assets to, any Person in a transaction that is permitted by Section 10.4 or, as a result of which, such Person becomes a Restricted Subsidiary; provided in each instance set forth in clauses (x) through (z) that, immediately before and after giving effect thereto, there shall exist no Default or Event of Default.

No such conveyance, transfer, sale or lease of all or substantially all of the assets of the Company shall have the effect of releasing the Company or any successor corporation that shall theretofore have become such in the manner prescribed in this Section 10.5 from its liability under this Agreement or the Notes.

10.6. DESIGNATION OF RESTRICTED AND UNRESTRICTED SUBSIDIARIES.

The Company may designate any Restricted Subsidiary as an Unrestricted Subsidiary and any Unrestricted Subsidiary as a Restricted Subsidiary by notice in writing given to the holders of the Notes; provided that,

(a) if such Subsidiary initially is designated a Restricted Subsidiary, then such Restricted Subsidiary may be subsequently designated as an Unrestricted Subsidiary and such Unrestricted Subsidiary may be subsequently designated as a Restricted Subsidiary, but no further changes in designation may be made;

(b) if such Subsidiary initially is designated an Unrestricted Subsidiary, then such Unrestricted Subsidiary may be subsequently designated as a Restricted Subsidiary and such Restricted Subsidiary may be subsequently designated as an Unrestricted Subsidiary, but no further changes in designation may be made; and

(c) the Company may not designate a Restricted Subsidiary as an Unrestricted Subsidiary unless: (i) such Restricted Subsidiary does not own, directly or indirectly, any Debt or capital stock of the Company or any other Restricted Subsidiary, (ii) such designation, considered as a sale of assets, is permitted pursuant to Section 10.4, and (iii) immediately before and after such designation there exists no Default or Event of Default.

10.7. NATURE OF BUSINESS.

The Company will not, and will not permit any Restricted Subsidiary to, engage in any business if, as a result, the general nature of the business in which the Company and its Restricted Subsidiaries, taken as a whole, would then be engaged would be substantially changed from the general nature of the business in which the Company and its Restricted Subsidiaries, taken as a whole, are engaged on the date of this Agreement as described in the Memorandum.

10.8. TRANSACTIONS WITH AFFILIATES.

The Company will not and will not permit any Restricted Subsidiary to enter into directly or indirectly any Material transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Restricted Subsidiary), except in the ordinary course of the Company's or such Restricted Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Restricted Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

11. EVENTS OF DEFAULT.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or LIBOR Breakage Amount, if any, on any Series 2003-A Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Series 2003-A Note for more than five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in Sections 10.1 through 10.5; or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default or (ii) the Company receiving written notice of such default from any holder of a Note; or

(e) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or in any writing furnished in connection with the transactions contemplated hereby or thereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Restricted Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest in excess of $100,000 on any Debt that is outstanding in an aggregate principal amount greater than 5% of Adjusted Consolidated Net Worth beyond any period of grace provided with respect thereto, or (ii) the Company or any Restricted Subsidiary is in default in the performance of or compliance with any term of any evidence of any Debt that is outstanding in an aggregate principal amount greater than 5% of Adjusted Consolidated Net Worth or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Debt has become, or has been declared, due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Debt to convert such Debt into equity interests), the Company or any Restricted Subsidiary has become obligated to purchase or repay Debt in an aggregate principal amount greater than 5% of Adjusted Consolidated Net Worth before its regular maturity or before its regularly scheduled dates of payment; or

(g) the Company or any Material Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company or any Material Subsidiary, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any Material Subsidiary, or any such petition shall be filed against the Company or any Material Subsidiary and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating more than 5% of Adjusted Consolidated Net Worth are rendered against one or more of the Company and its Restricted Subsidiaries, which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(j) if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities" (within the meaning of section 4001(a)(18) of ERISA) under all Plans determined in accordance with Title IV of ERISA, shall be more than 5% of Adjusted Consolidated Net Worth, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect.

As used in Section 11(j), the terms "employee benefit plan" and "employee welfare benefit plan" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

12. REMEDIES ON DEFAULT, ETC.

12.1. ACCELERATION.

(a) If an Event of Default with respect to the Company described in paragraph (g) or (h) of Section 11 (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, all the Series 2003-A Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, holders of a majority or more in principal amount of the Series 2003-A Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Series 2003-A Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Series 2003-A Notes held by it or them to be immediately due and payable.

Upon any Series 2003-A Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Series 2003-A Notes will forthwith mature and the entire unpaid principal amount of such Series 2003-A Notes, plus (x) all accrued and unpaid interest thereon and (y) any LIBOR Breakage Amount determined in respect of such principal amount, shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived.

12.2. OTHER REMEDIES.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Series 2003-A Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Series 2003-A Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Series 2003-A Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

12.3. RESCISSION.

At any time after any Series 2003-A Notes have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, the holders of a majority in principal amount of the Series 2003-A Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Series 2003-A Notes, all principal of, and LIBOR Breakage Amount, if any, on any Series 2003-A Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and LIBOR Breakage Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Series 2003-A Notes, at the Default Rate, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Series 2003-A Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

12.4. NO WAIVERS OR ELECTION OF REMEDIES, EXPENSES, ETC.

No course of dealing and no delay on the part of any holder of any Series 2003-A Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Series 2003-A Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Series 2003-A Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including reasonable attorneys' fees, expenses and disbursements.

13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

13.1. REGISTRATION OF NOTES.

The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes of each series. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note of a series that is an Institutional Investor, promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes of such series.

13.2. TRANSFER AND EXCHANGE OF NOTES.

Upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or his attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) of the same series in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit 1(a). Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $500,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than $500,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representations and agreement set forth in Section 6.

13.3. REPLACEMENT OF NOTES.

Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another Institutional Investor holder of a Note with a minimum net worth of at least $50,000,000, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense shall execute and deliver, in lieu thereof, a new Note of the same series, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

14. PAYMENTS ON NOTES.

14.1. PLACE OF PAYMENT.

Subject to Section 14.2, payments of principal, LIBOR Breakage Amount, if any, and interest becoming due and payable on the Notes shall be made in Chicago, Illinois at the principal office of Bank of America in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

14.2. HOME OFFICE PAYMENT.

So long as you or your nominee shall be the holder of any Series 2003-A Note, and notwithstanding anything contained in Section 14.1 or in such Series 2003-A Note to the contrary, the Company will pay all sums becoming due on such Note for principal, LIBOR Breakage Amount, if any, and interest by the method and at the address specified for such purpose below your name in Schedule A, or by such other method or at such other address as you shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, you shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Series 2003-A Note held by you or your nominee you will, at your election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by you under this Agreement and that has made the same agreement relating to such Note as you have made in this Section 14.2.

15. EXPENSES, ETC.

15.1. TRANSACTION EXPENSES.

Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of one special counsel and, if reasonably required, local or other counsel) incurred by you and each Other Purchaser or holder of a Series 2003-A Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Series 2003-A Notes (whether or not such amendment, waiver or consent becomes effective), including: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Series 2003-A Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Series 2003-A Notes, or by reason of being a holder of any Series 2003-A Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Series 2003-A Notes. The Company will pay, and will save you and each other holder of a Series 2003-A Note harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those retained by you).

15.2. SURVIVAL.

The obligations of the Company under this Section 15 will survive the payment or transfer of any Series 2003-A Note, the enforcement, amendment or waiver of any provision of this Agreement or the Series 2003-A Notes, and the termination of this Agreement.

16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Series 2003-A Notes, the purchase or transfer by you of any Series 2003-A Note or portion thereof or interest therein and the payment of any Series 2003-A Note, and may be relied upon by any subsequent holder of a Series 2003-A Note, regardless of any investigation made at any time by or on behalf of you or any other holder of a Series 2003-A Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Series 2003-A Notes embody the entire agreement and understanding between you and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

17. AMENDMENT AND WAIVER.

17.1. REQUIREMENTS.

This Agreement and the Series 2003-A Notes may be amended, and the observance of any term hereof or of the Series 2003-A Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it is used therein), will be effective as to you unless consented to by you in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Series 2003-A Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the LIBOR Breakage Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b), 12, 17 or 20.

17.2. SOLICITATION OF HOLDERS OF NOTES.

(a) Solicitation. The Company will provide each holder of the Series 2003-A Notes (irrespective of the amount of Series 2003-A Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Series 2003-A Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Series 2003-A Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) Payment. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of Series 2003-A Notes as consideration for or as an inducement to the entering into by any holder of Series 2003-A Notes or any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

17.3. BINDING EFFECT, ETC.

Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Series 2003-A Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Series 2003-A Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Series 2003-A Note nor any delay in exercising any rights hereunder or under any Series 2003-A Note shall operate as a waiver of any rights of any holder of such Series 2003-A Note. As used herein, the term "this Agreement" or "the Agreement" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

17.4. SERIES 2003-A NOTES HELD BY COMPANY, ETC.

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Series 2003-A Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Series 2003-A Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Series 2003-A Notes then outstanding, Series 2003-A Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by facsimile if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to you or your nominee, to you or it at the address specified for such communications in Schedule A, or at such other address as you or it shall have specified to the Company in writing,

(ii) if to any other holder of any Series 2003-A Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of the Chief Financial Officer, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by you at the Closing (except the Series 2003-A Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and you may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by you in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Series 2003-A Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, "Confidential Information" means information delivered to you by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary or confidential in nature and that was clearly marked or labeled or otherwise adequately identified when received by you as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to you prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by you or any person acting on your behalf, (c) otherwise becomes known to you other than through disclosure by the Company or any Subsidiary or from a third party that was not known to you to be prohibited from making such disclosure or (d) constitutes financial statements delivered to you under Section 7.1 that are otherwise publicly available. You will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by you in good faith to protect confidential information of third parties delivered to you, provided that you may deliver or disclose Confidential Information to (i) your directors, trustees, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by your Notes), (ii) your financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which you sell or offer to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which you offer to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over you, (vii) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about your investment portfolio or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to you, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which you are a party or (z) if an Event of Default has occurred and is continuing, to the extent you may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under your Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 20.

21. SUBSTITUTION OF PURCHASER.

You shall have the right to substitute any one of your Affiliates as the purchaser of the Series 2003-A Notes that you have agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both you and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall be deemed to refer to such Affiliate in lieu of you. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to you all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall no longer be deemed to refer to such Affiliate, but shall refer to you, and you shall have all the rights of an original holder of the Notes under this Agreement.

22. MISCELLANEOUS.

22.1. SUCCESSORS AND ASSIGNS.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including any subsequent holder of a Series 2003-A Note) whether so expressed or not.

22.2. PAYMENTS DUE ON NON-BUSINESS DAYS.

Anything in this Agreement or the Series 2003-A Notes to the contrary notwithstanding, any payment of principal of, LIBOR Breakage Amount or interest on, any Series 2003-A Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

22.3. SEVERABILITY.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

22.4. CONSTRUCTION.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

22.5. COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

22.6. GOVERNING LAW.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of Illinois excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

22.7. Limitation on Interest.

The Company and you intend to contract in strict compliance with applicable usury laws in effect from time to time. None of the terms and provisions of this Agreement or the Notes shall ever be construed to create a contract to pay, for the use, forbearance or detention of money, interest in excess of the maximum amount of interest permitted to be contracted for, charged or received under applicable law in effect from time to time. This Agreement, the Notes and any other agreement between the Company and you, whether now existing or hereafter arising and whether written or oral, are hereby limited so that in no contingency, whether by reason of demand for payment or acceleration of maturity or otherwise, shall the interest contracted for, charged or received by any holder of a Note exceed the maximum amount permissible under applicable law. If for any reason, interest would otherwise be payable to any holder of a Note in excess of the maximum lawful amount, the interest payable to such holder shall be reduced to the maximum amount permitted under applicable law; and if for any reason any holder of a Note shall ever receive anything of value deemed interest under applicable law in excess of the maximum lawful amount, an amount equal to any excessive interest shall be applied to the reduction of the principal of the indebtedness and not to the payment of interest, or if such excessive interest exceeds the unpaid principal balance, such excess shall be refunded to the Company. In determining whether or not the interest paid or payable to any holder of a Note, under any specific contingency, exceeds the maximum amount permitted under applicable law, the Company (and any other payor) and such holder shall to the greatest extent permitted under applicable law (a) characterize any non-principal payment as an expense, fee or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof and (c) amortize, prorate, allocate and spread the total amount of interest throughout the entire period until payment in full of the principal (including the period of any renewal or extension) in accordance with the amounts outstanding from time to time in order to lawfully charge the maximum amount of interest permitted under applicable law. The term "applicable law" as used herein shall mean the law of the state that governs this Agreement and the Notes (or applicable United States federal law, to the extent that it permits a holder of a Note to contract for, charge or receive a greater amount of interest than under applicable state law). The provisions of this section shall control all agreements between the Company and you.

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

KIRBY CORPORATION

By: /s/ Norman W. Nolen

Name: Norman W. Nolen
Title: Executive Vice President, Chief Financial Officer and Treasurer

The foregoing is agreed
to as of the date thereof.

METROPOLITAN LIFE INSURANCE COMPANY

METLIFE BANK, NATIONAL ASSOCIATION
By: Metropolitan Life Insurance Company, as
investment manager

By: /s/ Timothy L. Powell

Name: Timothy L. Powell
Title: Director

(executed by Metropolitan Life Insurance Company
(i) as to itself as a Purchaser and (ii) as investment
manager to MetLife Bank, National Association, as
a Purchaser)

AIG SUNAMERICA LIFE ASSURANCE COMPANY

SUNAMERICA LIFE INSURANCE COMPANY

By: AIG Global Investment Corp.,
investment adviser

By: /s/ Victoria Y. Chin

Name: Victoria Y. Chin
Title: Vice President

MONUMENTAL LIFE INSURANCE COMPANY

By: /s/ Bill Henricksen

Name: Bill Henricksen
Title: Vice President

JACKSON NATIONAL LIFE INSURANCE
COMPANY
By: PPM America, Inc., as attorney in fact, on
behalf of Jackson National Life Insurance Company

By: /s/ Chris Raub

Name: Chris Raub
Title: Senior Managing Director

JACKSON NATIONAL LIFE INSURANCE
COMPANY OF NEW YORK
By: PPM America, Inc., as attorney in fact, on
behalf of Jackson National Life Insurance Company
of New York

By: /s/ Chris Raub

Name: Chris Raub
Title: Senior Managing Director

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

By: CIGNA Investments, Inc. (authorized agent)

By: /s/ Deborah B. Wiacek

Name: Deborah B. Wiacek
Title: Managing Director

HARTFORD LIFE INSURANCE COMPANY

By: Hartford Investment Services, Inc.
Its Agent and Attorney-in-Fact

By: /s/ Kurt H. Nyman

Name: Kurt H. Nyman
Title: Vice President

AMERICAN EXPRESS CERTIFICATE COMPANY

By: /s/ Lorraine R. Hart

Name: Lorraine R. Hart
Title: Vice President- Investments

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: /s/ Edwin H. Garrison, Jr.

Name: Edwin H. Garrison, Jr.
Title: First Vice President

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"ADJUSTED CONSOLIDATED NET WORTH" means, as of any date, consolidated stockholders' equity of the Company and its Restricted Subsidiaries on such date, less (a) minority interests in Restricted Subsidiaries and (b) the amount by which outstanding Restricted Investments on such date exceed 20% of consolidated stockholders' equity of the Company and its Restricted Subsidiaries on such date; provided, however, that the effects on consolidated stockholders' equity of any changes recorded by the Company and its Restricted Subsidiaries related to the impairment of goodwill and other intangibles as may be required under Statement of Financial Accounting Standards No. 142 shall not be taken into account in determining Adjusted Consolidated Net Worth.

"ADJUSTED LIBOR RATE" is defined in Section 1.2(b).

"AFFILIATE" means, at any time, and with respect to any Person, (a) any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and (b) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any corporation of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, "CONTROL" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company. Notwithstanding anything in the foregoing to the contrary, a Person that (i) would be an Affiliate of the Company solely by virtue of its ownership of voting or equity interests of the Company and (ii) is eligible pursuant to Rule 13d-1(b) under the Exchange Act to file a statement with the Securities and Exchange Commission on Schedule 13G, shall not be deemed to be an Affiliate.

"ANTI-TERRORISM ORDER" means Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)).

"BUSINESS DAY" means (a) for the purposes of Section 8.6 only, any day other than a Saturday, a Sunday or a day on which commercial banks in London, England are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in Chicago, Illinois or New York City are required or authorized to be closed.

"CAPITAL LEASE" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"CLOSING" is defined in Section 3.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"COMPANY" means Kirby Corporation, a Nevada corporation.

"CONFIDENTIAL INFORMATION" is defined in Section 20.

"CONSOLIDATED DEBT" means, as of any date, outstanding Debt of the Company and its Restricted Subsidiaries as determined on a consolidated basis in accordance with GAAP.

"CONSOLIDATED EBITDA" means, for any period, the sum of Consolidated Net Income for such period, plus, to the extent deducted in determining such Consolidated Net Income, (i) federal, state, local and foreign income, franchise, value added and similar taxes, (ii) Consolidated Interest Expense, (iii) depreciation and amortization expense and (iv) other non-cash charges. Solely for purposes of Section 10.1(a), if, during the period for which Consolidated EBITDA is being calculated, the Company or a Restricted Subsidiary has (i) acquired one or more Persons (or the assets thereof), Consolidated EBITDA shall be calculated on a pro forma basis as if all of such acquisitions (other than acquisitions by or resulting in Unrestricted Subsidiaries) had occurred on the first day of such period.

"CONSOLIDATED INTEREST EXPENSE" means, for any period, the consolidated interest expense of the Company and its Restricted Subsidiaries for such period determined in accordance with GAAP.

"CONSOLIDATED NET INCOME" means, for any period, the net income or loss of the Company and its Restricted Subsidiaries for such period (including, without duplication, income attributed to minority interests) determined on a consolidated basis in accordance with GAAP.

"CONSOLIDATED TOTAL ASSETS" means, as of any date, the assets and properties of the Company and its Restricted Subsidiaries determined on a consolidated basis in accordance with GAAP.

"DEBT" with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable and other accrued liabilities arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities); and

(e) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (d) hereof.

"DEFAULT" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"DEFAULT RATE" means that rate of interest that is 2% per annum above the rate of interest calculated pursuant to Section 1.2(c).

"DISPOSITION" is defined in Section 10.4.

"ENVIRONMENTAL LAWS" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA AFFILIATE" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

"EVENT OF DEFAULT" is defined in Section 11.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"GOVERNMENTAL AUTHORITY" means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"GUARANTY" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof.

In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

"HAZARDOUS MATERIAL" means any and all pollutants, toxic or hazardous wastes or any other substances that might pose a hazard to health or safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage, or filtration of which is or shall be restricted, prohibited or penalized by any applicable law (including, without limitation, asbestos, urea formaldehyde foam insulation and polycholorinated biphenyls).

"HOLDER" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1.

"INHAM EXEMPTION" is defined in Section 6.2(e).

"INSTITUTIONAL INVESTOR" means (a) any original purchaser of a Note, (b) any holder of more than $2,000,000 in aggregate principal amount of the Notes at the time outstanding, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"INTEREST PAYMENT DATE" means, with respect to any Note, the dates specified in the form of such Note on which interest is to be paid and, with respect to the Series 2003-A Notes, means the dates specified in Exhibit 1.2.

"INTEREST PERIOD" is defined in Section 1.2(d).

"INVESTMENTS" means all investments made, in cash or by delivery of property, directly or indirectly, by any Person, in any other Person, whether by acquisition of shares of capital stock, indebtedness or other obligations or securities or by loan, Guaranty, advance, capital contribution or otherwise.

"LIBOR" is defined in Section 1.2(b).

"LIBOR BREAKAGE AMOUNT" is defined in Section 8.6.

"LIEN" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"MATERIAL" means material in relation to the business, operations, affairs, financial condition, assets or properties of the Company and its Restricted Subsidiaries taken as a whole.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Restricted Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement and the Notes, or (c) the validity or enforceability of this Agreement or the Notes.

"MATERIAL SUBSIDIARY" means, at any time, any Restricted Subsidiary that would at such time account for more than 5% of (i) Consolidated Total Assets as of the end of the most recently completed fiscal quarter or (ii) consolidated revenue of the Company and its Restricted Subsidiaries for the four fiscal quarters ending as of the end of the most recently completed fiscal quarter.

"MEMORANDUM" is defined in Section 5.3.

"MULTIEMPLOYER PLAN" means any Plan that is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"NOTES" is defined in Section 1.1.

"OFFICER'S CERTIFICATE" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"OTHER PURCHASERS" is defined in Section 2.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"PERSON" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"PLAN" means an "employee benefit plan" (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"PRIORITY DEBT" means, as of any date, the sum (without duplication) of (a) outstanding unsecured Debt of Restricted Subsidiaries other than (i) Debt owed to the Company or another Restricted Subsidiary and (ii) Debt of a Person that is not an Unrestricted Subsidiary outstanding at the time it becomes a Restricted Subsidiary, provided that such Debt was not incurred in contemplation of such Person becoming a Restricted Subsidiary and (b) Debt of the Company and its Restricted Subsidiaries secured by Liens not otherwise permitted by Sections 10.3(a) through (h).

"PROPERTY" or "PROPERTIES" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"PURCHASER" means each purchaser listed in Schedule A.

"QPAM EXEMPTION" means Prohibited Transaction Class Exemption 84-14 issued by the United States Department of Labor.

"REQUIRED HOLDERS" means, at any time, the holders of at least a majority in principal amount of the Series 2003-A Notes at the time outstanding (exclusive of Series 2003-A Notes then owned by the Company or any of its Affiliates).

"RESPONSIBLE OFFICER" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

"RESTRICTED INVESTMENTS" means all Investments of the Company and its Restricted Subsidiaries, other than:

(a) property or assets to be used or consumed in the ordinary course of business;

(b) current assets arising from the sale of goods or services in the ordinary course of business;

(c) Investments in Restricted Subsidiaries or in any Person that, as a result thereof, becomes a Restricted Subsidiary;

(d) Investments in common stock of the Company;

(e) Investments existing as of the date of this Agreement that are listed in the attached Schedule B-1; and

(f) Investments in:

(i) obligations, maturing within one year from the date of acquisition, of or fully guaranteed by the United States of America, or an agency thereof, or Canada, or any province thereof;

(ii) state, or municipal securities having an effective maturity within one year from the date of acquisition that are rated in one of the top two rating classifications by at least one nationally recognized rating agency;

(iii) certificates of deposit or banker's acceptances maturing within one year from the date of acquisition of or issued by commercial banks whose long-term unsecured debt obligations (or the long-term unsecured debt obligations of the bank holding company owning all of the capital stock of such bank) are rated in one of the top two rating classifications by at least one nationally recognized rating agency;

(iv) commercial paper maturing within 270 days from the date of issuance that, at the time of acquisition, is rated in one of the top two rating classifications by at least one credit rating agency of recognized national standing;

(v) repurchase agreements; and

(vi) money market instrument programs that are properly classified as current assets in accordance with GAAP.

"RESTRICTED SUBSIDIARY" means any Subsidiary (a) of which at least a majority of the voting securities are owned by the Company and/or one or more Restricted Subsidiaries and (b) that the Company has not designated an Unrestricted Subsidiary by notice in writing given to the holders of the Notes pursuant to Section 10.6.

"REUTERS SCREEN LIBO PAGE" is defined in Section 1.2(b).

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time.

"SENIOR FINANCIAL OFFICER" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"SERIES 2003-A NOTES" is defined in Section 1.2.

"SOURCE" is defined in Section 6.2.

"SUBSIDIARY" means, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership, limited liability company or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership, limited liability company or joint venture can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"THIS AGREEMENT" OR "THE AGREEMENT" is defined in Section 17.3.

"USA PATRIOT ACT" means Public Law 107-56 of the United States of America, United and Strengthening America by Providing Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001.

"UNRESTRICTED SUBSIDIARY" means any Subsidiary of the Company that has been so designated by notice in writing given to the holders of the Notes.

[FORM OF SERIES 2003-A NOTE]

KIRBY CORPORATION

FLOATING RATE SENIOR NOTE
SERIES 2003-A, DUE FEBRUARY 28, 2013

No. [_____] [Date]
$[_______] PPN: 497266 A* 7

FOR VALUE RECEIVED, the undersigned, KIRBY CORPORATION (herein called the "Company"), a corporation organized and existing under the laws of the State of Nevada, promises to pay to [ ], or registered assigns, the principal sum of $[ ] on February 28, 2013, with interest (computed on the basis of a 360-day year and the actual number of days elapsed) (a) on the unpaid principal thereof at a floating rate equal to the Adjusted LIBOR Rate from time to time, payable quarterly on each February 28, May 28, August 28 and November 28, commencing with the February, May, August or November next succeeding the date hereof until the principal shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any LIBOR Breakage Amount at the Default Rate until paid.

Payments of principal of, interest on and any LIBOR Breakage Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of Bank of America in Chicago, Illinois or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the "Notes") issued pursuant to a Note Purchase Agreement dated as of February 15, 2003 (as from time to time amended, the "Note Purchase Agreement"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Reference is made to the Note Purchase Agreement for the definitions used herein and the method of calculating the interest and other payments to be made or in respect of this Note. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) to have made the representations and agreement set forth in Section 6 of the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable LIBOR Breakage Amount) and with the effect provided in the Note Purchase Agreement.

Notwithstanding any other provision of this Note or the Note Purchase Agreement, in no event shall the interest payable hereon, whether before or after maturity, exceed the maximum interest that may be charged on this Note under applicable law, and this Note is expressly made subject to the provisions of the Note Purchase Agreement which more fully set out the limitations on how interest may be accrued, charged or paid on this Note.

This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of Illinois excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

KIRBY CORPORATION

By:

Name:
Title:

Exhibit 1.2

Exhibit 10.20

KIRBY CORPORATION

Nonemployee Director Compensation Program

Annual Director Fee

1. Each director will receive an annual fee of $20,000, payable in four equal quarterly payments to be made at the end of each calendar quarter, unless the director elects to receive a stock option for shares of Kirby common stock in lieu of all or part of the cash fee. The fee will be prorated for any director elected between annual stockholder meetings.

2. The election to receive a stock option in lieu of director fees will be made annually. Any director who elects to receive a stock option in lieu of all or part of the annual fee for the year following any annual meeting of stockholders must give written notice of that election to Kirby no later than the date of such annual meeting, except that a director elected between annual stockholder meetings must give written notice of that election to Kirby no later than the date of his or her election as a director. Directors who elect to receive a stock option in lieu of all or part of the unpaid portion of the annual fee for the year in which this program becomes effective must give written notice of that election to Kirby no later than September 29, 2000.

3. The stock option shall be issued on the following terms:

(a) The number of shares of stock subject to the option will be equal to (i) the portion of the annual fee that a director elects to receive in the form of a stock option divided by (ii) the fair market value of a share of stock on the date of grant multiplied by (iii) 3, with the result then rounded to the nearest whole share.

(b) The exercise price will be the fair market value on the date of grant. The fair market value of a share of stock means the mean of the high and low sales price on the New York Stock Exchange on the date of reference. The date of grant of an option granted in lieu of the annual fee means the date by which a director must make the election to receive the option in lieu of cash fees.

(c) The option will vest one-fourth on the first quarterly payment date, one-fourth on the second quarterly payment date, one-fourth on the third quarterly payment date and one-fourth on the fourth quarterly payment date or, in the case of a director elected between annual stockholder meetings or a director receiving an option for the year in which this program becomes effective, in equal parts on the remaining quarterly payment dates prior to the first anniversary of the most recent annual meeting of stockholders.

(d) The options will be subject to the terms of the plan under which they are issued, including without limitation provisions relating to vesting, exercise, termination and transferability.

4. The quarterly payment of cash fees and vesting of stock options are contingent on a director's continuing to serve in that capacity on each such quarterly payment or vesting date.

Annual Committee Chairman Fee

1. The Chairman of the Audit Committee and the Chairman of the Compensation Committee will receive an annual fee of $10,000, payable in four equal quarterly payments to be made at the end of each calendar quarter. The committee chairman fee will be prorated for any director who is elected to such position between annual meetings of the board of directors.

2. The quarterly payment of the committee chairman fee is contingent on a director's continuing to serve in such position on each such quarterly payment date.

Meeting Fees

1. Each director will receive a fee of $1,000 for each board meeting attended in person or by telephone.

2. Each member of a committee of the board will receive a fee of $3,000 for each committee meeting attended in person or by telephone.

Automatic Stock Option Grants

1. Each director will receive an option for 5,000 shares of Kirby common stock upon his or her first election as a director.

2. Each director will receive an option for 3,000 shares of Kirby common stock immediately after each annual meeting of stockholders.

3. The option price in both cases will be the fair market value on the date of grant. The options will be subject to the terms of the plan under which they are issued, including without limitation provisions relating to vesting, exercise, termination and transferability.

General

1. This compensation program became effective September 26, 2000 and was amended effective October 21, 2002 to add the annual committee chairman fees and to increase the meeting fees for committee members..

2. This compensation program may be amended, modified or terminated by the board at any time.

3. This compensation program applies only to directors of Kirby who are not employees of Kirby or any of its subsidiaries.

ADOPTED BY THE BOARD OF DIRECTORS: September 26, 2000
AMENDED: OCTOBER 21, 2002

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EXHIBIT 21.1

KIRBY CORPORATION

PRINCIPAL SUBSIDIARIES OF THE REGISTRANT

PLACE OF INCORPORATION ------------- KIRBY CORPORATION
-- PARENT AND REGISTRANT....................... Nevada
SUBSIDIARIES OF THE PARENT AND REGISTRANT KIM
Holdings, Inc.
(1)....................................... Delaware
General Energy
Corporation(1).............................. Delaware
Kirby Exploration Company of
Texas(1)....................... Delaware Kirby
Terminals, Inc.(1)...................................
Texas Sabine Transportation
Company(1)........................... Delaware AFRAM
Carriers, Inc.(1)....................................
Delaware Kirby Engine Systems, Inc.
(1)............................. Delaware Kirby
Tankships, Inc.(1)...................................
Delaware Dixie Offshore Transportation
Company(1).................... Delaware Mariner
Reinsurance Company Limited........................
Bermuda Oceanic Insurance
Limited(1)............................... Bermuda
CONTROLLED CORPORATIONS Dixie Bulk Transport, Inc.
(subsidiary of Dixie Offshore Transportation Company)
(1).............................. Delaware KIM
Partners, LLC (Subsidiary of KIM Holdings, Inc.)
(1)..... Louisiana Kirby Inland Marine, LP (KIM
Holdings, Inc. 1% General Partner, KIM Partners, LLC
99% Limited Partner)(1)........ Delaware Dixie
Carriers, Inc. (subsidiary of Kirby Inland Marine, LP)
(1)..
Texas Marine Systems, Inc. (subsidiary of Kirby Engine
Systems, Inc.)
(1)..
Louisiana Rail Systems, Inc. (subsidiary of Kirby
Engine Systems, Inc.)
(1)..
Delaware Engine Systems, Inc. (subsidiary of Kirby
Engine systems, Inc.)
(1)..
Delaware

- -----------
(1) Included in the consolidated financial statements.

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in the Registration Statement (No. 33-56195) on Form S-3 and (No. 33-68140), (No. 33-57621), (No. 33-57625), (No. 333-33913), (No. 333-72592) and (No. 333-100765) on Form S-8 of Kirby Corporation of our report dated January 30, 2003, except as to notes 5 and 15, which are as of March 4, 2003, relating to the consolidated balance sheets of Kirby Corporation and consolidated subsidiaries as of December 31, 2002 and 2001 and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2002, which report appears in the December 31, 2002 Annual Report on Form 10-K of Kirby Corporation.

Our report refers to the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002.

/s/ KPMG LLP

Houston, Texas
March 5, 2003

EXHIBIT 99.1

CERTIFICATION 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, 2002 (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/ J. H. PYNE

J. H. Pyne
President and Chief Executive Officer

/s/ NORMAN W. NOLEN

Norman W. Nolen
Executive Vice President, Treasurer
and Chief Financial Officer

Dated: March 5, 2003