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

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1994

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.)

1775 ST. JAMES PLACE, SUITE 300
 HOUSTON, TEXAS
 (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

77056-3453
 (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 629-9370
 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

American Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: NONE

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 registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

As of March 14, 1995, 28,314,336 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 American Stock Exchange on March 14, 1995 was \$469,486,739. For purposes of this computation, all executive officers, directors and 10% beneficial owners of 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.

DOCUMENTS INCORPORATED BY REFERENCE

The Company's definitive proxy statement in connection with the Annual Meeting of the Stockholders to be held April 18, 1995, 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 January 31, 1969 in Nevada as a subsidiary of Kirby Petroleum Co. Pursuant to the plan of liquidation of Kirby Industries, Inc. ("Industries"), Kirby Petroleum Co., which was then a wholly owned subsidiary of Industries, transferred to the Company in 1975 substantially all of its nonproducing oil and gas acreage, royalty interests and interests in oil and gas limited partnerships. 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. In September, 1984, the Company changed its name from "Kirby Exploration Company" to "Kirby Exploration Company, Inc." and in April, 1990, the name was changed from "Kirby Exploration Company, Inc." to "Kirby Corporation."

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 1775 St. James Place, Suite 300, Houston, Texas 77056, and its telephone number is (713) 629-9370. The Company's mailing address is P.O. Box 1745, Houston, Texas 77251-1745.

BUSINESS AND PROPERTY

The Company and its subsidiaries conduct operations in three business segments: marine transportation, diesel repair and property and casualty insurance.

The Company's marine transportation segment is operated through three divisions, organized around the markets they serve: the Inland Chemical Division, engaged in the inland transportation of industrial chemicals and agricultural chemicals by tank barge; the Inland Refined Products Division, engaged in the inland transportation of refined petroleum products by tank barge; and the Offshore Division, engaged in the offshore transportation of petroleum products by tank barge and tanker and dry-bulk, container and palletized cargos by barge and break-bulk ship. The Company's marine transportation divisions are strictly providers of transportation services and do not assume ownership of any of the products they transport.

The Company's diesel repair segment is engaged in the overhaul and repair of diesel engines and related parts sales in two distinct markets: the marine market, serving vessels powered by large diesel engines utilized in the various inland and offshore marine industries; and the locomotive market, serving the shortline and the industrial railroad markets.

The Company's insurance segment is engaged primarily in the writing of property and casualty insurance in the Commonwealth of Puerto Rico through a 58% interest in the voting common stock of the subsidiary.

The Company and its subsidiaries have approximately 2,300 employees with approximately 200 in the Commonwealth of Puerto Rico and the balance in the United States.

The following table sets forth by industry segment the revenues, operating profits (before general corporate expenses, interest expense and income taxes) and identifiable assets (including goodwill) attributable to the continuing principal activities of the Company for the periods indicated (in thousands):

	YEARS ENDED DECEMBER 31,		
	1992	1993	1994
Revenues from unaffiliated customers:			
Transportation.....	\$190,214	283,747	311,076
Diesel repair.....	35,753	31,952	45,269
Insurance.....	34,661	52,875	65,812
Other.....	8,788	9,823	10,593
	269,416	378,397	432,750
General corporate revenues.....	87	7	387
Consolidated revenues.....	\$269,503	378,404	433,137
Operating profits:			
Transportation.....	\$ 28,034	42,208	31,397
Diesel repair.....	2,561	1,904	3,163
Insurance.....	1,108	4,539	5,119
	31,703	48,651	39,679
General corporate expenses, net.....	(3,563)	(4,911)	(3,999)
Interest expense.....	(9,411)	(8,416)	(8,835)
Earnings before taxes on income.....	\$ 18,729	35,324	26,845
Identifiable assets:			
Transportation.....	\$275,616	344,488	397,112
Diesel repair.....	18,897	20,260	21,304
Insurance.....	145,246	184,868	216,666
	439,759	549,616	635,082
Investment in unconsolidated affiliate.....	146	177	181
General corporate assets.....	6,515	13,460	32,209
Consolidated assets.....	\$446,420	563,253	667,472

MARINE TRANSPORTATION

The Company is engaged in marine transportation as a provider of service for both the inland and offshore markets. As of March 14, 1995, the equipment owned or operated by the Company's three marine transportation divisions was composed of 505 tank barges, 130 inland towing vessels, nine offshore tankers, two offshore tank barges, six offshore dry cargo barges, three offshore break-bulk ships and nine offshore tugboats with the following specifications and capacities:

CLASS OF EQUIPMENT	NUMBER IN CLASS	AVERAGE AGE (IN YEARS)	BARREL CAPACITIES
Inland Fleet			
Inland tank barges:			
Regular double skin:			
20,000 barrels and under.....	246	22.1	2,791,000
Over 20,000 barrels.....	127	15.1	3,361,000
Specialty double skin.....	28	14.8	446,000
Single skin:			
20,000 barrels and under.....	40	23.8	672,000
Over 20,000 barrels.....	64	23.2	1,627,000
Total inland tank barges.....	505	20.2	8,897,000
	===	===	=====
Inland towing vessels:			
Inland towboats:			
2,000 horsepower and under.....	88	20.8	
Over 2,000 horsepower.....	29	18.3	
Total inland towboats.....	117	20.1	
Inland bowboats.....	6	12.7	
Harbor tugboats.....	7	6.5	
	130	19.0	
	===	===	
			BARREL CAPACITIES

Offshore Fleet			
Tankers.....	9	27.8	2,228,000
	===	===	=====
Tank barges.....	2	20.5	322,000
	===	===	=====
			DEADWEIGHT TONNAGE

Offshore break-bulk ships.....	3	18.0	44,600
	===	===	=====
Offshore dry cargo barges(*).....	6	18.3	106,000
	===	===	=====
Offshore tugboats(*).....	9	19.3	
	===	===	

(*) Includes four barges and five tugboats owned by Dixie Fuels Limited and one barge and tugboat owned by Dixie Fuels II, Limited, partnerships in which a subsidiary of the Company owns a 35% and 50% interest, respectively.

The following table sets forth the marine transportation revenues and percentage of such revenues derived from the three divisions for the periods indicated (dollars in thousands):

REVENUE BY PRODUCT OR OPERATION	YEARS ENDED DECEMBER 31,					
	1992		1993		1994	
	AMOUNTS	%	AMOUNTS	%	AMOUNTS	%
Inland Chemical Division.....	\$115,448	61%	\$134,578	48%	\$141,390	46%
Inland Refined Products Division.....	29,578	15	45,940	16	67,251	22
Total inland revenues.....	145,026	76	180,518	64	208,641	68
Offshore Division:						
Liquid petroleum products.....	37,716	20	47,799	17	56,612	18
Dry bulk.....	12,708	7	12,735	4	10,112	3
Break-bulk.....	--	--	47,842	17	40,474	13
Total offshore revenues.....	50,424	27	108,376	38	107,198	34
Intercompany transactions.....	(5,236)	(3)	(5,147)	(2)	(4,763)	(2)
Total transportation revenues.....	\$190,214	100%	\$283,747	100%	\$311,076	100%

MARINE TRANSPORTATION INDUSTRY

The United States possesses a long coastline providing numerous ports and harbors, complemented by a network of interconnected rivers and canals that serve the nation as water highways. Recognizing the advantages to commerce, over the past decades the United States expanded and improved on its inherent natural waterways for commerce and growth. Over 90% of the United States population is served by domestic shipping.

Today, the nation's waterways serve as the backbone of the United States distribution system with over 1.1 billion short tons of cargo moved annually by domestic shipping. The inland water system extends approximately 26,000 miles, 11,000 miles of which are generally considered significant for domestic commerce. Marine transportation is the most efficient means of transportation of bulk products. An average inland tank barge carries the equivalent cargo of 15 rail cars and 60 tractor trailer trucks. A typical Mississippi River tow of 30 barges carries as much cargo as 450 rail cars and 1,800 trucks.

Based on cost, marine transportation is the most efficient means of transportation of bulk products compared with rail and trucks. Inland water transportation carries approximately 13% of United States inter-city freight at less than 2% of United States transportation costs. The United States marine transportation industry is diverse and independent with a mixture of one-man operators, integrated transportation companies and captive fleets owned by United States refining and petrochemical companies.

INLAND TANK BARGE INDUSTRY

The Company's Inland Chemical Division and Inland Refined Products Division operate within the United States inland tank barge industry, which provides marine transportation of liquid bulk cargos for customers along the United States inland waterway system. Among the most significant segments of this industry are the transportation of industrial and agricultural chemicals and refined petroleum products. 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 domestic refineries and petrochemical facilities on navigable inland waterways and along the Gulf Coast. Much of the United States farm belt is likewise situated within access to the inland waterway system, relying on marine transportation of farm products, including agricultural chemicals.

Although no official industry statistics are maintained, the Company believes that the total number of tank barges that operate in the inland waters of the United States has declined from an estimate of approximately 4,200 in 1981 to approximately 2,850 in 1994. The Company believes this decrease is primarily

attributable to the following reasons: increasing age of the domestic tank barge fleet resulting in scrapping; rates inadequate to justify new construction; reduction in financial and tax incentives to construct new equipment; and an increase in compliance regulations that mandate expensive equipment modification which some owners are unwilling or unable to undertake given current rate levels and the age of the fleet.

Although well maintained tank barges can be efficiently operated for more than 30 years, 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. Previously, 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 a peak of approximately 4,200 in 1981. These tax incentives have since been eliminated and government financing programs have since been curtailed. The supply of tank barges resulting from the earlier programs is slowly aligning with demand for tank barge services, primarily through attrition, as discussed above.

While the United States tank barge fleet has decreased in size, domestic production of petrochemicals, a major component of the industry's revenues, has continued to increase annually. Growth in the economy and the continued substitution of plastics and synthetics in a wide variety of products have been major factors behind the increase of capacity in the petrochemical industry. Texas and Louisiana, which are within the Company's area of operations, currently account for approximately 80% of the total United States production of petrochemicals.

COMPETITION IN THE INLAND TANK BARGE INDUSTRY

The Company operates in the highly competitive marine transportation market for commodities transported on the major inland rivers and tributaries and the Gulf Intracoastal Waterway. The industry has become increasingly concentrated within recent years as smaller and/or economically weaker companies have gone out of business or have been acquired by larger or stronger companies. Competition has historically been based primarily on price; however, shipping customers, through 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, operate on a majority of the nation's waterways, and offer flexibility, safety, environmental responsibility, financial responsibility, adequate insurance and quality of service consistent with the customer's own operations.

The Company's direct competitors are primarily noncaptive marine transportation companies. "Captive" companies are those companies that are owned by major oil and/or petrochemical companies which although competing in the inland barge market to varying extents, primarily transport cargos for their own account. The Company is the largest inland tank barge carrier based on its 505 barges and 8,897,000 barrels of available capacity.

While the Company competes primarily with other barge companies, it also competes with companies owning crude oil and refined products pipelines, and, to a lesser extent, rail tank cars and tank trucks in some areas and markets. The Company believes that inland marine transportation of bulk liquid products enjoys a substantial cost advantage over rail and truck transportation. The Company also believes that crude oil and refined products pipelines, although often a less expensive form of transportation than barges and offshore tankers, 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.

INLAND CHEMICAL DIVISION

The Company's Inland Chemical Division provides transportation services for three distinct markets: industrial chemicals, agricultural chemicals and barge fleet services. Collectively, the Division operates a fleet of 386 inland tank barges, 77 inland towboats, 12 fleet services inland towboats and two bowboats.

Industrial Chemicals. Dixie Carriers, Inc. ("Dixie"), a subsidiary of the Company, and its subsidiaries, Dixie Marine, Inc. ("Dixie Marine") and TPT Transportation Company ("TPT Transportation"), and

Chotin Carriers, Inc. ("Chotin"), a subsidiary of the Company, provide service to the industrial chemical industry through movements of petrochemical feedstocks, generic intermediates, industrial processed chemicals and lube oils both interplant and to industry users. Operating a fleet of 310 inland tank barges, 54 inland towboats and two bowboats, the fleet operates primarily along the Gulf Intracoastal Waterway, the Mississippi River and its tributaries and the Houston Ship Channel. The business is conducted under contracts with customers with whom the Company has long-term relationships, as well as under short-term and spot contracts. Currently, approximately 80% of the industrial chemical revenues are derived from term contracts and 20% from the spot market. All of the inland tank barges used in the transportation of industrial chemicals are of double hull construction for increased environmental protection and, where applicable, are capable of controlling vapor emissions to meet occupational health and safety regulations and air quality concerns.

Dixie Marine's assets were acquired effective April 10, 1989 in connection with the purchase of certain assets of Alamo Inland Marine Co. Chotin was acquired on June 1, 1992 by means of a merger of Scott Chotin, Inc. ("Scott Chotin") with and into Chotin. TPT Transportation acquired the assets of TPT, a marine transportation division of Ashland Oil, Inc. ("TPT") on March 3, 1993. On November 16, 1994, TPT Transportation acquired the captive marine fleet of The Dow Chemical Company ("Dow"), consisting of 65 inland tank barges and three inland towboats and the assumption of the leases of an additional 31 inland tank barges and two inland towboats. See "Note 2" to the financial statements included under Item 8 elsewhere herein for further disclosure on the TPT Transportation asset purchases. Dixie's and Dixie Marine's headquarters are located in Houston, Texas and Chotin's and TPT Transportation's headquarters are in Baton Rouge, Louisiana.

Agricultural Chemicals. Brent Transportation Corporation ("Brent Transportation"), a subsidiary of Dixie, operates 76 inland tank barges, including 11 cryogenic anhydrous ammonia barges, and 23 inland towboats, engaged primarily in the transportation of agricultural chemicals, including anhydrous ammonia, to points along the Mississippi River and its tributaries and the Gulf Intracoastal Waterway. Brent Transportation's assets were acquired effective April 1, 1989, in connection with the purchase of certain assets of Brent Towing Company, Inc., and related affiliates ("Brent"), which had been engaged in the transportation of agricultural chemicals and other liquid cargos since 1961. Brent Transportation conducts its business with customers with whom it has long-term relationships and, to a lesser extent, under short-term contracts. Brent Transportation's headquarters are in Greenville, Mississippi. The Company believes that Brent Transportation has the largest inland tank barge fleet that primarily transports agricultural chemicals.

Barge Fleeting Services. Western Towing Company ("Western"), a subsidiary of Dixie, owns 12 inland towboats and operates what the Company believes to be the largest commercial barge fleeting service (provision of temporary barge storage facilities) in the Ports of Houston, Galveston and Freeport, Texas. Western's towboats are engaged primarily in shifting (distribution and gathering of barges) in the Houston-Galveston area.

INLAND REFINED PRODUCTS DIVISION

The Company's Inland Refined Products Division provides transportation services for the refined products and harbor services markets. Collectively, the Division operates a fleet of 119 inland tank barges, 28 inland towboats, seven harbor tugboats and four bowboats.

Refined Products. Sabine Transportation Company ("Sabine Transportation"), a subsidiary of the Company, and OMR Transportation Company ("OMR Transportation"), a subsidiary of Dixie, provide service from Gulf Coast refineries through movements of primarily gasoline, diesel fuel and jet fuel to waterfront terminals on the Gulf Intracoastal Waterway and the Mississippi River and its tributaries. Many of Sabine Transportation's barges are split-product barges which maximize shipping alternatives for customers by allowing for the efficient transportation of smaller individual volumes of petroleum products and providing a means to carry up to four grades of product in the same barge. In addition, by consolidating the product requirements of several customers in split-product equipment, the Refined Products Division is able to offer quantity discounted rates to customers who are carrying small quantities of product. Currently, approximately

35% of the Inland Refined Products Division's revenues are derived from long-term contracts and 65% from the spot market.

The Inland Refined Products Division was formed with the acquisition by Sabine Transportation of certain assets of Sabine Towing & Transportation, Inc. ("Sabine") on March 13, 1992 and the acquisition by OMR Transportation of certain of the assets of Ole Man River Towing, Inc. and related entities ("Ole Man River") on April 2, 1992. The Inland Refined Products Division was expanded on December 21, 1993 with the acquisition by OMR Transportation of 53 inland tank barges from Midland Enterprises Inc. and its wholly owned subsidiary, Chotin Transportation, Inc. ("Chotin Transportation"). See "Note 2" to the financial statements included under Item 8 elsewhere herein for further disclosure on the Chotin Transportation asset purchase. Sabine Transportation's headquarters are in Port Arthur, Texas and OMR Transportation's headquarters are located in Vicksburg, Mississippi.

Harbor Services. Sabine Transportation provides towing, docking and shifting services for vessels calling at the ports of Beaumont, Port Arthur and Orange, Texas and the port of Lake Charles, Louisiana. Operating seven harbor tugboats, the Company believes that this fleet holds a combined market share of approximately 51% in ports which it serves. In addition, Sabine Transportation provides offshore ship assistance and drill-rig movements off the Texas and Louisiana coasts.

OFFSHORE TRANSPORTATION INDUSTRY

The Company's Offshore Division is engaged in U.S. flag offshore tanker and tank barge operations, offshore dry-bulk cargo barge operations and offshore break-bulk and container cargo barge and ship operations. The Division provides transportation of petroleum products, dry-bulk, containers and palletized cargoes, including United States Government preference agricultural commodities, worldwide with particular emphasis on the Gulf of Mexico, along the Atlantic Seaboard, Caribbean Basin ports and to South American, West African and Northern European ports.

COMPETITION IN THE OFFSHORE TRANSPORTATION INDUSTRY

The offshore marine transportation market, like the inland transportation market, is highly competitive. The Company operates predominantly in United States domestic trade which is subject to the Jones Act, a federal law that limits participation between domestic ports within the United States and its territories to U.S. flag vessels. For a discussion of the Jones Act, see "Governmental Regulations" below. The Company's direct competitors in this market are primarily captive and noncaptive operators of U.S. flag ocean-going barges, container and break-bulk ships and tankers. Competition is based upon price, service and equipment availability. There is a limited number of vessels meeting the requirements of the Jones Act which are currently eligible to engage in domestic United States marine transportation.

OFFSHORE DIVISION

Offshore Tankers and Tank Barge Operations. Sabine Transportation and Kirby Tankships, Inc. ("Kirby Tankships") operate a fleet of nine owned U.S. flag single skin tankers, that transport clean petroleum products primarily domestically in the Gulf of Mexico, along the East Coast and internationally to ports in the Caribbean Basin. As of March 14, 1995, seven of Sabine Transportation's and Kirby Tankships' tankers are chartered to various oil companies for the transportation of their products and two operate in the spot market, transporting petroleum products as cargo offers. Classified as "handy size," the tankers have deadweight capacities ranging between 28,000 and 39,000 tons with a total capacity of 2,228,000 barrels. In July, 1994, the Company expanded its tanker capacity from six to ten tankers with the acquisition of four U.S. flag tankers, one from Tosco Refining Company ("Tosco") and three from OMI Corp. ("OMI"). See "Note 2" to the financial statements included under Item 8 elsewhere herein for further disclosures on the Tosco and OMI U.S. flag tanker acquisitions.

As discussed under "Environment Regulations -- Water Pollution Regulations" below, the Oil Pollution Act of 1990 ("OPA") has placed a number of stringent requirements on tanker and offshore tank barge owners and operators, including the mandated phasing out of all single hull vessels beginning in 1995,

depending on vessel size and age. In compliance with the OPA, one of the Company's tankers was retired effective January 1, 1995 and the balance of the Company's tankers are scheduled to be retired from service as follows: one -- January 1, 1996; one -- October 1, 1996; one -- January 1, 1999; three -- January 1, 2000; one -- October 30, 2000; one -- November 4, 2004; and one -- January 1, 2005. In order to stay in service beyond the retirement date, these tankers would have to be either retrofitted with a double hull cargo section or used exclusively in foreign trade.

In addition to the tankers, the Company, through Dixie, owns and operates two ocean-going tank barge and tugboat units, one of which is single skin and one double skin. The single skin 157,000 barrel barge and tug unit and the double skin 165,000 barrel barge and tug unit provide service in the transportation of refined petroleum products between domestic ports along the Gulf of Mexico and along the Atlantic Seaboard. The single skin tank barge is scheduled to be removed from service in compliance with the OPA on January 1, 2005. The double skin tank barge is believed to meet all of the OPA construction requirements.

Offshore Dry-Bulk Cargo Operations. The Company's offshore dry-bulk cargo operations are conducted through Dixie's wholly owned equipment and through two general partnerships, Dixie Fuels Limited ("Dixie Fuels") and Dixie Fuels II, Limited ("Dixie Fuels II"), in which a subsidiary of Dixie owns a 35% and 50% interest, respectively.

Dixie, Dixie Fuels and Dixie Fuels II transport dry-bulk cargoes, such as coal, limestone, cement, fertilizer, flour, raw sugar and grain, as well as containers between domestic ports along the Gulf of Mexico, the East Coast and West Coast, and to ports in the Caribbean Basin with occasional movements to West African ports and other international ports as cargo offers. Management believes that Dixie, including the operations of Dixie Fuels and Dixie Fuels II, is the second largest domestic offshore dry-bulk barge carrier in terms of deadweight capacity.

Dixie owns one ocean-going dry-bulk barge and tugboat unit that is engaged in the transportation of dry-bulk commodities primarily between domestic ports along the Gulf of Mexico and along the Atlantic Seaboard.

Dixie, as general partner, also 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% of Dixie Fuels is owned by Electric Fuels Corporation ("EFC"), an affiliate of Florida Power Corporation ("Florida Power"). Dixie Fuels operates primarily under long-term contracts of affreightment, including a contract that expires in the year 2002 with EFC to transport coal across the Gulf of Mexico to Florida Power's facility at Crystal River, Florida.

Dixie Fuels also has a 12-year contract, which commenced in 1989, with Holnam, Inc. ("Holnam") to transport Holnam's limestone requirements from a facility adjacent to the Florida Power facility at Crystal River to Holnam's plant in Theodore, Alabama. The Holnam contract provides cargo for a portion of the return voyage for the vessels that carry coal to Florida Power'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 transportation of grain from domestic ports to points primarily in the Caribbean Basin.

Dixie also manages the operations of Dixie Fuels II, which operates an ocean-going dry-bulk and container barge and tug unit. The remaining 50% of Dixie Fuels II is owned by EFC. Dixie Fuels II is engaged in the transportation of dry-bulk cargo and containers between domestic ports, ports in the Caribbean Basin and international ports as cargo offers. Since May, 1993, Dixie Fuels II's barge and tug unit has been engaged in the international transportation of preference agricultural aid cargoes for the United States Government.

Offshore Break-Bulk and Container Cargo Operations. AFRAM Carriers, Inc. ("AFRAM") is engaged in the worldwide transportation of dry-bulk, container and palletized cargoes, primarily for departments and agencies of the United States Government. AFRAM's fleet of three U.S. flag break-bulk ships, with container capabilities, specialize in the transportation of United States Government military and preference aid cargoes. AFRAM was acquired on May 14, 1993, by means of a merger of AFRAM Lines (USA), Co., Ltd. ("AFRAM Lines") with and into AFRAM. See "Note 2" to the financial statements

included under Item 8 elsewhere herein for further disclosures on the AFRAM merger. In addition, for a discussion of preference aid cargos, see "Governmental Regulations" below.

In March, 1994, the Company, through its subsidiary, Americas Marine Express, Inc. ("Americas Marine"), began all-water marine transportation services between Memphis, Tennessee and Mexico, Guatemala, Honduras and El Salvador. The transportation containership service utilized a chartered river/ocean vessel that offered direct sailing between the locations. The service provided exporters and importers in the north, central and mid-south states with a direct shipping alternative between Memphis and Mexico and Central America on a fourteen day round trip basis. In August, 1994, the Company discontinued the service as aggressive pricing from competitors resulted in slower than anticipated acceptance of the service. Volumes were increasing with each voyage; however, operating losses and the negative prospects for future profitability did not warrant continuation of the service.

CONTRACTS AND CUSTOMERS

The majority of the marine transportation contracts are for terms of one to five years. Currently, the three marine transportation divisions of the Company operate under longer term contracts with Dow, Chevron Chemical Company, EFC, Holnam, Monsanto Chemical Company and Odfjell Tank Ships (USA) Inc., among many others. While these companies have generally been customers of the Company's marine transportation divisions for several years and management anticipates a continuing relationship, there is no assurance that any individual contract will be renewed. No single customer of the Company's marine transportation segment accounted for more than 10% of the Company's revenue in 1994, 1993 or 1992.

EMPLOYEES

The Company's three marine transportation divisions have approximately 1,950 employees, of which approximately 1,600 are vessel crew members. Approximately 30% of the 1,600 vessel crew members are subject to various collective bargaining agreements with various labor organizations. No one collective bargaining agreement covers more than 10% of the 1,600 vessel crew members.

PROPERTIES

The principal office of Dixie is located in Houston, Texas, in facilities under a lease that expires in 1996. The marine transportation operating divisions are located on the Gulf Intracoastal Canal at Belle Chasse, Louisiana, a suburb of New Orleans; in Houston, Texas, near the Houston Ship Channel; in Greenville, Mississippi and in Vicksburg, Mississippi. The Greenville location is leased and the Belle Chasse, Houston and Vicksburg locations are owned. Western's facilities are located on a 10.24-acre tract of land owned by Dixie lying between the San Jacinto River and Old River Lake near Houston, Texas. The principal office of Chotin and TPT Transportation is located in Baton Rouge, Louisiana in owned facilities. The principal office and operating units of Sabine Transportation are located in Port Arthur, Texas, on 30 acres of owned waterfront property along the Sabine-Neches Waterway. The principal office of AFRAM is located in Houston, Texas in leased facilities.

GOVERNMENTAL REGULATIONS

General. The Company's transportation operations are subject to regulation by the United States Coast Guard, federal laws, state laws and certain international conventions. The transportation of cargos in bulk are exempt from economic regulations under the Interstate Commerce Act. Therefore, with the exception of AFRAM, the rates charged by the Company for the transportation of such bulk cargos are negotiated between the Company and its customers and are not set by tariff. AFRAM generally operates under published tariffs. AFRAM also bids for United States Government cargo.

The majority of the Company's tank barges, all offshore barges and all ships are inspected by the United States Coast Guard and carry certificates of inspection. The Company's inland and offshore towing vessels are not subject to United States Coast Guard inspection requirements; however, the Company's offshore tugboats and offshore dry-bulk and tank barges are built to American Bureau of Shipping ("ABS") classification

standards. These offshore vessels are inspected periodically by the ABS to maintain the vessels in class. The crew employed by the Company aboard vessels, including captains, pilots, engineers, able-bodied seamen and tankermen, 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, the age of the vessels 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.

The Company believes that safety concerns highlighted by the highly publicized barge collision with a railroad bridge near Mobile, Alabama in September, 1993 will result in additional regulations being imposed on the barge industry in the form of personnel licensing and navigation equipment 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 law that restricts domestic marine transportation in the United States to vessels built and registered in the United States. Furthermore, the Jones Act requires that the vessels be manned by United States citizens and owned by United States citizens. For corporations, 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 the United States ownership requirements of the Jones Act is very important to the operations of the Company and the loss of the 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 any remedial action necessary to insure 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 costs of U.S. flag vessels when compared with foreign flag vessels. The Company's business would 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.

During the past several years, the Jones Act and cargo preference laws, see "Preference Cargo" below, have come under attack by interests seeking to facilitate foreign flag competition for cargos reserved for U.S. flag vessels under the Jones Act and cargo preference laws. These efforts have been consistently defeated by large margins in the United States Congress. The Company believes that continued efforts will be made to gain access to such trade and if such access is successful, it could have an adverse effect on the Company.

Construction and Operating Differential Subsidies. The Merchant Marine Act of 1970 permits deferral of taxes on earnings deposited into capital construction funds. Such funds and interest earned from such funds can be used for the construction of or acquisition of U.S. flag vessels. In addition, to encourage U.S. flag vessels to engage in foreign trade, the Merchant Marine Act provides for direct subsidies to equalize the disparity between costs of U.S. flag operations and construction and the costs of foreign operations and construction. The Company does not receive either of these subsidies on any of its vessels.

Preference Cargo. The Merchant Marine Act of 1936, as amended, requires that preference be given to U.S. flag vessels in the transportation of certain United States Government impelled cargos (cargos shipped either by the United States Government or by a foreign nation, with the aid or guarantee of the United States Government). Currently, 75% of the Government's directed foreign aid and agricultural assistance programs, which includes grains and other food concessions, are required to be transported in U.S. flag vessels. Such programs currently benefit the Company's offshore break-bulk ships and dry-bulk barge and tug units, some of which work primarily in this trade. The transportation of such cargo accounted for approximately 10% of the Company's transportation revenues in 1994, 10% in 1993 and 1% in 1992.

The preference cargo law is often opposed by agricultural interests which perceive they would benefit from the ability to transport preference cargos aboard foreign flag vessels. Like the Jones Act, the Company is of the opinion that continued efforts will be made to significantly reduce, or remove completely, the requirement that 75% of such cargos be transported in U.S. flag vessels. Any reduction in this percentage could have an adverse effect on the Company's operations and therefore, the Company will continue to participate in efforts to preserve the present preference cargo requirements. Further, the agricultural aid cargos represent a material United States Government budget line item. The amount of United States Government spending in this area has declined steadily since 1993 and is expected to continue to decline, resulting in increased competition for the reduced number of shipments at lower transportation rates.

The transportation of United States military cargo is also classified as a preference cargo, which requires the use of U.S. flag vessels, if available. The Company's AFRAM break-bulk ships have from time to time been chartered by the Military Sealift Command ("MSC"). Charters to MSC accounted for 4% of the Company's 1994 transportation revenues and 2% of the Company's 1993 transportation revenues. The chartering of vessels by the MSC depends upon the requirements of the United States military for marine transportation of cargos, and, therefore, depends in part on world conditions and United States foreign policy.

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

The Company presently pays a federal fuel tax of 25.3 cents per gallon, reflecting a 4.3 cents per gallon transportation fuel tax imposed in October, 1993 and a 21 cents per gallon waterway use tax. There can be no assurance that additional user fees, above the present amount, 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 Act of 1972, as amended by the Clean Water Act of 1977, the Comprehensive Environmental Response, Compensation and Liability Act of 1981 and the 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 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 statutory strict liability of owners and operators of vessels for oil spills, both in terms of limit of liability and scope of damages. The Company considers its most significant pollution liability exposure to be the carriage of persistent oils (crude oil, asphalt, #5 oil, #6 oil, lube oil and other black oil). The Company restricts the carriage of persistent oils in inland equipment to double skin barges only. Currently, the Company does not carry persistent oils in its offshore operations.

One of the most important requirements under the OPA is the requirement that all newly constructed tankers or tank barges engaged in the transportation of oil and petroleum in the United States must be double hulled and all existing single hull tankers or tank barges be retrofitted with double hulls or phased out of domestic service between January 1, 1995 and 2015, in order to comply with the new standards. See "Offshore Division -- Offshore Tankers and Tank Barge Operations" for a discussion of the effects of OPA on the Company's offshore equipment.

As a result of several highly publicized oil spills, federal or state legislators could impose additional licensing, certification or equipment requirements on marine vessel operations. Generally, the Company believes that it is in a good position to accommodate any reasonably foreseeable regulatory changes and that it will not incur significant additional costs. 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 skin barges in the transportation of more hazardous 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 three hundred gross tons operating in the Exclusive Economic Zone of the United States waters have been required to maintain evidence of financial ability to satisfy statutory liabilities for water pollution. This evidence is in the form of a Certificate of Financial Responsibility ("CFR") issued by the United States Coast Guard. The majority of the Company's tank barges and all the ships are subject to this CFR requirement and the Company has fully complied since inception of the requirement.

The OPA amended the CFR requirements principally by expanding the scope of liability subject to the requirements and by significantly increasing the financial ability requirements. Effective December 28, 1994, the United States Coast Guard implemented new financial responsibility requirements under OPA for tankers. The new requirements become effective as to tank barges in July, 1995 and to ships other than tankers as their current CFR expires. The new rule severely limited the ability of the marine transportation companies to utilize their insurance as a means of satisfying the financial ability requirement under OPA. The principle alternative to the use of insurance under the new rule requires marine transportation companies to demonstrate net worth and working capital equal to the maximum statutory limit of liability under the OPA and the Comprehensive Environmental Response, Compensation and Liability Act of 1981.

In November, 1994, in advance of the effective date, each of the subsidiaries of the Company obtained CFRs granted by the United States Coast Guard for all vessels requiring CFRs. The Company does not foresee any current or future difficulty in maintaining the CFR 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 will require a reduction of hydrocarbon emissions released in the atmosphere during the loading of most petroleum products and the degassing and cleaning of barges for maintenance or change of cargo. These new regulations will 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. 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 or increase in costs are likely to be required.

Reformulated Gasoline. Effective January 1, 1995, the Clean Air Act requires the use of reformulated gasoline in nine major non-attainment areas of the United States, as a means of reduction of hydrocarbon emissions into the atmosphere. Reformulated gasoline is a cleaner burning gasoline than the unleaded gasoline sold for use in the United States prior to 1995. The Company believes that the non-attainment areas on the East Coast will create a need for marine transportation movements of reformulated gasoline from the Gulf Coast to the East Coast. Historically, the East Coast has been a net importer of gasoline because it uses more gasoline than can be produced at East Coast refineries. The additional gasoline requirements have been met historically through pipeline movements from the Gulf Coast to the East Coast and through imports principally from the Caribbean and Europe. It is the Company's opinion that reformulated gasoline should make the pipelines slightly less efficient and will make imports more expensive. The Company believes that

the incremental supply over what the pipelines can transport will tend to move in marine tank vessels from Gulf Coast refineries.

Contingency Plan Requirement. Commencing in August, 1993, the OPA and several state statutes of similar intent require the majority of the vessels operated by the Company to maintain approved oil spill contingency plans as a condition of operation. The Company has submitted plans that comply with these requirements, and approval has been granted. 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 than the oil spill plans.

Occupational Health Regulations. The Company's vessel operations are primarily regulated by the United States Coast Guard for occupational health standards. The Company's shore personnel are subject to the United States Occupational Safety and Health Administration regulations. The Coast Guard has promulgated regulations that address the exposure to benzene vapors, which require the Company, as well as other operators, to perform extensive monitoring, medical testing and record keeping of seamen engaged in the handling of benzene and benzene containing cargo transported aboard vessels. It is expected that these regulations may serve as a prototype for similar health regulations relating to the carriage of other hazardous liquid cargos. 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 heavy equipment carrying large volumes of cargo in a marine environment. These hazards include the risk of loss of or damage to the Company's vessels, damage to third parties from impact, fire or explosion as a result of collision, loss or contamination of cargo, personal injury of employees, 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 policies currently insuring approximately \$550 million in hull values. Vessel operating liabilities such as collision, cargo, environmental and personal injury, are insured primarily through the Company's participation in protection and indemnity mutual insurance associations under which the protection against such hazards is in excess of \$1.5 billion for each incident except in the case of oil pollution, which, in conjunction with the other excess liability coverage maintained by the Company, is limited to \$600 million for each incident, but is limited to \$800 million for each incident in the case of the Company's tankers and ocean-going tank barges. However, because it is mutual insurance, the Company is exposed to funding requirements and coverage shortfalls in the event claims by the Company or other members exceed available funds and reinsurance.

Environmental Protection. The Company has a number of programs that were implemented to further its commitment to environmental responsibility in its operations. One such program is environmental audits of barge cleaning vendors principally directed at management of cargo residues and barge cleaning wastes. Another program is the participation by the Company in the Chemical Manufacturer's Association Responsible Care program and the American Petroleum Institute STEP program, both of which are oriented to continuously reducing the chemical and petroleum industries' impact on the environment, including the distribution services area.

Safety. The Company manages its exposure to the hazards incident to its business through safety, training and preventive maintenance efforts. The Company places considerable emphasis on safety through a program oriented towards 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, which is evidenced by what it believes are lower insurance costs (as a percentage of revenue) and a lower injury frequency level than many of its competitors.

Training. The Company believes that among the major elements of a successful and productive work force is effective training programs. Effective training programs influence behavior in a positive way. The Company believes that training in the proper performance of a job enhances both the safety and quality of the service provided. The cost of such training is money well spent and is regarded as an investment rather than an expense. The Company fully endorses the development and institution of effective training programs.

The Company believes that training must be justified by hazard analysis, cost benefit and/or legal requirements, and must be approved by management. If training is deemed to be justified, a retraining schedule must be identified. Post-training evaluation is necessary in order to measure the effectiveness of the training.

The Company recognizes that each operating entity shares common ground with respect to its training needs. In this regard, the Company established a corporate training function in June, 1994. The Kirby Marine Transportation Corporation Training Department is charged with developing, conducting and maintaining training programs for the benefit of all operation entities. It is also responsible for ensuring that training programs are both consistent and effective.

Quality. The Company is committed to the concept of quality in its business philosophy. Through Quality Project Teams and Quality Steering Committees, the Company's quality commitment is carried throughout the marine transportation organization. Such committees are dedicated to directing attention to the continuous improvement of the business processes, focusing efforts on achieving customer satisfaction the first time, every time and carefully monitoring statistical measures of the Company's progress in meeting its quality objectives.

The Company's commitment to quality has been expanded recently to include the installation and maintenance of Quality Assurance Systems in compliance with the International Quality Standard, ISO 9002 ("ISO"). As of March 14, 1995, five of the Company's operations have been awarded ISO certification. Certified operations were as follows: Dixie's offshore operation, the first U.S. flag offshore operation to be certified; Dixie's canal operation, the second canal marine transportation company to be recognized; Brent Transportation, the first river operator to be certified; Western Towing, the first fleet operation and first marine carrier to be certified under the 1994 version of the ISO standard; and Sabine Transportation's harbor services operator, the first harbor tug operation to be certified. In 1995, an additional four of the Company's operations are preparing to be certified under the ISO standard.

The benefits of implementing these Quality Assurance Systems are significant for the Company's marine transportation operations since such Quality Assurance Systems provide additional internal controls that improve operating efficiency. Through documentation, problems are easier to identify and correct, training is streamlined and favorable operational practices are easier to identify and install company-wide. In addition, the Company's commitment to safety and environmental protection is further enhanced.

DIESEL REPAIR

The Company is presently engaged in the overhaul and repair of diesel engines and related parts sales through two operating subsidiaries, Marine Systems, Inc. ("Marine Systems") and Rail Systems, Inc. ("Rail Systems"). As a provider of diesel repair services for customers in the marine and rail industries, the Company's diesel repair segment is divided into the marine and locomotive markets.

MARINE DIESEL REPAIR

Through Marine Systems, the Company is engaged in the overhaul and repair of marine diesel engines, reduction gear repair, line boring, block welding services and related parts sales for customers in the marine industry. The marine diesel repair industry services tugboats and towboats powered by large diesel engines utilized in the inland and offshore barge industries. It also services marine equipment in the offshore petroleum exploration and well service industry, the offshore commercial fishing industry and vessels owned by the United States Government.

Marine Systems operates through four divisions providing in-house and in-field repair capabilities. These four divisions are: Gulf Coast (based in Houma, Louisiana); East Coast (based in Chesapeake, Virginia); Midwest (based in East Alton, Illinois); and West Coast (based in National City, California, with service facilities in Seattle, Washington). All four of Marine Systems' divisions are nonexclusive authorized service centers for the Electromotive Division of General Motors Corporation ("EMD") selling parts and service. Marine Systems is positioned through the location of its divisions to serve all of the marine industry of the United States. Marine Systems' Gulf Coast and Midwest divisions concentrate on larger diesel engines, including those manufactured by EMD, that are more commonly used in the inland and offshore barge and oil service industries. The East Coast division overhauls and repairs the larger EMD engines used by the military and commercial customers from Connecticut to Miami. The West Coast division concentrates on large EMD engines used by the offshore commercial fishing industry, the military, commercial business in the Pacific Northwest and customers in Alaska. Marine Systems' emphasis is on service to its customers and can send its crews from any of its locations to service customers' equipment anywhere in the world. An additional East Coast service center is planned for New Jersey and should be open for business by the end of the 1995 first quarter.

In addition to EMD, Marine Systems has long-term distributorship agreements with Paxman Diesel, Ltd. ("Paxman") and Falk Corporation ("Falk"). Under the agreement with Paxman, an English manufacturer of diesel engines, Marine Systems sells engine parts and performs authorized repair services. Paxman engines are used primarily by the United States Coast Guard in its patrol boats. Under the agreement with Falk, a marine reduction gear manufacturer, Marine Systems sells parts and performs authorized repair services.

The following table sets forth the diesel repair revenues of Marine Systems for the periods indicated (dollars in thousands):

ACTIVITY	YEARS ENDED DECEMBER 31,					
	1992		1993		1994	
	AMOUNTS	%	AMOUNTS	%	AMOUNTS	%
Overhaul and repair.....	\$21,288	60%	\$19,954	62%	\$22,446	61%
Direct parts sales.....	14,465	40	11,998	38	14,294	39
Total.....	\$35,753	100%	\$31,952	100%	\$36,740	100%

MARINE CUSTOMERS

Major customers of Marine Systems include inland and offshore dry-bulk and tank barge operators, oil service companies, petrochemical companies, offshore fishing companies, other marine transportation entities and the United States Coast Guard, Navy and Army. Marine Systems also provides services to the Company's fleet, which accounted for approximately 4% of Marine Systems' total 1994 revenues; however, such revenues are eliminated in consolidation and not included in the table above. No single customer of Marine Systems accounted for more than 10% of the Company's revenues in 1994, 1993 or 1992.

Since Marine Systems' business can be cyclical and is linked to the relative health of the diesel power tugboat and towboat industry, the offshore supply boat 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 repair service industry are largely tied to the industries it serves, and, therefore, have been somewhat influenced by the cycles of such industries.

MARINE COMPETITIVE CONDITIONS

Marine Systems' primary competitors are 10 to 15 independent diesel repair companies. Certain operators of diesel powered marine equipment 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 Marine Systems' business is obtained by competitive bids.

Many of the parts sold by Marine Systems are generally available from other distributors, however, Marine Systems is one of a limited number of distributors of EMD parts. Although the Company believes it is unlikely, termination of Marine Systems' relationship with suppliers could adversely affect its business.

LOCOMOTIVE DIESEL REPAIR

Through Rail Systems, the Company is engaged in the overhaul and repair of locomotive diesel engines and sale of replacement parts for locomotives serving the shortline and the industrial railroads within the continental United States. In October, 1993, EMD awarded an exclusive United States distributorship to Rail Systems to provide replacement parts, service and support to these important and expanding markets. EMD is the world's largest manufacturer of diesel-electric locomotives, a position it has held for over 70 years. The operation of Rail Systems commenced in January, 1994.

Rail Systems has an office and service facility in Nashville, Tennessee. The service facility is primarily a parts warehouse. Service to the actual locomotives are completed at sites convenient for the customer by Rail Systems' service crews.

The following table sets forth the diesel repair revenues of Rail Systems for the 1994 year (dollars in thousands):

ACTIVITY	YEAR ENDED DECEMBER 31, 1994	
	AMOUNTS	%
Overhaul and repair.....	\$ 246	3%
Direct parts sales.....	8,283	97%
	-----	---
Total.....	\$8,529	100%
	=====	===

LOCOMOTIVE CUSTOMERS

Shortline railroads have been a growing component of the United States railroad industry since deregulation of the railroads in the 1970's. Generally, shortline railroads have been created through the divestiture of branch routes from the major railroad systems. These short routes provide switching and short haul of freight, with an emphasized need for responsive and reliable service. Currently, about 500 shortline railroads in the United States operate approximately 2,400 EMD engines. Approximately 280 United States industrial users operate approximately 1,300 EMD engines. Generally, the EMD engines operated by the shortline and industrial users are older and, therefore, may require more maintenance.

LOCOMOTIVE COMPETITIVE CONDITIONS

As an exclusive United States distributor for EMD parts, Rail Systems provides all EMD parts sales to these markets, as well as providing rebuild and service work. Currently, other than Rail Systems, there are three primary companies providing service for the shortline and industrial locomotives. In addition, the industrial companies in some cases, provide their own service.

EMPLOYEES

Marine Systems and Rail Systems have approximately 135 employees.

PROPERTIES

The principal office of Marine Systems is located in Houma, Louisiana. Parts and service facilities are located in Houma, Louisiana; in Chesapeake, Virginia; in East Alton, Illinois; in National City, California; and in Seattle, Washington. The Chesapeake, East Alton, National City and Seattle locations are on leased property and the Houma location is situated on approximately four acres of owned land. The principal office and service facility of Rail Systems is located in leased facilities in Nashville, Tennessee.

INSURANCE

The Company is engaged in the writing of property and casualty insurance primarily through Universal Insurance Company ("Universal"), a corporation located in the Commonwealth of Puerto Rico. Since its formation in 1972, Universal has evolved primarily from an automobile physical damage insurer to a full service property and casualty insurer, with emphasis on the property insurance lines. Universal is ranked third among Puerto Rican insurance companies in terms of policyholders' surplus and admitted assets, and has achieved an A+ (Superior) rating from A. M. Best Company, a leading insurance rating agency, for eleven consecutive years.

On September 25, 1992, Universal merged with Eastern America Insurance Company ("Eastern America"), a property and casualty insurance company in Puerto Rico, with Universal being the surviving entity. As of December 31, 1994, the Company owned 58% of Universal's voting common stock with the remaining 42% owned by Eastern America Insurance Group, Inc. ("Eastern America Group"), the former parent of Eastern America. The Company owns 100% of the non-voting common and preferred stocks of Universal. In accordance with a shareholder agreement among Universal, the Company and Eastern America Group, through options and redemption rights, Universal has the right to purchase the Company's interest in Universal over a period of up to 12 years from September, 1992. The result of such redemptions would be Eastern America Group becoming the owner of 100% of Universal's stock. Since December, 1992, the date of the first redemption, Universal has redeemed from the Company a total of 65,357 shares of Class B voting common stock and 24,360 shares of non-voting Class C common stock for a total redemption price of \$15,000,000. In August, 1994, Eastern America Group purchased from Universal 30,410 shares of Class A voting common stock for \$7,000,000.

INSURANCE OPERATION

Universal writes a broad range of property and casualty insurance. Universal, however, is primarily a property insurer, generating approximately 70% of its 1994 premiums written from property insurance lines. Universal's principal property insurance line is automobile physical damage, specifically the vehicle single-interest and double-interest risks. Vehicle single-interest insures lending institutions against the risk of loss of the unpaid balance of their automobile loans with respect to financed vehicles and vehicle double-interest also insures the policyholders against damage to their automobiles. Vehicle single-interest and double-interest premiums accounted for 43% of Universal's consolidated premiums written in 1994.

Universal's insurance business is generated primarily through Eastern America Insurance Agency, an affiliate of Eastern America Group, and through independent agents and brokers in Puerto Rico. While no one agent other than the Eastern America Insurance Agency accounted for more than 5% of premiums written in 1994, Universal could be adversely affected if it were to lose several of its higher producing agents.

Universal maintains an extensive program of reinsurance of the risks that it insures, primarily under arrangements with reinsurers in London and the United States. Property lines are reinsured under surplus share agreements up to \$10,000,000. Casualty claims above \$500,000 are reinsured up to \$4,000,000. Ocean marine and surety lines are reinsured under various pro rata and excess treaties up to \$500,000 and \$2,000,000, respectively. Catastrophe automobile physical damage, fire and allied lines and marine coverage affords recovery of losses over \$500,000, \$2,000,000 and \$250,000 up to \$14,000,000, \$92,000,000 and \$4,000,000, respectively.

Because Universal's business is written in Puerto Rico, Universal's insurance risk is not as diversified as the risk of a carrier that covers a broader geographical area. A natural catastrophe could cause property damage to a large number of Universal's policyholders, which would result in significantly increased losses to Universal. However, the Company believes that Universal's reinsurance program will limit its net exposure in any such catastrophe. Property damage from Hurricane Hugo in September, 1989 attributable to Universal was approximately \$34,000,000; however, the net impact was \$1,450,000 after deducting the reinsurance recoverables.

At December 31, 1994, Universal had investments of \$165,031,000, consisting of available-for-sale securities. At such date, approximately 90% of that portfolio was invested in United States Government instruments due to their safety and to the favorable Puerto Rican tax treatment of such securities.

Universal's insurance business is governed by the Insurance Code of the Commonwealth of Puerto Rico and in accordance with the regulations issued by the Commissioner of Insurance of the Commonwealth of Puerto Rico.

REINSURANCE OPERATION

Prior to 1991, the Company participated in the international reinsurance market through Mariner Reinsurance Company Limited ("Mariner"), a wholly owned subsidiary of the Company located in Bermuda, and through Universal. From 1970 through 1990, Mariner was engaged in the quota share and excess of loss reinsurance business dealing principally with brokers in London. This reinsurance consisted of certain property and casualty reinsurance lines whereby Mariner participated in the reinsurance of certain Lloyd's underwriters, British insurance companies, and other foreign insurance companies. In addition, Mariner reinsured certain treaties of Universal. Effective January 1, 1987, Mariner ceased writing any new or renewal reinsurance and Mariner's business portfolio was assumed by Universal; however, in 1989, two reinsurance contracts were transferred back to Mariner. Effective January 1, 1991, Universal ceased accepting new participation in the international reinsurance market and the entire reinsurance business portfolio was assumed by Mariner. During the 1992 year, Mariner, based on certain delayed and certain timely loss advices, increased its loss reserves by \$2.5 million. In the first quarter of 1994, based on additional loss notifications, the Company recorded an additional \$2 million of reserves for potential, but as yet, unreported losses. See "Note 5" to the financial statements included under Item 8 elsewhere herein for further disclosures on the increases in the Mariner reserve.

With the 1990 year being the final year for participation in the reinsurance market, neither Mariner nor Universal was involved in any subsequent catastrophes. Neither Universal nor Mariner does business with any of the Company's other subsidiaries, nor is there any connection, other than common ownership.

The Company is currently pursuing strategies to withdraw from the runoff of Mariner's reinsurance business at the earliest possible date. Such strategies include the possible commutation of Mariner's open book of reinsurance business in exchange for a portion of, or all of, Mariner's assets.

CAPTIVE INSURANCE OPERATION

Effective January 1, 1994, the Company established a Bermuda based wholly owned captive insurance subsidiary, Oceanic Insurance Limited ("Oceanic"), to insure risks of the Company and its transportation and diesel repair subsidiaries. Oceanic procures reinsurance to limit its individual and aggregate exposure to losses.

EMPLOYEES

Universal has approximately 200 employees, all in the Commonwealth of Puerto Rico. Mariner's and Oceanic's activities are handled by the Company's employees and by agents in Bermuda.

PROPERTIES

Universal's office is located in San Juan, Puerto Rico. The office is leased with an expiration date of January 31, 1998.

ITEM 2. PROPERTIES

The information appearing in Item 1 is incorporated herein by reference. The Company and Dixie currently occupy leased office space at 1775 St. James Place, Suite 300, Houston, Texas under a lease that expires in August, 1996. The Company believes that its facilities are adequate for its needs and additional facilities would be readily available.

ITEM 3. LEGAL PROCEEDINGS

See "Note 13" to the financial statements included under Item 8 elsewhere herein for a discussion of legal proceedings.

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

During the fourth quarter of the fiscal year December 31, 1994, 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
George A. Peterkin, Jr.....	67	President, Director and Chief Executive Officer
J. H. Pyne.....	47	President of Dixie and Executive Vice President and Director of Kirby
Brian K. Harrington.....	48	Senior Vice President, Treasurer and Assistant Secretary
G. Stephen Holcomb.....	49	Vice President, Controller, Assistant Treasurer and Assistant Secretary
Ronald C. Dansby.....	55	President -- Inland Chemical Division
Steven M. Bradshaw.....	46	President -- Inland Refined Products Division
Patrick L. Johnsen.....	49	President -- Offshore Division
Dorman L. Strahan.....	38	President -- Diesel Repair Division
Mark R. Buese.....	38	Vice President -- Administration
Jack M. Sims.....	52	Vice President -- Human Resources

No family relationship exists between the executive officers or between 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.

George A. Peterkin, Jr. holds a degree in business administration from the University of Texas, was elected a Director of the Company in 1973 and was employed as its President on October 1, 1976. He had served as a Director of Industries since 1969 and as President of Industries since January, 1973. Prior to that, he was President of Dixie from 1953 through 1972.

J. H. Pyne holds a degree in liberal arts from the University of North Carolina and has served as President of Dixie since July, 1984, was elected a Director of the Company in July, 1988, and was elected Executive Vice President of the Company in 1992. He also served in various operating and administrative capacities with Dixie from 1978 to 1984, including Executive Vice President from January to June, 1984. Prior to joining Dixie, he was employed by Northrop Services, Inc. and served as an officer in the United States Navy.

Brian K. Harrington is a Certified Public Accountant and holds a M.B.A. degree from the University of Oregon. He has served as Treasurer and Principal Financial Officer of the Company and Dixie since May, 1989, Vice President since September, 1989 and Senior Vice President since 1993. Prior to joining the Company, he was engaged as a financial consultant with emphasis in the petrochemical distributing industry, providing services to Dixie and other companies. Prior to 1979, he was Vice President of Planning, Marketing and Development for Paktank Corporation.

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

Ronald C. Dansby holds a degree in business administration from the University of Houston and has served the Company as President -- Inland Chemical Division since 1994. He also serves as President of Dixie Marine, having joined the Company in connection with the acquisition of Alamo Inland Marine Co. ("Alamo") in 1989. He had served as President of Alamo since 1974. Prior to that, he was employed by Alamo Barge Lines and Monsanto Chemical from 1962 to 1973.

Steven M. Bradshaw holds a M.B.A. degree from Harvard Business School and has served the Company as President -- Inland Refined Products Division since 1994. He also serves as Executive Vice President -- Marketing of Dixie since 1990 and served in various operating and administrative capacities with Dixie from 1981 to 1990, including Vice President -- Sales from 1985 to 1990. Prior to joining Dixie, he was employed by the Ohio River Company and served as an officer in the United States Navy.

Patrick L. Johnsen holds a degree in nautical science from California Maritime Academy and has served as President -- Offshore Division since 1994. Prior to joining the Company in August, 1993, he served in senior seagoing and shoreside capacities with Mobil Shipping and Transportation, including Chartering and United States Fleet Manager. Prior to joining Mobil in 1978, he was employed at sea by various shipping companies, including Sabine.

Dorman L. Strahan attended Nicholls State University and has served the Company as President -- Diesel Repair Division since 1994. He also serves as President of Marine Systems since 1986 and President of Rail Systems since 1993. 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 Vice President -- Administration since 1993. He also serves as Vice President of Dixie since 1985 and served in various sales, operating and administrative capacities with Dixie from 1978 through 1985, including President of Western.

Jack M. Sims holds a degree in business administration from the University of Miami and has served the Company 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.

PART II

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

The Company's common stock is traded on the American Stock Exchange under the symbol KEX. The following table sets forth the high and low sales prices for the common stock for the periods indicated as reported by The Wall Street Journal.

	SALES PRICES	
	HIGH	LOW
1993		
First Quarter.....	\$14 3/8	\$11 3/8
Second Quarter.....	19 1/8	13 5/8
Third Quarter.....	22	17
Fourth Quarter.....	21 3/4	17 5/8
1994		
First Quarter.....	23 3/8	20
Second Quarter.....	23	16
Third Quarter.....	19 1/4	15 1/2
Fourth Quarter.....	19 3/4	15 3/4
1995		
First Quarter (through March 14, 1995).....	19 3/4	15 1/2

As of March 14, 1995, the Company had 28,314,336 outstanding shares held by approximately 2,300 stockholders of record.

On September 5, 1989, the Company paid a cash dividend of \$.10 per share of common stock to stockholders of record as of August 14, 1989. A similar dividend was paid in 1988. 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. Prior to 1988, the Company had not paid any cash dividends on its common stock since it became a publicly held company in 1976.

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, 1994. 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 and Schedules included under Item 8 elsewhere herein (in thousands, except per share amounts):

	FOR THE YEARS ENDED DECEMBER 31,				
	1990	1991	1992(1)	1993(1)	1994(1)
Revenues:					
Transportation.....	\$109,366	117,003	190,214	283,747	311,076
Diesel repair.....	24,894	34,288	35,753	31,952	45,269
Insurance.....	31,412	27,947	34,661	52,875	65,812
Investment income.....	7,885	6,875	6,795	7,910	9,211
Gain on disposition of assets.....	393	1,412	427	355	415
Other.....	1,834	1,508	1,653	1,565	1,354
	\$175,784	189,033	269,503	378,404	433,137
	=====	=====	=====	=====	=====
Earnings before extraordinary item and cumulative effect of accounting changes...	\$ 13,500	13,298	13,598	22,829	16,653
Extraordinary item(2).....	1,900	--	--	--	--
	-----	-----	-----	-----	-----
Earnings before cumulative effect of accounting changes.....	15,400	13,298	13,598	22,829	16,653
Cumulative effect on prior years of accounting changes(3).....	--	--	(12,917)	--	--
	-----	-----	-----	-----	-----
Net earnings.....	\$ 15,400	13,298	681	22,829	16,653
	=====	=====	=====	=====	=====
Earnings (loss) per share of common stock:					
Primary:					
Earnings before extraordinary item and cumulative effect of accounting changes.....	\$.60	.61	.60	.86	.58
Extraordinary item(2).....	.08	--	--	--	--
	-----	-----	-----	-----	-----
Earnings before cumulative effect of accounting changes.....	.68	.61	.60	.86	.58
Cumulative effect on prior years of accounting changes(3).....	--	--	(.57)	--	--
	-----	-----	-----	-----	-----
Net earnings.....	\$.68	.61	.03	.86	.58
	=====	=====	=====	=====	=====
Fully diluted net earnings -- 1991 only...		\$.59			
		=====			
Weighted average shares outstanding.....	22,700	21,952	22,607	26,527	28,790
Net cash provided by operations before extraordinary item and changes in assets and liabilities.....	\$ 30,032	28,620	35,387	58,998	60,802
Capital expenditures.....	\$ 18,104	38,215	132,537	90,542	79,464

(Table continues on following page)

FOR THE YEARS ENDED DECEMBER 31,

	1990	1991	1992(1)	1993(1)	1994(1)
Investments.....	\$ 88,687	94,747	115,838	127,303	173,275
Property and equipment, net.....	\$106,437	129,617	237,596	283,413	330,762
Total assets.....	\$253,716	286,002	446,420	563,253	667,472
Insurance reserves and claims.....	\$ 55,049	53,587	81,559	116,865	148,891
Long-term debt.....	\$ 68,428	80,702	158,922	120,559	159,497
Stockholders' equity.....	\$ 97,112	111,625	122,825	211,749	222,976

(1) Comparability with prior periods is affected by the acquisition of Sabine in the first quarter of 1992, the acquisition of Ole Man River and merger with Scott Chotin in the second quarter of 1992, the merger with Eastern America in the third quarter of 1992, the acquisition of TPT in the first quarter of 1993, the merger with AFRAM Lines in the second quarter of 1993, the acquisition of Chotin Transportation in the fourth quarter of 1993, the acquisition of the tankers from Tosco and OMI in the third quarter of 1994 and the acquisition of the marine assets of Dow in the fourth quarter of 1994.

(2) The extraordinary item for the year ended December 31, 1990 represents the reduction in equivalent income taxes from utilization of financial net operating loss carryforwards.

(3) Cumulative effect on prior years from the adoption of Statement of Financial Accounting Standards ("Accounting Standards") No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," net of equivalent income taxes and Accounting Standards No. 109, "Accounting for Income Taxes."

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE COMPANY

RESULTS OF OPERATIONS

The Company reported net earnings for the 1994 year of \$16,653,000, or \$.58 per share, compared with net earnings for the 1993 year of \$22,829,000, or \$.86 per share, and net earnings before the cumulative effect of changes in accounting principles for the 1992 year of \$13,598,000, or \$.60 per share. Net earnings for the 1992 year were \$681,000, or \$.03 per share.

The Company adopted, effective January 1, 1992, Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" and Accounting Standards No. 109, "Accounting for Income Taxes." Collectively, the recognition of the cumulative effect of the adoption of the Accounting Standards for all prior years reduced the Company's 1992 net earnings by \$12,917,000, or \$.57 per share. The adoption of both Accounting Standards also reduced the Company's 1992 operating earnings after applicable income taxes by \$1,271,000, or \$.06 per share.

Accounting Standards No. 106 established a new accounting principle for the cost of retiree health care benefits. The cumulative effect on prior years for the change in accounting principle resulted in an expense after applicable income taxes of \$2,258,000, or \$.10 per share. In addition to the impact of the cumulative effect on prior years, the effect of adoption of Accounting Standards No. 106 reduced the Company's 1992 operating earnings after applicable income taxes by \$355,000, or \$.02 per share.

Accounting Standards No. 109 required a change from the deferred method to the asset and liability method of accounting for income taxes. The cumulative effect on prior years for the change in accounting principle resulted in an expense of \$10,659,000, or \$.47 per share. The effect of the adoption of Accounting Standards No. 109 reduced the Company's 1992 operating earnings after applicable income taxes by \$916,000, or \$.04 per share.

The adoption of the Accounting Standards had no effect on the Company's cash flow.

The Company conducts operations in three business segments: marine transportation, diesel repair and property and casualty insurance. A discussion of each segment follows:

MARINE TRANSPORTATION

The Company's marine transportation segment reported transportation revenues for the 1994 year of \$311,076,000, reflecting a 10% increase when compared with \$283,747,000 reported for the 1993 year and a 64% increase when compared with \$190,214,000 reported for the 1992 year.

Revenues for 1994 reflect the operations during the 1994 year of three marine transportation companies acquired during the 1993 year and four offshore tankers and an inland asset acquisition during the 1994 year. In March, 1993, the Company acquired the assets of TPT, in May, 1993, the assets of AFRAM Lines and in December, 1993 the assets of Chotin Transportation. The four offshore tankers were acquired in July, 1994 and the transportation assets of Dow were acquired in November, 1994. All of the above noted acquisitions were accounted for under the purchase method of accounting. Collectively, the above noted 1993 acquisitions generated revenues for the 1993 year of approximately \$61,400,000 since their dates of acquisition and the above noted 1994 acquisitions generated revenues for the 1994 year of approximately \$16,435,000 since their dates of acquisition.

As a provider of service for both the inland and offshore United States markets, the marine transportation segment is divided into three divisions organized around the markets they serve: the Inland Chemical Division, serving the inland industrial and agricultural chemical markets; the Inland Refined Products Division, serving the inland refined products market; and the Offshore Division, which serves the offshore petroleum products, container, dry-bulk and palletized cargo markets. A division analysis by years of marine transportation revenues follows:

1994 Marine Transportation Revenues

The Inland Chemical Division's revenues for 1994 totaled \$141,390,000, or 46% of total transportation revenues, an increase of 5% compared with \$134,578,000 reported in 1993. The Inland Chemical Division operates under long-term contracts, short-term contracts and spot movements of products. As of December 31, 1994, approximately 80% of such movements were under contracts and approximately 20% under spot movements. Since March, 1994, the Division experienced spot rate increases, and the higher spot rates were conducive to increases in contract rates as contracts were renewed.

The Inland Chemical Division benefited from positive improvements in equipment utilization and rates, generated primarily from a hike in the 1994 business levels of the division's customers, the chemical manufacturers. During the majority of the year, the Company's river operation continued to experience pricing pressure in movements of chemicals in the Ohio River market. However, during the latter part of the year, the river operation did begin to strengthen as business levels tightened capacity.

The demand for movements of liquid fertilizer and anhydrous ammonia by the Inland Chemical Division remained strong during all of 1994. Acreage planting in the Midwest farm belt increased, partially due to the low levels of grain commodities resulting from the 1993 upper Mississippi River flooding.

Revenues from the Inland Refined Products Division for 1994 improved to \$67,251,000, representing 22% of total transportation revenues, an increase of 46% compared with \$45,940,000 reported in 1993. The Inland Refined Products Division, like the Inland Chemical Division, operates under long-term contracts, short-term contracts and spot market movements. Approximately 35% of such movements were under term contracts and the remaining 65% under spot market movements. During 1994, rates for spot market movements of refined petroleum products remained higher than the majority of movements performed under contracts; however, as contracts were renewed, higher rates were received due to the continued improvements in spot market rates.

The Inland Refined Products Division experienced high utilization of its fleet during all of 1994. The division benefited substantially from the addition of 53 inland tank barges acquired from Chotin Transportation in December, 1993, along with a transportation contract through the year 2000. The asset acquisition and

resulting contract substantially increased the division's market presence in the contract and spot movements of refined petroleum products on the Mississippi River System.

Revenues from the Offshore Division for 1994 declined 1% to \$107,198,000, representing 34% of total transportation revenues for 1994, from the \$108,376,000 reported in 1993. The Offshore Division, which participates in movements of both refined products and dry products, experienced weaknesses in all of its markets during the 1994 year, due primarily to excess equipment capacity and reduced demand for movements of products from each of the markets.

The offshore movements of refined products remained extremely weak during the 1994 year, with the exception of the first quarter and the latter portion of the fourth quarter. During the 1994 first quarter, certain vessels were engaged in spot market trade delivering heating oil to the Northeast due to the harsh 1994 winter season. Profitability of such spot market movements was adversely affected by the winter weather conditions, which hampered operating efficiencies. During the 1994 second quarter, three of the Company's offshore liquid vessels were idle and during the 1994 third quarter and early fourth quarter, as many as six of the Company's offshore vessels were idle, including the three tankers acquired from OMI in July, 1994. Spot market rates during the 1994 second, third and a portion of the fourth quarter were extremely low.

During the 1994 fourth quarter, the market for the Company's offshore liquid equipment reflected significant improvement in both utilization and rates. The requirements for the use of reformulated gasoline under the Clean Air Act in nine non-attainment areas, effective January 1, 1995, was beneficial in placing nine of the Company's twelve offshore liquid vessels under term contracts that became effective during the 1994 fourth quarter. Of the remaining three vessels, two were engaged in shorter term movements at satisfactory rates and one was out of service pending scrapping effective January 1, 1995, in compliance with the OPA. In addition, further temporary tightening of the offshore liquid market occurred in mid-October, 1994, when the Houston area San Jacinto River flooding caused certain refined products pipelines serving the United States Northeast to break, suspending service for varying periods of days.

Movements for the transportation of food commodities and related products under the United States Government's preference aid cargo programs and military household goods movements, have also remained weak. Excess equipment capacity and a reduction in available movements led to rates that were significantly lower than 1993 rates for the market. Such weakness in the market resulted in one of the Company's ships being idle for three weeks during the 1994 third quarter and one ship was idle for the latter part of December. The softness in the overall preference aid cargo market also negatively affected the Company's other offshore dry cargo barge and tug units that primarily work under a long-term contract with an electric utility company, but periodically operate in the preference aid market as a supplement to their long-term contract movements.

During the 1994 first quarter, one of the Company's offshore barge and tug units experienced difficulties with collection of its empty containers from several voyages carrying preference aid cargo to Haiti which, during that time, was politically unstable. Collectively, the voyages to Haiti reduced the Company's 1994 first quarter earnings before taxes by an estimated \$1,750,000 (\$1,150,000 after taxes or \$.04 per share).

The Company's foreign flag container service, which provided a direct all-water transportation service from Memphis to Mexico and Central America, was discontinued effective August 24, 1994. Aggressive pricing from competitors resulted in slower than anticipated acceptance of the service. Volumes were increasing with each voyage; however, operating losses and the negative prospect for future profitability did not warrant continuation of the service. Since inception in February, 1994, the operation suffered operating losses through August 24 of approximately \$1,925,000 (\$1,250,000 after taxes or \$.04 per share). Shut-down expenses totaled approximately \$525,000 (\$350,000 after taxes or \$.01 per share).

1993 Marine Transportation Revenues

The transportation segment's inland operations were curtailed to some degree during the 1993 third quarter by flooding in the upper Mississippi River and the closing of the Algiers Lock at New Orleans. Collectively, the pretax effect of the two events reduced the 1993 results by an estimated \$2.4 million.

Flooding in the upper Mississippi River closed the upper River to marine transportation movements from June 24 through August 22 and continued to disrupt deliveries even after that date. Movements north of Cairo, Illinois were curtailed substantially; several of the inland river towing units were stranded by the flood; and the segment's lower Mississippi River marine operations were rescheduled. The closing of the Algiers Lock for repair from July 1 through September 10 required the inland towing vessels to use alternate routes, which resulted in time delays. The Algiers Lock is situated along the main artery of the Intracoastal Waterway near New Orleans.

Revenues from the Inland Chemical Division increased 17% from the previous year totaling \$134,578,000, or 48% of total 1993 transportation revenues. Movements of industrial chemicals were intermittently weak during the 1993 year, as recessionary pressures negatively influenced the market during the first quarter of 1993 and budgetary constraints by petrochemical manufacturers negatively affected the market during the second half of 1993.

Movements of liquid fertilizer and anhydrous ammonia remained at a high level during 1993 due to continued heavy usage of fertilizer products and consistent exports. For the 1993 year, the movements of liquid fertilizer were conducted well past the normal fertilizer season, the result of enhanced demand due to the flooding of the Mississippi River farmlands.

The Inland Refined Products Division's revenues increased 55% to \$45,940,000, contributing 16% to the Company's overall 1993 transportation revenues. The demand for the movement of gasoline, diesel fuel and jet fuel escalated during the 1993 year and such demand benefited equipment utilization and enabled modest rate increases. A full year of operation of Sabine Transportation and OMR Transportation also contributed to the increase.

Revenues for the Offshore Division increased 115% to \$108,376,000, contributing 38% of the Company's total transportation revenues. The acquisition of AFRAM in May, 1993 accounted for a significant portion of the year-to-year gain. Throughout 1993, the division's break-bulk vessels remained in heavy demand, being removed from service only for scheduled maintenance. The Offshore Division's liquid market, however, reflected price and demand weakness due to excess capacity in the offshore liquid market, particularly affecting spot market rates. During 1993, certain offshore liquid vessels were idle due to lack of business.

1992 Marine Transportation Revenues

The Inland Chemical Division's revenues increased to \$115,448,000, contributing 61% of the Company's total transportation revenues. The inclusion of Scott Chotin in June, 1992 accounted for a portion of the increase. During all of 1992, the division's equipment utilization and rates were negatively influenced from recessionary pressures. However, agricultural chemical movements were strong due to heavy usage of fertilizer products and increased export sales.

Revenues from the Inland Refined Products Division were \$29,578,000, contributing 15% of the total transportation revenues. The division was formed in 1992 with the acquisition of the marine assets by Sabine Transportation and OMR Transportation. Overall, the market for the movement of refined products was weak, as the peak driving season fell below expectations.

The Offshore Division's revenues increased to \$50,424,000, contributing 27% of the Company's total transportation revenues. The addition of Sabine Transportation's six tankers during 1992 significantly impacted the 1992 offshore revenues, as all six of the tankers were fully utilized, except for periods of scheduled maintenance.

Marine Transportation Costs and Expenses

Costs and expenses, excluding interest expense, for the marine transportation segment for the 1994 year increased to \$280,187,000, an increase of 16% over the comparable 1993 costs and expenses of \$242,553,000 and 72% over 1992 costs and expenses of \$162,973,000. The majority of the increases for both comparable periods reflect the costs and expenses, including depreciation, associated with the acquisitions, mergers and asset purchases consummated during the 1994, 1993 and 1992 years. In addition, the increases reflect higher

equipment costs, health and welfare costs, general and administrative costs and inflationary increases in costs and expenses.

Marine Transportation Pretax Earnings

The marine transportation pretax earnings for 1994 were \$23,458,000, a decrease of 34% compared with 1993 pretax earnings of \$35,668,000 and 7% over 1992 pretax earnings of \$21,836,000.

DIESEL REPAIR

The Company's diesel repair segment reported diesel repair revenues for the 1994 year of \$45,269,000, reflecting a 42% increase compared with revenues of \$31,952,000 for 1993 and a 27% increase compared with \$35,753,000 for 1992. Revenues for the 1994 year reflect the formation, effective January 1, of a new diesel repair operation, which provides parts and service to shortline railroads and industrial companies that operate locomotives. The new segment reported revenues for the 1994 year of \$8,529,000.

The diesel repair segment is divided into two divisions organized around the markets they serve. The Marine Diesel Repair Division operates on all three coasts and in the Midwest through five facilities that repair and overhaul marine diesel engines and reduction gears, and sell related parts and accessories. The Rail Diesel Repair Division, which commenced operations in January, 1994, provides replacement parts, service and support nationwide to shortline railroads and industrial companies that operate locomotives.

1994 Diesel Repair Revenues

The Marine Diesel Repair Division's revenues increased to \$36,740,000, contributing 81% of the diesel repair segment's total revenues during 1994, an increase of 15% compared with the \$31,952,000 reported in 1993. Operating in a very competitive market, the Marine Diesel Repair Division reflected significant improvements in its Midwest and Gulf Coast markets, particularly during the second half of 1994. Inland dry-bulk cargo carriers have slowly rebounded from the effects on their business from the upper Mississippi River flooding during the 1993 third quarter. As a result of the flooding, which caused depressed coal and grain markets, the Division's customers either curtailed or postponed scheduled repairs and maintenance and significantly curtailed parts purchases. The East Coast markets also reflected improvements during the second half of 1994 as military customers enhanced their repair and maintenance activities. Also, the West Coast market improved, as a hike in tuna prices enabled the offshore fishing customers to slowly rebound from depressed 1993 and 1992 fishing markets.

The Rail Diesel Repair Division, which commenced operations in January, 1994, reported revenues for 1994 of \$8,529,000, contributing 19% of the diesel repair segment's 1994 total revenues. The division serves as the exclusive shortline and industrial rail distributor of aftermarket parts and service for EMD, the world's largest manufacturer of locomotives. Substantially all of the revenues were generated from direct parts sales. The Rail Diesel Repair Division reported a modest profit from its first year of operations.

1993 Diesel Repair Revenues

Revenues for the Marine Diesel Repair Division fell 11% to \$31,952,000 from the \$35,753,000 reported in 1992. Flooding in the upper Mississippi River during the 1993 third quarter resulted in a significant reduction in revenues from the Midwest market, which catered to the inland barge industry. Customers either curtailed or postponed scheduled maintenance and parts purchases. The East Coast market, catering to the military, was negatively affected by United States military reductions and governmental budget restraints. The West Coast market, catering to the offshore tuna fishing industry, was hindered by deferred maintenance to their commercial customer's fleets due to the low worldwide price of tuna. In the Gulf Coast market, business remained relatively constant.

1992 Diesel Repair Revenues

The Marine Diesel Repair Division's revenues increased 4% in 1992 to \$35,753,000. The West Coast facility, acquired in July, 1991, generated approximately \$6,000,000 in revenues during 1992. Recessionary pressures in each market area, influenced by different economic conditions, curtailed growth. Military reductions hampered growth in the East Coast markets while the West Coast was negatively affected by deferred maintenance of equipment by their commercial fishing customers due to the worldwide low price of tuna.

Diesel Repair Costs and Expenses

Costs and expenses, excluding interest expense, for the diesel repair segment for 1994 totaled \$42,179,000, compared with \$30,121,000 for 1993 and \$33,328,000 for 1992. The increase of 40% for 1994 when compared with 1993 reflected the overall growth in revenues for the Marine Diesel Repair Division, as well as the costs and expenses associated with the commencement of the Rail Diesel Repair Division. The 1993 reduction of 10% reflected the overall decline in revenues and its negative effect on the segment's profit margins. Costs and expenses for 1992 increased 4%, primarily due to the opening of the Seattle facility and the acquisition of the West Coast facility in July, 1991.

Diesel Repair Pretax Earnings

The diesel repair's pretax earnings for 1994 were \$2,789,000, an increase of 77% compared with 1993 pretax earnings of \$1,577,000 and 23% over 1992 pretax earnings of \$2,263,000.

PROPERTY AND CASUALTY INSURANCE

The Company's property and casualty insurance segment, which is conducted primarily through Universal, reported premiums written of \$111,415,000 for 1994, an increase of 38% compared with premiums written of \$80,993,000 for 1993 and 111% over premiums written of \$52,830,000 for 1992. Net premiums earned for 1994 totaled \$61,477,000, an increase of 27% compared with net premiums earned of \$48,243,000 for 1993 and 108% over 1992 net premiums earned of \$29,552,000.

1994 Property and Casualty Insurance Revenues

The 38% increase in premiums written for 1994 over 1993 reflected continued emphasis on the automobile lines of insurance, particularly the vehicle single-interest and double-interest lines. New financial institution customers, portfolio transfers and significant improvement in automobile sales in Puerto Rico have all led to improved premiums written under the automobile lines. The improvement in automobile sales was generated partially from an improved Puerto Rico economy and from lower automobile prices on United States manufactured automobiles, the result of a 1994 reduction in Puerto Rico's excise tax rates.

The 27% increase in net premiums earned for 1994 over 1993 reflected the amortization of net premiums written over the life of a policy. The substantial increase reflected the result of the 38% increase in premiums written during 1994, as well as the significant increase in premiums written during 1993. Net premiums earned reflects the amortization of net premiums written over the life of the policy. Net premiums earned continued to be negatively affected by higher reinsurance costs for the commercial multiple-peril line associated with the ceding of a portion of the gross premiums written under the segment's reinsurance program. During 1994, some stabilization has occurred, however, reinsurance rates remained high.

1993 Property and Casualty Insurance Revenues

Premiums written for 1993 reflected a 53% increase compared with 1992. Business generated from Eastern America's portfolio, brought in with the merger of Eastern America with and into Universal in September, 1992, was the primary reason for the increase. A new government policy, two vehicle single-interest portfolio transfers and the addition of vehicle single-interest business from two financial

institutions, which was the result of an improvement in automobile sales in 1993, also contributed to the significant improvement in premiums written.

Net premiums earned for 1993 increased 63% compared with the prior year, reflecting the hike in the business volume from the merger with Eastern America, as well as a significant increase in the single-interest line of business during 1993. As in 1994, net premiums earned for 1993 were negatively reflected by the hike in reinsurance cost, primarily the result of the number of worldwide catastrophic events within the past few years.

1992 Property and Casualty Insurance Revenues

For 1992, premiums written reflected a 45% increase compared with 1991. During 1992, increased emphasis was placed on participation in the commercial multiple-peril and vehicle double-interest lines of business, as premium volumes in the vehicle single-interest line remained low due to a slow Puerto Rico economy and resulting depressed new automobile sales in Puerto Rico. In addition, the results reflected the merger of Eastern America with and into Universal.

Net premiums earned for 1992 reflected a 25% increase compared with 1991, primarily due to the 45% increase in premiums written. The increase in the commercial multiple-peril lines of business resulted in higher reinsurance cost associated with commercial multiple-peril business due to the higher risk of loss exposure.

Property and Casualty Insurance Investment Income

Investment income is generated primarily from the segment's investment in United States Treasury securities, due to their investment safety and favorable Puerto Rico tax treatment. Investment income totaled \$8,706,000 for 1994 compared with \$7,741,000 for 1993 and \$6,454,000 for 1992. The hike in interest rates during 1994 contributed to the 12% increase for 1994; however, prior to the decline in interest rates, the segment procured a constant yield on a large portion of its United States Treasury securities with fixed rates. Even though interest rates remained low during 1993 and 1992, the insurance segment's investment income increased 20% in 1993 and 8% in 1992. The 1993 and 1992 investment income also benefited from the merger with Eastern America in 1992.

Property and Casualty Insurance Costs and Expenses

Losses, claims and settlement expenses for 1994 totaled \$44,634,000 compared with \$37,496,000 for 1993 and \$26,289,000 for 1992. The 19% increase for 1994 reflected a significant increase in business volume, particularly the vehicle double-interest line and a favorable year for actual loss events. For 1993, the 43% increase reflected the merger with Eastern America as well as an increase in all lines of insurance, with the emphasis on the vehicle single-interest line. The 45% increase for 1992 reflected the merger with Eastern America in addition to an abnormal year for losses from the commercial multiple-peril line, which experienced high losses from specific events.

Losses, claims and settlement expenses for the 1994 year and 1992 year also included a reserve of \$2,000,000 and \$2,500,000, respectively, for potential, but as yet unreported, losses related to Mariner. During 1970 through 1990, Mariner participated in the writing of property and casualty reinsurance. Mariner received certain delayed large loss advices, which resulted in the increases in the loss reserves. The 1990 year was the last year for participation in the reinsurance market. Management continues to review the runoff of the reinsurance business previously written by Mariner with the intent of seeking a withdrawal from this business and closure of Mariner's activities, including consideration of commutation of Mariner's book of business. A commutation would entail the transfer of liability from known and incurred but not reported losses to a second party in exchange for a portion of, or all of, Mariner's assets.

As of December 31, 1994, 1993 and 1992, the Company owned 58%, 70% and 75%, respectively, of the voting common stock of Universal, with the balance owned by Eastern America Group. The Company owned

100% of the non-voting outstanding common and preferred stocks. Minority interest expense for 1994 and 1993 totaled \$3,424,000 and \$1,623,000, respectively.

Property and Casualty Insurance Pretax Earnings

The Company's portion of the property and casualty insurance segment's pretax earnings totaled \$5,119,000 for 1994, an increase of 13% compared with net earnings of \$4,539,000 for 1993 and 362% over 1992 pretax earnings of \$1,108,000.

FINANCIAL CONDITIONS, CAPITAL REVENUES AND LIQUIDITY

Stock Repurchase

On August 1, 1994, the Board of Directors authorized the Company to purchase up to 2,000,000 shares of its own common stock. Prior authorization in October, 1990 for the repurchase of 2,000,000 shares of the Company's common stock was superseded by this authorization. The Company is authorized to purchase the common stock on the American Stock Exchange and in privately negotiated transactions. When purchasing common stock, the Company is subject to price, trading volume and other market considerations. Shares repurchased may be used for reissuance upon the exercise of stock options, in future acquisitions for stock or for other appropriate corporate purposes. To date, the Company has not repurchased any of its common stock under the current authorization.

Long-Term Financing

The Company and Dixie have separate revolving credit agreements with an established line of credit of \$50,000,000 each. The credit agreements provide the Company options on interest rates based on prime, Eurodollar or CD rates. Proceeds under the credit agreements can be used for general corporate purposes, the purchase of new or existing equipment or for business acquisitions. As of March 14, 1995, the Company and Dixie had \$15,000,000 and \$27,900,000, respectively, available for takedown under the credit agreements. The Company and Dixie entered into the separate credit agreements in April, 1993 providing for aggregate borrowings of up to \$30,000,000 and \$50,000,000, respectively. In August, 1993, the Company's line of credit was increased to \$50,000,000 and in May, 1994, the credit agreements were renewed and the agreements extended to June, 1997.

In March, 1992, Dixie entered into a \$20,000,000 acquisition credit facility with Texas Commerce Bank National Association that provided the transportation segment with in-place financing for possible future acquisitions. On June 1, 1992, the acquisition credit facility was activated with the merger of Scott Chotin into a subsidiary of the Company and in August, 1992, the acquisition credit facility was retired.

In August, 1992, Dixie sold \$50,000,000 of 8.22% notes, due June 30, 2002, in a private placement. Proceeds from these notes were used to retire the \$20,000,000 acquisition credit facility with Texas Commerce Bank National Association and the retirement of two \$5,000,000, 10% subordinated promissory notes originally issued as part of the purchase in 1989 of the assets of Brent, with the balance of the proceeds used to reduce the amount outstanding under Dixie's \$50,000,000 revolving credit agreement.

In June, 1993, the Company redeemed the entire \$50,000,000 aggregate principal amount of its 7 1/4% Convertible Subordinated Debentures due 2014 ("Debentures") issued in October, 1989 at a redemption price of 105.075% of the principal amount of the Debentures, plus accrued interest on the principal of the Debentures from April 1, 1993 to the date fixed for redemption. The holders of the entire \$50,000,000 of Debentures elected to convert such Debentures into common stock of the Company at a conversion price of \$11.125 per share. The conversion of the Debentures increased the issued and outstanding common stock of the Company by 4,494,382 shares.

In November, 1994, Dixie entered into a \$10,000,000 acquisition credit facility with Texas Commerce Bank National Association that provided the transportation segment with in-place additional financing for the Dow transportation asset acquisition completed in November, 1994. The acquisition credit facility was never activated and is scheduled to expire on May 4, 1995.

In December, 1994, the Company established a \$250,000,000 medium term note program providing for the issuance of fixed rate or floating rate notes with maturities of nine months or longer. The shelf registration program, registered with the Securities and Exchange Commission, was activated in March, 1995 with the issuance of \$34,000,000 of the authorized notes. The issued medium term notes bear interest at an average fixed rate of 7.77% with a maturity of March 10, 1997. Proceeds from sale of the notes were used to retire the Company's outstanding bank term loan in the amount of \$10,286,000 due June 1, 1997 and to reduce the Company's outstanding revolving credit loans by \$23,714,000. The remaining \$216,000,000 available under the medium term note program will provide financing for future business and equipment acquisitions and working capital requirements. The Company's outstanding bank term loan in the amount of \$10,666,000, due March 6, 1997, is anticipated to be retired by March 20, 1995 with proceeds borrowed under the Company's revolving credit agreements.

Business Acquisitions and Developments

Following the Company's stated strategy of acquiring businesses to complement its existing operations, the Company has been actively engaged in the acquisition of, or merger with, companies during the 1992, 1993 and 1994 years.

On March 13, 1992, the Company completed the purchase of Sabine for \$36,950,000 in cash. Sabine, located in Port Arthur, Texas, was engaged in coastal and inland marine transportation of petroleum products and in harbor tug services. The purchased properties included six U.S. flag tankers, 33 owned and five leased inland tank barges, 11 owned and four leased inland towboats, three owned bowboats, eight owned harbor tugboats, land and buildings. The Company has continued to use the assets of Sabine in the same business that Sabine conducted prior to the purchase. The purchase was financed through \$9,950,000 of existing cash balances, borrowings of \$9,000,000 under the transportation segment's bank revolving credit agreement, as well as an \$18,000,000 bank term loan with a negative pledge of the assets acquired from Sabine. Based on audited information, assets acquired from Sabine had total revenues for the years ended December 31, 1990 and 1991 of \$62,886,000 and \$62,986,000, respectively. Operations of the assets acquired from Sabine are included as part of the Company's operations effective March 13, 1992, in accordance with the purchase method of accounting.

On April 2, 1992, the Company completed the purchase of Ole Man River for \$25,575,000 in cash. Ole Man River, located in Vicksburg, Mississippi, was engaged in inland marine tank barge transportation of petroleum products along the Mississippi River System and the Gulf Intracoastal Waterway. The purchased properties included 24 owned and two leased inland tank barges, eight owned inland towboats, land and buildings. The Company has continued to use the assets of Ole Man River in the same business that Ole Man River conducted prior to the purchase. The asset purchase was funded by borrowings under the transportation segment's bank revolving credit agreement. Based on audited information, Ole Man River had total revenues for the years ended December 31, 1990 and 1991 of \$14,676,000 and \$15,500,000, respectively. Operations of the assets acquired from Ole Man River are included as part of the Company's operations effective April 2, 1992, in accordance with the purchase method of accounting.

On June 1, 1992, the Company completed the acquisition of Scott Chotin by means of a merger of Scott Chotin with and into a wholly owned subsidiary of the Company for an aggregate consideration of approximately \$34,900,000. Pursuant to the Agreement and Plan of Merger, the Company issued 870,892 shares of common stock, valued at \$12.625 per share, to certain Scott Chotin shareholders and paid the shareholders of Scott Chotin approximately \$9,700,000 in cash in exchange for the working capital and all of the outstanding common stock of Scott Chotin, discharged existing debt of Scott Chotin of approximately \$7,400,000 and paid to certain executives and shareholders of Scott Chotin \$5,000,000 for agreements not to compete. In addition, the Company recorded a liability reserve for the issuance, over a three-year period after the closing, of up to 170,000 additional shares of the Company's common stock contingent upon the resolution of certain potential liabilities resulting from operations of Scott Chotin prior to the merger. In June, 1993, the Company issued 22,500 shares of common stock and in June, 1994, the Company issued an additional 22,500 shares of common stock under the contingent stock agreement. Scott Chotin, located in Mandeville, Louisiana, was engaged in inland marine tank barge transportation of industrial chemicals and asphalt along

the Mississippi River System and the Gulf Intracoastal Waterway. Scott Chotin's inland fleet consisted of 29 owned tank barges, six of which operate in the asphalt trade, 10 owned dry cargo barges, eight owned towboats, land and buildings. The Company has continued to use the assets of Scott Chotin in the same business that Scott Chotin conducted prior to the merger. The cash portion of the merger was financed through existing cash balances, borrowings under a subsidiary of the Company's \$20,000,000 acquisition line of credit, as well as a \$16,000,000 bank term loan with a negative pledge of the assets of Scott Chotin. Based on audited information, Scott Chotin recorded total revenues for the years ended May 31, 1991 and 1992 of \$20,894,000 and \$18,817,000, respectively. Scott Chotin's operations are included as part of the Company's operations effective June 1, 1992, in accordance with the purchase method of accounting.

On September 25, 1992, the Company completed the acquisition of Eastern America, a property and casualty insurance company in Puerto Rico, by means of a merger of Eastern America with and into the Company's insurance subsidiary, Universal, with Universal being the surviving entity. Presently, the Company owns approximately 58% of the voting common stock of Universal, with the remaining approximately 42% owned by Eastern America Group, the former parent of Eastern America. Through options and redemption rights included in the merger transaction, Eastern America Group could become the owner of up to 100% of Universal's stock over a period of up to 12 years from September, 1992. Based on audited information, Eastern America reported total revenues of \$11,951,000 and \$13,544,000 for the years ended December 31, 1990 and 1991, respectively. Eastern America's operations are included as part of the Company's operations effective September 25, 1992, in accordance with the purchase method of accounting. To date, Universal has redeemed a total of 65,357 shares of voting Class B common stock and 24,360 shares of non-voting Class C common stock from the Company at a total redemption price of \$15,000,000. In August, 1994, Eastern America Group purchased an additional 30,410 shares of voting Class A common stock from Universal for \$7,000,000.

On March 3, 1993, the Company completed the purchase of TPT for \$24,400,000 in cash. TPT was engaged in the inland marine transportation of industrial chemicals and lube oil primarily from the Gulf Intracoastal Waterway to customers primarily on the upper Ohio River. TPT's inland fleet consisted of 61 owned and six leased double skin tank barges, four owned and one leased single skin tank barges and five owned towboats. Of the 72 barges, 32 are equipped with vapor control systems while 30 barges are dedicated to the transportation of lube oil, where vapor control equipment is not required. The Company has continued to use the assets of TPT in the same business that TPT conducted prior to the purchase. The asset purchase was financed under the transportation segment's bank revolving credit agreement. Based on unaudited information, TPT had total revenues for the fiscal year ended September 30, 1992, of \$17,000,000. Operations of the assets acquired from TPT are included as part of the Company's operations effective March 3, 1993, in accordance with the purchase method of accounting.

On May 14, 1993, the Company completed the acquisition of AFRAM Lines by means of a merger with and into a wholly owned subsidiary of the Company, for an aggregate consideration of \$16,725,000. In addition, the merger provided for an earnout provision not to exceed \$3,000,000 in any one year and not to exceed a maximum of \$10,000,000 over a four-year period. The earnout provision will be recorded as incurred as an adjustment to the purchase price. An earnout of \$3,000,000 was paid in April, 1994 for the period from April 1, 1993 to March 31, 1994. As of December 31, 1994, an \$884,000 earnout provision had been recorded for the period April 1, 1994 to December 31, 1994. Under the terms of the merger, the Company issued 1,000,000 shares of its common stock in exchange for all of AFRAM Lines' outstanding stock and paid certain executives and shareholders of AFRAM Lines agreements not to compete totaling \$2,000,000. AFRAM Lines, located in Houston, Texas, was engaged in the worldwide transportation of dry-bulk, container and palletized cargos, primarily for departments and agencies of the United States Government. The Company has continued to use the assets of AFRAM Lines in the same business that AFRAM Lines conducted prior to the merger. AFRAM Lines' fleet consisted of three U.S. flag container and break-bulk ships which specialize in the transportation of United States Government military and aid cargos. Based on audited information, AFRAM Lines recorded transportation revenues for the years ended June 30, 1992 and 1991 of \$38,758,000 and \$29,817,000, respectively. Unaudited historical transportation revenues for the year ended December 31, 1992 were \$46,268,000. The merger, effective as of April 1, 1993, was accounted for in accordance with the purchase method of accounting. The financial results for the 1993 year include the net earnings from the

operations from May 14, 1993, as the net earnings from April 1, 1993 to May 14, 1993 were recorded as a reduction of the purchase price.

In May, 1993, Marine Systems enhanced its long-term opportunities with the addition of two distributorship agreements. Under a long-term agreement with Paxman, an English manufacturer of diesel engines, Marine Systems will sell engine parts and provide authorized repair services. In addition, in May, 1993, Marine Systems signed a long-term agreement with Falk, a marine reduction gear manufacturer, whereby Marine Systems will sell parts and provide authorized repair services.

As an expansion of the diesel repair segment, the Company is engaged through Rail Systems in the overhaul and repair of locomotive diesel engines and sale of replacement parts for locomotives, serving shortline and industrial railroads within the continental United States. In October, 1993, EMD, the world's largest manufacturer of locomotives, awarded an exclusive shortline and industrial rail distributorship to Rail Systems to provide replacement parts, service and support to these important and expanding markets. The operations of Rail Systems commenced in January, 1994.

On December 21, 1993, OMR Transportation completed the cash purchase of certain assets of Chotin Transportation for \$14,950,000 in cash. Chotin Transportation, located in Cincinnati, Ohio, was engaged in the inland marine transportation of refined products by tank barge primarily from the lower Mississippi River to the Ohio River under a long-term contract with a major oil company. The Company has continued to use the assets of Chotin Transportation in the same business that Chotin Transportation conducted prior to the purchase. The purchased properties included 50 single skin and three double skin inland tank barges and a transportation contract, which expires in the year 2000. The asset purchase was funded by borrowings under the transportation segment's bank revolving credit agreement. Operations of the assets acquired from Chotin Transportation are included as part of the Company's operations effective December 21, 1993, in accordance with the purchase method of accounting.

In March, 1994, the Company through its subsidiary, Americas Marine, began all-water marine transportation services between Memphis, Tennessee and Mexico, Guatemala, Honduras and El Salvador. The transportation containership service utilized a chartered foreign flag river/ocean vessel which offered direct sailing between these locations. The service provided exporters and importers in the north, central and mid-south states with a direct shipping alternative between the locations on a fourteen day round trip basis. In August, 1994, the Company discontinued the service as aggressive pricing from competitors resulted in slower than anticipated acceptance of the service. Volumes were increasing with each voyage; however, operating losses and the negative prospects for future profitability did not warrant continuation of the service.

On July 1, 1994, a subsidiary of the Company completed the purchase of a U.S. flag tanker from Tosco. The single hull tanker was placed in service in late August, 1994, after undergoing capitalized restorations and modifications. The tanker will be utilized in the carriage of refined petroleum products in United States coastwise trade and is currently operating under a three year charter. The tanker has a capacity of 266,000 barrels and a deadweight tonnage of 37,750. The tanker will be retired from service in compliance with the OPA on January 1, 1999. Funding for the transaction was provided through the Company's bank revolving credit agreement. Operations of the asset acquired from Tosco are included as part of the Company's operations effective July 1, 1994, in accordance with the purchase method of accounting.

On July 21, 1994, a subsidiary of the Company completed the purchase of three U.S. flag tankers from OMI for \$23,750,000. The single hull tankers will transport refined petroleum products primarily between the United States Gulf Coast, Florida and the mid-Atlantic states. The three tankers initially operated in the spot market, however, during the majority of July, August and part of September, the tankers were idle due to the extreme weakness in the tanker market. Effective October, 1994, one tanker went under a six-month charter and effective November, 1994, one tanker was chartered for a one year period. Both of the charters have extension options. Each of the tankers has a total capacity of 266,000 barrels and a deadweight tonnage of 37,853. In compliance with the OPA, the three tankers will be retired from service on January 1, 2000. Funding for the transaction was provided through the Company's bank revolving credit agreement. Operations of the three tankers acquired from OMI are included as part of the Company's operations effective July 21, 1994, in accordance with the purchase method of accounting.

On November 16, 1994, a subsidiary of the Company completed the purchase of certain marine assets of Dow for \$24,031,000 in cash. The purchased assets consisted of 65 inland tank barges, one river towboat and two shifting boats. The Company also assumed from Dow the leases on an additional 31 inland tank barges and two towboats. In addition, the Company entered into a contract with Dow to provide for Dow's inland bulk liquid marine transportation requirements for a period of ten years. Dow is a major manufacturer of petrochemicals, industrial chemicals and related bulk liquid products and historically has used its own barges and outside towing resources to service its inland marine transportation requirements. Dow produces its products at its Freeport, Texas manufacturing complex, other plants in Louisiana and at various other United States locations. A number of the Dow plants, as well as their suppliers and customers, rely extensively on water transportation for moving products between Dow's manufacturing facilities, for shipment to the ultimate users and to move certain raw materials purchased by Dow. The asset purchase was funded by borrowings under the Company's and transportation segment's bank revolving credit agreements. Operations of the assets acquired from Dow are included as part of the Company's operations effective November 16, 1994, in accordance with the purchase method of accounting.

Capital Expenditures

The Company continued to enhance its existing operations through the acquisitions of existing equipment during the 1992, 1993 and 1994 years and the construction of new equipment during the 1992 and 1994 years.

In July, 1992, a 165,000 barrel double skin ocean-going tank barge and tug unit was purchased for approximately \$9,200,000. The unit is currently working in the offshore refined products trade.

In July, 1992, four existing inland towboats were purchased for a total purchase price of \$1,650,000. The towboats are being used in the industrial chemical market.

In July, 1992, the diesel repair segment expanded its market to the Pacific Northwest with the opening of a service facility in Seattle, Washington, serving both the inland and offshore marine industries. Emphasis is focused on the repair of diesel engines in the marine transportation industry and various governmental agencies.

In August, 1992, a 17,000 barrel capacity pressure barge, which was constructed under a contract entered into in September, 1991, was placed into service in the industrial chemical market. Cost of the barge was approximately \$2,700,000.

In October, 1993, three inland towboats were purchased for approximately \$895,000. The towboats are being used in the refined products market.

In May, 1994, the Company entered into a contract for the construction of 12 double skin 29,000 barrel capacity inland tank barges for use in the movement of industrial chemicals and refined products. In February, 1995, the Company exercised the option under the contract to construct 12 additional barges. The first barge was delivered in January, 1995 and the second barge was delivered in February, 1995. The remaining 22 barges are scheduled to be delivered one each month thereafter. The new construction program is consistent with the Company's long-term strategy of upgrading its equipment to service the needs of its customers and to enhance its market position.

In addition to the new and existing transportation equipment noted above, during 1992, 1993 and 1994, the Company's transportation subsidiaries continued to add to their fleet through separate purchases of sound existing equipment. In 1992, four inland tank barges were purchased and renovated for use in the agricultural chemical market and an inland towboat was purchased for use in the refined products market. In 1993, three existing double skin inland tank barges were purchased and renovated for use in the agricultural chemical market and one inland towboat was purchased for use in the fleeting and shifting operation. In 1994, two existing double skin inland tank barges were purchased for use in the agricultural chemical market, one existing inland towboat was purchased and renovated for use in the industrial chemical market and two existing inland towboats were purchased and renovated for use in the refined products market.

Liquidity

Within the past three years, the Company has generated significant cash flow from its operating segments to fund its capital expenditures, asset acquisitions, debt service and other operating requirements. During 1994, 1993 and 1992, the Company generated net cash provided by operating activities of \$85,400,000, \$61,614,000 and \$38,372,000, respectively.

During each year, inflation has had a relatively minor effect on the financial results of the Company. The marine transportation segment has long-term contracts which generally contain cost escalation clauses whereby certain costs, including fuel, can be passed through to its customers, while the segment's short-term, or spot business, is based principally on current prices. In addition, the marine transportation assets acquired and accounted for using the purchase method of accounting were adjusted to a fair market value and, therefore, the cumulative long-term effect on inflation was reduced. The repair portion of the diesel repair segment is based on prevailing current market rates. For the property and casualty insurance segment, 100% of its investments were classified as available-for-sale securities, which consist primarily of United States Government instruments.

Universal is subject to dividend restrictions under the stockholders agreement between the Company, Universal and Eastern America Group. In addition, Universal is subject to industry guidelines and regulations with respect to the payment of dividends.

The Company has no present plan to pay dividends on common stock in the near future.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The response to this item is submitted as a separate section of this report (see Item 14, page 64).

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

The Company has had no disagreements with its independent accountants as contemplated in Item 304 of Regulation S-K.

PART III

ITEMS 10 THROUGH 13.

The information for these items has been omitted inasmuch as the registrant will file a definitive proxy statement with the Commission pursuant to the Regulation 14A within 120 days of the close of the fiscal year ended December 31, 1994, except for the information regarding executive officers which is provided in a separate item caption, "Executive Officers of the Registrant," and is included as an unnumbered item following Item 4 in Part I of this Form 10-K.

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, 1994 and 1993 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, 1994. In connection with our audits of the consolidated financial statements, we have also audited the related financial statement schedules. These consolidated financial statements and financial statement schedules 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 did not audit the consolidated financial statements of Universal Insurance Company and its subsidiaries, a 58 percent owned subsidiary, which statements reflect total assets constituting 32 percent and 33 percent in 1994 and 1993, respectively, and total revenues constituting 15 percent, 14 percent and 16 percent in 1994, 1993 and 1992; respectively, of the related consolidated totals. Those statements and the amounts included in the related 1994, 1993 and 1992 financial statement schedules were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Universal Insurance Company and its subsidiaries is based solely on the report of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. 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 and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kirby Corporation and subsidiaries as of December 31, 1994 and 1993 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1994 in conformity with generally accepted accounting principles. Also, in our opinion, based on our audits and the report of the other auditors, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects the information set forth therein.

As discussed in note 3 to the consolidated financial statements, the Company changed its method of accounting for investments in equity securities in 1993 to adopt the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." As discussed in note 5 to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 113, "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts" in 1993. As discussed in note 7 to the consolidated financial statements, the Company changed its method of accounting for income taxes in 1992 to adopt the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." As discussed in note 10 to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" in 1992.

KPMG PEAT MARWICK LLP

Houston, Texas
February 21, 1995

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

BALANCE SHEETS
DECEMBER 31, 1993 AND 1994

ASSETS

	1993	1994
	-----	-----
	(\$ IN THOUSANDS)	
Marine Transportation, Diesel Repair and Other		
Current assets:		
Cash and invested cash.....	\$ 1,999	7,355
Available-for-sale securities -- short-term investments.....	--	2,875
Accounts and notes receivable, net of allowance for doubtful accounts.....	50,722	63,300
Inventory -- finished goods, at lower of average cost or market....	7,531	8,270
Prepaid expenses.....	7,393	13,661
Deferred taxes.....	2,768	1,324
	-----	-----
Total current assets.....	70,413	96,785
	-----	-----
Property and equipment, at cost.....	406,675	481,612
Less allowance for depreciation.....	125,459	153,672
	-----	-----
	281,216	327,940
	-----	-----
Excess cost of consolidated subsidiaries.....	7,429	9,280
Noncompete agreements, net of accumulated amortization of \$9,161,000 (\$7,298,000 in 1993).....	5,752	3,889
Sundry.....	13,575	12,912
	-----	-----
Total assets -- marine transportation, diesel repair and other.....	378,385	450,806
	-----	-----
Insurance		
Investments:		
Available-for-sale securities:		
Fixed maturities.....	102,175	149,173
Short-term investments.....	25,128	21,227
	-----	-----
	127,303	170,400
Cash and invested cash.....	12,937	4,485
Accrued investment income.....	1,998	2,638
Accounts and notes receivable, net of allowance for doubtful accounts.....	12,195	9,613
Reinsurance receivable on paid losses.....	15,186	9,871
Prepaid reinsurance premiums.....	5,773	5,147
Deferred policy acquisition costs.....	7,279	11,690
Property and equipment, at cost, net of allowance for depreciation....	2,197	2,822
	-----	-----
Total assets -- insurance.....	184,868	216,666
	-----	-----
	\$563,253	667,472
	=====	=====

See accompanying notes to financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

BALANCE SHEETS
DECEMBER 31, 1993 AND 1994

LIABILITIES AND STOCKHOLDERS' EQUITY

	1993	1994
	-----	-----
	(\$ IN THOUSANDS)	
Marine Transportation, Diesel Repair and Other		
Current liabilities:		
Current portion of long-term debt.....	\$ 10,962	10,962
Accounts payable.....	11,767	15,771
Accrued liabilities:		
Interest.....	166	136
Insurance premiums and claims.....	6,181	16,874
Bonus, pension and profit-sharing plans.....	10,491	8,261
Taxes, other than on income.....	3,052	3,205
Other.....	8,008	4,083
Deferred revenues.....	5,637	8,294
	-----	-----
Total current liabilities.....	56,264	67,586
	-----	-----
Long-term debt, less current portion.....	109,597	148,535
Deferred taxes.....	39,735	42,587
Other long-term liabilities.....	8,913	7,998
	-----	-----
Total liabilities -- marine transportation, diesel repair and other.....	214,509	266,706
	-----	-----
Insurance		
Losses, claims and settlement expenses.....	49,930	56,433
Unearned premiums.....	61,558	89,801
Reinsurance premiums payable.....	5,377	2,657
Other liabilities.....	8,125	11,473
Minority interest in consolidated insurance subsidiary.....	12,005	17,426
	-----	-----
Total liabilities -- insurance.....	136,995	177,790
	-----	-----
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 30,782,000 shares (30,759,000 in 1993).....	3,076	3,078
Additional paid-in capital.....	156,340	157,021
Unrealized net gains (losses) in value of investments.....	4,440	(2,686)
Retained earnings.....	61,339	78,651
	-----	-----
	225,195	236,064
Less cost of 2,468,000 shares in treasury (2,555,000 in 1993).....	13,446	13,088
	-----	-----
	211,749	222,976
	-----	-----
	\$563,253	667,472
	=====	=====

See accompanying notes to financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENTS OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1992, 1993 AND 1994

	1992	1993	1994
	-----	-----	-----
	(\$ IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Revenues:			
Transportation.....	\$190,214	283,747	311,076
Diesel repair.....	35,753	31,952	45,269
Net premiums earned.....	29,552	48,243	61,477
Commissions earned on reinsurance.....	5,108	4,632	4,335
Investment income.....	6,795	7,910	9,211
Gain on disposition of assets.....	427	355	415
Realized gain on investments.....	1,478	1,164	1,222
Other.....	176	401	132
	-----	-----	-----
	269,503	378,404	433,137
	-----	-----	-----
Costs and expenses:			
Costs of sales and operating expenses (except as shown below).....	143,330	204,721	238,980
Losses, claims and settlement expenses.....	26,289	37,496	44,634
Policy acquisition costs.....	8,649	11,085	13,538
Selling, general and administrative.....	32,805	40,162	48,048
Taxes, other than on income.....	8,867	11,475	14,999
Depreciation and amortization.....	21,423	28,102	33,834
Minority interest expense.....	--	1,623	3,424
	-----	-----	-----
	241,363	334,664	397,457
	-----	-----	-----
Operating income.....	28,140	43,740	35,680
Interest expense.....	9,411	8,416	8,835
	-----	-----	-----
Earnings before taxes on income.....	18,729	35,324	26,845
	-----	-----	-----
Provision (benefit) for taxes on income:			
United States.....	5,151	11,136	8,442
Puerto Rico.....	(20)	1,359	1,750
	-----	-----	-----
	5,131	12,495	10,192
	-----	-----	-----
Earnings before cumulative effect of accounting changes.....	13,598	22,829	16,653
Cumulative effect on prior years of accounting changes:			
Postretirement health care benefits, net of applicable income taxes of \$1,163,000.....	(2,258)	--	--
Income taxes.....	(10,659)	--	--
	-----	-----	-----
Net earnings.....	\$ 681	22,829	16,653
	=====	=====	=====
Earnings (loss) per share of common stock:			
Primary:			
Earnings before cumulative effect of accounting changes.....	\$.60	.86	.58
Cumulative effect on prior years of accounting changes.....	(.57)	--	--
	-----	-----	-----
Net earnings.....	\$.03	.86	.58
	=====	=====	=====

See accompanying notes to financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1992, 1993 AND 1994

	1992	1993	1994
	(\$ IN THOUSANDS)		
Common stock:			
Balance at beginning of year.....	\$ 2,437	2,524	3,076
Par value of common stock issued in acquisition of marine transportation companies.....	87	102	2
Par value of common stock issued in conversion of 7 1/4% Subordinated Convertible Debentures.....	--	450	--
Balance at end of year.....	\$ 2,524	3,076	3,078
Additional paid-in capital:			
Balance at beginning of year.....	\$ 82,762	93,670	156,340
Excess of par value of cost of common stock issued in acquisition of marine transportation companies.....	10,908	14,859	234
Excess of par value of cost of common stock issued in conversion of 7 1/4% Subordinated Convertible Debentures and related cost of conversion.....	--	47,624	--
Excess of cost of treasury stock sold over proceeds received upon exercise of employees' stock options.....	--	(27)	95
Tax benefit of exercise of employee stock options.....	--	214	352
Balance at end of year.....	\$ 93,670	156,340	157,021
Unrealized net gains (losses) in value of investments:			
Balance at beginning of year.....	\$ 1,830	1,211	4,440
Net increase (decrease) in valuation of investments during the year, net of minority interest for 1993 and 1994.....	(619)	3,229	(7,126)
Balance at end of year.....	\$ 1,211	4,440	(2,686)
Retained earnings:			
Balance at beginning of year.....	\$ 38,489	39,170	61,339
Net earnings for the year.....	681	22,829	16,653
Unfunded pension obligation.....	--	(660)	659
Balance at end of year.....	\$ 39,170	61,339	78,651
Treasury stock:			
Balance at beginning of year.....	\$(13,892)	(13,749)	(13,446)
Cost of treasury stock sold upon exercise of employees' stock options.....	143	303	358
Balance at end of year.....	\$(13,749)	(13,446)	(13,088)

See accompanying notes to financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1992, 1993 AND 1994

	1992	1993	1994
	(\$ IN THOUSANDS)		
Cash flows from operating activities:			
Earnings before cumulative effect of accounting changes.....	\$ 13,598	22,829	16,653
Adjustments to reconcile earnings to net cash provided by operating activities:			
Depreciation and amortization.....	21,423	28,102	33,834
Provision for doubtful accounts.....	414	271	1,173
Realized gain on investments.....	(1,478)	(1,164)	(1,222)
Increase in deferred taxes.....	1,895	5,207	4,532
Gain on disposition of assets.....	(427)	(355)	(415)
Deferred scheduled maintenance costs.....	--	2,516	2,861
Minority interest and earnings of unconsolidated subsidiary.....	(38)	1,592	3,386
Increase (decrease) in cash flows resulting from changes in:			
Marine Transportation, Diesel Repair and Other assets and liabilities:			
Accounts and notes receivable.....	(6,803)	(12,833)	(13,512)
Inventory.....	(2,288)	158	(738)
Other assets.....	(3,454)	(3,046)	(12,874)
Accounts payable.....	1,195	(2,624)	4,004
Accrued and other liabilities.....	3,745	6,255	6,465
Insurance assets and liabilities:			
Reinsurance receivable on paid losses.....	1,346	(18,154)	5,941
Deferred policy acquisition costs.....	(1,106)	(1,368)	(4,411)
Losses, claims and settlement expenses.....	4,692	14,342	6,502
Unearned premiums.....	7,322	19,349	28,243
Reinsurance premiums payable.....	(1,156)	1,616	(2,720)
Receivables and accrued income.....	739	(873)	1,942
Other liabilities.....	(1,247)	(206)	5,756
Net cash provided by operating activities.....	38,372	61,614	85,400
Cash flow from investing activities:			
Proceeds from sale and maturities of investments.....	8,730	12,097	43,488
Purchase of investments.....	(21,544)	(5,772)	(103,419)
Net decrease (increase) in short-term investments.....	13,589	(10,683)	645
Capital expenditures.....	(32,747)	(22,320)	(30,933)
Purchase of assets of marine companies:			
Property and equipment, net of assumed liabilities.....	(76,279)	(34,617)	(48,531)
Intangible assets.....	(8,668)	(7,138)	--
Proceeds from disposition of assets.....	839	1,275	2,853
Cash received upon mergers.....	3,110	1,733	--
Other.....	(13)	(468)	1,011
Net cash used in investing activities.....	(112,983)	(65,893)	(134,886)
Cash flow from financing activities:			
Borrowings on bank revolving credit loan.....	99,025	124,164	220,800
Payments on bank revolving credit loan.....	(90,125)	(101,564)	(170,900)
Increase in long-term debt.....	84,000	--	--
Payments under long-term debt.....	(14,680)	(10,962)	(10,963)
Sale of insurance subsidiary stock to minority stockholder.....	--	--	7,000
Proceeds from exercise of stock options.....	143	277	453
Net cash provided by financing activities.....	78,363	11,915	46,390
Increase (decrease) in cash and invested cash.....	3,752	7,636	(3,096)
Cash and invested cash, beginning of year.....	3,548	7,300	14,936
Cash and invested cash, end of year.....	\$ 7,300	14,936	11,840
Supplemental disclosures of cash flow information:			
Cash paid during the year:			
Interest.....	\$ 10,192	9,442	8,865
Income taxes.....	\$ 2,750	5,500	5,824
Noncash investing and financing activity:			
Assumption of liabilities in connection with mergers and purchase of assets of marine and diesel repair companies.....	\$ 38,225	11,743	--
Issuance of stock in connection with purchase of marine transportation companies.....	\$ 10,995	14,725	--
Noncash changes in assets and liabilities.....	\$ --	(2,136)	1,247
Issuance of stock in connection with conversion of 7 1/4% convertible debentures.....	\$ --	50,000	--

See accompanying notes to financial statements

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1992, 1993 AND 1994

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS

Principles of Consolidation. The consolidated financial statements include the accounts of Kirby Corporation and its subsidiaries ("the Company"). The assets and liabilities for the insurance operations have not been classified as current or noncurrent, in accordance with insurance practice. The Company's equity in certain partnerships is reflected in the accounts at its pro rata share of the assets, liabilities, revenues and expenses of the partnerships. The purchase price of certain subsidiaries exceeded the equity in net assets of the respective companies at dates of acquisition. The excess is being amortized over 9 to 14 year periods.

All material intercompany accounts and transactions have been eliminated in consolidation. Certain reclassifications have been made to reflect current presentation of financial information.

Operations. The Company is engaged in three industry segments as follows:

Marine Transportation -- Marine transportation by U.S. flag vessels on the inland waterway system and in United States coastwise and foreign trade. The principal products transported include petrochemical feedstocks, processed chemicals, agricultural chemicals, refined petroleum products, coal, limestone, grain and sugar. Container and palletized cargos are also transported for United States Government aid programs and military.

Diesel Repair -- Repair of diesel engines, reduction gear repair and sale of related parts and accessories for customers in the marine industry and the shortline and the industrial railroad industry.

Insurance -- Writing of property and casualty insurance in Puerto Rico. The insurance subsidiary operates under the provisions of the Insurance Code of the Commonwealth of Puerto Rico and is subject to regulations issued by the Commissioner of Insurance of the Commonwealth of Puerto Rico.

General Accounting Policies:

Accounting Principles. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles.

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

Depreciation. Property and equipment is depreciated on the straight-line method over the estimated useful lives of the assets as follows: marine transportation equipment, 6-22 years; buildings, 10-25 years; other equipment, 2-10 years; leasehold improvements, term of lease.

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 refineries. The diesel repair customers are offshore well service companies, inland and offshore marine transportation companies and the United States Government. The insurance segment customers include agents and customers who reside in Puerto Rico. In addition, credit risk exists through the placement of certificates of deposits with local financial institutions by the insurance segment.

Marine Transportation, Diesel Repair and Other Accounting Policies:

Property, Maintenance and Repairs. Property is recorded at cost. Improvements and betterments are capitalized as incurred. 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 operating income. Maintenance and repairs are charged to operating expense as incurred on an annual basis. Scheduled maintenance on ocean-going vessels is recognized as prepaid maintenance costs when incurred and charged to operating expense over the period between such scheduled maintenance, generally 24 months.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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

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 bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company files a consolidated federal income tax return with its domestic subsidiaries, Oceanic Insurance Limited ("Oceanic") and Mariner Reinsurance Company Limited ("Mariner").

Insurance Accounting Policies:

Investments. Fixed maturity investments are classified as available-for-sale securities and are reported at fair market value, with unrealized gains and losses reported in the accompanying balance sheet as unrealized net gains (losses) in value of investments.

Short-term investments consisting of certificates of deposit, United States Treasury bills and United States Treasury notes maturing within one year from acquisition date, are recorded at amortized cost, which approximates market value.

Reinsurance. By reinsuring certain levels of risk in various areas with reinsurers, the exposure of losses which may arise from catastrophes or other events which may cause unfavorable underwriting results are reduced. Amounts recoverable from reinsurance are estimated in a manner consistent with the claim liability associated with the reinsured policy.

Deferred Policy Acquisition Costs. Deferred policy acquisition costs representing commissions paid to agents are deferred and amortized following the daily pro rata method over the terms of the policies for 1994 and 1993 (monthly pro rata method for 1992), except for automobile physical damage single-interest policies, which are amortized following the sum-of-the-years method. Deferred policy acquisition costs are written off when it is determined that future policy revenues are not adequate to cover related future losses and loss adjustment expenses. Earnings on investments are taken into account in determining whether this condition exists. No deficiencies have been determined in the periods presented.

Accrued Losses, Claims and Settlement Expenses. Accrued losses, claims and settlement expenses include estimates based on individual claims outstanding and an estimated amount for losses incurred but not reported (IBNR) based on past experience.

Unearned Premiums. Unearned premiums are deferred and amortized following the daily pro rata method over the terms of the policies for 1994 and 1993 (monthly pro rata method for 1992) except for automobile physical damage single-interest policies, which are amortized to income following the sum-of-the-years method. Effective January 1, 1994, Universal Insurance Company ("Universal"), the Company's 58% owned Puerto Rican property and casualty insurance subsidiary, changed its method of amortization of double-interest automobile physical damage policies from the daily pro rata method, the method the Company follows, to a declining value method, which the Company did not adopt. A reconciliation for the effect of this change is more fully described in Note 5, Insurance Disclosure.

Guarantee Fund Assessments. The Company's Puerto Rican property and casualty insurance subsidiary is a member of the Puerto Rico Insurance Guaranty Association and is required to participate in losses payable to policyholders under risks underwritten by insolvent associated members. Losses are estimated based on its share and accrued on a current basis.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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

Changes In Accounting Principles:

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 113, "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts" ("SFAS No. 113"), which changes the accounting and disclosure requirements for reinsurance contracts entered into by ceding insurance companies. Effective December 31, 1993, the Company adopted SFAS No. 113, the effects of which are more fully described in Note 5, Insurance Disclosure.

The FASB issued SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"), which establishes standards of financial accounting and reporting for investments in equity securities that have readily determinable fair values and for all investments in debt securities. Effective December 31, 1993, the Company adopted SFAS No. 115, the effects of which are more fully described in Note 3, Investments.

The FASB issued SFAS No. 107, "Disclosures about Fair Value of Financial Instruments", which requires that fair values be disclosed for financial instruments. Effective January 1, 1994, the Company adopted SFAS No. 107. Cash, accounts receivable, accounts payable and accrued liabilities are reflected in the financial statements at fair value because of the short-term maturity of these financial instruments. The fair value of the Company's investments are more fully described in Note 3, Investments, and the fair value of the Company's debt instruments are more fully described in Note 6, Long-Term Debt. The Company does not hold or issue derivative financial instruments in the normal course of business.

(2) ACQUISITIONS

1992 YEAR:

On March 13, 1992, a subsidiary of the Company completed the purchase of certain assets of Sabine Towing & Transportation Co., Inc. ("Sabine"), a wholly owned subsidiary of Sequa Corporation, for \$36,950,000 in cash. Sabine, located in Port Arthur, Texas, was engaged in coastal and inland marine transportation of petroleum products and in harbor tug services. The purchased properties included six U.S. flag tankers, 33 owned and five leased inland tank barges, 11 owned and four leased inland towboats, three owned bowboats, eight owned harbor tugboats, land and buildings. The Company has continued to use the assets of Sabine in the same business that Sabine conducted prior to the purchase. The purchase was financed through \$9,950,000 of existing cash balances, borrowings of \$9,000,000 under the transportation segment's bank revolving credit agreement, as well as an \$18,000,000 bank term loan with a negative pledge of the assets acquired from Sabine. Operations of the assets acquired from Sabine are included as part of the Company's operations effective March 13, 1992, in accordance with the purchase method of accounting.

On April 2, 1992, a subsidiary of the Company completed the purchase of substantially all of the operating assets of Ole Man River Towing, Inc. and related entities ("Ole Man River") for \$25,575,000 in cash. Ole Man River, located in Vicksburg, Mississippi, was engaged in inland marine tank barge transportation of petroleum products along the Mississippi River System and the Gulf Intracoastal Waterway. The purchased properties included 24 owned and two leased inland tank barges, eight owned inland towboats, land and buildings. The Company has continued to use the assets of Ole Man River in the same business that Ole Man River conducted prior to the purchase. The asset purchase was funded by borrowings under the transportation segment's bank revolving credit agreement. Operations of the assets acquired from Ole Man River are included as part of the Company's operations effective April 2, 1992, in accordance with the purchase method of accounting.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(2) ACQUISITIONS -- (CONTINUED)

On June 1, 1992, the Company completed the acquisition of Scott Chotin, Inc. ("Scott Chotin") by means of a merger of Scott Chotin with and into a subsidiary of the Company for an aggregate consideration of approximately \$34,900,000. Pursuant to the Agreement and Plan of Merger, the Company issued 870,892 shares of common stock, valued at \$12.625 per share, to certain Scott Chotin shareholders and paid the shareholders of Scott Chotin approximately \$9,700,000 in cash in exchange for the working capital and all of the outstanding common stock of Scott Chotin, discharged existing debt of Scott Chotin of approximately \$7,400,000 and paid to certain executives and shareholders of Scott Chotin \$5,000,000 for agreements not to compete. In addition, the Company recorded a liability reserve for the issuance, over a three-year period after the closing, of up to 170,000 additional shares of the Company's common stock contingent upon the resolution of certain potential liabilities resulting from operations of Scott Chotin prior to the merger. In June, 1993 and June, 1994, the Company issued 22,500 shares, respectively, of common stock under the contingent stock agreement. Scott Chotin, located in Mandeville, Louisiana was engaged in inland marine tank barge transportation of industrial chemicals and asphalt along the Mississippi River System and the Gulf Intracoastal Waterway. Scott Chotin's inland fleet consisted of 29 owned tank barges, six of which operated in the asphalt trade, 10 owned dry cargo barges, eight owned towboats, land and buildings. The Company has continued to use the assets of Scott Chotin in the same business that Scott Chotin conducted prior to the merger, except for the six barges engaged in the asphalt trade, which were subsequently sold. The cash portion of the merger was financed through existing cash balances, borrowings under the transportation segment's \$20,000,000 acquisition line of credit, as well as a \$16,000,000 bank term loan with a negative pledge of the assets of Scott Chotin. Scott Chotin's operations are included as part of the Company's operations effective June 1, 1992, in accordance with the purchase method of accounting.

On September 25, 1992, the Company completed the acquisition of Eastern America Insurance Company ("Eastern America") by means of a merger of Eastern America with and into Universal, with Universal being the surviving entity. Eastern America was engaged in the writing of property and casualty insurance in Puerto Rico. Presently, the Company owns approximately 58% of the voting common stock of Universal, with the remaining approximately 42% owned by Eastern America Financial Group, Inc. ("Eastern America Group"), the former parent of Eastern America. Through options and redemption rights included in the merger transaction, Eastern America Group could become the owner of up to 100% of Universal's stock over a period of up to 12 years from September, 1992. To date, Universal has redeemed a total of 65,357 shares of voting Class B common stock and 24,360 shares of non-voting Class C common stock for a total redemption price of \$15,000,000 as follows (in thousands, except share amounts):

	1992		1993		1994	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
Class A Voting Common Stock.....	5,805	\$1,000	39,128	\$7,000	20,424	\$4,000
Class B Voting Common Stock.....	--	--	--	--	24,360	3,000
	5,805	\$1,000	39,128	\$7,000	44,784	\$7,000
	=====	=====	=====	=====	=====	=====

In addition, in August, 1994, Eastern America Group purchased from Universal 30,410 shares of Class A voting common stock for \$7,000,000. Eastern America's operations are included as part of the Company's operations effective September 25, 1992, in accordance with the purchase method of accounting.

1993 YEAR:

On March 3, 1993, a subsidiary of the Company completed the purchase of certain assets of TPT, a marine transportation division of Ashland Oil, Inc. ("TPT"), for \$24,400,000 in cash. TPT, located in Freedom, Pennsylvania, was engaged in the inland marine transportation of industrial chemicals and lube oils

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(2) ACQUISITIONS -- (CONTINUED)

by tank barge predominately from the Gulf Intracoastal Waterway to customers primarily on the upper Ohio River. The purchased properties included 61 owned and six leased double skin inland tank barges, four owned and one leased single skin inland tank barges and five owned inland towboats. The Company has continued to use the assets of TPT in the same business that TPT conducted prior to the purchase. The asset purchase was funded by borrowings under the transportation segment's bank revolving credit agreement. Operations of the assets acquired from TPT are included as part of the Company's operations effective March 3, 1993, in accordance with the purchase method of accounting.

On May 14, 1993, the Company completed the acquisition of AFRAM Lines (USA) Co., Ltd. ("AFRAM Lines") by means of a merger of AFRAM Lines with a subsidiary of the Company for an aggregate consideration of \$16,725,000. Additionally, the merger provided for an earnout provision not to exceed \$3,000,000 in any one year and not to exceed a maximum of \$10,000,000 over a four-year period. The earnout provision will be recorded as incurred as an adjustment to the purchase price. As of December 31, 1993, a \$2,250,000 earnout provision, which accrues from April 1 to March 31 of the following year, had been recorded. From January 1 to March 31, 1994, a \$750,000 earnout provision was accrued with a \$3,000,000 payment recorded April 1, 1994. As of December 31, 1994, an \$884,000 earnout provision had been recorded for the period April 1 to December 31, 1994. Pursuant to the Agreement and Plan of Merger, the Company issued 1,000,000 shares of common stock, valued at \$14.725 per share, in exchange for all of AFRAM Lines' outstanding stock and paid to certain executives and shareholders of AFRAM Lines \$2,000,000 for agreements not to compete. AFRAM Lines, located in Houston, Texas, was engaged in the worldwide transportation of dry-bulk, container and palletized cargos, primarily for departments and agencies of the United States Government. The Company has continued to use the assets of AFRAM Lines in the same business that AFRAM Lines conducted prior to the merger. AFRAM Lines' fleet consisted of three U.S. flag container and break-bulk ships which specialize in the transportation of United States Government aid and military cargos. The cash portion of the merger was financed through borrowings under the Company's bank revolving credit agreement. Pursuant to the Agreement and Plan of Merger, the effective date of the merger was April 1, 1993, and the merger was accounted for in accordance with the purchase method of accounting. The financial results for the 1993 year include the net earnings from the operations of AFRAM Lines from May 14, 1993, as the net earnings from April 1, 1993 to May 14, 1993 were recorded as a reduction of the purchase price.

On December 21, 1993, a subsidiary of the Company completed the purchase of certain assets of Midland Enterprises Inc. and its wholly owned subsidiary, Chotin Transportation Company ("Chotin Transportation") for \$14,950,000 in cash. Chotin Transportation, located in Cincinnati, Ohio, was engaged in the inland marine transportation of refined products by tank barge primarily from the lower Mississippi River to the Ohio River under a long-term contract with a major oil company. The Company has continued to use the assets of Chotin Transportation in the same business that Chotin Transportation conducted prior to the purchase. The purchased properties included 50 single skin and three double skin inland tank barges and the transportation contract, which expires in the year 2000. The asset purchase was funded by borrowings under the transportation segment's bank revolving credit agreement. Operations of the assets acquired from Chotin Transportation are included as part of the Company's operations effective December 21, 1993, in accordance with the purchase method of accounting.

1994 YEAR:

On July 1, 1994, a subsidiary of the Company completed the purchase of a U.S. flag tanker from Tosco Refining Company ("Tosco"). The single hull tanker was placed in service in late August, 1994, after undergoing capitalized restorations and modifications. The tanker is utilized in the carriage of refined petroleum products in United States coastwise trade and is operating under a three year charter. The tanker

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(2) ACQUISITIONS -- (CONTINUED)

has a capacity of 266,000 barrels and a deadweight tonnage of 37,750. The tanker will be retired from service in accordance with the Oil Pollution Act of 1990 ("OPA") on January 1, 1999. The asset purchase was funded by borrowings under the Company's bank revolving credit agreement. Operations of the asset acquired from Tosco are included as part of the Company's operations effective July 1, 1994, in accordance with the purchase method of accounting.

On July 21, 1994, a subsidiary of the Company completed the purchase of three U.S. flag tankers from OMI Corp. ("OMI") for \$23,750,000. The single hull tanker transports refined petroleum products primarily between the United States Gulf Coast, Florida and the mid-Atlantic states. The three tankers were offered in the spot market, however, during the majority of July, August and part of September, the tankers were idle due to the extreme weakness in the tanker market. Effective October, 1994, one tanker went under a six-months' charter and effective November, 1994, one tanker was chartered for a one year period. Both of the charters have extension options. Each of the tankers has a total capacity of 266,000 barrels and a deadweight tonnage of 37,853. In compliance with the OPA, the three tankers will be retired from service on January 1, 2000. Funding for the transaction was provided through the Company's bank revolving credit agreement. Operations of the three tankers acquired from OMI are included as part of the Company's operations effective July 21, 1994, in accordance with the purchase method of accounting.

On November 16, 1994, a subsidiary of the Company completed the purchase of certain marine assets of The Dow Chemical Company ("Dow") for \$24,031,000 in cash. The purchased assets consisted of 65 inland tank barges, one river towboat and two shifting boats. The Company also assumed from Dow the leases on an additional 31 inland tank barges and two inland towboats. In addition, the Company entered into a contract with Dow to provide for Dow's inland bulk liquid marine transportation requirements for a period of ten years. Dow is a major manufacturer of petrochemicals, industrial chemicals and related bulk liquid products and historically has used its own barges and outside towing resources to service its inland marine transportation requirements. Dow produces its products at its Freeport, Texas manufacturing complex, other plants in Louisiana and at various other United States locations. A number of the Dow plants, as well as their suppliers and customers, rely extensively on water transportation for moving products between Dow's manufacturing facilities, for shipment to the ultimate users and to move certain raw materials purchased by Dow. The asset purchase was funded by borrowings under the Company's and transportation segment's bank revolving credit agreements. Operations of the assets acquired from Dow are included as part of the Company's operations effective November 16, 1994, in accordance with the purchase method of accounting.

(3) INVESTMENTS

Debt and equity securities as of December 31, 1993 and 1994 qualify as available-for-sale securities in accordance with SFAS 115. SFAS No. 115, adopted effective December 31, 1993, established new criteria for the accounting and reporting of investments in debt and equity securities that have readily determinable fair value. The adoption of SFAS No. 115 increased the carrying value of investment account securities by approximately \$4,100,000 and stockholders' equity by \$3,075,000, net of applicable deferred income taxes. SFAS No. 115 precludes restatement of prior year financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(3) INVESTMENTS -- (CONTINUED)

A summary of the Company's investments as of December 31, 1993 is as follows (in thousands):

TYPE OF INVESTMENT	AMORTIZED COST	GROSS UNREALIZED LOSSES	GROSS UNREALIZED GAINS	FAIR VALUE AS SHOWN IN THE BALANCE SHEET
Insurance:				
Available-for-sale securities:				
Bonds and notes:				
United States Government and government agencies and authorities.....	\$ 91,761	362	7,849	99,248
States, municipalities and political subdivisions.....	1,035	--	27	1,062
All other.....	1,816	--	49	1,865
	94,612	362	7,925	102,175
Short-term investments.....	25,128	--	--	25,128
	\$ 119,740	362	7,925	127,303
	=====	=====	=====	=====

A summary of the Company's investments as of December 31, 1994 is as follows (in thousands):

TYPE OF INVESTMENT	AMORTIZED COST	GROSS UNREALIZED LOSSES	GROSS UNREALIZED GAINS	FAIR VALUE AS SHOWN IN THE BALANCE SHEET
Marine Transportation, Diesel Repair and Other:				
Available-for-sale securities -- short-term investments.....	\$ 2,875	--	--	2,875
Insurance:				
Available-for-sale securities:				
Bonds and notes:				
United States Government and government agencies and authorities.....	150,687	7,027	121	143,781
States, municipalities and political subdivisions.....	2,969	--	29	2,998
All other.....	2,402	9	1	2,394
	156,058	7,036	151	149,173
Short-term investments.....	21,227	--	--	21,227
Total investments -- Insurance.....	177,285	7,036	151	170,400
	\$ 180,160	7,036	151	173,275
	=====	=====	=====	=====

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(3) INVESTMENTS -- (CONTINUED)

A summary of the available-for-sale securities by maturities as of December 31, 1993 and 1994 are as follows (in thousands):

INVESTMENTS MATURING WITHIN	1993		1994	
	AMORTIZED COST	MARKET VALUE	AMORTIZED COST	MARKET VALUE
One year.....	\$ 3,295	3,320	--	--
One to five years.....	36,807	39,489	100,037	96,745
Five to ten years.....	16,451	17,712	17,011	16,509
Ten years and over.....	38,059	41,654	39,010	35,919
	<u>\$ 94,612</u>	<u>102,175</u>	<u>156,058</u>	<u>149,173</u>

Short-term and all other investments primarily consist of United States Treasury obligations and certificates of deposits. The Company does not invest in high-yield securities judged to be below investment grade.

Investment income for the years ended December 31, 1992, 1993 and 1994 is summarized as follows (in thousands):

	1992	1993	1994
Available-for-sale securities.....	\$ --	7,910	9,211
Trading account securities.....	2,602	--	--
Investment account securities.....	3,272	--	--
Short-term investments.....	921	--	--
	<u>\$6,795</u>	<u>7,910</u>	<u>9,211</u>

Realized net gains on investments for the year ended December 31, 1992, 1993 and 1994 are summarized as follows (in thousands):

	1992	1993	1994
Available-for-sale securities.....	\$ --	1,164	1,222
Trading account securities.....	437	--	--
Investment account securities.....	1,041	--	--
	<u>\$1,478</u>	<u>1,164</u>	<u>1,222</u>

Changes in unrealized net gains (losses) in value of investments for the years ended December 31, 1992, 1993 and 1994 are summarized as follows (in thousands):

	1992	1993	1994
Available-for-sale securities.....	\$ --	5,948	(14,537)
Trading account securities.....	(775)	--	--
	(775)	5,948	(14,537)
Less deferred income taxes.....	(156)	1,487	(3,632)
	(619)	4,461	(10,905)
Minority interest portion.....	--	1,232	3,779
	<u>\$(619)</u>	<u>3,229</u>	<u>(7,126)</u>

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(4) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment and the related allowance for depreciation at December 31, 1993 and 1994 (in thousands):

	1993	1994
	-----	-----
Property and equipment:		
Marine Transportation, Diesel Repair and Other:		
Marine transportation equipment.....	\$387,494	452,762
Land, buildings and equipment.....	19,181	28,850
	-----	-----
	406,675	481,612
Insurance:		
Land, buildings and equipment.....	3,320	4,280
	-----	-----
	\$409,995	485,892
	=====	=====
Allowance for depreciation:		
Marine Transportation, Diesel Repair and Other:		
Marine transportation equipment.....	\$119,832	145,967
Land, buildings and equipment.....	5,627	7,705
	-----	-----
	125,459	153,672
Insurance:		
Land, buildings and equipment.....	1,123	1,458
	-----	-----
	\$126,582	155,130
	=====	=====

(5) INSURANCE DISCLOSURE

The financial results of the Company's insurance subsidiaries, Universal, a property and casualty insurance subsidiary located in Puerto Rico, and Mariner, a wholly owned reinsurance subsidiary located in Bermuda, are consolidated as the Company's property and casualty segment. The financial results of Oceanic, the Company's captive insurance subsidiary engaged in the insuring of risks for the marine transportation and diesel repair subsidiaries, are consolidated with the Company's marine, diesel repair and other operations.

As of December 31, 1993 and 1994, the Company owned 70% and 58%, respectively, of Universal's voting common stock and 100% of Universal's non-voting common and preferred stocks (see Note 2). Condensed combined statements of earnings of the insurance subsidiaries for the years ended December 31, 1992, 1993 and 1994, which are reflected in the consolidated financial statements, are as follows (in thousands):

	1992	1993	1994
	-----	-----	-----
Revenues:			
Premiums written.....	\$52,830	80,993	111,415
	=====	=====	=====
Reinsurance assumed.....	\$ 327	27	108
	=====	=====	=====
Net premiums earned.....	\$29,552	48,243	61,477
Investment income.....	6,454	7,741	8,706
Commissions earned on reinsurance.....	5,108	4,632	4,335
Realized gain on investments.....	1,478	1,164	1,222
Other.....	(72)	(169)	84
	-----	-----	-----
	42,520	61,611	75,824
	-----	-----	-----

(Table continued on following page)

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

	1992	1993	1994
	-----	-----	-----
(5) INSURANCE DISCLOSURE -- (CONTINUED)			
Costs and expenses:			
Losses, claims and settlement expenses.....	26,289	37,496	44,634
Policy acquisition costs.....	8,649	11,085	13,538
General and administrative and other expenses.....	6,474	6,868	9,109
Minority interest expense.....	--	1,623	3,424
	-----	-----	-----
	41,412	57,072	70,705
	-----	-----	-----
Earnings before taxes on income.....	1,108	4,539	5,119
Benefit for taxes on income.....	1,034	391	--
	-----	-----	-----
Earnings before cumulative effect of accounting change.....	2,142	4,930	5,119
Cumulative effect on prior years of accounting change for income taxes.....	(157)	--	--
	-----	-----	-----
Net earnings.....	\$ 1,985	4,930	5,119
	=====	=====	=====

Policy acquisition costs deferred and amortized against earnings during the years ended December 31, 1992, 1993 and 1994 are summarized as follows (in thousands):

	1992	1993	1994
	-----	-----	-----
Balance, beginning of year.....	\$ 3,485	5,912	7,279
Amount deferred during year.....	9,756	12,452	17,949
Amount acquired upon merger.....	1,320	--	--
Amount amortized against earnings during year.....	(8,649)	(11,085)	(13,538)
	-----	-----	-----
Balance, end of year.....	\$ 5,912	7,279	11,690
	=====	=====	=====

In 1993, Universal adopted SFAS No. 113, which specifies the accounting by insurance enterprises for the reinsurance of insurance contracts and eliminates the practice by insurance enterprises of reporting assets and liabilities relating to reinsured contracts net of the effects of reinsurance. The adoption of SFAS No. 113 increased the assets and liabilities by approximately \$15,510,000 as of December 31, 1992. The transfer of risk provisions of SFAS No. 113 did not affect the accounting for reinsurance contracts presently in place.

Mariner participated in the international reinsurance market by assuming participation in risks originally undertaken by other underwriters. Effective January 1, 1991, Mariner ceased accepting participations in the international reinsurance market. During 1992, Mariner received certain delayed and certain timely large loss advises, the receipt of which caused the Company to increase Mariner's loss reserves by \$2,500,000 to cover both known and unknown losses. In March, 1994, based on information concerning the potential losses of Mariner, the Company recorded an additional reserve of \$2,000,000 for potential, but as yet unreported losses.

The Company is currently pursuing strategies to withdraw from the runoff of Mariner's reinsurance business at the earliest possible date. Such strategies include the possible commutation of Mariner's open book of reinsurance business in exchange for a portion of, or all of, Mariner's assets. As of December 31, 1994, the Company had net equity in Mariner of approximately \$1,500,000.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(5) INSURANCE DISCLOSURE -- (CONTINUED)

Net earnings and stockholders' equity of Universal as determined in accordance with Puerto Rican statutory accounting practices and generally accepted accounting principles for the years ended December 31, 1992, 1993 and 1994 are as follows (in thousands):

	1992	1993	1994
	-----	-----	-----
Statutory accounting practice:			
Net earnings.....	\$ 4,809	7,099	7,465
Stockholders' equity.....	\$46,943	47,011	56,520
Generally accepted accounting principles:			
Net earnings.....	\$ 3,958	6,553	10,849
Stockholders' equity.....	\$54,341	58,354	58,309

A reconciliation of Universal's net earnings for the year ended December 31, 1994 as presented in their separate financial statements and the net earnings from the Company's insurance subsidiaries as presented on page 50 is as follows (in thousands):

	1994

Universal's net earnings as presented above.....	\$10,849
Change in the method of amortization of unearned premiums.....	(3,548)
Nonapplicable Puerto Rico deferred taxes.....	3,242
Minority interest expense.....	(3,424)
Reserve for reinsurance commutation.....	(2,000)

Net earnings from insurance subsidiaries.....	\$ 5,119
	=====

The net assets of Universal available for transfer to the Company are limited to the amount that its stockholders' equity, as determined in accordance with statutory accounting practices, exceeds minimum statutory capital requirements.

(6) LONG-TERM DEBT

Long-term debt at December 31, 1993 and 1994 consisted of the following (in thousands):

	1993	1994
	-----	-----
Long-term debt:		
Revolving credit loans, due June 30, 1997.....	\$ 44,100	94,000
Bank term loan, \$667,000 due quarterly through December 31, 1996, remaining balance of \$5,333,000 due March 6, 1997....	13,333	10,666
Bank term loan, \$571,000 due quarterly through March 31, 1997, remaining balance of \$5,144,000 due June 1, 1997.....	12,571	10,286
8.22% senior notes, \$5,000,000 due annually through June 30, 2002.....	45,000	40,000
7.18% nonrecourse debt, \$505,000 due semiannually through February 1, 1999.....	5,555	4,545
	-----	-----
	\$120,559	159,497
	=====	=====

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(6) LONG-TERM DEBT -- (CONTINUED)

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

1995.....	\$ 10,962
1996.....	10,962
1997.....	111,058
1998.....	6,010
1999.....	5,505

In December, 1994, the Company established a \$250,000,000 medium term note program providing for the issuance of fixed rate or floating rate notes with the maturities of nine months or longer. The shelf registration program, registered with the Securities and Exchange Commission, was activated in March, 1995 with the issuance of \$34,000,000 of the authorized notes. The issued medium term notes bear interest at an average fixed rate of 7.77% with a maturity of March 10, 1997. Proceeds from sale of the notes were used to retire the Company's outstanding bank term loan in the amount of \$10,286,000 due June 1, 1997 and to reduce the Company's outstanding revolving credit loans by \$23,714,000. The remaining \$216,000,000 available under the medium term note program will provide financing for future business and equipment acquisitions and working capital requirements. The Company's outstanding bank term loan in the amount of \$10,666,000, due March 6, 1997, is anticipated to be retired on March 20, 1995 with proceeds borrowed under the Company's revolving credit agreements.

On May 4, 1993, the Company called for redemption on June 4, 1993, the entire \$50,000,000 aggregate principal amount of its 7 1/4% Convertible Subordinated Debentures due 2014 ("Debentures") issued in October, 1989 at the redemption price of 105.075% of the principal amount of the Debentures, plus accrued interest on the principal of the Debentures from April 1, 1993 to the date fixed for redemption. Prior to, or on May 27, 1993, the fifth business day prior to the date set for redemption, under the terms of the October, 1989 offering, the holders of the entire \$50,000,000 of Debentures elected to convert such Debentures into common stock of the Company at a conversion price of \$11.125 per share. The conversion of the Debentures increased the issued and outstanding common stock of the Company by 4,494,382 shares. The carrying amount and unamortized premium on the Debentures were accounted for as a decrease in stockholders' equity.

On April 23, 1993, the Company and the Company's principal marine transportation subsidiary, entered into two separate revolving credit agreements (the "Credit Agreements") with Texas Commerce Bank National Association ("TCB"), as agent bank, providing for aggregate borrowings of up to \$30,000,000 and \$50,000,000, respectively, maturing on June 30, 1996. On August 12, 1993, the Company amended its Credit Agreement with TCB and increased the Company's provision for aggregate borrowings from \$30,000,000 to \$50,000,000. On May 26, 1994, the Credit Agreements were extended to mature on June 30, 1997. The Credit Agreements are unsecured; however, the Company's Credit Agreement contains a negative pledge with respect to the capital stock of certain subsidiaries of the Company and the marine transportation subsidiary's Credit Agreement contains a negative pledge with respect to certain scheduled assets. In addition, the Credit Agreements provide for the grant to TCB of a first priority lien on the capital stock or assets, as applicable, subject to the negative pledge, generally in the event of the occurrence and continuation of a default. Interest on the Credit Agreements, subject to an applicable margin ratio and type of loan, is floating prime rate or, at the Company's and the marine transportation subsidiary's option, rates based on an Eurodollar interbank rate or certificate of deposit rate. Proceeds under the Credit Agreements may be used for general corporate purposes, the purchase of existing or new equipment or for possible business acquisitions. The Credit Agreements contain covenants that require the maintenance of certain financial ratios and certain other covenants that are substantially similar to the covenants contained in the marine transportation subsidiary's prior \$60,000,000 revolving credit agreement, which was terminated in connection with the new Credit

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(6) LONG-TERM DEBT -- (CONTINUED)

Agreements. These covenants cover, among other things, the disposal of capital stock of subsidiaries and assets outside the ordinary course of business. The Credit Agreements also contain usual and customary events of default. The Company and the marine transportation subsidiary were in compliance with the matters as of December 31, 1994. At December 31, 1994, the marine transportation subsidiary had \$6,000,000 available for takedown under the Credit Agreements.

On March 6, 1992, the Company entered into a \$18,000,000 credit agreement with TCB which matures on March 6, 1997. The purchase of Sabine, on March 13, 1992, was financed with the \$18,000,000 credit agreement, existing cash balances, and borrowings under the marine transportation subsidiary's credit agreement. The \$18,000,000 credit agreement has a negative pledge of the assets acquired from Sabine. Principal payments of \$667,000 are due quarterly up through December 31, 1996. Interest on the credit agreement, subject to an applicable margin ratio and type of loan, is floating prime rate, or at the Company's option, rates based on a Eurodollar interbank rate or certificate of deposit rates. The remaining principal balance of \$5,333,000 is fully due and payable on March 6, 1997, together with any unpaid interest accrued thereon. At December 31, 1994, \$10,666,000 was outstanding under the loan agreement and the weighted average interest rate was 7.13%. The credit agreement is anticipated to be retired by March 20, 1995.

On May 28, 1992, the Company entered into a \$16,000,000 credit agreement with TCB which matures on June 1, 1997. The purchase of Scott Chotin, on June 1, 1992, was financed with the \$16,000,000 credit agreement, existing cash balances, and borrowings under a \$20,000,000 acquisition credit facility with TCB. The credit agreement has a negative pledge of the assets acquired from Scott Chotin. Principal payments of \$571,000 are due quarterly up through March 31, 1997. Interest on the credit agreement, subject to an applicable margin ratio and type of loan, is floating prime rate, or at the Company's option, rates based on an Eurodollar interbank rate or certificate of deposit rates. The remaining principal balance of \$5,143,000 is fully due and payable on June 1, 1997, together with any unpaid interest accrued thereon. At December 31, 1994, \$10,286,000 was outstanding under the loan agreement and the weighted average interest rate was 7.07%. On March 10, 1995, the credit agreement was retired.

On August 13, 1992, the Company's transportation segment sold \$50,000,000 of 8.22% senior notes due June 30, 2002, in a private placement. Proceeds from these notes were used to retire a \$20,000,000 acquisition credit facility with TCB and the retirement of two \$5,000,000, 10% subordinated promissory notes originally issued as part of the purchase of the assets of a marine transportation company on May 23, 1989, with the balance of the proceeds used to reduce the amount outstanding under the marine transportation subsidiary's credit agreement with TCB. Principal payments of \$5,000,000, plus interest, are due annually through June 30, 2002. At December 31, 1994, \$40,000,000 was outstanding under the senior notes.

The Company is of the opinion that the terms of the outstanding debt represent the fair value of such debt as of December 31, 1994.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(7) TAXES ON INCOME

Earnings before taxes on income and details of the provision (benefit) for taxes on income for United States and Puerto Rico operations for the years ended December 31, 1992, 1993 and 1994 are as follows (in thousands):

	1992	1993	1994
	-----	-----	-----
Earnings before taxes on income:			
United States.....	\$14,635	30,785	19,726
Foreign.....	4,094	4,539	7,119
	-----	-----	-----
	\$18,729	35,324	26,845
	=====	=====	=====
Provision for taxes on income			
United States:			
Current.....	\$ 3,236	6,216	3,558
Deferred.....	1,915	4,387	4,297
State and local.....	--	533	587
	-----	-----	-----
	5,151	11,136	8,442
	-----	-----	-----
Puerto Rico:			
Current.....	--	1,754	1,750
Deferred.....	(20)	(395)	--
	-----	-----	-----
	(20)	1,359	1,750
	-----	-----	-----
	\$ 5,131	12,495	10,192
	=====	=====	=====

Taxes on income are accounted for under the asset and liability method required by SFAS No. 109. The cumulative effect on prior years of the adoption of SFAS No. 109 decreased net earnings by \$10,659,000, or \$.47 per share, and is reported separately in the statement of earnings for the year ended December 31, 1992. In addition to the impact of the cumulative effect on prior years, the effect of the adoption of SFAS No. 109 decreased the net earnings for the 1992 year by \$916,000, or \$.04 per share.

Under SFAS No. 109, a change in tax rates is required to be recognized in income in the period that includes the enactment date. The 1993 Revenue Reconciliation Act included an increase in the corporate federal income tax rate from 34% to 35%, thereby requiring an increase in the Company's tax expense for the 1993 year of \$1,131,000. Of the total tax adjustment, \$779,000 applied to a one-time, non-cash, federal deferred tax charge for prior years and \$352,000 reflects the 1% tax rate increase on earnings for the 1993 year.

The Company's provision for taxes on income varied from the statutory federal income tax rate for the years ended December 31, 1992, 1993 and 1994 due to the following:

	1992	1993	1994
	-----	-----	-----
United States income tax statutory rate.....	34.0%	35.0%	35.0%
Puerto Rico taxes.....	0.1	3.8	6.5
State and local taxes.....	--	1.7	2.2
Utilization of investment tax credits.....	(5.8)	--	--
Foreign tax credits.....	--	(5.0)	(6.5)
Other.....	(0.9)	(0.1)	0.8
	-----	-----	-----
	27.4%	35.4%	38.0%
	=====	=====	=====

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(7) TAXES ON INCOME -- (CONTINUED)

The significant components of deferred United States taxes on income attributable to earnings from operations for the years ended December 31, 1992, 1993 and 1994 are as follows (in thousands):

	1992	1993	1994
	-----	-----	-----
Tax depreciation over financial depreciation.....	\$ 2,677	5,616	4,917
Tax leases.....	541	--	--
Financial gain on disposals different from tax.....	(887)	(41)	92
Utilization of tax net operating loss carryforwards...	1,265	(1,044)	--
Utilization of tax credits.....	1,076	1,841	(694)
Alternative minimum taxes.....	(2,897)	(200)	(4,118)
Self-insurance accruals.....	--	(1,221)	1,848
Marine insurance claims reserves.....	--	--	(447)
Scheduled vessel maintenance costs.....	--	--	2,800
Other.....	140	(564)	(101)
	-----	-----	-----
	\$ 1,915	4,387	4,297
	=====	=====	=====

Deferred Puerto Rico income taxes arise from the recognition of certain income and expense items in different periods for income tax and for financial reporting purposes. Such items consist principally of deferred acquisition costs, salvage and subrogation recoveries, provision for doubtful accounts and accrual for guarantee fund assessments.

The tax effects of temporary differences that give rise to significant portions of the current deferred tax assets and non-current deferred tax liabilities at December 31, 1992, 1993, and 1994 are as follows (in thousands):

	1992	1993	1994
	-----	-----	-----
Current deferred tax assets:			
Compensated absences, principally due to accrual for financial reporting purposes.....	\$ 440	410	721
Self-insurance accruals.....	--	1,983	135
Allowance for doubtful account reserves.....	59	125	580
Other.....	6	250	(112)
	-----	-----	-----
	\$ 505	2,768	1,324
	=====	=====	=====
Non-current deferred tax liabilities:			
Deferred tax assets:			
Tax credit carryforwards.....	\$ 2,206	365	1,059
Alternative minimum tax credit carryforwards...	7,197	7,397	11,515
Postretirement health care benefits.....	1,410	1,590	1,659
Dual consolidated net operating loss.....	--	1,044	1,044
Marine insurance claims reserves.....	--	--	447
Other.....	482	767	438
	-----	-----	-----
	11,295	11,163	16,162
Less valuation allowance.....	488	--	--
	-----	-----	-----
	10,807	11,163	16,162
	-----	-----	-----
Deferred tax liabilities:			
Property and equipment, principally due to differences in depreciation and bases.....	(22,571)	(35,577)	(40,587)
Undistributed earnings from foreign subsidiaries...	(15,241)	(15,321)	(15,362)
Scheduled vessel maintenance costs.....	--	--	(2,800)
	-----	-----	-----
	(37,812)	(50,898)	(58,749)
	-----	-----	-----
	\$(27,005)	(39,735)	(42,587)
	=====	=====	=====

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(7) TAXES ON INCOME -- (CONTINUED)

As of December 31, 1994, there was no valuation allowance.

Subsequently recognized tax benefits relating to the valuation allowance for deferred tax assets as of December 31, 1992 were allocated as follows (in thousands):

	1992

Income tax benefits that would be reported in the statement of earnings.....	\$441
Other.....	47

	\$488
	=====

At December 31, 1994, the Company has alternative minimum tax credit carryforwards of approximately \$11,515,000 which are available to reduce future federal regular income taxes, if any, over an indefinite period.

(8) LEASES

The Company and its subsidiaries currently lease various facilities and equipment under a number of cancelable and noncancelable operating leases. Total rental expense for the years ended December 31, 1992, 1993 and 1994 follows (in thousands):

	1992	1993	1994
	-----	-----	-----
Rental expense.....	\$3,014	3,519	1,893
Sublease rental.....	93	90	10
	-----	-----	-----
Net rental expense.....	\$2,921	3,429	1,883
	=====	=====	=====

Rental commitments under noncancelable leases are as follows (in thousands):

	LAND BUILDINGS AND EQUIPMENT

1995.....	\$2,914
1996.....	1,898
1997.....	1,583
1998.....	1,042
1999.....	863
Thereafter.....	207

	\$8,507
	=====

(9) STOCK OPTION PLANS

The Company has four employee stock option plans, which were adopted in 1976, 1982, 1989 and 1994 for selected officers and other key employees. The 1976 Employee Plan, as amended, provided for the issuance until 1986 of incentive and non-qualified stock options to purchase up to 1,000,000 shares of common stock. The 1982 Employee Plan provided for the issuance until 1992 of incentive and non-qualified stock options to purchase up to 600,000 shares of common stock. The 1989 Employee Plan provides for the issuance 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 1976, 1982 and 1989 stock option plans authorize the granting of limited stock appreciation rights.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(9) STOCK OPTION PLANS -- (CONTINUED)

Changes in options outstanding under the employee plans described above for the 1992, 1993 and 1994 years are summarized as follows:

	INCENTIVE STOCK OPTIONS		NON-QUALIFIED OR NONINCENTIVE STOCK OPTIONS		OPTION PRICE RANGE PER SHARE
	OUTSTANDING	EXERCISABLE	OUTSTANDING	EXERCISABLE	
Outstanding December 31,					
1991.....	38,181	38,181	538,594	321,094	\$ 2.88 - \$14.95
Granted.....	--	--	151,000	--	\$12.94 - \$13.88
Became exercisable.....	--	--	--	106,500	\$ 3.69 - \$ 8.19
Exercised.....	--	--	(33,404)	(33,404)	\$ 2.88 - \$ 9.29
Canceled or expired.....	--	--	(17,821)	(4,071)	\$ 6.56 - \$14.95
-----	-----	-----	-----	-----	-----
Outstanding December 31,					
1992.....	38,181	38,181	638,369	390,119	\$ 2.88 - \$13.88
Granted.....	--	--	368,000	--	\$12.84 - \$18.19
Became exercisable.....	--	--	--	106,500	\$ 5.68 - \$13.88
Exercised.....	(10,000)	(10,000)	(47,750)	(47,750)	\$ 2.89 - \$13.88
Canceled or expired.....	--	--	(14,750)	(2,000)	\$ 8.19 - \$12.94
-----	-----	-----	-----	-----	-----
Outstanding December 31,					
1993.....	28,181	28,181	943,869	446,869	\$ 2.88 - \$18.19
Granted.....	--	--	65,000	--	\$21.38
Became exercisable.....	--	--	--	159,750	\$ 6.56 - \$18.19
Exercised.....	(28,181)	(28,181)	(56,319)	(56,319)	\$ 5.50 - \$13.88
Canceled or expired.....	--	--	(3,750)	(750)	\$ 6.56 - \$13.88
-----	-----	-----	-----	-----	-----
Outstanding December 31,					
1994.....	--	--	948,800	549,550	\$ 2.88 - \$21.38
=====	=====	=====	=====	=====	=====

At December 31, 1994, 1,027,964 shares were available for future grants under the employee plans and 396,264 shares of the outstanding stock options under the employee plans were issued with limited stock appreciation rights.

The Company has two director stock option plans, which were adopted in 1989 and 1994 for nonemployee Directors of the Company. The 1989 Director Plan provides for the issuance of nonincentive options to purchase up to 150,000 shares of common stock. The 1994 Director Plan provides for 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 director plans are intended as an incentive to attract and retain qualified, independent directors.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(9) STOCK OPTION PLANS -- (CONTINUED)

Changes in options outstanding under the director plans described above for the 1992, 1993 and 1994 years are summarized as follows:

	NON-QUALIFIED OR NONINCENTIVE STOCK OPTIONS		OPTION PRICE RANGE PER SHARE
	OUTSTANDING	EXERCISABLE	
Outstanding December 31, 1991 and 1992.....	60,000	60,000	\$ 7.56
Granted.....	10,000	10,000	\$18.63
Outstanding December 31, 1993.....	70,000	70,000	
Granted.....	22,500	--	\$21.06 - \$21.38
Became exercisable.....	--	22,500	\$21.06 - \$21.38
Exercised.....	(10,000)	(10,000)	\$7.56
Outstanding December 31, 1994.....	82,500	82,500	\$7.56 - \$21.38

The Company has a 1993 nonqualified stock option for 25,000 shares granted to Robert G. Stone, Jr. at an exercise price of \$18.625. The stock option was approved by the Company's stockholders in 1994. Currently, 10,000 shares of the stock option are exercisable. The grant serves as an incentive to retain the optionee as Chairman of the Board of the Company or as a member of the Board of Directors of the Company.

(10) RETIREMENT PLANS

The transportation subsidiaries sponsor defined benefit plans for certain ocean-going personnel. The plan benefits are based on an employee's years of service. The plans' assets primarily consist of fixed income securities and corporate stocks. Funding of the plans 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.

Net periodic pension cost of the defined benefit plans as determined by using the projected unit credit actuarial method was \$908,000, \$1,080,000 and \$1,803,000 in 1992, 1993 and 1994, respectively. The components of net periodic pension cost are as follows (in thousands):

	1992	1993	1994
Service cost -- benefits earned during the year.....	\$ 707	794	1,418
Interest cost.....	528	638	818
Actual return on plan assets.....	(179)	(343)	(84)
Net amortization and deferrals.....	(39)	29	(312)
Less partnerships' allocation.....	(39)	(38)	(37)
Less amount allocated to prior employer.....	(70)	--	--
Net periodic pension cost.....	\$ 908	1,080	1,803

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(10) RETIREMENT PLANS -- (CONTINUED)

The funding status of the plans as of December 31, 1993 and 1994 was as follows (in thousands):

	1993	1994
	-----	-----
Actuarial present value of benefit obligations:		
Vested.....	\$ 7,529	8,725
Non-vested.....	787	813
	-----	-----
Accumulated benefit obligation.....	8,316	9,538
Impact of future salary increases.....	1,047	1,260
	-----	-----
Projected benefit obligation.....	9,363	10,798
Plan assets at fair value.....	6,172	9,758
Plan assets in excess of (less than) projected benefit obligation.....	(3,191)	(1,040)
Unrecognized transition obligation.....	142	125
Unrecognized prior service cost.....	1,407	1,569
Unrecognized net loss.....	1,630	1,251
Additional minimum liability.....	(2,132)	--
	-----	-----
Prepaid (accrued) pension cost.....	\$(2,144)	1,905
	=====	=====
Actuarial assumptions:		
Discount rate.....	7.25%	8.00%
Return on assets.....	9.25%	9.25%
Salary increase rate.....	4%	4%

The Company, transportation subsidiaries and the diesel repair subsidiary sponsor defined contribution plans for all shore-based employees and certain ocean-going 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 approximately \$2,124,000, \$1,484,000 and \$3,756,000 in 1992, 1993 and 1994, respectively.

The insurance subsidiary sponsors a qualified, non-contributory profit-sharing plan which provides retirement benefits to eligible employees. Voluntary contributions to the plan equal no less than 1% of the annual participant's compensation, as defined, plus a portion of the administration expenses of the plan during the first 10 years. The insurance subsidiary's contributions to the plan were approximately \$231,000, \$269,000 and \$263,000 in 1992, 1993 and 1994, respectively.

In addition to the Company's defined benefit pension plans, 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 eligible dependents. The plan is contributory, with retiree contributions adjusted annually.

The Company adopted SFAS No. 106 effective January 1, 1992. The cumulative effect on prior years of the adoption of SFAS No. 106 decreased net earnings by \$2,258,000, net of applicable income taxes of \$1,163,000, or \$.10 per share, and is reported separately in the statement of earnings for the year ended December 31, 1992. In addition to the impact of the cumulative effect on prior years, the effect of the adoption of SFAS No. 106 decreased the net earnings for the 1992 year by \$355,000, net of applicable income taxes of \$183,000 or \$.02 per share.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(10) RETIREMENT PLANS -- (CONTINUED)

The following table presents the plan's funded status reconciled with amounts recognized in the Company's consolidated balance sheet at December 31, 1994 (in thousands):

Accumulated postretirement benefit obligation:	
Retirees.....	\$1,484
Fully eligible active plan participants.....	757
Other active plan participants.....	2,448
Partnership's allocation.....	(128)
Unrecognized gains.....	196

Accrued postretirement benefit cost included in other long-term liabilities.....	\$4,757
	=====
Net periodic postretirement benefit cost for 1994 includes the following components:	
Service cost.....	\$ 354
Interest cost.....	377
Less partnerships' allocation.....	(22)

Net periodic postretirement benefit cost.....	\$ 709
	=====

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, a 4% annual rate of increase in the per capita cost of covered benefits (i.e., health care cost trend rate) was assumed for future periods. Accordingly, a 1% increase in the health care cost trend rate assumption would have no effect on the amounts reported.

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 8.0% at December 31, 1994.

(11) EARNINGS PER SHARE OF COMMON STOCK

Primary earnings per share of common stock for the years ended December 31, 1992, 1993 and 1994 were based on the weighted average number of common stock and common stock equivalent shares outstanding of 22,607,000, 26,527,000 and 28,790,000, respectively.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(12) QUARTERLY RESULTS (UNAUDITED)

The unaudited quarterly results for the year ended December 31, 1993 are as follows (in thousands, except per share amounts):

	THREE MONTHS ENDED			
	MARCH 31, 1993	JUNE 30, 1993	SEPTEMBER 30, 1993	DECEMBER 31, 1993
Revenues.....	\$ 74,383	94,347	97,939	111,735
Costs and expenses.....	65,804	82,767	86,511	99,582
Operating income.....	8,579	11,580	11,428	12,153
Interest expense.....	2,740	2,011	1,871	1,794
Earnings before taxes on income.....	5,839	9,569	9,557	10,359
Provision for taxes on income.....	1,994	3,070	4,511	2,920
Net earnings.....	\$ 3,845	6,499	5,046	7,439
Earnings per share of common stock.....	\$.17	.26	.18	.26

The unaudited quarterly results for the year ended December 31, 1994 are as follows (in thousands, except per share amounts):

	THREE MONTHS ENDED			
	MARCH 31, 1994	JUNE 30, 1994	SEPTEMBER 30, 1994	DECEMBER 31, 1994
Revenues.....	\$101,830	104,741	108,097	118,468
Costs and expenses.....	95,139	97,890	100,171	104,257
Operating income.....	6,691	6,851	7,926	14,211
Interest expense.....	1,809	1,957	2,355	2,714
Earnings before taxes on income.....	4,882	4,894	5,571	11,497
Provision for taxes on income.....	1,985	1,701	1,965	4,540
Net earnings.....	\$ 2,897	3,193	3,606	6,957
Earnings per share of common stock.....	\$.10	.11	.13	.24

(13) CONTINGENCIES AND COMMITMENTS

In May, 1994, the Company entered into a contract for the construction of 12 double skin 29,000 barrel capacity inland tank barges for use in the movement of industrial chemicals and refined products. In February, 1995, the Company exercised an option under the contract for the construction of 12 additional barges. The first barge was placed in service in January, 1995 and the second in February, 1995, with the remaining 22 barges due one each month thereafter.

The Company's Puerto Rican insurance subsidiary has appealed to the Supreme Court of Puerto Rico a July 5, 1989 Superior Court judgment of approximately \$1,100,000, plus interest of approximately \$1,914,000 as of December 31, 1994, resulting from a civil suit claiming damages. The Supreme Court of Puerto Rico decided during 1992 to review the case. Management is of the opinion, based on consultation with its legal counsel, that the judgment will be reversed or at least substantially reduced, however, reserves have been established for the entire amount of the judgment plus accrued interest.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(13) CONTINGENCIES AND COMMITMENTS -- (CONTINUED)

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.

Management has recorded necessary reserves and believes that it has adequate insurance coverage or has meritorious defenses for the foregoing claims and contingencies.

(14) INDUSTRY SEGMENT DATA

The Company conducts operations in three industry segments as follows:

Marine Transportation -- Marine transportation by U.S. flag vessels on the inland waterway system and in United States coastwise and foreign trade. The principal products transported include petrochemical feedstocks, processed chemicals, agricultural chemicals, refined petroleum products, coal, limestone, grain and sugar. Container and palletized cargo are also transported for United States Government aid programs and military.

Diesel Repair -- Repair of diesel engines, reduction gear repair and sale of related parts and accessories, primarily for customers in the marine industry and the shortline and industrial railroad industry.

Insurance -- Writing of property and casualty insurance in Puerto Rico.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(14) INDUSTRY SEGMENT DATA -- (CONTINUED)

The following table sets forth by industry segment the combined revenues, operating profits (before general corporate expenses, interest expense and income taxes), identifiable assets (including goodwill), depreciation and amortization and capital expenditures attributable to the continuing principle activities of the Company for the years ended December 31, 1992, 1993 and 1994 (in thousands):

	1992	1993	1994
	-----	-----	-----
Revenues from unaffiliated customers:			
Transportation.....	\$190,214	283,747	311,076
Diesel repair.....	35,753	31,952	45,269
Insurance.....	34,661	52,875	65,812
Other.....	8,788	9,823	10,593
	-----	-----	-----
General corporate revenues.....	269,416	378,397	432,750
	87	7	387
	-----	-----	-----
Consolidated revenues.....	\$269,503	378,404	433,137
	=====	=====	=====
Operating profits:			
Transportation.....	\$ 28,034	42,208	31,397
Diesel repair.....	2,561	1,904	3,163
Insurance.....	1,108	4,539	5,119
	-----	-----	-----
General corporate expenses, net.....	31,703	48,651	39,679
Interest expense.....	(3,563)	(4,911)	(3,999)
	(9,411)	(8,416)	(8,835)
	-----	-----	-----
Earnings before taxes on income.....	\$ 18,729	35,324	26,845
	=====	=====	=====
Identifiable assets:			
Transportation.....	\$275,616	344,488	397,112
Diesel repair.....	18,897	20,259	21,304
Insurance.....	145,246	184,868	216,666
	-----	-----	-----
Investment in unconsolidated affiliate.....	439,759	549,615	635,082
General corporate assets.....	146	177	181
	6,515	13,461	32,209
	-----	-----	-----
Consolidated assets.....	\$446,420	563,253	667,472
	=====	=====	=====
Depreciation and amortization:			
Transportation.....	\$ 20,332	26,331	31,138
Diesel repair.....	565	658	674
Insurance.....	277	395	491
	-----	-----	-----
	\$ 21,174	27,384	32,303
	=====	=====	=====
Capital expenditures and business acquisitions:			
Transportation.....	\$123,700	71,236	71,714
Diesel repair.....	944	1,229	512
Insurance.....	630	1,086	1,251
	-----	-----	-----
	\$125,274	73,551	73,477
	=====	=====	=====

Identifiable assets are those assets that are used in the operation of each segment. General corporate assets are principally cash, short-term investments, accounts receivable, furniture and equipment.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial Statements:

Included in Part III of this report:

Report of KPMG Peat Marwick LLP, Independent Public Accountants, on the financial statements of Kirby Corporation and Consolidated Subsidiaries for the years ended December 31, 1992, 1993 and 1994.

Balance Sheets, December 31, 1993 and 1994.

Statements of Earnings, for the years ended December 31, 1992, 1993 and 1994.

Statements of Stockholders' Equity, for the years ended December 31, 1992, 1993 and 1994.

Statements of Cash Flows, for the years ended December 31, 1992, 1993 and 1994.

Notes to Financial Statements, for the years ended December 31, 1992, 1993 and 1994.

(a) 2. Financial Statement Schedules:

Included in Part IV of this report:

V -- Supplemental Insurance Information, for the years ended December 31, 1992, 1993 and 1994.

VI -- Reinsurance, for the years ended December 31, 1992, 1993 and 1994.

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

(a) 3. Exhibits

EXHIBIT NO.	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 3.2 of the Registrant's 1989 Registration Statement on Form S-3 (Reg. No. 33-30832)).
3.4	-- Amendment to Bylaws of the Company effective April 24, 1990 (incorporated by reference to exhibit 3.4 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990).
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)).
10.1+	-- 1976 Stock Option Plan of Kirby Exploration Company, as amended, and forms of option agreements provided for thereunder and related documents (incorporated by reference to Exhibit 10.1 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1981).
10.2+	-- 1982 Stock Option Plan for Kirby Exploration Company, and forms of option agreements provided for thereunder and related documents (incorporated by reference to Exhibit 10.5 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1982).

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
10.3+	-- Amendment to 1982 Stock Option Plan for Kirby Exploration Company (incorporated by reference to Exhibit 10.5 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1986).
10.4	-- 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).
10.5+	-- 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).
10.6+	-- 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).
10.7	-- Loan Agreement, dated as of July 31, 1990, by and between Dixie Carriers Inc. and Texas Commerce Bank National Association (incorporated by reference to Exhibit 10.10 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990).
10.8	-- Loan Agreement between Dixie Fuels Limited and NCNB Leasing Corporation, dated as of February 4, 1992 (incorporated by reference to Exhibit 10.10 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).
10.9	-- Agreement of Purchase and Sale, dated January 24, 1992, by and among Sabine Transportation Company, Kirby Corporation, Sabine Towing & Transportation Co., Inc. and Sequa Corporation, 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, 1991).
10.10	-- Credit Agreement, dated as of March 6, 1992, among Sabine Transportation Company, Kirby Corporation, Texas Commerce Bank National Association and The First National Bank of Boston (incorporated by reference to Exhibit 10.12 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).
10.11	-- Agreement of Purchase and Sale, dated March 12, 1992, by and between Ole Man River Towing, Inc. and related entities, OMR Transportation Company and Dixie Carriers, Inc. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K dated as of April 10, 1992).
10.12	-- Credit Agreement, dated as of March 18, 1992, among Dixie Carrier, Inc., Kirby Corporation and Texas Commerce Bank National Association (incorporated by reference to Exhibit 10.13 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).
10.13	-- Agreement and Plan of Merger, dated April 15, 1992, among Kirby Corporation, Chotin Carriers, Inc., Scott Chotin, Inc. and Certain Shareholders of Scott Chotin, Inc. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K dated as of June 11, 1992).
10.14	-- Credit Agreement, dated as of May 28, 1992, among Chotin Carriers, Inc., Kirby Corporation, Texas Commerce Bank National Association and The First National Bank of Boston (incorporated by reference to Exhibit 2.2 of the Registrant's Current Report on Form 8K dated as of June 11, 1992).
10.15	-- Note Purchase Agreement, dated as of August 12, 1992, among Dixie Carriers, Inc., The Variable Annuity Life Insurance Company, Provident Mutual Life and Annuity Company of America, among other (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1992).

EXHIBIT NO.

DESCRIPTION OF EXHIBIT

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
10.16	-- Asset Sale and Purchase Agreement, dated January 22, 1993, by and among Ashland Oil, Inc., TPT Transportation Company and Dixie Carriers, Inc. (incorporated by reference to Exhibit 10.18 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992).
10.17	-- 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).
10.18	-- Agreement and Plan of Merger, dated April 1, 1993, among Kirby Corporation, AFRAM Carriers, Inc. and AFRAM Lines (USA) Co., Ltd. and the shareholders of AFRAM Lines (USA) Co., Ltd. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K dated May 3, 1993).
10.19	-- Credit Agreement, dated April 23, 1993, among Kirby Corporation, the Banks named therein, and Texas Commerce Bank National Association as Agent and Fund Administrator (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993).
10.20	-- Credit Agreement, dated April 23, 1993, among Dixie Carriers, Inc., the Banks named therein, and Texas Commerce Bank National Association, as Agent and Fund Administrator (incorporated by reference to Exhibit 10.02 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993).
10.21+	-- 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).
10.22+	-- 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).
10.23+	-- 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).
10.24+	-- Amendment to 1989 Director Stock Option Plan for Kirby Exploration Company, Inc. (incorporated by reference to Exhibit 10-K for the year ended December 31, 1993).
10.25*	-- Purchase Agreement, dated November 16, 1994, by and between The Dow Chemical Company and Dow Hydrocarbons and Resources, Inc. and Dixie Marine, Inc.
10.26	-- 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).
21.1*	-- Principal Subsidiaries of the Registrant.
23.1*	-- Consent of KPMG Peat Marwick LLP.
27.1*	-- Financial Data Schedule.
28.1*	-- Independent Auditors' Report of Deloitte & Touche LLP.

- -----
* Filed herewith

+ Management contract, compensatory plan or arrangement.

SCHEDULE V

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

SUPPLEMENTAL INSURANCE INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 1992, 1993 AND 1994

SEGMENT	DEFERRED POLICY ACQUISITION COSTS	FUTURE POLICY BENEFITS, LOSSES, CLAIMS AND LOSS EXPENSE	UNEARNED PREMIUMS	OTHER POLICY CLAIMS AND BENEFITS	PREMIUM REVENUES	NET INVESTMENT INCOME (1)

(\$ IN THOUSANDS)						
Insurance:						
December 31, 1992.....	\$ 5,912	\$ 35,588	\$42,209	\$ --	\$29,552	\$6,454
	=====	=====	=====	=====	=====	=====
December 31, 1993.....	\$ 7,279	\$ 49,930	\$61,558	\$ --	\$48,243	\$7,741
	=====	=====	=====	=====	=====	=====
December 31, 1994.....	\$11,690	\$ 56,433	\$89,801	\$ --	\$61,477	\$8,706
	=====	=====	=====	=====	=====	=====

SEGMENT	BENEFITS, CLAIMS, LOSSES AND SETTLEMENT EXPENSES	AMORTIZATION OF DEFERRED POLICY ACQUISITION COSTS	OTHER OPERATING EXPENSES (2)	PREMIUMS WRITTEN

Insurance:				
December 31, 1992.....	\$ 26,289	\$ 8,649	\$ 6,474	\$36,875
	=====	=====	=====	=====
December 31, 1993.....	\$ 37,496	\$ 11,085	\$ 6,868	\$61,819
	=====	=====	=====	=====
December 31, 1994.....	\$ 44,634	\$ 13,538	\$ 9,109	\$90,345
	=====	=====	=====	=====

(1) Reconciliation of net investment income to investment income amount reflected in the statements of earnings is as follows:

	FOR THE YEARS ENDED DECEMBER 31,		
	1992	1993	1994

(\$ IN THOUSANDS)			
Net investment income as stated above -- Insurance segment.....	\$6,454	\$7,741	\$8,706
Investment income -- Marine transportation segment, diesel repair segment and parent company.....	341	169	505
	-----	-----	-----
	\$6,795	\$7,910	\$9,211
	=====	=====	=====

(2) Included as part of selling, general and administrative expenses, taxes, other than on income, and depreciation and amortization in the statements of earnings.

SCHEDULE VI

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

REINSURANCE
FOR THE YEARS ENDED DECEMBER 31, 1992, 1993 AND 1994

	GROSS AMOUNT	CEDED TO OTHER COMPANIES	ASSUMED FROM OTHER COMPANIES	NET AMOUNT	PERCENTAGE OF AMOUNT ASSUMED TO NET
	-----	-----	-----	-----	-----
	(\$ IN THOUSANDS)				
December 31, 1992:					
Life insurance in force.....	\$ --	\$ --	\$ --	\$ --	--
	=====	=====	=====	=====	===
Premiums:					
Life insurance.....	\$	\$	\$	\$	
Accident and health insurance.....					
Property and liability insurance.....	52,830	16,282	327	36,875	.89%
	-----	-----	-----	-----	---
Total premiums.....	\$ 52,830	\$16,282	\$327	\$ 36,875*	.89%
	=====	=====	=====	=====	===
December 31, 1993:					
Life insurance in force.....	\$ --	\$ --	\$ --	\$ --	--
	=====	=====	=====	=====	===
Premiums:					
Life insurance.....	\$	\$	\$	\$	
Accident and health insurance.....					
Property and liability insurance.....	80,993	19,201	27	61,819	.04%
	-----	-----	-----	-----	---
Total premiums.....	\$ 80,993	\$19,201	\$ 27	\$ 61,819*	.04%
	=====	=====	=====	=====	===
December 31, 1994:					
Life insurance in force.....	\$ --	\$ --	\$ --	\$ --	--
	=====	=====	=====	=====	===
Premiums:					
Life insurance.....	\$	\$	\$	\$	
Accident and health insurance.....					
Property and liability insurance.....	111,415	21,178	108	90,345	.12%
	-----	-----	-----	-----	---
Total premiums.....	\$111,415	\$21,178	\$108	\$ 90,345*	.12%
	=====	=====	=====	=====	===

* Reconciliation of total premiums to net premiums earned, the amount reflected in the statements of earnings, is as follows:

	FOR THE YEARS ENDED DECEMBER 31,		
	1992	1993	1994
	-----	-----	-----
	(\$ IN THOUSANDS)		
Total premiums.....	\$36,875	61,819	90,345
Increase in unearned premiums.....	(7,323)	(13,576)	(28,868)
	-----	-----	-----
Net premiums earned.....	\$29,552	48,243	61,477
	=====	=====	=====

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities 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: BRIAN K. HARRINGTON

BRIAN K. HARRINGTON
SENIOR VICE PRESIDENT

Dated: March , 1995

Pursuant to the requirements of the Securities 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
ROBERT G. STONE, JR. ----- Robert G. Stone, Jr.	Chairman of the Board and Director of the Company	March , 1995
GEORGE A. PETERKIN, JR. ----- George A. Peterkin, Jr.	President, Director of the Company and Principal Executive Officer	March , 1995
J.H. PYNE ----- J.H. Pyne	Executive Vice President and Director of the Company	March , 1995
BRIAN K. HARRINGTON ----- Brian K. Harrington	Senior Vice President, Treasurer, Assistant Secretary of the Company and Principal Financial Officer	March , 1995
G. STEPHEN HOLCOMB ----- G. Stephen Holcomb	Vice President, Controller, Assistant Treasurer, Assistant Secretary of the Company and Principal Accounting Officer	March , 1995
GEORGE F. CLEMENTS, JR. ----- George F. Clements, Jr.	Director of the Company	March , 1995
J. PETER KLEIFGEN ----- J. Peter Kleifgen	Director of the Company	March , 1995
WILLIAM M. LAMONT, JR. ----- William M. Lamont, Jr.	Director of the Company	March , 1995
C.W. MURCHISON, III ----- C.W. Murchison, III	Director of the Company	March , 1995
J. VIRGIL WAGGONER ----- J. Virgil Waggoner	Director of the Company	March , 1995

INDEX TO EXHIBITS

EXHIBIT NO.	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 3.2 of the Registrant's 1989 Registration Statement on Form S-3 (Reg. No. 33-30832)).
3.4	-- Amendment to Bylaws of the Company effective April 24, 1990 (incorporated by reference to exhibit 3.4 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990).
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)).
10.1+	-- 1976 Stock Option Plan of Kirby Exploration Company, as amended, and forms of option agreements provided for thereunder and related documents (incorporated by reference to Exhibit 10.1 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1981).
10.2+	-- 1982 Stock Option Plan for Kirby Exploration Company, and forms of option agreements provided for thereunder and related documents (incorporated by reference to Exhibit 10.5 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1982).
10.3+	-- Amendment to 1982 Stock Option Plan for Kirby Exploration Company (incorporated by reference to Exhibit 10.5 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1986).
10.4	-- 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).
10.5+	-- 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).
10.6+	-- 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).
10.7	-- Loan Agreement, dated as of July 31, 1990, by and between Dixie Carriers Inc. and Texas Commerce Bank National Association (incorporated by reference to Exhibit 10.10 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990).
10.8	-- Loan Agreement between Dixie Fuels Limited and NCNB Leasing Corporation, dated as of February 4, 1992 (incorporated by reference to Exhibit 10.10 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).
10.9	-- Agreement of Purchase and Sale, dated January 24, 1992, by and among Sabine Transportation Company, Kirby Corporation, Sabine Towing & Transportation Co., Inc. and Sequa Corporation, 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, 1991).

EXHIBIT NO.

DESCRIPTION OF EXHIBIT

- 10.10 -- Credit Agreement, dated as of March 6, 1992, among Sabine Transportation Company, Kirby Corporation, Texas Commerce Bank National Association and The First National Bank of Boston (incorporated by reference to Exhibit 10.12 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).
- 10.11 -- Agreement of Purchase and Sale, dated March 12, 1992, by and between Ole Man River Towing, Inc. and related entities, OMR Transportation Company and Dixie Carriers, Inc. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K dated as of April 10, 1992).
- 10.12 -- Credit Agreement, dated as of March 18, 1992, among Dixie Carrier, Inc., Kirby Corporation and Texas Commerce Bank National Association (incorporated by reference to Exhibit 10.13 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).
- 10.13 -- Agreement and Plan of Merger, dated April 15, 1992, among Kirby Corporation, Chotin Carriers, Inc., Scott Chotin, Inc. and Certain Shareholders of Scott Chotin, Inc. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K dated as of June 11, 1992).
- 10.14 -- Credit Agreement, dated as of May 28, 1992, among Chotin Carriers, Inc., Kirby Corporation, Texas Commerce Bank National Association and The First National Bank of Boston (incorporated by reference to Exhibit 2.2 of the Registrant's Current Report on Form 8K dated as of June 11, 1992).
- 10.15 -- Note Purchase Agreement, dated as of August 12, 1992, among Dixie Carriers, Inc., The Variable Annuity Life Insurance Company, Provident Mutual Life and Annuity Company of America, among other (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1992).
- 10.16 -- Asset Sale and Purchase Agreement, dated January 22, 1993, by and among Ashland Oil, Inc., TPT Transportation Company and Dixie Carriers, Inc. (incorporated by reference to Exhibit 10.18 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992).
- 10.17 -- 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).
- 10.18 -- Agreement and Plan of Merger, dated April 1, 1993, among Kirby Corporation, AFRAM Carriers, Inc. and AFRAM Lines (USA) Co., Ltd. and the shareholders of AFRAM Lines (USA) Co., Ltd. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K dated May 3, 1993).
- 10.19 -- Credit Agreement, dated April 23, 1993, among Kirby Corporation, the Banks named therein, and Texas Commerce Bank National Association as Agent and Fund Administrator (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993).
- 10.20 -- Credit Agreement, dated April 23, 1993, among Dixie Carriers, Inc., the Banks named therein, and Texas Commerce Bank National Association, as Agent and Fund Administrator (incorporated by reference to Exhibit 10.02 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993).
- 10.21+ -- 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).

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
10.22+	-- 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).
10.23+	-- 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).
10.24+	-- Amendment to 1989 Director Stock Option Plan for Kirby Exploration Company, Inc. (incorporated by reference to Exhibit 10-K for the year ended December 31, 1993).
10.25*	-- Purchase Agreement, dated November 16, 1994, by and between The Dow Chemical Company and Dow Hydrocarbons and Resources, Inc. and Dixie Marine, Inc.
10.26	-- 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).
21.1*	-- Principal Subsidiaries of the Registrant.
23.1*	-- Consent of KPMG Peat Marwick LLP.
27.1*	-- Financial Data Schedule.
28.1*	-- Independent Auditors' Report of Deloitte & Touche LLP.

* Filed herewith

+ Management contract, compensatory plan or arrangement.

PURCHASE AGREEMENT

BY AND BETWEEN

THE DOW CHEMICAL COMPANY

AND

DOW HYDROCARBONS AND RESOURCES INC.
(SELLERS)

AND

DIXIE MARINE, INC.
(BUYER)

DATED NOVEMBER 16, 1994

TABLE OF CONTENTS

	Page
ARTICLE I Purchase and Sale	2
1.1. Transaction	2
1.2. Acquired Assets	3
1.3. Assumed Liabilities	4
1.4. Excluded Assets	4
1.5. Excluded Liabilities	4
1.6. Transportation Services Contract	4
1.7. Purchase Price	4
1.8. Allocation of Purchase Price	5
1.9. Trips in Progress Payable	5
1.10. Inspection of Vessels - Cost of Repair	7
1.11. Inspection of Additional Dow Chartered Vessels	8
1.12. Disclaimer Regarding Acquired Assets	8
ARTICLE II Representations and Warranties of Sellers	9
2.1. Due Organization of Sellers	9
2.2. Power and Authority	9
2.3. Authority for Agreement	9
2.4. Title to Dow Vessels	10
2.5. Charters and Dow Chartered Vessels; Additional Dow Charters and Additional Dow Chartered Vessels	10
2.6. Documentation	10
2.7. Approvals	10
2.8. Hart-Scott-Rodino	10
2.9. Legal Compliance	10
2.10. Litigation and Environmental	11
2.11. Information Furnished	11
2.12. Employee Matters	12
ARTICLE III Representations and Warranties of Buyer	12
3.1. Due Organization of Buyer	12
3.2. Power and Authority	12
3.3. Authority for Agreement	12
3.4. Hart-Scott-Rodino	12
3.5. Approvals	12
3.6. Independent Investigation	12

ARTICLE IV	Covenants of Sellers	13
4.1.	Discharge of Excluded Liabilities	13
4.2.	Operations Prior to Closing.	13
4.3.	Due Diligence	14
4.4.	Access to Books and Records	14
4.5.	Termination of Agreements	14
4.6.	Update of Sellers' Representations and Warranties	14
ARTICLE V	Covenants of Buyer	15
5.1.	Termination of Agreements	15
5.2.	Update of Buyer's Representations and Warranties	15
ARTICLE VI	Conditions To Obligations of Buyer	15
6.1.	Compliance with Covenants	15
6.2.	Representations and Warranties	15
6.3.	No Material Adverse Change	16
6.4.	Consents	16
6.5.	Governmental Action	16
6.6.	Approval of Kirby	16
6.7.	Dow Chartered Vessels	16
6.8.	Termination of Existing Agreements	16
6.9.	Approval of Changes	16
ARTICLE VII	Conditions To Obligations of Sellers	16
7.1.	Payment	16
7.2.	Compliance with Covenants	17
7.3.	Representations and Warranties	17
7.4.	Governmental Action	17
7.5.	Approval of Dow Chemical and DHRI	17
7.6.	Termination of Existing Agreements	17
7.7.	Approval of Changes	17
ARTICLE VIII	The Closing	17
8.1.	The Closing	17
8.2.	Time, Date and Place of Closing	17
8.3.	Transfer of Title; Risk of Loss	18
8.4.	Buyer's Obligation at the Closing	18
8.5.	Sellers' Obligation at the Closing	19

ARTICLE IX	Actions After Closing	20
9.1.	Additional Dow Chartered Vessels	20
9.2.	Further Conveyances	20
9.3.	Further Consents to Assignment	20
9.4.	Books and Records; Personnel	21
9.5.	Redocumentation of Vessels	22
9.6.	Financial Statements	22
9.7.	Employees of Sellers	22
9.8.	Purchase of Dow Chartered Vessels	23
ARTICLE X	Indemnity	23
10.1.	Indemnification by Sellers	23
10.2.	Indemnification by Buyer	23
10.3.	Indemnity Procedures	24
10.4.	Limitation	24
ARTICLE XI	Termination	25
11.1.	Termination	25
11.2.	Effect of Termination	25
11.3.	Extension; Waiver	26
ARTICLE XII	Miscellaneous	26
12.1.	Proration of Taxes	26
12.2.	Sales Taxes	26
12.3.	No Brokers	26
12.4.	Expenses	26
12.5.	Assignment and Binding Effect	27
12.6.	Interpretation of Agreement	27
12.7.	Notices	27
12.8.	Confidentiality	28
12.9.	Arbitration	28
12.10.	Counterparts	29
12.11.	Headings	29
12.12.	Entire Agreement; Amendment	29
12.13.	Governing Law	29
12.14.	Letter of Intent	29

EXHIBITS

1.1(a)	Charters and Dow Chartered Vessels
1.1(b)	Dow Vessels
1.1(g)	Additional Charters and Additional Dow Chartered Vessels
1.2(a)	Spare Parts
1.3(a)	Form of Sublease (Charters)
1.3(b)	Form of Assignment (Charters)
1.3(c)	Form of Additional Assignment (Charters)
1.6	Transportation Services Contract
1.9(c)	Example of Trips in Progress Payable Calculation
8.4(a)	Buyer's Closing Certificate
8.5(a)	Sellers' Closing Certificates
8.5(b)	Form of Bill of Sale

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT is entered into as of the 16th day of November, 1994, by THE DOW CHEMICAL COMPANY, a Delaware corporation, and DOW HYDROCARBONS AND RESOURCES INC., a Delaware corporation (collectively the "SELLERS," individually a "SELLER" and respectively, "DOW CHEMICAL" and "DHRI"), and DIXIE MARINE, INC., a Delaware corporation (the "BUYER" or "DIXIE MARINE").

WITNESSETH:

WHEREAS, Sellers are engaged in the business of manufacturing and processing industrial chemicals and in connection therewith own and charter or lease certain inland marine transportation equipment which is used to transport raw material and finished products; and

WHEREAS, Buyer is engaged in the marine transportation business including the transportation of bulk liquid industrial chemicals along the inland waterways of the United States; and

WHEREAS, Sellers desire to sell to Buyer, and Buyer desires to purchase in accordance with the terms hereof, substantially all of the inland marine transportation equipment owned by Sellers; and

WHEREAS, with respect to the inland marine transportation equipment chartered or leased by Sellers, Sellers and Buyer have agreed that either (i) the inland marine transportation equipment will (with the consent, if necessary, of the owner of such vessels) be assigned and assumed by Buyer or subleased to Buyer, or (ii) Buyer will, with agreement of the Sellers and the owner of such vessels, purchase such vessels and terminate the existing charter or lease with Sellers; and

WHEREAS, Buyer agrees to pay to Sellers the Purchase Price hereinafter provided for; and

WHEREAS, in conjunction with the sale and assignment or sublease, Dow Chemical and Dixie Marine will enter into a Transportation Services Contract whereby Dixie Marine and certain of its affiliates will provide inland marine transportation services to Dow Chemical and certain of its affiliates.

NOW THEREFORE:

In consideration of the mutual covenants herein contained, the Sellers and the Buyer agree as follows:

ARTICLE I

PURCHASE AND SALE

1.1. TRANSACTION. On and subject to the terms and conditions of this Agreement, prior to the Closing Date:

(a) Sellers and Buyer and the respective owners of the 31 inland tank barges and two tow boats, which are chartered or leased to Sellers and listed in EXHIBIT 1.1(A) (hereinafter referred to as the "DOW CHARTERED VESSELS") will negotiate the possible purchase of the Dow Chartered Vessels by Buyer; and, if any of the Dow Chartered Vessels are to be purchased, will enter into an Amendment to this Agreement specifying which Dow Chartered Vessels will be purchased and the terms thereof;

on the Closing Date:

(b) Buyer will purchase from the Sellers, and the Sellers will sell and deliver to Buyer, all of the 65 inland tank barges, one river tow boat and two shifting boats listed in EXHIBIT 1.1(B) (hereafter referred to as the "DOW VESSELS") free and clear of any liens, claims or encumbrances;

(c) Sellers will, subject to the consent, if necessary, of the owners, (i) sublease to Buyers such of the Dow Chartered Vessels as Sellers and Buyer agree to sublease, and (ii) assign and transfer to Buyer such of the Charters and the interest in the Dow Chartered Vessels as Buyer and Sellers agree to assign, in either case, except such, if any, as shall be purchased and acquired by Buyer pursuant to SECTION 1.1(D); provided, however, all of the Dow Chartered Vessels in EXHIBIT 1.1(A) shall be either sold to Buyer pursuant to SECTION 1.1(D) or assigned or subleased to Buyer pursuant to this SECTION 1.1(C);

(d) Buyer will purchase from (i) Sellers, or (ii) the owners thereof, in either case subject to the consent of such owners, such of the Dow Chartered Vessels as Sellers and Buyer shall have agreed will be purchased by Buyer;

(e) Buyer will pay to Sellers the Purchase Price;

(f) Dixie Marine and Dow Chemical will enter into the Transportation Services Contract (hereinafter defined); and

on or after the Closing Date:

(g) subject to the provisions of SECTION 1.11, Sellers will, subject to the consent, if necessary, of the owners assign and transfer to Buyer such of the Additional Dow Charters (hereinafter defined) with respect to the seven barges

and two boats listed in EXHIBIT 1.1(G) (hereinafter referred to as the "ADDITIONAL DOW CHARTERED VESSELS") as Buyer shall accept following the inspection referred to in SECTION 1.11.

Notwithstanding the consummation of such transaction, Sellers will retain the Excluded Assets and will continue to be and will remain directly and solely responsible for the payment, performance or discharge, as the case may be, of all of the Excluded Liabilities. Buyer shall assume all of the Assumed Liabilities.

It is expressly intended that the provisions of this Agreement shall not confer any rights of a third party beneficiary on any person.

1.2. ACQUIRED ASSETS. For purposes hereof, the term "ACQUIRED ASSETS" means all of the following Assets:

(a) The Dow Vessels together with all of their tackle, equipment, fuel on board at the Closing Time (hereinafter defined) and spare parts, whether related to the Dow Vessels or Dow Chartered Vessels, listed in EXHIBIT 1.2(A) less those spare parts used for the Vessels from the date of EXHIBIT 1.2(A) until the Closing Time.

(b) Such of the Dow Chartered Vessels as may be purchased by Buyer from the owner thereof with the consent of Sellers or Sellers buy from the owner with the consent of the owner and sell to Buyer (at agreeable price and terms), together with all of their tackle, equipment, and fuel on board at the Closing Time for the respective Dow Chartered Vessels purchased.

(c) The interest of Sellers, and all rights appurtenant thereto, as charterer or lessee, in those charters or leases identified on EXHIBIT 1.1(A) (the "CHARTERS") of Dow Chartered Vessels as may be assigned or subleased by Sellers to Buyer with the consent of the owner, if required pursuant to the terms of the respective Charter, subject to the terms of any such assignment or sublease, together with all tackle, equipment and fuel on board at the Closing Time for the respective Dow Chartered Vessels assigned or subleased.

The Dow Vessels and the Dow Chartered Vessels are herein collectively referred to as the "VESSELS."

(d) The interest of Sellers, and all rights appurtenant thereto, as charterer or lessee, in those charters or leases identified on EXHIBIT 1.1(G) (the "ADDITIONAL DOW CHARTERS") of Additional Dow Chartered Vessels as may be accepted by Buyer following the inspection provided for in SECTION 1.11 and assigned by Sellers to Buyer with the consent of the owner, if required pursuant to the terms of the respective Additional Dow Charters, subject to the terms of

any such assignment, together with all tackle, equipment and fuel on board at the Closing Time for the respective Additional Dow Chartered Vessels assigned.

1.3. ASSUMED LIABILITIES. For the purposes hereof, the term "ASSUMED LIABILITIES" means only (i) the liabilities and obligations of Buyer under or pursuant to this Agreement; (ii) the liabilities and obligations of Buyer under or pursuant to the Assignments or Subleases which accrue or relate to events or occurrences after the Closing Time and to be evidenced by either Sublease in the form attached hereto as EXHIBIT 1.3(A) (the "SUBLEASE") or Assignment in the form attached hereto as EXHIBIT 1.3(B) (the "ASSIGNMENT"); (iii) all the liabilities, debts and obligations regarding ownership and operation of the Dow Vessels and such of the Dow Chartered Vessels purchased by Buyers which accrue or relate to events or occurrences after the Closing Time; and (iv) the liabilities and obligations of Buyer under or pursuant to the Additional Assignment which accrue or relate to events or occurrences after the Delivery Time (hereinafter defined) and to be evidenced by Additional Assignment in the form attached hereto as EXHIBIT 1.3(C) (the "ADDITIONAL ASSIGNMENT").

1.4. EXCLUDED ASSETS. For the purposes hereof, the term "EXCLUDED ASSETS" means all property and assets of Sellers except the Acquired Assets.

1.5. EXCLUDED LIABILITIES. For the purposes hereof, the term "EXCLUDED LIABILITIES" means all debts, liabilities and obligations to any party and of whatsoever kind and character related to the Acquired Assets which accrue or are related to events or occurrences (i) prior to the Closing Time with respect to the Vessels and prior to the Delivery Time with respect to the Additional Dow Chartered Vessels other than (a) the obligations of Buyer under any other agreement than this Agreement or other Buyer debt or obligation related to the Acquired Assets or otherwise which accrue or are related to events or occurrences prior to the Closing Time, with respect to the Vessels and prior to the Delivery Time with respect to the Additional Dow Chartered Vessels, and/or (b) the Assumed Liabilities, and (ii) after the Closing Time, regarding Dow Chartered Vessels not purchased by Buyer hereunder, other than the Assumed Liabilities or the obligations of Buyer under any other agreement than this Agreement or other Buyer debt or obligation.

The Excluded Liabilities, include, but are not limited to, all liabilities and obligations of Sellers to their employees, including collective bargaining agreements, plant closing laws, workmen's compensation, employee benefits and obligations arising under Sections 162(k) or 4980(B) of the Internal Revenue Code of 1986, as amended (the "CODE") and Sections 601 through 608 of ERISA (collectively "COBRA").

1.6. TRANSPORTATION SERVICES CONTRACT. In conjunction with the Sale of the Dow Vessels and the assignment of the Charters for the Dow Chartered Vessels, at the Closing Dow Chemical and Dixie Marine shall enter into a Transportation Services Contract (the "TRANSPORTATION CONTRACT") in the form attached hereto as EXHIBIT 1.6.

1.7. PURCHASE PRICE. The total purchase price (the "PURCHASE PRICE") shall be \$24,030,543, subject to adjustment as provided in SECTIONS 1.1(A), 1.1(D), 1.10(C), 1.10(D) and

8.3 of this Agreement, and shall be payable by Buyer to Dow Chemical, for itself and DHRI, in immediately available funds at Closing by wire transfer to the following bank account:

CitiBank, N.A.
New York, New York
ABA 021000089
Account of: Dow Hydrocarbons and
Resources Inc.
#40513038
Reference: Barge Sale

1.8. ALLOCATION OF PURCHASE PRICE. The parties agree that the \$24,030,543 Purchase Price shall be allocated for tax purposes (and adhered to by Sellers and Buyer) among the various assets and rights transferred or granted hereunder as indicated on EXHIBIT 1.1(B). If the Buyer purchases any of the Dow Chartered Vessels, the Purchase Price shall be allocated as provided in the Amendment to this Agreement provided for in SECTION 1.1(A).

1.9. TRIPS IN PROGRESS PAYABLE. Sellers will pay to Buyer, by check or wire transfer as directed, within thirty (30) days after final determination, Trips in Progress Payable as of the Closing Time determined as follows:

(a) Determination - For purposes of this SECTION 1.9, the following terms will have the meanings set forth below:

- (i) "VESSEL" shall mean any tankbarge included in the Acquired Assets other than a tankbarge operating under a daily rate effective as of the Closing Time pursuant to the Transportation Services Contract between the parties hereto.
- (ii) "TRIPS IN PROGRESS PAYABLE" will be the aggregate amount of Net Revenue for all Vessels engaged in a Trip in Progress, the Net Revenue for each of which such Trips in Progress shall be a positive amount or zero, whichever is greater.
- (iii) "TRIPS IN PROGRESS" shall mean all trips in which a Vessel is engaged at the Closing Time which began before the Closing Time and end after the Closing Time. A trip shall be deemed to begin when the Vessel completes loading and deemed to end after the Vessel is discharged and returned to the original load port or next load port.
- (iv) "GROSS REVENUE" shall be separately determined for each Trip in Progress and is revenue that would be earned by a Vessel if the Trip in Progress were performed pursuant to

the Transportation Services Contract, less allowance for tankermen and free time for Vessels engaged in a Trip in Progress where there will be no cargo transfer after the Closing Time but before the end of the Trip in Progress, multiplied by a fraction, the numerator of which is the mileage of the Trip in Progress performed subsequent to the Closing Time and the denominator of which is the total mileage of the Trip in Progress.

- (v) "TOWAGE IN PROGRESS EXPENSE" shall mean that portion of expense for towage services being provided a Vessel engaged in a Trip in Progress which commence prior to the Closing Time and end after the Closing Time determined by multiplying the actual cost for such towage services by a fraction, the numerator of which is the mileage the Vessel is towed subsequent to the Closing Time and the denominator of which is the total mileage the Vessel is towed.
- (vi) "NET REVENUE" shall mean Gross Revenue attributable to the Trip in Progress less Towage in Progress Expense attributable to such Trip in Progress.

(b) Buyer shall prepare and submit to Sellers a Trips In Progress Payable Statement within thirty (30) days after the Closing Date, setting forth the computation of the Net Revenue from Trips in Progress. Following receipt of the Trips in Progress Payable Statement, Sellers will be afforded a period of fifteen (15) days to review such Statement. At or before the end of that period, the Sellers will either: (A) accept such Trips in Progress Payable Statement in its entirety, in which case the Trips in Progress Payable will be deemed to be as set forth on such statement; or (B) deliver to Buyer written notice and a detailed written explanation of those items in such Trips in Progress Payable Statement which Sellers dispute. Within a further period of fifteen (15) days from the end of the aforementioned review period, the parties will attempt to resolve in good faith any disputed items. Failing such resolution, the unresolved disputed items will be referred for final binding resolution to Deloitte & Touche, Houston, Texas, office. The decision of such accounting firm shall be final and binding on the parties. Any cost of such accounting firm engaged to arbitrate such dispute shall be borne equally by Sellers and Buyer.

(c) Attached hereto as EXHIBIT 1.9(C) is an example of a Trips in Progress Payable calculation.

1.10. INSPECTION OF VESSELS - COST OF REPAIR.

(a) Buyer shall have the right prior to the Closing Date to conduct an inspection of any or all of the Dow Vessels, including but not limited to a drydocking survey; provided that such inspection shall not unduly interfere with Sellers' operations or other commitments. Buyer and Sellers agree to cooperate with each other in scheduling Vessels for inspection. Any drydocking survey shall be conducted at facilities mutually acceptable to Sellers and Buyer; and the cost of the drydocking shall be borne by Sellers if in the ordinary course of business and by Buyer if drydocked solely at its request.

(b) Prior to the Closing Date each Dow Chartered Vessel shall be drydocked and inspected by a mutually acceptable independent marine surveyor. Buyer and Sellers agree to cooperate with each other in scheduling Dow Chartered Vessels for inspection. Such drydocking survey shall be conducted at facilities mutually acceptable to Sellers and Buyer; and the cost of the drydocking and inspection shall be paid by Sellers.

(c) If Buyer's inspection of any Vessel (other than the five (5) vessels described on EXHIBIT 1.1(B) as being without a current Certificate of Inspection which shall be "as is, where is"), discloses casualty-related damage, or conditions or deficiencies that then impair the Vessel's Certificate of Inspection, or, with respect to the Dow Chartered Vessels, any condition which requires repair or remediation on the part of Sellers were the Charter relative to such Vessel to be terminated at the time of such inspection, the reasonable cost of repairing such damage, condition, or deficiency shall be the responsibility of Sellers and shall be deducted from the purchase price payable by Buyer at the Closing. If the Purchase Price is reduced to pay any cost of repair, the Sellers shall have no further responsibility for making or paying for such repairs. Sellers shall not be responsible for a repair cost that is less than \$5,000 for any one Vessel. In the event Sellers shall complete and pay for any such repairs prior to Closing, no deduction shall be made from the Purchase Price. In the event of a dispute between Buyer and Sellers as to the condition of any Vessel or its cost of repair, the parties shall retain John Bencal Surveyors, or, if he is not available another mutually acceptable independent marine surveyor, to resolve the dispute and shall be bound by his determination; and the cost of such surveyor shall be shared equally by Buyer and Sellers. If any such dispute cannot be resolved prior to the Closing Date, the parties shall close on the basis of the unadjusted Purchase Price; and Sellers shall promptly repay to the Buyer the amount of any adjustment determined by such a surveyor. With respect to the five (5) vessels without a current Certificate of Inspection, such vessels are sold "AS IS" "WITH ALL FAULTS," as further expressed in SECTION 1.11, and without a Certificate of Inspection, notwithstanding anything stated in this Agreement to the contrary.

(d) If any of the Vessels suffer any (i) casualty-related damage, (ii) conditions or deficiencies that then impair the Vessel's Certificate of Inspection, or (iii) with respect to Dow Chartered Vessels, conditions or deficiencies which would require repair or remediation by Seller pursuant to the Charters, manifest between the date on which Buyer inspected such Vessel, or, if Buyer did not inspect such Vessel, the date of this Agreement, and the Closing Time on the Closing Date, Sellers shall be responsible for the cost of repairing such damage to the extent that the repair cost for any one Vessel plus any cost for the same Vessel referred to in SECTION 1.10(C) exceeds \$5,000. Any dispute as to the cost of repair shall be resolved in the manner prescribed in SECTION 1.10(C). If any such repair costs are paid by Sellers, there shall be no reduction in the Purchase Price, and Sellers shall have no further responsibility for making or paying for such repairs.

1.11. INSPECTION OF ADDITIONAL DOW CHARTERED VESSELS.

(a) On or after the Closing Date each Additional Dow Chartered Vessel shall be drydocked and inspected by a mutually acceptable independent marine surveyor, Buyer and Sellers agree to cooperate with each other in scheduling Additional Dow Chartered Vessels for inspection. Such drydocking survey shall be conducted at facilities mutually acceptable to Sellers and Buyer; and the cost of the drydocking and inspection shall be paid by Sellers.

(b) If Buyer's inspection of any Additional Dow Chartered Vessel discloses no casualty-related damage, or conditions or deficiencies that then impair the vessel's Certificate of Inspection, or any condition which requires repair or remediation on the part of Sellers were the Additional Dow Charter relative to such vessel to be terminated at the time of such inspection, Buyer shall accept such Additional Dow Chartered Vessel and the Additional Dow Charter with respect to such vessel shall be assigned to Buyer by Seller as provided in this Agreement. The date and time of completion of such inspection and acceptance by Buyer shall be the "Delivery Time" with respect to such vessel so accepted.

(c) If Buyer's inspection of any Additional Dow Chartered Vessel discloses casualty-related damage, or conditions or deficiencies that then impair the vessel's certificate of inspection, or any condition which requires repair or remediation on the part of Sellers were the Additional Dow Charter relative to such vessel to be terminated at the time of such inspection, Buyer shall not be required to accept such Additional Dow Chartered Vessel and the Additional Dow Charter with respect to such Vessel shall not be assigned to Buyer and such Additional Dow Chartered Vessel and the Additional Dow Charters shall not be a part of the Acquired Assets.

1.12. DISCLAIMER REGARDING ACQUIRED ASSETS. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT OR IN AGREEMENTS AND DOCUMENTS EXECUTED AND DELIVERED

PURSUANT TO THIS AGREEMENT, BUYER ACKNOWLEDGES THAT SELLERS HAVE NOT MADE, AND SELLERS HEREBY EXPRESSLY DISCLAIMS AND NEGATES, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, RELATING TO THE CONDITION OF THE ACQUIRED ASSETS (AS DEFINED HEREIN) INCLUDING, WITHOUT LIMITATION, ANY FACILITY, IMMOVABLE PROPERTY, MOVABLE PROPERTY, EQUIPMENT, INVENTORY, MACHINERY, FIXTURES AND PERSONAL PROPERTY CONSTITUTING PART OF THE ACQUIRED ASSETS, INCLUDING, WITHOUT LIMITATION, (A) ANY IMPLIED OR EXPRESS WARRANTY OF MERCHANTABILITY, (B) ANY IMPLIED OR EXPRESS WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, (C) ANY IMPLIED OR EXPRESS WARRANTY OF CONFORMITY TO MODELS OR SAMPLES OF MATERIALS, (D) ANY RIGHTS OF BUYER UNDER APPROPRIATE STATUTES TO CLAIM DIMINUTION OF CONSIDERATION OR RETURN OF THE PURCHASE PRICE, (E) ANY IMPLIED OR EXPRESS WARRANTY OF FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT, (F) ANY AND ALL IMPLIED WARRANTIES EXISTING UNDER APPLICABLE LAW NOW OR HEREAFTER IN EFFECT, AND (G) ANY IMPLIED OR EXPRESS WARRANTY REGARDING ENVIRONMENTAL LAWS, THE RELEASE OF MATERIALS INTO THE ENVIRONMENT OR PROTECTION OF THE ENVIRONMENT OR HEALTH IT BEING THE EXPRESS INTENTION OF BUYER AND SELLERS THAT (EXCEPT TO THE EXTENT EXPRESSLY PROVIDED IN THIS AGREEMENT) THE ACQUIRED ASSETS SHALL BE CONVEYED TO BUYER AS IS AND IN THEIR PRESENT CONDITION AND STATE OF REPAIR AND BUYER REPRESENTS TO SELLERS THAT BUYER HAS MADE OR CAUSED TO BE MADE SUCH INSPECTIONS WITH RESPECT TO THE ACQUIRED ASSETS (AS DEFINED HEREIN) AS BUYER DEEMS APPROPRIATE AND BUYER WILL ACCEPT THE ACQUIRED ASSETS (AS DEFINED HEREIN) AS IS, IN THEIR PRESENT CONDITION AND STATE OF REPAIR.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF SELLERS

Sellers, jointly and severally, make the following representations and warranties to the Buyer, all of which shall survive the closing and any investigation made by Buyer:

2.1. DUE ORGANIZATION OF SELLERS. Dow Chemical is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware; and DHRI is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. DHRI is a wholly owned subsidiary of Dow Chemical.

2.2. POWER AND AUTHORITY. Sellers have full power and authority to own their assets and to conduct their business as now owned and conducted. Sellers and, to Sellers' knowledge, each of the owners of the Dow Chartered Vessels and Additional Dow Chartered Vessels are (and have been during the period of ownership of a Vessel) citizens of the United States of America as defined in Section 2 of the Shipping Act of 1916, as amended.

2.3. AUTHORITY FOR AGREEMENT. Sellers have full power and authority to execute and deliver this Agreement, to enter into the Transportation Services Contract (providing that Dixie Marine will provide inland marine transportation services to Dow Chemical and certain of its affiliates as provided therein), and to carry out their obligations hereunder, including, without limitation, approval by each of Sellers' Boards of Directors and, if necessary, DHRI's stockholders. This Agreement and all documents required by this Agreement constitute the valid

and legally binding obligations of the Sellers, enforceable against the Sellers in accordance with their terms.

2.4. TITLE TO DOW VESSELS. The party indicated on EXHIBIT 1.1(B) as "OWNER" (either Dow Chemical or DHRI) has good and marketable title to the Dow Vessel indicated, free and clear of all liens and encumbrances.

2.5. CHARTERS AND DOW CHARTERED VESSELS; ADDITIONAL DOW CHARTERS AND ADDITIONAL DOW CHARTERED VESSELS. A true and complete copy of each of the Charters and Additional Dow Charters (including all amendments) has been furnished to Buyer. Each such Charter and Additional Dow Charter is in full force and effect, and neither Dow Chemical or DHRI is in default under the Charter or the Additional Dow Charter, and Dow Chemical and/or DHRI is entitled to possess and operate each Dow Chartered Vessel and Additional Dow Chartered Vessels. Sellers have fully performed all of their respective obligations under the Charters and Additional Dow Charters, and Sellers, to the best of their knowledge, are not aware of any fact or condition that would, with notice or lapse of time, or both, constitute a breach of any of the Charters or Additional Dow Charters. To the knowledge of Sellers, the party designated on EXHIBIT 1.1(A) as Owner of each of the Dow Chartered Vessels or on EXHIBIT 1.1(C) as owner of each of the Additional Dow Chartered Vessels, has good and marketable title to the Vessel indicated, free and clear of all liens and encumbrances.

2.6. DOCUMENTATION. Each Dow Vessel, other than (i) the five (5) vessels which are identified in EXHIBIT 1.1(B) hereto as being without Certificate of Inspection, and (ii) the Leviticus, Pacemaker and Old Push, each Dow Chartered Vessel other than the Delta Diamond 9 and Delta Diamond 10, and each Additional Dow Chartered Vessel, other than the Miss Polly and Miss Rachael, has a valid U.S. Coast Guard Certificate of Inspection and each Dow Vessel and, to the knowledge of Sellers, each Dow Chartered Vessel and each Additional Dow Chartered Vessel is qualified under the laws of the United States to engage in the coastwise trade.

2.7. APPROVALS. Except for (i) compliance with Hart-Scott-Rodino (as herein defined), and (ii) where required by a Charter, or Additional Dow Charter, the consent of the owner of a Dow Chartered Vessel or Additional Dow Chartered Vessel, to the knowledge of Sellers, no further consents or approvals of any third party or governmental authority is required in connection with the transaction.

2.8. HART-SCOTT-RODINO. The filing made by Dow Chemical pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder ("HART-SCOTT-RODINO") is true and complete and complies with Hart-Scott-Rodino and early termination has been granted.

2.9. LEGAL COMPLIANCE. Each of Sellers is in material compliance with all applicable laws, regulations, orders, permits and licenses relating to the Vessels and Additional Dow Chartered Vessels and the execution and performance of this Agreement will not result in a material breach of or constitute a material default or violation under any law, regulation, order,

permit, licenses, charter, bylaw, contract or other document to which any Seller is a party or to which any of the Acquired Assets are subject.

2.10. LITIGATION AND ENVIRONMENTAL.

(a) There is no material litigation, governmental investigation or other proceeding pending or, to the best information, knowledge and belief of the Sellers threatened against Sellers or relating to the Acquired Assets.

(b) To the knowledge of Sellers, neither of Sellers has incurred any liability, actual or contingent, known or unknown, arising under or as a result of any violation of any Environmental Laws (hereinafter defined) in connection with the ownership and operation of any of the Acquired Assets nor has any event occurred, nor does any circumstance, condition or fact exist, which would give rise to any claim against Buyer or the Acquired Assets after transfer thereof to Buyer pursuant to this Agreement. The term "ENVIRONMENTAL LAWS" shall mean, to the extent applicable, with respect to the Acquired Assets: (a) the following federal laws as they may be cited, referenced and amended from time to time: the Oil Pollution Act of 1990, the Clean Air Act, the Clean Water Act, the Safe Drinking Water Act, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), the Endangered Species Act, the Resource Conservation and Recovery Act ("RCRA"), the Occupational Safety and Health Act, the Hazardous Materials Transportation Act, the Superfund Control Act, the Superfund Amendment and Reauthorization Act ("SARA"); (b) any rules or regulations promulgated under or adopted pursuant to the above federal laws; and (c) any other equivalent federal, state or local statute or any requirement, rule, regulation, code, ordinance or order adopted pursuant thereto, including, without limitation, those relating to the generation, transportation, treatment, storage, recycling, disposal, handling or release of Hazardous Materials, For purposes of the preceding sentence, the term "HAZARDOUS MATERIALS" shall mean any "HAZARDOUS WASTE" as defined by RCRA, as amended from time to time, and regulations promulgated thereunder, any "HAZARDOUS SUBSTANCE" as defined by CERCLA, as amended from time to time, and regulations promulgated thereunder, and any substance the presence of which on the Acquired Assets is prohibited by any rules and regulations of legally constituted authorities from time to time in force and effect relating to the Acquired Assets, but shall not include any commodities, supplies, or materials transported on a Vessel or any residues or slops containing residues of commodities or materials previously transported on a Vessel.

2.11. INFORMATION FURNISHED. The written information furnished by Sellers to Buyer regarding volume, types of cargo and frequency of 1992 liquid tank barge shipments is not misleading in any material respect and similar information regarding estimated future shipments of Sellers in 1995 is a good faith estimate of Sellers.

2.12. EMPLOYEE MATTERS. Buyer shall have no obligation as to future employment to any past or current employee of Sellers, and consummation of the transaction will not impose on Buyer any obligation to recognize any collective bargaining union or group representing any of Sellers' employees.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer makes the following representations and warranties to the Sellers, all of which shall survive the Closing and any investigation made by Sellers as follows:

3.1. DUE ORGANIZATION OF BUYER. Dixie Marine is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

3.2. POWER AND AUTHORITY. Buyer has full power and authority to own the assets to be acquired and to conduct their business as now conducted; and it is a citizen of the United States of America as defined in Section 2 of the Shipping Act of 1916, as amended.

3.3. AUTHORITY FOR AGREEMENT. Buyer has full power and authority to execute and deliver this Agreement and the Transportation Services Contract and to carry out its obligations hereunder and thereunder, including, without limitation, approval by Buyer's Board of Directors. This Agreement and all documents to be delivered by Buyer pursuant to this Agreement constitute valid and legally binding obligations of the Buyer, enforceable against the Buyer in accordance with its terms.

3.4. HART-SCOTT-RODINO. The filing made by Kirby Corporation, parent of Dixie Marine, pursuant to Hart-Scott-Rodino is true and complete and complies with Hart-Scott-Rodino and early termination has been granted.

3.5. APPROVALS. Except for (i) compliance with Hart-Scott-Rodino (as herein defined), and (ii) where required by a Charter or Additional Dow Charter, the consent of the owner of a Dow Chartered Vessel or Additional Dow Chartered Vessel, to the knowledge of Buyer, no further consents or approvals of any third party or governmental authority is required in connection with the transaction.

3.6. INDEPENDENT INVESTIGATION. Buyer represents and acknowledges that it is knowledgeable of the business of operating barges and towboats in the inland waterways of the United States and that it has had access to the Acquired Assets, the officers and employees of Sellers and the books, records and files of Sellers relating to the Acquired Assets and in making the decision to enter into this Agreement and consummate the transactions contemplated hereby, Buyer has relied on the basis of its own independent due diligence investigation of the Acquired Assets and upon the representations and warranties made in ARTICLE II and the covenants and agreements of Sellers contained in this Agreement or in agreements and documents executed and delivered pursuant to this Agreement. Accordingly, Buyer acknowledges that Sellers have not

made, and Sellers hereby expressly disclaim and negate any representation or warranty (other than those express representations and warranties made in ARTICLE II and the covenants and agreements of Sellers contained in this Agreement or in agreements and documents executed and delivered pursuant to this Agreement), express, implied, at common law, by statute or otherwise, relating to the Acquired Assets. Inasmuch as Buyer has or will perform its due diligence, the representations and warranties of the Sellers herein are subject to the correctness of Sellers' and Buyer's understanding and agreement that Buyer does not have knowledge of any laws, facts or circumstances which would make any representation and warranty of the Seller expressed herein incorrect.

ARTICLE IV

COVENANTS OF SELLERS

Sellers covenant and agree as follows:

4.1. DISCHARGE OF EXCLUDED LIABILITIES. Except for the Assumed Liabilities, Sellers shall discharge or be responsible for all Excluded Liabilities of Sellers relating to the Acquired Assets.

4.2. OPERATIONS PRIOR TO CLOSING.

(a) From the date hereof to the Closing Date, Sellers will not, without the prior written consent of Buyer:

- (i) enter into any discussion or negotiations or enter into any transaction that would interfere with the consummation of the sale of the Acquired Assets or the entering into of the Transportation Contract;
- (ii) sell, transfer or dispose of any of the Acquired Assets except in the ordinary course of business;
- (iii) subject any of the Acquired Assets to a lien or other encumbrance; and

(b) From the date hereof to the Closing Date, Sellers will:

- (i) operate and maintain the Acquired Assets prudently in accordance with industry standards;
- (ii) promptly notify Buyer of any notice or claim of default or breach by any of them, or of any termination or cancellation, or threat of termination or cancellation of any

- of the Charters or other agreement relating to the Acquired Assets;
- (iii) promptly notify Buyer of the loss of or damage to any of the Acquired Assets owned by them;
 - (iv) promptly notify Buyer of any claim or litigation, threatened or instituted, or any other material event or occurrence, relating to or affecting any of the Acquired Assets owned by them;
 - (v) with regard to the Acquired Assets, promptly notify Buyer of any material act, event, condition or circumstance that might give rise to a claim by any governmental agency or third party for damages or other relief relating to pollution, spill, discharge or any environmental occurrence; and
 - (VI) comply in all material respects with all applicable laws, rules, regulations and orders of all federal, state and local governments or governmental agencies affecting or relating to the Acquired Assets owned by them.

4.3. DUE DILIGENCE. Sellers will cooperate with Buyer in Buyer's investigation of the Acquired Assets and authorizes Buyer, when accompanied by a representative of Sellers, to discuss the proposed transaction with Sellers' charterers, suppliers, governmental officials, and employees.

4.4. ACCESS TO BOOKS AND RECORDS. Buyer and its authorized representatives shall have free and full access to the Acquired Assets and all books and records of Sellers relating to the Acquired Assets and to the operations of Sellers relating to the Acquired Assets, and may contact Sellers' employees for such purposes, provided that such access shall not unreasonably interfere with the operations of Sellers and shall be subject to (i) safety and security procedures of Sellers and (ii) information regarding third parties which Sellers are required to keep confidential.

4.5. TERMINATION OF AGREEMENTS. Sellers agree to the termination of the agreements referred to in SECTION 5.1 below.

4.6. UPDATE OF SELLERS' REPRESENTATIONS AND WARRANTIES. If necessary in order to make them true and correct as of the Closing Time, prior to the Closing, Sellers will furnish to Buyer written update to, and revisions of, its representations and warranties contained in ARTICLE II.

ARTICLE V

COVENANTS OF BUYER

Buyer covenants and agrees as follows:

5.1. TERMINATION OF AGREEMENTS. Prior to the Closing Buyer will obtain written consents and agreements from the parties named below for the termination of the agreements referred to below between Sellers and Buyer or such other parties, such other termination to be effective not later than the Closing Time:

DATE ----	PARTY -----	TYPE OF AGREEMENT -----
August 1, 1989	Chotin Carriers, Inc. (Successor to Scott Chotin, Inc.)	Bareboat Charter (Barge SC 1904)
January 25, 1991	Chotin Carriers, Inc. (Successor to Scott Chotin, Inc.)	Bareboat Charter (Barge SC 1905)
July 10, 1994	Western Towing Company	Towing Contract
July 10, 1994	Western Towing Company	Time Charter (M/V Aransas)
July 10, 1994	Western Towing Company	Time Charter (M/V Palomino)

5.2. UPDATE OF BUYER'S REPRESENTATIONS AND WARRANTIES. If necessary in order to make them true and correct as of the Closing Time, prior to the Closing Buyer will furnish to Sellers written update to and revisions of its representations and warranties contained in ARTICLE III.

ARTICLE VI

CONDITIONS TO OBLIGATIONS OF BUYER

The obligations of Buyer under this Agreement are, at the option of Buyer, subject to the satisfaction of each of the following conditions at or prior to the Closing:

6.1. COMPLIANCE WITH COVENANTS. All of the terms, covenants and conditions of this Agreement, including sublease or assignment and transfer of the Acquired Assets, and the execution and delivery of the Subleases or Assignments and the Transportation Services Contract, to be complied with or performed by Sellers at or before the Closing Date shall have been duly complied with and performed.

6.2. REPRESENTATIONS AND WARRANTIES. The representations and warranties of Sellers set forth in ARTICLE II hereof, as updated and revised as provided in SECTION 4.6, shall be deemed to have been made again at and as of the Closing Date and shall then be true and correct in all material respects. Buyer shall have received a certificate of a duly authorized officer, or

other representative of Sellers, dated the Closing Date, confirming the continuing accuracy of such representations and warranties.

6.3. NO MATERIAL ADVERSE CHANGE. There shall have been no material adverse changes in Acquired Assets (including loss or damage to Vessels) or financial condition of any of the Sellers since the date of this Agreement and there has been no occurrence that has or might in the future result in any material change in the inland bulk liquid transportation requirements of Sellers.

6.4. CONSENTS. All required consents or approvals of third parties, including owners of the Dow Chartered Vessels and any regulatory authority, necessary for the performance of this Agreement by Sellers shall have been delivered to Buyer in substance satisfactory to Buyer and shall not have been withdrawn or revoked.

6.5. GOVERNMENTAL ACTION. There shall be no pending or threatened action by any regulatory authority to prevent the purchase and sale of the assets contemplated by this Agreement.

6.6. APPROVAL OF KIRBY. The Board of Directors of Kirby Corporation, the parent of Dixie Marine, shall have authorized and approved this transaction and shall have authorized Dixie Marine to enter into this Agreement.

6.7. DOW CHARTERED VESSELS. Buyer shall have reached agreements with the owners of the Dow Chartered Vessels which Buyer is satisfied, in its judgment, will allow Buyer to have available to it, through purchase, sublease or assignment, all of the Dow Chartered Vessels. Buyer shall be satisfied that the party designated as owner of any Dow Chartered Vessel does, in fact, own such Dow Chartered Vessel free and clear of any lien, claims or encumbrances.

6.8. TERMINATION OF EXISTING AGREEMENTS. The agreements referred to in SECTION 5.1 shall have been terminated.

6.9. APPROVAL OF CHANGES. If Sellers shall have updated and revised its representations and warranties prior to the Closing as provided in SECTION 4.6, Buyer, at its sole discretion, shall have approved and accepted in writing all material changes, if any, made by Sellers in its representations and warranties set forth in ARTICLE II.

ARTICLE VII

CONDITIONS TO OBLIGATIONS OF SELLERS

The obligations of Sellers under this Agreement are, at the option of Sellers, subject to the satisfaction of each of the following conditions:

7.1. PAYMENT. At Closing, Buyer shall pay and deliver to Seller the Purchase Price in accordance with SECTION 1.7 hereof.

7.2. COMPLIANCE WITH COVENANTS. All the terms, covenants and conditions of this Agreement, including sublease and transfer of the Acquired Assets, the execution and delivery of the Subleases or Assignments and Transportation Services Contract, to be complied with or performed by Buyer at or before the Closing Date shall have been duly complied with and performed.

7.3. REPRESENTATIONS AND WARRANTIES. The representations and warranties of Buyer set forth in ARTICLE III hereof, as updated and revised as provided in SECTION 5.2, shall be deemed to have been made again at and as of the Closing Date and shall then be true and correct in all material respects. Sellers shall have received a certificate of the President or a Vice President of Buyer dated the Closing Date, confirming the continuing accuracy of such representations and warranties.

7.4. GOVERNMENTAL ACTION. There shall be no pending or threatened action by any regulatory authority to prevent the purchase and sale of the acquired Assets contemplated by this Agreement.

7.5. APPROVAL OF DOW CHEMICAL AND DHRI. The Board of Directors of Dow Chemical, the parent of DHRI, and the Board of Directors of DHRI, shall have authorized and approved this transaction and shall have authorized Dow Chemical and DHRI to enter into this Agreement.

7.6. TERMINATION OF EXISTING AGREEMENTS. The agreements referred to in SECTION 5.1 shall have been terminated.

7.7. APPROVAL OF CHANGES. If Buyer shall have updated and revised its representations and warranties prior to the Closing as provided in SECTION 5.2, Sellers at its sole discretion, shall have approved and accepted in writing all material changes, if any, made by Buyer in its representations and warranties set forth in ARTICLE III.

ARTICLE VIII

THE CLOSING

8.1. THE CLOSING. For purposes hereof, the term "CLOSING" means the time and place at which the transactions contemplated hereby will be consummated after satisfaction or express waiver of the conditions set forth in ARTICLES VI and VII of this Agreement.

8.2. TIME, DATE AND PLACE OF CLOSING. The Closing will commence at 11:00 a.m. (Houston, Texas Time) on November 16, 1994, or such other date as may be mutually agreed upon by Sellers and Buyer (the "CLOSING DATE"). The Closing will take place at the offices of Buyer, Suite 300, 1775 St. James Place, Houston, Texas, and the Closing will be deemed to be effective as of 12:01 a.m., Houston, Texas Time on the Closing Date (the "CLOSING TIME").

8.3. TRANSFER OF TITLE; RISK OF LOSS.

(a) Title to the Dow Vessels and the rights under the Charters which are subleased by or assigned to Buyer shall pass to Buyer on the Closing Date at the Closing Time. If at any time prior to the Closing Time any of the Dow Vessels shall have been lost, actually or constructively, Buyer shall be entitled to reduce the purchase price by an amount equal to the value of such lost Dow Vessel(s) listed in EXHIBIT 1.1(B) hereto. All Vessels shall be delivered to Buyer wherever they are located at the Closing Time, and risk of loss thereafter shall be that of Buyer.

(b) The rights under the respective Additional Dow Charters with respect to Additional Dow Chartered Vessels which have been inspected and accepted by Buyer pursuant to SECTION 1.11 which are assigned by Sellers to Buyer shall pass to Buyer as of the Delivery Time which shall be specified in the Additional Assignment executed and delivered pursuant to SECTION 9.1.

8.4. BUYER'S OBLIGATION AT THE CLOSING. At the Closing Buyer will, as a further condition to Closing, deliver to Sellers the following:

(a) a certificate in the form of EXHIBIT 8.4(A) attached hereto, dated as of the Closing Date, duly executed by the President or Vice President of Buyer certifying as to the matters set forth in SECTIONS 7.2 AND 7.3.

(b) payment of the amount specified in SECTION 1.7 hereof as the Purchase Price due on the Closing Date;

(c) an executed Sublease with respect to each Dow Chartered Vessels which are to be subleased by Buyer, in substantially the form attached hereto as EXHIBIT 1.3(A), or an executed Assignment with respect to each Charter and Dow Chartered Vessels, pursuant to which Buyer assumes the obligation of Dow Chemical or DHRI, as the case may be, of the Charters as of the Closing Time on the Closing Date, in substantially the form attached hereto as EXHIBIT 1.3(B);

(d) the Transportation Services Contract between Dixie Marine and Dow Chemical in the form and substance attached hereto as EXHIBIT 1.6, duly executed by Buyer; and

(e) evidence of termination of the agreements referred to in SECTION 5.1.

(f) Assignment from DHRI to Buyer of the Charter of the DC-515 by DHRI to Hollywood Marine, Inc., such assignment to be substantially in the form attached hereto as EXHIBIT 1.3(C), and duly executed by Buyer.

8.5. SELLERS' OBLIGATION AT THE CLOSING. At the Closing, Seller will, as a further condition to Closing, deliver to the Buyer the following:

(a) certificates in the form of EXHIBIT 8.5(A) attached hereto, dated as of the Closing Date, duly executed by a properly authorized Sellers' representative of each of Sellers certifying as to the matters set forth in SECTIONS 6.1 AND 6.2.

(b) all duly executed and acknowledged duplicate Bills of Sale (Form CG-1340) (in substantially the form attached hereto as EXHIBIT 8.5(B)), conveyances, assignments and other documents and instruments, all of which shall be in form and substance satisfactory to Buyer, necessary to effectuate the transfer of ownership of the Dow Vessels to Buyer as herein contemplated;

(c) an executed Sublease with respect to each Dow Chartered Vessel which are to be subleased by Buyer in substantially the form attached hereto as EXHIBIT 1.3 (A), or an executed Assignment with respect to each Charter and Dow Chartered Vessel pursuant to which Sellers assign their interests in such Charters to Buyer as of the Closing Time on the Closing Date, and Buyer assumes the obligation of Dow Chemical or DHRI, as the case may be, of the Charters as of the Closing Time on the Closing Date, in substantially the form attached hereto as EXHIBIT 1.3(B).

(d) possession of the Acquired Assets, except the Additional Dow Chartered Vessels;

(e) for each Vessel other than (i) the five (5) vessels which are identified in EXHIBIT 1.1(B) hereto as being without Certificate of Inspection, and (ii) the Leviticus, Pacemaker, Old Push, Delta Diamond 9 and Delta Diamond 10, a copy of the current and unimpaired Certificate of Inspection issued by the U.S. Coast Guard, and for each documented Dow Vessel (i) U.S. Coast Guard Certificate of Ownership (Form CG-1330) bearing a date not more than thirty (30) days prior to the Closing Date and showing no mortgages, liens or encumbrances of record and (ii) the original Certificate of Documentation (Form CG-1270);

(f) the Transportation Services Contract between Buyer and Dow Chemical in the form attached hereto as EXHIBIT 1.6 duly executed by Dow Chemical;

(g) Sellers shall assign to Buyer all of Sellers' rights under any warranties or guaranties relating to any of the Acquired Assets to the extent that such rights are assignable, and Sellers shall use reasonable efforts to assist Buyer to realize the benefits of such warranties or guaranties; and

(h) authorization and agreement of Sellers for termination of the agreements referred to in SECTION 5.1.

(i) Assignment from DHRI to Buyer of the Charter of the DC-515 by DHRI to Hollywood Marine, Inc., such assignment to be substantially in the form attached hereto as EXHIBIT 1.3(C), and duly executed by DHRI.

ARTICLE IX

ACTIONS AFTER CLOSING

9.1. ADDITIONAL DOW CHARTERED VESSELS. After the Closing, upon completion of the inspection of each Additional Dow Chartered Vessel pursuant to SECTION 1.11 which is accepted by Buyer, Sellers and Buyer shall forthwith execute and deliver an Additional Assignment with respect to the Additional Dow Charter and Additional Dow Chartered Vessel pursuant to which Sellers assign their interests in such Additional Dow Charter to Buyer as of the Delivery Time (which shall be specified in such Additional Assignment) and Buyer assumes the obligation of Dow Chemical or DHRI, as the case may be, of such Additional Dow Charter as of said Delivery Time, in substantially the form attached hereto as EXHIBIT 1.3(C). Sellers shall deliver possession of such Additional Dow Chartered Vessel to Buyer at the Delivery Time and Sellers shall also deliver to Buyer a copy of the current and unimpaired Certificate of Inspection issued by the U.S. Coast Guard.

9.2. FURTHER CONVEYANCES. After the Closing, Sellers will, without further cost or expense to, or consideration of any nature from Buyer, execute and deliver, or cause to be executed and delivered, to Buyer, such additional documentation and instruments of transfer and conveyance, and will take such other and further actions, as Buyer may reasonably request as more completely to sell, transfer and assign to and fully vest in Buyer, ownership or leasehold interests of the Acquired Assets and otherwise consummate the transaction contemplated by this Agreement.

9.3. FURTHER CONSENTS TO ASSIGNMENT. With respect to those consents to or approvals of assignments of Charters or other leases or contracts (or an effective waiver thereof) which are not obtained on or prior to the Closing Date and as to which Buyer nevertheless (at its sole option and election) elects to proceed with the Closing:

(a) at the written request therefor by Buyer after Closing, the parties will make all reasonable efforts to obtain such consent assignment or approval (or an effective waiver thereof); and

(b) if the parties are unable to obtain such consents or approvals, or an effective waiver thereof, Sellers will cooperate with Buyer in entering into and effecting any reasonable arrangement designed to provide Buyer with the benefit of Sellers' rights under or pursuant to such items, including enforcement (at Buyer's expense which shall not include any expenses of Sellers' personnel but

only out of pocket expenses) of any and all rights of Sellers against any other party as Buyer may reasonably request.

Sellers will not be obligated to pay any additional consideration in order to obtain any consent or approval, or effective waiver thereof, pursuant to this SECTION 9.3. Sellers will cooperate with Buyer in obtaining any required consent or approval, or an effective waiver thereof. Buyer will pay or reimburse Sellers for all amounts paid by Sellers with Buyer's prior approval in order to obtain such consent or approval, or an effective waiver thereof.

9.4. BOOKS AND RECORDS; PERSONNEL. For a period of five (5) years from the Closing Date (or such longer period as may be required by any governmental agency or requested by Sellers or Buyer in connection with disputes or litigation):

(a) Buyer shall neither dispose of nor destroy any books and records relating to the Acquired Assets which were delivered by Sellers to Buyer without first offering to turn over possession thereof to Sellers by written notice to Sellers at least thirty days prior to the proposed date of such disposition or destruction.

(b) Buyer shall allow Sellers and their agents access to all books and records which were delivered by Sellers to Buyer during normal working hours at Buyer's principal places of business or at any location where any books and records are stored, and Sellers shall have the right, at its own expense, to make copies of any books and records; provided, however, that any such access or copying shall be had or done in such a manner so as not to unreasonably interfere with the normal conduct of Buyer's business subject to the safety and security procedures of Buyer.

(c) Buyer shall make available to Sellers upon written request (i) copies of any books and records received from Sellers relating to the Acquired Assets, (ii) Buyer's personnel to assist Sellers in locating and obtaining any such books and records, and (iii) any of Buyer's personnel whose assistance or participation is reasonably required by Sellers in anticipation of, or preparation for, existing or future litigation, tax returns or other matters in which Sellers are involved. Sellers shall reimburse Buyers for the reasonable out-of-pocket expenses (excluding expenses of Buyer's personnel) incurred by Buyer in performing the covenants contained in this SECTION 9.4(C).

(d) Sellers shall allow Buyer and its agents access to all books and records relating to the Acquired Assets during normal working hours at Sellers' principal places of business or at any location where any books and records are stored, and Buyer shall have the right, at its own expense, to make copies of any books and records; provided, however, that any such access or copying shall be had or done in such a manner so as not to unreasonably interfere with the normal conduct of Sellers' business and shall be (i) subject to the safety and security

procedures of Sellers, and (ii) information regarding third parties which Sellers are required to keep confidential.

(e) Sellers shall make available to Buyer upon written request (i) copies of any books and record relating to the Acquired Assets (excluding information regarding third parties which Sellers are required to keep confidential), (ii) Sellers' personnel to assist Buyer in locating and obtaining any books and records, and (iii) any of Sellers' personnel whose assistance or participation is reasonably required by Buyer in anticipation of, or preparation for, matters in which Sellers are involved. Buyer shall reimburse Sellers for the reasonable out-of-pocket expenses (excluding expenses of Sellers' personnel) incurred by Sellers in performing the covenants contained in this SECTION 9.4(E).

(f) For purposes of this SECTION 9.4, books and records shall mean files, journals, and the like relating to the Acquired Assets but specifically excluding corporate minute books, tax returns, bank statements, accounting records and invoices.

9.5. REDOCUMENTATION OF VESSELS. Immediately following the Closing, the Buyer shall surrender to the U.S. Coast Guard the Certificates of Documentation (Form CG-1270) for each of the documented Dow Vessels. Sellers shall execute and deliver such documents as shall be necessary to enable Buyers to redocument the Dow Vessels in its name with a coastwise endorsement.

9.6. FINANCIAL STATEMENTS. If Kirby Corporation, the parent of Buyer, is required to include financial or other information of Sellers relating to the Acquired Assets in filings pursuant to the Securities Exchange Act of 1934, as amended (the "'34 ACT"), Sellers will assist Buyer and Sellers will, at the cost and expense of Buyer, allow Buyer to audit the necessary records of Sellers related to the Acquired Assets for the purpose of obtaining financial information to enable Kirby Corporation, to make necessary filings under the '34 Act. Sellers agree to cooperate with Buyer and its auditors in making available such books and records. Such audited records shall be without any representation or warranty either express or implied, by either of Sellers to Buyer or Kirby Corporation. All such audits shall be subject to the safety and security procedures of Sellers.

9.7. EMPLOYEES OF SELLERS. Sellers will comply with all applicable laws, and rules and regulations thereunder, relating to Sellers' employees whose work has been related to the Acquired Assets, including, but not limited to, plant closings laws and applicable COBRA requirements, and shall maintain for a reasonable period following the Closing Time one or more group health plans in which any such employee of the Sellers who is terminated as a result of the transaction may exercise continuation coverage rights, and shall give the notice required by COBRA to each such employee and applicable beneficiary of their right to exercise such continuation coverage rights with respect to such plan(s). Additionally, Buyer shall have no responsibility or liability with respect to benefits which have accrued or been promised to any of Sellers' employees, either under an employee benefit plan, as defined in the Employee

Retirement Income Security Act of 1974, as amended ("ERISA"), of Sellers or with respect to claims with respect to workers compensation laws, the Jones Act or general maritime law arising out of or resulting from injuries sustained in whole or in part on or before the Closing Time, and provided further that it is the understanding and intention of Sellers and Buyer that, to the maximum extent permitted under applicable law, none of the group health plans maintained by Buyer shall constitute a successor plan(s) to Sellers' group health plan(s), and that Buyer is not a successor employer with respect to Sellers' group health plans, nor are Sellers a predecessor employer with respect to Buyer's group health plan(s).

9.8. PURCHASE OF DOW CHARTERED VESSELS. With respect to the Dow Chartered Vessels, at the Closing Buyer has either (i) taken an Assignment of the Charters, or (ii) subleased the Dow Chartered Vessels. Sellers understand that Buyer desires to purchase the Dow Chartered Vessels and Sellers agree to use their best efforts to facilitate the purchase of the Dow Chartered Vessels by Buyer from the owner thereof on terms acceptable to Buyer and Seller.

ARTICLE X

INDEMNITY

10.1. INDEMNIFICATION BY SELLERS. EXCEPT FOR ANY CONTRACTS OR AGREEMENTS BETWEEN BUYER AND SELLERS OTHER THAN THIS AGREEMENT NOW OR HEREAFTER ENTERED INTO, INCLUDING, BUT NOT LIMITED TO, THE TRANSPORTATION CONTRACT, OR EVENTS OR OCCURRENCES THEREUNDER OR IN CONNECTION THEREWITH, SELLERS AGREE THAT THEY, JOINTLY AND SEVERALLY, WILL INDEMNIFY THE BUYER AND WILL HOLD IT AND ITS DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS AND THE DOW VESSELS AND DOW CHARTERED VESSELS "IN REM" HARMLESS FROM AND AGAINST ALL CLAIMS, LOSSES, LIABILITIES, PENALTIES, COSTS, AND EXPENSES (INCLUDING REASONABLE ATTORNEYS' FEES) CAUSED BY OR ARISING OUT OF (1) ANY BREACH OF WARRANTY, COVENANT OR AGREEMENT OR INCORRECT OR ERRONEOUS REPRESENTATION OF THE SELLERS OR EITHER OF THEM CONTAINED HEREIN, IN ANY EXHIBIT HERETO, OR IN ANY DOCUMENT DELIVERED PURSUANT HERETO, (2) OPERATION OF THE DOW VESSELS OR DOW CHARTERED VESSELS, OR PERFORMANCE OF THE CHARTERS BY SELLERS WHICH ACCRUE OR RELATE TO AN EVENT OR OCCURRENCE PRIOR TO THE CLOSING TIME, (3) ANY EVENT OR OCCURRENCE PRIOR TO THE CLOSING TIME, SPECIFICALLY INCLUDING, BUT NOT LIMITED TO, VIOLATION OF ANY ENVIRONMENTAL LAWS INVOLVING ANY DOW VESSEL OR DOW CHARTERED VESSELS, OR (4) THE EXCLUDED LIABILITIES, WHETHER OR NOT CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE, FAULT OR STRICT LIABILITY OF BUYER. IN THE EVENT OF CONFLICT BETWEEN THIS AGREEMENT AND THE TRANSPORTATION CONTRACT, THE TRANSPORTATION CONTRACT SHALL BE CONTROLLING.

10.2. INDEMNIFICATION BY BUYER. EXCEPT FOR ANY CONTRACTS OR AGREEMENTS BETWEEN BUYER AND SELLERS OTHER THAN THIS AGREEMENT NOW OR HEREAFTER ENTERED INTO, INCLUDING, BUT NOT LIMITED TO, THE TRANSPORTATION CONTRACT, OR EVENTS OR OCCURRENCES THEREUNDER OR IN CONNECTION THEREWITH, BUYER AGREES THAT IT WILL INDEMNIFY EACH OF THE SELLERS AND WILL HOLD THEM AND THEIR DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS HARMLESS FROM AND AGAINST ALL CLAIMS, LOSSES, LIABILITIES, PENALTIES, COSTS AND EXPENSES (INCLUDING REASONABLE ATTORNEYS' FEES) CAUSED BY OR ARISING OUT OF (1) ANY BREACH OF WARRANTY, COVENANT OR AGREEMENT OR INCORRECT

OR ERRONEOUS REPRESENTATION OF THE BUYER CONTAINED HEREIN, IN ANY EXHIBIT HERETO, OR IN ANY DOCUMENT DELIVERED PURSUANT HERETO, OR (2) OPERATION OF THE DOW VESSELS OR DOW CHARTERED VESSELS, OR PERFORMANCE OF THE CHARTERS OR SUBLEASE OF THE DOW CHARTERED VESSELS BY BUYER WHICH ACCRUE OR RELATE TO AN EVENT OR OCCURRENCE AFTER THE CLOSING TIME, OR (3) ANY EVENT OR OCCURRENCE AFTER THE CLOSING TIME, SPECIFICALLY INCLUDING, BUT NOT LIMITED TO, VIOLATION OF ANY ENVIRONMENTAL LAWS, INVOLVING ANY DOW VESSEL OR DOW CHARTERED VESSEL, OR (4) THE ASSUMED LIABILITIES, WHETHER OR NOT CAUSED IN WHOLE OR IN PART BY THE NEGLIGENCE, FAULT OR STRICT LIABILITY OF SELLER. IN THE EVENT OF CONFLICT BETWEEN THIS AGREEMENT AND THE TRANSPORTATION CONTRACT, THE TRANSPORTATION CONTRACT SHALL BE CONTROLLING.

10.3. INDEMNITY PROCEDURES. Promptly after receipt by either party hereto (the "INDEMNITEE") of notice of any demand, claim or circumstance which would give rise to a claim or the commencement (or threatened commencement) of any action, proceeding or investigation pursuant to the indemnity in SECTION 10.1 and SECTION 10.2 (an "ASSERTED LIABILITY") that may result in a loss, the Indemnitee shall give notice thereof (the "CLAIMS NOTICE") to the other party hereto (the "INDEMNIFYING PARTY"). The Claims Notice shall describe the Asserted Liability in reasonable detail, and shall indicate the amount (estimated, if necessary) of the loss that has been or may be suffered by the Indemnitee.

The Indemnifying Party may elect to compromise or defend, at its own expense and by its own counsel, any Asserted Liability and if it does so, the Indemnifying Party shall have the right to make all judgments and decisions in respect of the handling of the defense of such Asserted Liability subject to the provisions of this SECTION 10.3. If the Indemnifying Party elects to compromise or defend such Asserted Liability, it shall within thirty (30) days of the Claims Notice (or sooner, if the nature of the Asserted Liability so requires) notify the Indemnitee of its intent to do so, and the Indemnitee shall cooperate, as required by and at the expense of the Indemnifying Party, in the compromise of, or defense against, such Asserted Liability. If the Indemnifying Party elects not to compromise or defend the Asserted Liability, fails to notify the Indemnitee of its election as herein provided or contests its obligation to indemnify under this Agreement, the Indemnitee may pay, compromise or defend such Asserted Liability without waiving or otherwise affecting its rights under this ARTICLE X. Notwithstanding the foregoing, neither the Indemnifying Party nor the Indemnitee may settle or compromise (including any settlement or compromise involving non-monetary consideration or equitable relief) any claim over the objection of the other; provided, however, that consent to settlement or compromise shall not be unreasonably withheld. In any event, the Indemnitee and the Indemnifying Party may participate, at their own expense, in the defense of such Asserted Liability. If the Indemnifying Party chooses to defend any claim, the Indemnitee shall make available at the Indemnifying Party any books, records or other documents within its control that are necessary or appropriate for such defense.

10.4. LIMITATION. The liability of an Indemnifying Party to the Indemnitee shall be limited to actual damages, losses, liabilities, costs and expenses and shall not include special, incidental, consequential, lost profits, business interruption and or punitive damages of the Indemnitee.

ARTICLE XI

TERMINATION

11.1. TERMINATION. This Agreement may be terminated and the transaction may be abandoned at any time prior to the Closing Time:

(a) by mutual consent of Buyer and the Sellers;

(b) by Buyer, if (i) there shall have been a material breach of any representation, warranty, covenant or agreement on the part of the Sellers which breach shall not have been cured prior to the earlier of (a) 10 days following notice of such breach and (b) the Closing Date; or (ii) any permanent injunction or other order of a court or other competent Governmental Entity preventing the consummation of the transaction shall have become final and nonappealable;

(c) by Sellers if (i) there shall have been a material breach of any representation, warranty, covenant or agreement on the part of the Buyer which breach shall not have been cured prior to the earlier of (a) 10 days following notice of such breach and (b) the Closing Date; or (ii) any permanent injunction or other order of a court or other competent Governmental Entity preventing the consummation of the transaction shall have become final and nonappealable;

(d) by Buyer or Sellers if the transaction shall not have been consummated by December 31, 1994; provided, that the right to terminate this Agreement under this SECTION 11.1(D) shall not be available to any party whose breach of its representations and warranties in this Agreement or whose failure to perform any of its covenants and agreements under this Agreement has been the cause of or resulted in the failure of the transaction to occur on or before such date;

(e) by Buyer or Sellers if there shall have been any material adverse changes in Acquired Assets (including loss or damage to Vessels) or financial condition of any of the Sellers or Buyer since the date of this Agreement and if there has been any occurrence that has or might in the future result in any material change in the inland liquid bulk transportation requirements of Sellers.

11.2. EFFECT OF TERMINATION. In the event of a termination of this Agreement by either Buyer or Sellers as provided in SECTION 11.1, this Agreement shall forthwith become void and there shall be no liability or obligation under this Agreement on the part of Buyer or Sellers or their respective officers, directors or stockholders, except (i) pursuant to the covenants and agreements contained in SECTION 12.4, SECTION 12.8 and this SECTION 11.2 and (ii) to the extent that such termination results from the willful material breach by a party hereto of any of its representations, warranties, covenants or agreements set forth in this Agreement, in which case the non-breaching party shall have a right to recover its actual damages caused thereby,

excluding all special, incidental, consequential, lost profits, business interruption and/or punitive damages.

11.3. EXTENSION; WAIVER. At any time prior to the Closing, the parties hereto may, in their respective sole discretion and to the extent legally allowed, (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto; (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto; and (iii) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed by or on behalf of such party.

ARTICLE XII

MISCELLANEOUS

12.1. PRORATION OF TAXES. Any ad valorem taxes for the year 1994 attributable to the Acquired Assets shall be prorated between Buyer and Sellers as of the Closing Date. If the Closing Date occurs before the tax rate on any of the Acquired Assets is fixed for the current year, the apportionment of the taxes shall be on the basis of the tax rate for the preceding year applied to the latest assessed valuation. Any difference from ad valorem taxes for 1994 actually paid by Buyer shall be adjusted between Buyer and Seller upon receipt by Seller of written evidence of payment thereof. Additionally, waterway use taxes shall be prorated between Buyer and Seller as of the Closing Date.

12.2. SALES TAXES. Buyer and Sellers agree that the Acquired Assets constitute an identifiable segment of the business of Sellers and that this transaction is exempt from Texas sales or use tax as an occasional sale (Sec. 151.304 Texas Revised Civil Statutes). Buyer agrees to indemnify Sellers with respect to any Texas sales or use tax or any other state sales or use tax that might be applicable to the sale, but not the assignment or sublease, as the case may be, of the Acquired Assets. Sellers agree to indemnify the Buyer with respect to any Texas sales or use tax or any other State sales or use tax that might be applicable to the assignment or sublease, as the case may be, but not the sale of the Acquired Assets.

12.3. NO BROKERS. Each party represents that it has not dealt with or engaged any broker or other parties in connection with the transactions contemplated by this Agreement which would entitle such broker or other parties to a commission or fee.

12.4. EXPENSES. Sellers shall bear all costs and expenses incurred by them in connection with the negotiation, execution and performance of this Agreement, and Buyer shall bear all costs and expenses incurred by it in connection with the negotiation, execution and performance of this Agreement. Buyer will pay any U.S. Coast Guard and other filing fees relating to the cost of redocumentation, transferring or mortgaging or any other collateral documents relating to the Vessels or Additional Dow Chartered Vessels.

12.5. ASSIGNMENT AND BINDING EFFECT. Buyer may assign this Agreement to any company that controls or is controlled by or under common control with Buyer, provided that such assignee shall be a citizen of the United States within the meaning of Section 2 of the Shipping Act of 1916, as amended. Except as provided in the preceding sentence, this Agreement shall not be assignable by either Sellers or Buyer without the prior written consent of the other. In the event of any assignment of this Agreement, the assignor shall remain fully and primarily liable for the performance of its obligations hereunder. Subject to the foregoing provisions, this Agreement shall be binding on and shall benefit the successors and assigns of the parties.

12.6. INTERPRETATION OF AGREEMENT. There are no agreements, warranties, or representations, express or implied, except those expressly set forth herein or in the Exhibits hereto. Except as otherwise provided herein, all representations and warranties contained in this Agreement shall apply as of the Closing Date and a breach thereof shall survive the Closing, whether or not such representations and warranties are contained in any document delivered pursuant to this Agreement.

12.7. NOTICES. All notices, requests, demands, and other communications hereunder shall be in writing and shall be treated as having been duly given if delivered by hand, or upon receipt if mailed by first class registered or certified mail, return receipt requested, postage prepaid, and addressed as follows:

(a) If to the Sellers, to

The Dow Chemical Company and/or
Dow Hydrocarbons and Resources Inc.
400 West Sam Houston Parkway South
Houston, Texas 77042-1299
Attention: Mr. Douglas Gallier

(b) If to the Buyer, to

Dixie Marine, Inc.
1775 St. James Place
P. O. Box 1537
Houston, Texas 77251
Attention: Mr. Brian K. Harrington

With a copy to

Henry Gilchrist, Esq.
Jenkins & Gilchrist, P.C.
Suite 3200, 1445 Ross Avenue
Dallas, Texas 75202-2799

or to such other address as shall be furnished in writing by Sellers or Buyer.

12.8. CONFIDENTIALITY. Except to the extent required to disclose by reason of applicable laws, governmental orders, rules or regulations or applicable provisions of a stock exchange, the contents of this Agreement shall not be disclosed to any third party without the prior written consent of the other parties; provided that, without such consent, each party shall have the right to disclose the contents of this Agreement for business purposes to its parent and other affiliated companies, to counsel retained by such entities, and to their independent public accounting firms.

12.9. ARBITRATION. Except for matters relating to condition of any Vessel or Additional Dow Chartered Vessel or cost of repair, which shall be resolved as provided in SECTION 1.10, and the Purchase Price Adjustment which shall be resolved as provided in SECTION 1.7, any disputes, claims or controversies connected with, arising out of or related to this Agreement and the rights and obligations herein, or the breach, validity, existence or termination thereof shall be settled by arbitration in Houston, Texas and any award issued pursuant to such arbitration may be enforced in any court of competent jurisdiction. Either party may commence arbitration by serving written notice on the other party designating the issues(s) to be arbitrated and the specific provisions of this Agreement under which such issues arose. Representatives from Sellers and Buyer shall meet for the purpose of jointly selecting an arbitrator within five (5) days after either party receives such notice of arbitration. If no arbitrator has been selected within five (5) days after receipt of such notice of arbitration, then each party shall within the next five (5) days appoint an arbitrator. These two arbitrators shall then select a third arbitrator who shall act as chairperson of the panel. If, within the next five (5) days, the two arbitrators so selected have not selected a third arbitrator, either party may request the Judicial Arbitration & Mediation Services, Houston, Texas (or any successor or other comparable entity) to select the third arbitrator. Failure of either party to select an arbitrator within the prescribed five (5) day period shall constitute a waiver of that right and arbitration shall proceed with the single arbitrator selected by the other party. With respect to any and all disputes arising under this Agreement the arbitrator(s) selected by Seller and Buyer shall be commercial persons; however, the chairperson, if any, shall be a lawyer member of the Maritime Law Association of the United States, admitted to practice in the United States District Court for the Southern District of Texas. The decision or award by a majority of the panel of arbitrators, or the single arbitrator if arbitration proceeds without a panel, shall be final and binding upon both parties. Any such arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association then in force. The arbitrator or panel of arbitrators shall be bound by the provisions of this Agreement and shall have no authority to modify such provisions in any manner. The arbitrator or panel of arbitrators, as the case may be may grant any remedy or relief they deem just and equitable within the scope of the Agreement, including interest on any award, EXCEPTING, however, special, incidental or consequential damages, including, but not limited to, lost profits, business interruption, attorneys fees and punitive damages of either party to this Agreement. The arbitrator(s) must commence the arbitration hearing within thirty (30) days of the selection of the arbitrator(s) and must render an award within thirty (30) days of the close of the hearing, unless such time is mutually extended by Sellers and Buyer.

12.10. COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one agreement.

12.11. HEADINGS. Headings of the articles and sections of this Agreement are used for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

12.12. ENTIRE AGREEMENT; AMENDMENT. This Agreement constitutes the entire agreement and understanding between the parties hereto and may not be modified or amended except in writing signed by all parties hereto.

12.13. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

12.14. LETTER OF INTENT. That certain Letter of Intent dated June 30, 1994, executed by Dow Chemical and Dixie Marine is superseded and replaced in this entirety by this Agreement and shall be of no further force and effect.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement in duplicate as of the date first written above.

THE DOW CHEMICAL COMPANY

By: -----
Its

DOW HYDROCARBONS AND RESOURCES INC.

By: -----
Its

DIXIE MARINE, INC.

By: -----
Its

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	
Dixie Carriers, 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
Chotin Carriers, Inc.(1).....	Delaware
Kirby Pioneer, Inc.(1).....	Delaware
AFRAM Carriers, Inc.(1).....	Delaware
Rail Systems, Inc.(1).....	Delaware
Americas Marine Express, Inc.(1).....	Delaware
Kirby Tankships, Inc.(1).....	Delaware
Kirby Marine Transportation Corporation(1).....	Delaware
Sabine Marine Transportation Company(1).....	Delaware
Universal Insurance Company(1).....	Puerto Rico
Mariner Reinsurance Company Limited(1).....	Bermuda
Oceanic Insurance Limited(1).....	Bermuda
CONTROLLED CORPORATIONS	
Dixie Bulk Transport, Inc. (subsidiary of Dixie Carriers, Inc.)(1).....	Delaware
Western Towing Company (subsidiary of Dixie Carriers, Inc.)(1).....	Texas
Marine Systems, Inc. (subsidiary of Dixie Carriers, Inc.)(1).....	Louisiana
Bolivar Terminal Company, Inc. (subsidiary of Dixie Carriers, Inc.)(2).....	Texas
Dixie Marine, Inc. (subsidiary of Dixie Carriers, Inc.)(1).....	Delaware
Brent Transportation Corporation (subsidiary of Dixie Carriers, Inc.)(1).....	Delaware
Dixie Security Corporation (subsidiary of Dixie Carriers, Inc.)(1).....	Texas
Dixie Offshore Transportation Company (subsidiary of Dixie Carriers, Inc.)(1).....	Delaware
OMR Transportation Company (subsidiary of Dixie Carriers, Inc.).....	Delaware
TPT Transportation Company (subsidiary of Dixie Carriers, Inc.)(1).....	Delaware
Eastern America Insurance Company (subsidiary of Universal Insurance Company)(1).....	Puerto Rico
Richport Bermuda Company, Ltd. (subsidiary of Universal Insurance Company)(1).....	Bermuda

(1) Included in the consolidated financial statements.

(2) Financial statements are not filed since the company is not a "significant subsidiary."

INDEPENDENT AUDITORS' CONSENT

We consent to incorporation by reference in the Registration Statements (No. 33-62116), (No. 33-56195) on Form S-3 and (No. 33-68140), (No. 2-67954), (No. 2-84789), (No. 33-57621), (No. 33-57625) on Form S-8 of Kirby Corporation and consolidated subsidiaries of our report dated February 21, 1995, relating to the consolidated balance sheets of Kirby Corporation and consolidated subsidiaries as of December 31, 1994 and 1993, 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, 1994, which report appears in the December 31, 1994 Annual Report on Form 10-K of Kirby Corporation and consolidated subsidiaries.

KPMG PEAT MARWICK LLP

Houston, Texas
March 14, 1995

YEAR
DEC-31-1994
DEC-31-1994
7,355
2,875
64,684
1,384
8,270
96,785
485,892
153,130
667,472
67,586
0
3,078
0
0
219,898
667,472
36,698
433,137
27,725
345,985
51,472
1,173
8,835
26,845
10,192
16,653
0
0
0
16,653
.58
.58

All insurance assets and liabilities are assumed to be non-current.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Universal Insurance Company
San Juan, Puerto Rico

We have audited the consolidated balance sheets of Universal Insurance Company and its subsidiaries as of December 31, 1993 and 1994, and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1994 (not presented separately herein). Our audits also included financial statement schedules V and VI (supplemental insurance information and reinsurance) for the years ended December 31, 1992, 1993 and 1994 listed in Part IV, Item 14 (not presented separately herein). These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, such consolidated financial statements present fairly, in all material respects, the financial position of Universal Insurance Company and its subsidiaries at December 31, 1993 and 1994, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1994 in conformity with generally accepted accounting principles. Also, in our opinion such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements (not presented separately herein), the Company changed its method of accounting for income taxes effective January 1, 1992, for the carrying value of investments effective December 31, 1993 and for the amortization of unearned premiums for certain automobile physical damage premiums effective January 1, 1994.

DELOITTE & TOUCHE LLP

San Juan, Puerto Rico
February 27, 1995