

**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, 2014**

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)  
55 Waugh Drive, Suite 1000  
Houston, Texas  
(Address of principal executive offices)

74-1884980  
(I.R.S. Employer Identification No.)  
77007  
(Zip Code)

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

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

**Title of Each Class**

**Name of Each Exchange on Which Registered**

Common Stock — \$.10 Par Value Per Share

New York Stock Exchange

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

None

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

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

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 T No

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

The aggregate market value of common stock held by nonaffiliates of the registrant as of June 30, 2014, based on the closing sales price of such stock on the New York Stock Exchange on June 30, 2014, was \$6,543,241,000. For purposes of this computation, all executive officers, directors and 10% beneficial owners of the registrant are deemed to be affiliates. Such determination should not be deemed an admission that such executive officers, directors and 10% beneficial owners are affiliates.

As of February 20, 2015, 55,703,000 shares of common stock were outstanding.

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**DOCUMENTS INCORPORATED BY REFERENCE**

The Company's definitive proxy statement in connection with the Annual Meeting of Stockholders to be held April 28, 2015, to be filed with the Commission pursuant to Regulation 14A, is incorporated by reference into Part III of this report.

**KIRBY CORPORATION**  
**2014 FORM 10-K**  
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## PART I

### Item 1. *Business*

#### THE COMPANY

Kirby Corporation (the “Company”) is the nation’s largest domestic tank barge operator, transporting bulk liquid products throughout the Mississippi River System, on the Gulf Intracoastal Waterway, coastwise along all three United States coasts and in Alaska and Hawaii. The Company transports petrochemicals, black oil, refined petroleum products and agricultural chemicals by tank barge. The Company also operates six offshore barge and tug units transporting dry-bulk commodities in the United States coastal trade. Through its diesel engine services segment, the Company provides after-market services for medium-speed and high-speed diesel engines, reduction gears and ancillary products for marine and power generation applications, distributes and services high-speed diesel engines and transmissions, pumps and compression products, and manufactures and remanufactures oilfield service equipment, including pressure pumping units, for land-based pressure pumping and oilfield service markets.

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

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

#### Documents and Information Available on Web Site

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

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

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

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

**BUSINESS AND PROPERTY**

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

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

The Company, through its diesel engine services segment, sells genuine replacement parts, provides service mechanics to overhaul and repair medium-speed and high-speed diesel engines, transmissions, reduction gears, pumps and compression products, maintains facilities to rebuild component parts or entire medium-speed and high-speed diesel engines, transmissions and entire reduction gears, and manufactures and remanufactures oilfield service equipment, including pressure pumping units. The Company primarily services the marine, power generation and land-based oil and gas operator and producer markets.

The Company and its marine transportation and diesel engine services segments have approximately 4,800 employees, substantially all of whom are in the United States.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues from unaffiliated customers:			
Marine transportation	\$ 1,770,684	\$ 1,713,167	\$ 1,408,893
Diesel engine services	795,634	529,028	703,765
Consolidated revenues	<u>\$ 2,566,318</u>	<u>\$ 2,242,195</u>	<u>\$ 2,112,658</u>
Operating profits:			
Marine transportation	\$ 429,864	\$ 408,255	\$ 311,755
Diesel engine services	60,063	42,767	66,386
General corporate expenses	(14,896)	(15,728)	(13,294)
Gain (loss) on disposition of assets	781	888	(14)
	<u>475,812</u>	<u>436,182</u>	<u>364,833</u>
Equity in earnings of affiliates	384	348	276
Other income (expense)	(345)	20	(198)
Interest expense	(21,461)	(27,872)	(24,385)
Earnings before taxes on income	<u>\$ 454,390</u>	<u>\$ 408,678</u>	<u>\$ 340,526</u>
Identifiable assets:			
Marine transportation	\$ 3,317,696	\$ 3,046,692	\$ 2,951,723
Diesel engine services	736,129	576,472	647,986
	<u>4,053,825</u>	<u>3,623,164</u>	<u>3,599,709</u>
Investment in affiliates	2,539	2,156	1,808
General corporate assets	85,545	57,197	51,611
Consolidated assets	<u>\$ 4,141,909</u>	<u>\$ 3,682,517</u>	<u>\$ 3,653,128</u>

## MARINE TRANSPORTATION

The marine transportation segment is primarily a provider of transportation services by tank barge for the inland and coastal markets. As of February 23, 2015, the equipment owned or operated by the marine transportation segment consisted of 884 inland tank barges with 17.8 million barrels of capacity, 247 inland towboats, 69 coastal tank barges with 6.0 million barrels of capacity, 74 coastal tugboats, six offshore dry-bulk cargo barges, seven offshore tugboats and one docking tugboat with the following specifications and capacities:

<b>Class of equipment</b>	<b>Number in class</b>	<b>Average age (in years)</b>	<b>Barrel capacities</b>	
<b>Inland tank barges (owned and leased):</b>				
Regular double hull:				
20,000 barrels and under	370	14.8	4,234,000	
Over 20,000 barrels	446	12.3	12,517,000	
Specialty double hull	68	37.5	1,011,000	
Total inland tank barges	<u>884</u>	<u>15.3</u>	<u>17,762,000</u>	
<b>Inland towboats (owned and chartered):</b>				
800 to 1300 horsepower	88	36.7		
1400 to 1900 horsepower	82	33.0		
2000 to 2400 horsepower	47	16.6		
2500 to 3200 horsepower	16	41.4		
3300 to 4800 horsepower	11	35.5		
Greater than 5000 horsepower	2	42.0		
Spot charters (chartered trip to trip)	1	—		
Total inland towboats	<u>247</u>	<u>32.1</u>		
<b>Coastal tank barges (owned and leased):</b>				
Double hull:				
30,000 barrels and under	7	21.7	160,000	
50,000 to 70,000 barrels	13	14.0	650,000	
80,000 to 90,000 barrels	27	14.5	2,231,000	
100,000 to 110,000 barrels	6	8.5	630,000	
120,000 to 150,000 barrels	10	19.7	1,282,000	
Over 150,000 barrels	6	24.2	1,023,000	
Total coastal tank barges	<u>69</u>	<u>16.2</u>	<u>5,976,000</u>	
<b>Coastal tugboats (owned and chartered):</b>				
1000 to 1900 horsepower	8	29.3		
2000 to 2900 horsepower	6	39.7		
3000 to 3900 horsepower	15	35.6		
4000 to 4900 horsepower	24	26.0		
5000 to 6900 horsepower	12	34.9		
Greater than 7000 horsepower	9	20.2		
Total coastal tugboats	<u>74</u>	<u>30.1</u>		
<b>Offshore dry-bulk cargo barges (owned)</b>				
	<u>6</u>	<u>22.9</u>		<b>Deadweight Tonnage</b> <u>113,000</u>
<b>Offshore tugboats and docking tugboat (owned and chartered)</b>				
	<u>8</u>	<u>26.9</u>		

The 247 inland towboats, 74 coastal tugboats, seven offshore tugboats and one docking tugboat provide the power source and the 884 inland tank barges, 69 coastal tank barges and six offshore dry-bulk cargo barges provide the freight capacity for the marine transportation segment. When the power source and freight capacity are combined, the unit is called a tow. The Company's inland tows generally consist of one towboat and from one to 25 tank barges, depending upon the horsepower of the towboat, the river or canal capacity and conditions, and customer requirements. The Company's coastal and offshore tows primarily consist of one tugboat and one tank barge or dry-bulk cargo barge.

## **Marine Transportation Industry Fundamentals**

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

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

Based on cost and safety, barge transportation is often the most efficient and safest means of transporting bulk commodities when compared with railroads and trucks. The cargo capacity of a 27,500 barrel inland tank barge is the equivalent of 46 railroad tank cars or 144 tractor-trailer tank trucks. A typical Company lower Mississippi River linehaul tow of 15 barges has the carrying capacity of approximately 216 railroad tank cars plus six locomotives, or approximately 1,050 tractor-trailer tank trucks. The Company's inland tank barge fleet capacity of 17.8 million barrels equates to approximately 29,700 railroad tank cars or approximately 93,000 tractor-trailer tank trucks. Furthermore, barging is much more energy efficient. One ton of bulk product can be carried 616 miles by inland barge on one gallon of fuel, compared with 478 miles by railcars or 150 miles by truck. In the coastal trade, the carrying capacity of a 100,000 barrel tank barge is the equivalent of approximately 165 railroad tank cars or approximately 525 tractor-trailer tank trucks. The Company's coastal tank barge fleet capacity of 6.0 million barrels equates to approximately 9,900 railroad tank cars or approximately 31,400 tractor-trailer tank trucks.

Tank barge transportation is safer than most modes of transportation in the United States. Marine transportation generally involves less urban exposure than railroad or truck transportation and operates on a system with few crossing junctures and in areas relatively remote from population centers. These factors generally reduce both the number and impact of waterway incidents.

## **Inland Tank Barge Industry**

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

The number of tank barges that operate on the inland waterways of the United States declined from an estimated 4,200 in 1982 to 2,900 in 1993, remained relatively constant at 2,900 until 2002, decreased to 2,750 from 2002 through 2006, and then increased over the years to approximately 3,650 by the end of 2014. The Company believes the decrease from 4,200 in 1982 to 2,750 in 2006 primarily resulted from: the increasing age of the domestic tank barge fleet, resulting in scrapping; rates inadequate to justify new construction; a reduction in tax incentives, which previously encouraged speculative construction of new equipment; stringent operating standards to adequately cope with safety and environmental risk; the elimination of government regulations and programs supporting the many new small refineries and a proliferation of oil traders which created a strong demand for tank barge services; an increase in the average capacity per barge; and an increase in environmental regulations that mandate expensive equipment modification, which some owners were unwilling or unable to undertake given capital constraints and the age of their fleets. The cost of tank barge hull work for required periodic United States Coast Guard (“USCG”) certifications, as well as general safety and environmental concerns, force operators to periodically reassess their ability to recover maintenance costs. The increase from 2,750 in 2006 to approximately 3,650 by the end of 2014 primarily resulted from increased barge construction and deferred retirements due to strong demand and resulting capacity shortages. The Company’s 884 inland tank barges represent approximately 24% of the industry’s 3,650 inland tank barges.

During 2012, the Company estimated that industry wide 260 tank barges were placed in service and 110 tank barges were retired. For 2013, the Company estimated that industry wide 270 tank barges were placed in service and 70 tank barges were retired. For 2014, the Company estimated that industry wide 300 tank barges were placed in service and 100 tank barges were retired. During 2014, due to continued strong demand for inland petrochemical, refined petroleum products and black oil barges, the Company estimates that approximately 180 tank barges were ordered for delivery throughout 2015 and many older tank barges will be retired, dependent on 2015 market conditions. The risk of an oversupply of tank barges may be mitigated by continued increased petrochemical, black oil and refined petroleum products volumes and the fact that the inland tank barge industry has a mature fleet, with approximately 725 tank barges over 30 years old and approximately 500 of those over 35 years old, which may lead to retirement of older tank barges.

The average age of the nation’s inland tank barge fleet is approximately 17 years. Neither the Company, nor the industry, operates any single hull inland tank barges. Single hull tank barges were required by current federal law to either be retrofitted with double hulls or phased out of domestic service effective December 31, 2014.

The Company’s inland marine transportation segment also owns a two-thirds interest in Osprey Line, L.L.C. (“Osprey”), a transporter of project cargoes and cargo containers by barge on the United States inland waterway system, as well as a 51% interest in a shifting operation and fleeting facility for dry cargo barges and tank barges on the Houston Ship Channel.

### **Coastal Tank Barge Industry**

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

The number of coastal tank barges that operate in the 195,000 barrel or less category is approximately 260, of which the Company operates 69 or approximately 27%. The average age of the nation's coastal tank barge fleet is approximately 16 years. The coastal tank barge also has a mature fleet, with approximately 50 tank barges over 30 years old and approximately 40 of those over 35 years old, which may lead to the retirement of older tank barges.

## **Competition in the Tank Barge Industry**

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

In the inland markets, the Company's direct competitors are primarily noncaptive inland tank barge operators. "Captive" fleets are owned by major oil and petrochemical companies which occasionally compete in the inland tank barge market, but primarily transport cargoes for their own account. The Company is the largest inland tank barge carrier, both in terms of number of barges and total fleet barrel capacity. The Company's inland tank barge fleet has grown from 71 tank barges in 1988 to 884 tank barges as of February 23, 2015, or approximately 24% of the estimated total number of domestic inland tank barges.

In the coastal markets, the Company's direct competitors are the operators of United States tank barges in the 195,000 barrels or less category. Coastal tank barges in the 195,000 barrels or less category have the ability to enter the large majority of coastal ports. Ocean-going tank barges and United States refined petroleum products tankers, in the 300,000 barrels plus category, including the captive fleets of major oil companies, primarily move large volumes of refined petroleum products and crude oil from the Gulf Coast to the Northeast. There are approximately 35 such vessels and, because of their size, their access to ports is limited by terminal size and draft restrictions.

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

## **Products Transported**

The Company transports petrochemicals, black oil, refined petroleum products and agricultural chemicals by tank barge throughout the Mississippi River System, on the Gulf Intracoastal Waterway, coastwise along all three United States coasts and in Alaska and Hawaii. During 2014, the Company's inland marine transportation operation moved over 48 million tons of liquid cargo on the United States inland waterway system.

*Petrochemicals.* Bulk liquid petrochemicals transported include such products as benzene, styrene, methanol, acrylonitrile, xylene and caustic soda, all consumed in the production of paper, fibers and plastics. Pressurized products, including butadiene, isobutane, propylene, butane and propane, all requiring pressurized conditions to remain in stable liquid form, are transported in pressure barges. The transportation of petrochemical products represented 47% of the segment's 2014 revenues. Customers shipping these products are petrochemical and refining companies.

*Black Oil.* Black oil transported includes such products as residual fuel oil, No. 6 fuel oil, coker feedstock, vacuum gas oil, asphalt, carbon black feedstock, crude oil, natural gas condensate and ship bunkers (engine fuel). Such products represented 25% of the segment's 2014 revenues. Black oil customers are refining companies, marketers and end users that require the transportation of black oil between refineries and storage terminals, to refineries and to power plants. Ship bunker customers are oil companies and oil traders in the bunkering business.

*Refined Petroleum Products.* Refined petroleum products transported include the various blends of finished gasoline, gasoline blendstocks, jet fuel, No. 2 oil, naphtha, heating oil and diesel fuel, and represented 25% of the segment's 2014 revenues. The Company also classifies ethanol in the refined petroleum products category. Customers are oil and refining companies, marketers and ethanol producers.

*Agricultural Chemicals.* Agricultural chemicals transported represented 3% of the segment's 2014 revenues. They include anhydrous ammonia and nitrogen-based liquid fertilizer, as well as industrial ammonia. Agricultural chemical customers consist mainly of domestic and foreign producers of such products.

### **Demand Drivers in the Tank Barge Industry**

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

Bulk petrochemical volumes have historically tracked the general domestic economy and correlate to the United States Gross Domestic Product. However, since late 2010, inland petrochemical tank barge utilization levels have remained strong, in the 90% to 95% range. The United States economy showed signs of improvement during 2014 with lower unemployment levels. The United States petrochemical industry continued to see strong production levels for both domestic consumption and exports. Low priced domestic natural gas, a basic feedstock for the United States petrochemical industry, provides the industry with a competitive advantage against foreign petrochemical producers. As a result, United States petrochemical production has remained strong during 2014, 2013 and 2012, thereby producing increased marine transportation volumes of basic petrochemicals to both domestic consumers and terminals for export destinations. Petrochemical products are used primarily in consumer non-durable and durable goods. Coastal tank barge utilization levels for the transportation of petrochemicals during 2014 were in the 90% to 95% range.

The demand for black oil, including ship bunkers, varies by type of product transported. Demand for transportation of residual oil, a heavy by-product of refining operations, varies with refinery utilization and usage of feedstocks. During 2014, 2013 and 2012, inland black oil tank barge utilization levels have remained strong, in the 90% to 95% range, due to strong demand driven by steady refinery production levels from major customers, the export of diesel fuel and heavy fuel oil, demand for crude oil and natural gas condensate transportation from the Eagle Ford shale formations in South Texas along the Gulf Intracoastal Waterway, and for the movement of Canadian, Bakken and Utica crude oil downriver from the Midwest to the Gulf Coast. Coastal black oil tank barge utilization levels improved from approximately 75% during 2012, to the 90% level in 2013 and 90% to 95% level during 2014, partly attributable to the movement of black oil, specifically residual fuel oil and asphalt along the United States East and Gulf Coasts. In addition, starting in 2012 and continuing through 2014, coastal tank barges moved Eagle Ford crude oil in the Gulf of Mexico, Bakken crude oil from Albany, New York down the Hudson River to East Coast refineries, and starting in late 2013 moved Bakken crude oil from the Columbia River to West Coast refineries. Inland and coastal asphalt shipments are generally seasonal, with higher volumes shipped during April through November, months when weather allows for efficient road construction. Carbon black feedstock shipments generally track the general economy and are used in the production of automobiles and related parts, and in housing applications. In August 2013, the Company sold its New York Harbor bunkering barges and tugboats, thereby exiting the New York Harbor ship bunker market.

Refined petroleum product volumes are driven by United States gasoline and diesel fuel consumption, principally vehicle usage, air travel and weather conditions. Volumes can also relate to gasoline inventory imbalances within the United States. Generally, gasoline and No. 2 oil are exported from the Gulf Coast where refining capacity exceeds demand. The Midwest is a net importer of such products. Volumes were also driven by heavier volumes of diesel fuel transported to terminals along the Gulf Coast for export to South America. Ethanol, produced in the Midwest, is moved from the Midwest to Gulf Coast customers; however, during 2012 and 2013 ethanol volumes declined due to the high price of corn, the major feedstock for United States ethanol production. In the coastal trade, tank barges are frequently used regionally to transport refined petroleum products from a coastal refinery or terminals served by pipelines to the end markets. Many coastal areas have access to refined petroleum products only by using marine transportation as the last link in the distribution chain.

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

## **Marine Transportation Operations**

The marine transportation segment operates a fleet of 884 inland tank barges and 247 inland towboats, as well as 69 coastal tank barges and 74 coastal tugboats. The segment also operates six offshore dry-bulk cargo barges, seven offshore tugboats and one docking tugboat transporting dry-bulk commodities in coastal trade.

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

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

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

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

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

The marine transportation inland operation moves and handles a broad range of sophisticated cargoes. To meet the specific requirements of the cargoes transported, the inland tank barges may be equipped with self-contained heating systems, high-capacity pumps, pressurized tanks, refrigeration units, stainless steel tanks, aluminum tanks or specialty coated tanks. Of the 884 inland tank barges currently operated, 695 are petrochemical and refined products barges, 119 are black oil barges, 55 are pressure barges, 10 are refrigerated anhydrous ammonia barges and five are specialty barges. Of the 884 inland tank barges, 845 are owned by the Company and 39 are leased.

The fleet of 247 inland towboats ranges from 800 to 5200 horsepower. Of the 247 inland towboats, 172 are owned by the Company and 75 are chartered. Towboats in the 800 to 2100 horsepower classes provide power for barges used by the Canal and Linehaul fleets on the Gulf Intracoastal Waterway and the Houston Ship Channel. Towboats in the 1400 to 3200 horsepower classes provide power for both the River and Linehaul fleets on the Gulf Intracoastal Waterway and the Mississippi River System. Towboats above 3600 horsepower are typically used on the Mississippi River System to move River fleet unit tows and provide Linehaul fleet towing. Based on the capabilities of the individual towboats used in the Mississippi River System, the tows range in size from 10,000 to 30,000 tons.

Marine transportation services for inland movements are conducted under long-term contracts, typically ranging from one to five years, some of which have renewal options, with customers with whom the Company has traditionally had long-standing relationships, as well as under spot contracts. During 2014, approximately 80% of the inland marine transportation revenues were under term contracts and 20% were spot contract revenues, compared with 75% under term contracts and 25% under spot contracts during 2013 and 2012.

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

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

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

Kirby Inland Marine operates the largest commercial tank barge fleet service (temporary barge storage facilities) in numerous ports, including Houston, Corpus Christi and Freeport, Texas, Baton Rouge and New Orleans, Louisiana and other locations on the Mississippi River. Included in the fleet service is a 51% interest and management control of a shifting operation and fleet service for dry cargo barges and tank barges on the Houston Ship Channel. Kirby Inland Marine provides service for its own barges, as well as outside customers, transferring barges within the areas noted, as well as fleet barges.

Kirby Inland Marine also provides shore-based tankerman and support services to the Company and third parties. Services provided include barge tankermen, marine terminal, refinery and chemical plant dock operators, and terminal management services. Services to the Company and third parties cover the Gulf Coast, mid-Mississippi Valley, and the Ohio River Valley.

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

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

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

The Atlantic Division primarily operates along the eastern seaboard of the United States and along the Gulf Coast. The Atlantic Division vessels call on coastal states from Maine to Texas, servicing refineries, storage terminals and power plants. The Atlantic Division also operates equipment, to a lesser extent, in the Eastern Canadian provinces. The tank barges and tugboats operating in the Atlantic Division are among the largest, with tank barges in the 9,000 to 188,000 barrel capacity range and coastal tugboats in the 1800 to 8000 horsepower range, transporting primarily refined petroleum products, petrochemicals and black oil. In August 2013, the Company sold its New York Harbor bunkering barges and tugboats, thereby exiting the New York Harbor ship bunker market.

The Pacific Division primarily operates along the Pacific Coast of the United States, servicing refineries and storage terminals from Southern California to Washington State, throughout Alaska, including Dutch Harbor, Cook Inlet and the Alaska River Systems, and from California to Hawaii. The Pacific Division's fleet consists of tank barges in the 26,000 to 193,000 barrel capacity range and tugboats in the 2000 to 11000 horsepower range, transporting primarily refined petroleum products.

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

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

The coastal fleet consists of 69 tank barges with 6.0 million barrels of capacity, primarily transporting refined petroleum products, black oil and petrochemicals. Of the 69 coastal tank barges currently operating, 44 are refined products and petrochemical barges and 25 are black oil barges. The Company owns 61 of the coastal tank barges and eight are leased. The Company operates 74 coastal tugboats ranging from 1000 to 11000 horsepower, 68 of which are owned and six of which are chartered.

Coastal marine transportation services are conducted under long-term contracts, primarily one year or longer, some of which have renewal options for customers with which the Company has traditionally had long-standing relationships, as well as under spot contracts. During 2014, approximately 85% of the coastal marine transportation revenues were under term contracts and 15% were spot contract revenues, compared with 75% under term contracts and 25% under spot contracts during 2013.

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

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

Kirby Ocean Transport has a contract with Holcim (US) Inc. (“Holcim”) to transport Holcim’s limestone requirements from a facility adjacent to the PEF facility at Crystal River to Holcim’s plant in Theodore, Alabama. Holcim’s contract expires on June 30, 2015. The Holcim contract provides cargo for a portion of the return voyage for the vessels that carry coal to PEF’s Crystal River facility. Kirby Ocean Transport is also engaged in the transportation of coal, fertilizer and other bulk cargoes on a short-term basis between domestic ports and occasionally the transportation of grain from domestic ports to ports primarily in the Caribbean Basin.

## **Contracts and Customers**

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

A term contract is an agreement with a specific customer to transport cargo from a designated origin to a designated destination at a set rate (affreightment) or at a daily rate (time charter). The rate may or may not escalate during the term of the contract; however, the base rate generally remains constant and contracts often include escalation provisions to recover changes in specific costs such as fuel. Time charters, which insulate the Company from revenue fluctuations caused by weather and navigational delays and temporary market declines, represented approximately 56% of the marine transportation’s inland revenues under term contracts during 2014, 58% of revenue under term contracts during 2013 and 57% of the revenue under term contracts during 2012. A spot contract is an agreement with a customer to move cargo from a specific origin to a designated destination for a rate negotiated at the time the cargo movement takes place. Spot contract rates are at the current “market” rate and are subject to market volatility. The Company typically maintains a higher mix of term contracts to spot contracts to provide the Company with a predictable revenue stream while maintaining spot market exposure to take advantage of new business opportunities and existing customers’ peak demands. During 2014, approximately 80% of the inland marine transportation revenues were under term contracts and 20% were spot contract revenues, compared with 75% under term contracts and 25% under spot contracts during 2012 and 2013. During 2014, approximately 85% of the coastal marine transportation revenues were under term contracts and 15% were spot contract revenues. During 2013, approximately 75% of the coastal revenues were under term contracts and 25% from spot contracts. During 2012, approximately 60% of marine transportation’s coastal revenues were under term contracts and 40% from spot contracts. Coastal time charters represented approximately 90% of the marine transportation coastal revenues under term contracts during 2014, 2013 and 2012.

No single customer of the marine transportation segment accounted for 10% of the Company’s revenues in 2014, 2013 and 2012.

## **Employees**

The Company’s marine transportation segment has approximately 3,275 employees, of which approximately 2,450 are vessel crew members. None of the segment’s inland operations are subject to collective bargaining agreements. The segment’s coastal operation includes approximately 900 vessel employees some of which are subject to collective bargaining agreements in certain geographic areas. Approximately 375 Kirby Offshore Marine vessel crew members employed in the Atlantic Division are subject to a collective bargaining agreement with the Richmond Terrace Bargaining Unit that expired in December 2014, but remains in effect while negotiations continue. In addition, approximately 165 Kirby Offshore Marine vessel crew members are represented by the Seafarers International Union (“SIU”) under a collective bargaining agreement in effect through April 2015.

## **Properties**

The principal office of Kirby Inland Marine, Kirby Offshore Marine, Kirby Ocean Transport and Osprey is located in Houston, Texas, in the Company’s facilities under a lease that expires in December 2025. Kirby Inland Marine’s operating locations are on the Mississippi River at Baton Rouge and New Orleans, Louisiana, and Greenville, Mississippi, two locations in Houston, Texas, on and near the Houston Ship Channel, one in Miami, Florida, and one in Corpus Christi, Texas. The New Orleans and Houston facilities are owned, and the Baton Rouge, Greenville, Miami and Corpus Christi facilities are leased. Kirby Offshore Marine’s operating facilities are located in Staten Island, New York, Seattle, Washington and Honolulu, Hawaii. All of Kirby Offshore Marine’s operating facilities are leased, including pier and wharf facilities and office and warehouse space.

## Governmental Regulations

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

Most of the Company's tank barges are inspected by the USCG and carry certificates of inspection. The Company's inland and coastal towing vessels and coastal dry-bulk barges are not currently subject to USCG inspection requirements; however, regulations are currently under development that would subject inland and coastal towing vessels to USCG inspection requirements. Most of the Company's coastal tugboats and coastal tank and dry-bulk barges are built to American Bureau of Shipping ("ABS") classification standards and are inspected periodically by ABS to maintain the vessels in class. The crews employed by the Company aboard vessels, including captains, pilots, engineers, tankermen and ordinary seamen, are licensed by the USCG.

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

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

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

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

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

The Company presently pays a federal fuel user tax of 20.1 cents per gallon consisting of a .1 cent per gallon leaking underground storage tank tax and a 20 cents per gallon waterway user tax. Effective April 1, 2015, the waterway user tax increases to 29 cents per gallon.

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

## Environmental Regulations

The Company's operations are affected by various regulations and legislation enacted for protection of the environment by the United States government, as well as many coastal and inland waterway states.

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

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

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

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

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

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

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

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

*Insurance.* The Company's marine transportation operations are subject to the hazards associated with operating vessels carrying large volumes of bulk cargo in a marine environment. These hazards include the risk of loss of or damage to the Company's vessels, damage to third parties as a result of collision, fire or explosion, loss or contamination of cargo, personal injury of employees and third parties, and pollution and other environmental damages. The Company maintains insurance coverage against these hazards. Risk of loss of or damage to the Company's vessels is insured through hull insurance currently insuring approximately \$3 billion in hull values. Liabilities such as collision, cargo, environmental, personal injury and general liability are insured up to \$1 billion per occurrence.

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

*Safety.* The Company manages its exposure to the hazards associated with its business through safety, training and preventive maintenance efforts. The Company places considerable emphasis on safety through a program oriented toward extensive monitoring of safety performance for the purpose of identifying trends and initiating corrective action, and for the purpose of rewarding personnel achieving superior safety performance. The Company believes that its safety performance consistently places it among the industry leaders as evidenced by what it believes are lower injury frequency and pollution incident levels than many of its competitors.

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

Centralized training is provided through the Operations Personnel and Training Department, which is charged with developing, conducting and maintaining training programs for the benefit of all of the Company's operating entities. It is also responsible for ensuring that training programs are both consistent and effective. The Company's training facility includes state-of-the-art equipment and instruction aids, including a full bridge wheelhouse simulator, a working towboat, two tank barges and a tank barge simulator for tankermen training. During 2014, approximately 3,300 certificates were issued for the completion of courses at the training facility, of which 1,100 were USCG approved classes and the balance were employee development and Company required classes, including Leadership, Safety by Choice and Defensive Driving.

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

## DIESEL ENGINE SERVICES

The Company, through its wholly owned subsidiary Kirby Engine Systems, Inc. (“Kirby Engine Systems”), and its wholly owned subsidiaries Marine Systems, Inc. (“Marine Systems”), Engine Systems, Inc. (“Engine Systems”) and United Holdings LLC (“United”), sells genuine replacement parts, provides service mechanics to overhaul and repair medium-speed and high-speed diesel engines, transmissions, reduction gears, pumps and compression products, maintains facilities to rebuild component parts or entire medium-speed and high-speed diesel engines, transmissions and entire reduction gears, and manufactures and remanufactures oilfield service equipment, including pressure pumping units. The Company primarily services the marine, power generation and land-based oil and gas operator and producer markets.

For the marine market, the Company sells Original Equipment Manufacturers (OEM) replacement parts, provides service mechanics to overhaul and repair engines and reduction gears, and maintains facilities to rebuild component parts or entire engines and reduction gears. For the power generation market, the Company provides engineering and field services, OEM replacement parts, and safety-related products to power generation operators and to the nuclear industry, and manufactures engine generator and pump sets for the power generation operators and municipalities.

For the land-based market, the Company sells OEM replacement parts, sells and services diesel engines, pumps and transmissions and manufactures and remanufactures oilfield service equipment, including pressure pumping units for oil and gas service companies and gas operators and producers. In addition, United manufactures compression equipment for natural gas transmission and for natural gas fired power generation plants.

No single customer of the diesel engine services segment accounted for 10% of the Company’s revenues in 2014, 2013 or 2012. The diesel engine services segment also provides service to the Company’s marine transportation segment, which accounted for approximately 3% of the diesel engine services segment’s 2014 revenues, 5% of 2013 revenues and 4% of 2012 revenues. Such revenues are eliminated in consolidation and not included in the table below.

The following table sets forth the revenues for the diesel engine services segment for the three years ended December 31, 2014 (dollars in thousands):

	<b>2014</b>		<b>2013</b>		<b>2012</b>	
	<b>Amounts</b>	<b>%</b>	<b>Amounts</b>	<b>%</b>	<b>Amounts</b>	<b>%</b>
Manufacturing	\$ 261,553	33%	\$ 110,053	21%	\$ 206,183	29%
Overhauls and service	366,477	46	283,209	53	358,626	51
Direct parts sales	167,604	21	135,766	26	138,956	20
	<u>\$ 795,634</u>	<u>100%</u>	<u>\$ 529,028</u>	<u>100%</u>	<u>\$ 703,765</u>	<u>100%</u>

### Marine Operations

The Company is engaged in the overhaul and repair of medium-speed and high-speed diesel engines and reduction gears, line boring, block welding services and related parts sales for customers in the marine industry, which represented 19% of the segment’s 2014 revenues. Medium-speed diesel engines have an engine speed of 400 to 1000 revolutions per minute (“RPM”) with a horsepower range of 800 to 32000. High-speed diesel engines have an engine speed of over 1000 RPM and a horsepower range of 50 to 8375. The Company services medium-speed and high-speed diesel engines utilized in the inland and offshore barge industries. It also services marine equipment and offshore drilling equipment used in the offshore petroleum exploration and oil service industry, marine equipment used in the offshore commercial fishing industry and vessels owned by the United States government.

The Company has marine operations throughout the United States providing in-house and in-field repair capabilities and related parts sales. The Company’s emphasis is on service to its customers, and it sends its crews from any of its locations to service customers’ equipment anywhere in the world. The medium-speed operations are located in Houma, Louisiana, Chesapeake, Virginia, Paducah, Kentucky, Seattle, Washington and Tampa, Florida. The operations based in Chesapeake, Virginia and Tampa, Florida are authorized distributors for 17 eastern states for Electro-Motive Diesel, Inc. (“EMD”). The marine operations based in Houma, Louisiana, Paducah, Kentucky and Seattle, Washington are nonexclusive contract service centers for EMD providing service and related parts sales. The Company is also a distributor and representative for certain Alfa Laval products in the Midwest and on the East Coast, Gulf Coast, and West Coast. All of the marine locations are authorized distributors for Falk Corporation reduction gears and Oil States Industries, Inc. clutches. The Chesapeake, Virginia operation concentrates on East Coast inland and offshore dry-bulk, tank barge and harbor docking operators, the USCG and United States Navy (“Navy”). The Houma, Louisiana operation concentrates on the inland and offshore barge and oil services industries. The Tampa, Florida operation concentrates on Gulf of Mexico offshore dry-bulk, tank barge and harbor docking operators. The Paducah, Kentucky operation concentrates on the inland river towboat and barge operators and the Great Lakes carriers. The Seattle, Washington operation concentrates on the offshore commercial fishing industry, the tugboat and barge industry, the USCG and Navy, and other customers in Alaska, Hawaii and the Pacific Rim.

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

### **Marine Customers**

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

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

### **Marine Competitive Conditions**

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

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

### **Power Generation Operations**

The Company is engaged in the overhaul and repair of diesel engines and generators, and related parts sales for power generation customers, which represented 9% of the segment's 2014 revenues. The Company is also engaged in the sale and distribution of diesel engine parts, engine modifications, generator modifications, controls, governors and diesel generator packages to the nuclear industry. The Company services users of diesel engines that provide emergency standby, peak and base load power generation.

The Company provides in-house and in-field repair capabilities and products to power generation operators from the Rocky Mount, North Carolina location. The operation based in Rocky Mount, North Carolina is an EMD authorized distributor for 17 eastern states for power generation applications, and provides in-house and in-field service. The Rocky Mount operation is also the exclusive worldwide distributor of EMD products to the nuclear industry, the worldwide distributor for Woodward, Inc. products to the nuclear industry, the worldwide distributor of Cameron Process and Compression Systems Group products to the nuclear industry, and owns the assets and technology necessary to support the Nordberg medium-speed diesel engines used in nuclear applications. In addition, the Rocky Mount operation is an exclusive distributor for Norlake Manufacturing Company transformer products to the nuclear industry and a non-exclusive distributor of analog Weschler Instruments metering products and an exclusive distributor of digital Weschler metering products to the nuclear industry. The Company is a non-exclusive distributor of Ingersoll Rand air start equipment to the nuclear industry worldwide.

## **Power Generation Customers**

The Company's power generation customers are primarily domestic utilities and the worldwide nuclear power industry.

## **Power Generation Competitive Conditions**

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

As noted under Power Generation Operations above, the Company is the exclusive worldwide distributor of EMD, Cameron, Woodward, Nordberg and Norlake parts for the nuclear industry, and non-exclusive distributor of Weschler parts and Ingersoll Rand air start equipment for the nuclear industry. Specific regulations relating to equipment used in nuclear power generation require extensive testing and certification of replacement parts. Non-genuine parts and OEM parts not properly tested and certified cannot be used in nuclear applications.

## **Land-Based Operations**

The Company is engaged in the distribution and service of diesel engines, pumps and transmissions, the manufacture and remanufacture of oilfield service equipment and the manufacture of compression equipment for natural gas transmission and for natural gas fired power generation plants, all of which represented 72% of the segment's 2014 revenues. The Company offers a full line of custom fabricated oilfield service equipment, fully tested and field ready. The Company manufactures products or components that are purchased by a company and marketed under the purchasing company's brand name. The Company distributes, sells parts for and services diesel engines and transmissions for on-and off-highway use and provides in-house and in-field service capabilities. The Company is the largest off-highway distributor for Allison, a major distributor for MTU in North America, and a distributor for Isuzu diesel engines. The Company is also the exclusive distributor for Daimler for engines and related equipment in Oklahoma, Arkansas and Louisiana. The Company manufactures and remanufactures oilfield service equipment, including pressure pumping units, nitrogen pumping units, cementers, hydration equipment, mud pumps and blenders. The Company also manufactures and packages custom compressor systems, including electric motor driven systems, natural gas driven systems and industrial air systems, and manufactures natural gas General Motors and Isuzu diesel engine-powered packages for a variety of applications from 40 to 500 horsepower. Lastly, the Company is a dealer for Thermo King refrigeration systems for trucks, railroad cars and other land transportation markets in south and central Texas.

The Company's land-based operation is based in Oklahoma City, Oklahoma with 20 locations across seven states in key oil and gas producing regions and major transportation corridors. The distribution and service facilities are located in Oklahoma City and Tulsa, Oklahoma, Little Rock, Arkansas and Shreveport, Louisiana. The Company's manufacturing facilities are located in six locations in Oklahoma City and one location in Henderson, Colorado. The Company's field sales and service operations are located in Casper, Wyoming, Billings, Montana and Lubbock and Amarillo, Texas. The Company's refrigeration facilities are located in Houston, Pharr, Laredo, San Antonio and Austin, Texas.

## **Land-Based Customers**

The Company's major land-based customers include large and mid-cap oilfield service providers, oil and gas operators and producers, compression companies, construction companies, domestic and international utilities, on-highway transportation companies and companies associated with the agricultural markets. The Company has long standing relationships with most of its customers.

Since the land-based business is linked to the oilfield services industry, oil and gas operators, and producers, there is no assurance that its present gross revenues can be maintained in the future. The results of the land-based diesel engines services industry are largely tied to the industries it serves and, therefore, are influenced by the cycles of such industries.

## **Land-Based Competitive Conditions**

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

## **Employees**

The Company's diesel engine services segment has approximately 1,400 employees. None of the segment's operations are subject to collective bargaining agreements.

## **Properties**

The principal offices of the diesel engine services segment are located in Houma, Louisiana and Oklahoma City, Oklahoma.

The marine and power generation businesses operate 13 parts and service facilities, with two facilities located in Houma, Louisiana, and one facility each located in Baton Rouge, Belle Chasse and New Iberia, Louisiana, Mobile, Alabama, Houston, Texas, Chesapeake, Virginia, Rocky Mount, North Carolina, Paducah, Kentucky, Tampa, Florida, Seattle, Washington and Thorofare, New Jersey. All of these facilities are leased except the Houma, Belle Chasse and New Iberia, Louisiana and Mobile, Alabama facilities, which are owned by the Company.

The land-based business operates 20 distribution and service and manufacturing facilities across seven states in key oil and gas producing regions and major transportation corridors. The distribution and service facilities are located in Oklahoma City and Tulsa, Oklahoma, Little Rock, Arkansas and Shreveport, Louisiana. The Oklahoma City, Oklahoma, Shreveport, Louisiana and the Little Rock, Arkansas facilities are owned by the Company and the Tulsa, Oklahoma facility is leased. The Company's manufacturing facilities are located in six locations in Oklahoma City and in Henderson, Colorado. All of the manufacturing facilities are leased except for one location in Oklahoma City, Oklahoma and the facility in Henderson, Colorado, which are owned by the Company. The Company's field sales and service operations in Casper, Wyoming and Billings, Montana are leased and the Lubbock and Amarillo, Texas facilities are owned by the Company. The Company's refrigeration facilities are located in Houston, Pharr, Laredo, San Antonio and Austin, Texas. All of these facilities are leased except for the San Antonio facility which is owned by the Company.

**Executive Officers of the Registrant**

The executive officers of the Company are as follows:

<b>Name</b>	<b>Age</b>	<b>Positions and Offices</b>
Joseph H. Pyne	67	Chairman of the Board
David W. Grzebinski	53	President and Chief Executive Officer
C. Andrew Smith	44	Executive Vice President and Chief Financial Officer
Joseph H. Reniers	40	Senior Vice President– Diesel Engine Services and Marine Facility Operations
William G. Ivey	71	President – Marine Transportation Group
James F. Farley	63	President – Kirby Offshore Marine
Michael W. Coulter	56	President – United
Dorman L. Strahan	58	President – Kirby Engine Systems
Ronald A. Dragg	51	Vice President, Controller and Assistant Secretary
Amy D. Husted	46	Vice President – Legal
David R. Mosley	50	Vice President and Chief Information Officer
Mark K. Forbes	57	Vice President – Human Resources
Renato A. Castro	43	Treasurer

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

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

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

C. Andrew Smith is a Certified Public Accountant and holds a degree in business administration from the University of Houston. He has served as Executive Vice President and Chief Financial Officer since April 2014. He served as Executive Vice President – Finance from January 2014 to April 2014. Prior to joining the Company in January 2014, he served as Senior Vice President and Chief Financial Officer of Benthic Geotech and was previously Chief Financial Officer for both Global Industries, LTD and NATCO Group.

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

William G. Ivey attended the University of Houston and has served the Company as President – Marine Transportation Group since February 2014, President of Kirby Inland Marine since April 2011 and served as Executive Vice President, Sales and Marketing from 1989 to April 2011. He joined the Company in 1989 with the acquisition of Alamo Inland Marine. Prior to joining the Company he served in various sales and marketing positions with inland marine companies dating back to 1970.

James F. Farley holds a Master of Science degree from Thunderbird School of Global Management and a bachelor of arts degree from Texas Tech University. He has served the Company as President of Kirby Offshore Marine since February 2012 and served as Executive Vice President – Operations of Kirby Inland Marine from 2003 to February 2012. Prior to joining the Company in 2003, he held senior level marketing, logistics and operations positions in the marine transportation industry.

Michael W. Coulter holds a degree in mechanical engineering from University of Texas and a Masters in Business Administration from Santa Clara University Leavey School of Business. He has served as President of United since August 2013. Prior to joining the Company in August 2013, he served in various positions with FMC from 1982 through 2013, including General Manager Surface Wellhead Americas and General Manager Fluid Control.

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

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

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

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

Mark K. Forbes holds bachelors and masters degrees in Industrial Psychology from Western Michigan University. He has served the Company as Vice President – Human Resources since June 2014. Prior to joining the Company in June 2014, he served in various leadership positions in human resources in the exploration and production business with Apache Corporation, the petrochemical business with Lyondell Petrochemical Company and Dow Chemical Company and in food service processing with Michigan Sugar Company.

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

**Item 1A. Risk Factors**

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

*The Inland Waterway infrastructure is aging and may result in increased costs and disruptions to the Company's marine transportation segment.* Maintenance of the United States inland waterway system is vital to the Company's operations. The system is composed of over 12,000 miles of commercially navigable waterway, supported by over 240 locks and dams designed to provide flood control, maintain pool levels of water in certain areas of the country and facilitate navigation on the inland river system. The United States inland waterway infrastructure is aging, with more than half of the locks over 50 years old. As a result, due to the age of the locks, scheduled and unscheduled maintenance outages may be more frequent in nature, resulting in delays and additional operating expenses. One-half of the cost of new construction and major rehabilitation of locks and dams is paid by marine transportation companies through a 20 cent per gallon diesel fuel tax and the remaining 50% is paid from general federal tax revenues. Effective April 1, 2015, the diesel fuel tax paid by marine transportation companies increases to 29 cents per gallon. Failure of the federal government to adequately fund infrastructure maintenance and improvements in the future would have a negative impact on the Company's ability to deliver products for its customers on a timely basis. In addition, any additional user taxes that may be imposed in the future to fund infrastructure improvements would increase the Company's operating expenses.

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

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

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

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

The Company's marine transportation segment has approximately 3,275 employees, of which approximately 2,450 are vessel crew members. None of the segment's inland operations are subject to collective bargaining agreements. The segment's coastal operation includes approximately 900 vessel employees, of whom approximately 550 are subject to collective bargaining agreements in certain geographic areas. Any work stoppages or labor disputes could adversely affect coastal operations in those areas.

*Reduction in the number of acquisitions made by the Company may curtail future growth.* Since 1986, the Company has been successful in the integration of 31 acquisitions in its marine transportation segment and 17 acquisitions in its diesel engine services segment. Acquisitions have played a significant part in the growth of the Company. The Company's marine transportation revenue in 1987 was \$40.2 million compared with \$1.8 billion in 2014. Diesel engine services revenue in 1987 was \$7.1 million compared with \$795.6 million in 2014. While the Company is of the opinion that future acquisition opportunities exist in both its marine transportation and diesel engine services segments, the Company may not be able to continue to grow through acquisitions to the extent that it has in the past.

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

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

The Secretary of Homeland Security is vested with the authority and discretion to waive the Jones Act to such extent and upon such terms as the Secretary may prescribe whenever the Secretary deems that such action is necessary in the interest of national defense. In response to the effects of Hurricanes Katrina and Rita, the Secretary waived the Jones Act generally for the transportation of petroleum products from September 1 to September 19, 2005 and from September 26, 2005 to October 24, 2005. In June 2011, the Secretary waived the Jones Act for the transportation of petroleum released from the Strategic Petroleum Reserve and in November 2012 waived the Jones Act for the transportation of refined petroleum products in the Northeast following Hurricane Sandy. Waivers of the Jones Act, whether in response to natural disasters or otherwise, could result in increased competition from foreign tank vessel operators, which could negatively impact the marine transportation segment.

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

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

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

*The Company's marine transportation segment is subject to volatility in the United States production of petrochemicals.* For 2014, 47% of the marine transportation segment's revenues were from the movement of petrochemicals, including the movement of raw materials and feedstocks from one refinery or petrochemical plant to another, as well as the movement of more finished products to end users and terminals for export. During 2014, petrochemical volumes continued to improve compared with 2013 and 2012 primarily due to lower priced domestic natural gas that improved the competitiveness of the United States petrochemical industry in global markets, thereby producing increased marine transportation volumes for basic petrochemicals to both domestic consumers and terminals for export destinations. Higher natural gas prices and other factors could negatively impact the United States petrochemical industry and its production volumes, which would negatively impact the Company.

*The Company's marine transportation segment could be adversely impacted by the construction of tank barges by its competitors.* At the present time, there are an estimated 3,650 inland tank barges in the United States, of which the Company operates 884, or 24%. The number of tank barges peaked at an estimated 4,200 in 1982, slowly declined to 2,750 by 2003, and then gradually increased to an estimated 3,650 by the end of 2014. During 2012, the Company estimates that 260 tank barges were placed in service, of which 56 were for the Company, and 110 tank barges were retired, 52 of which were by the Company. During 2013, the Company estimates that 270 tank barges were placed in service, of which 70 were for the Company, and 70 tank barges were retired, 46 of which were by the Company. During 2014, the Company estimates that 300 tank barges were placed in service, of which 61 were for the Company, and 100 tank barges were retired, 38 of which were by the Company. The Company estimates that approximately 180 tank barges were ordered during 2014 for delivery throughout 2015, 39 of which are for the Company, and many older tank barges will be retired, dependent on 2015 market conditions. The increases for 2012, 2013 and 2014, and the orders for 2015, reflect the improved demand for inland petrochemical and black oil barges and federal tax incentives on new equipment in 2012 and 2013. Strong tank barge markets for 2012, 2013 and 2014 absorbed the additional capacity built by the industry.

The risk of an oversupply of inland tank barges may be mitigated by the fact that the inland tank barge industry has a mature fleet. Of the estimated 3,650 tank barges in the industry at the present time, approximately 725 are over 30 years old and approximately 500 of those over 35 years old. Given the age profile of the industry inland tank barge fleet, the expectation is that older tank barges will continue to be removed from service and replaced by new tank barges that will enter the fleet, with the extent of the retirements dependent on 2015 petrochemical and refinery production levels, crude oil and natural gas condensate movements and industry-wide tank barge utilization levels.

During the first half of 2012, the marine transportation segment was negatively impacted by excess coastal tank barge capacity limiting tank barge utilization to the 75% range. The coastal operations reflected improvements in market conditions during the 2012 second half and throughout 2013, with tank barge utilization improving to the 75% to 80% range in the 2012 third quarter, 85% to 90% in the 2012 fourth quarter, continuing at 90% in 2013 and improving to the 90% to 95% range in 2014. During the 2012 second half and 2013 and 2014, the Company experienced increased demand for coastal crude and natural gas condensate moves and success in expanding the coastal customer base to include inland customers with coastal requirements. The Company estimates there are approximately 260 tank barges operating in the 195,000 barrel or less coastal industry fleet, the sector of the market in which the Company operates. The Company believes that very few coastal tank barges were built during 2012 and 2013 and that one coastal tank barge and tugboat unit was built and placed in service by a competitor during 2014. The Company announced in January 2014 the signing of an agreement to construct a 185,000 barrel coastal articulated tank barge and 10000 horsepower tugboat unit, with delivery anticipated for mid-to-late 2015. In April 2014, the Company exercised its option for the construction of a second 185,000 barrel coastal articulated tank barge and 10000 horsepower tugboat unit, with delivery anticipated for the first half of 2016. In July 2014, the Company signed agreements to construct two 155,000 barrel coastal articulated tank barge and 6000 horsepower tugboat units, the first for delivery in the 2016 second half and the second in the 2017 first half. The Company is aware of seven coastal tank barge and tugboat units in the 195,000 barrel or less class under construction by competitors for delivery in 2015, 2016 and 2017.

*Higher fuel prices could increase operating expenses.* The cost of fuel during 2014 was approximately 13% of marine transportation revenue. All marine transportation term contracts contain fuel escalation clauses, or the customer pays for the fuel. However, there is generally a 30 to 90 day delay before contracts are adjusted depending on the specific contract. In general, the fuel escalation clauses are effective over the long-term in allowing the Company to adjust to changes in fuel costs due to fuel price changes; however, the short-term effectiveness of the fuel escalation clauses can be affected by a number of factors including, but not limited to, specific terms of the fuel escalation formulas, fuel price volatility, navigating conditions, tow sizes, trip routing, and the location of loading and discharge ports that may result in the Company over or under recovering its fuel costs. Spot contract rates generally reflect current fuel prices at the time the contract is signed but do not have escalators for fuel.

*Loss of a large customer or other significant business relationship could adversely affect the Company.* Four marine transportation customers accounted for approximately 25% of the Company's 2014 and 2013 revenue and 22% of 2012 revenue. The Company has contracts with these customers expiring in 2015 through 2017. Although the Company considers its relationships with these companies to be strong, the loss of any of these customers could have an adverse effect on the Company.

The Company's diesel engine services segment has a 49-year relationship with EMD, the largest manufacturer of medium-speed diesel engines. In addition, the Company serves as both an EMD distributor and service center for select markets and locations for both service and parts. Sales and service of EMD products account for approximately 3% of the Company's revenue for 2014. Although the Company considers its relationship with EMD to be strong, the loss of the EMD distributorship and service rights, or a disruption of the supply of EMD parts, could have a negative impact on the Company's ability to service its customers.

United has maintained continuous exclusive distribution rights for MTU and Allison since 1946. United is one of MTU's top five distributors of off-highway engines in North America, with exclusive distribution rights in Oklahoma, Arkansas, Louisiana and Mississippi. In addition, as a distributor of Allison products, United has distribution rights in Oklahoma, Arkansas and Louisiana. United is also the exclusive distributor for Daimler for engines and related equipment in Oklahoma, Arkansas and Louisiana. Sales and service of MTU and Allison products account for approximately 2% and 3%, respectively, of the Company's revenue during 2014. Although the Company considers its relationships with MTU and Allison to be strong, the loss of MTU, Allison or Daimler distributorships and service rights, or a disruption of the supply of MTU or Allison parts, could have a negative impact on the Company's ability to service its customers.

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

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

*Significant increases in the construction cost of tank barges and towboats may limit the Company's ability to earn an adequate return on its investment in new tank barges and towboats.* The price of steel increased significantly from 2006 to 2009, thereby increasing the construction cost of new tank barges and towboats. The Company's average construction price for a new 30,000 barrel capacity inland tank barge ordered in 2008 for 2009 delivery was approximately 90% higher than in 2000, primarily due to the increase in steel prices. During 2009, the United States and global recession negatively impacted demand levels for inland tank barges and as a result, the construction price of inland tank barges for 2010 delivery fell significantly, primarily due to a significant decrease in steel prices, as well as a decrease in the number of tank barges ordered. The average construction price for tank barges delivered in 2012, 2013 and 2014 and ordered in 2014 for delivery in 2015 increased, but remained below the construction price for tank barges delivered in 2009.

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

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

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

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

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

*An easing or lifting of the United States crude oil export ban could adversely impact the Company's marine transportation segment.* Over the last four decades, the ability of United States producers to export domestic crude oil has been limited by the United States government. As crude oil production has increased in the United States due to hydraulic fracturing and shale oil production, there have been more calls by crude oil producers for the United States government to change its energy policy to ease or lift the crude oil export ban. Although the impact on the Company's inland barge operations is not determinable, the easing of the crude oil export ban could result in reduced coastal barge moves which may have an adverse impact on the Company's marine transportation segment. Alternatively, higher crude volumes, for domestic or export consumption, may be a positive as regional moves and moves to export terminals could increase.

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

In general, lower energy prices are good for the United States economy and typically translate into increased petrochemical and refined product production and therefore increased demand for tank barge transportation services. However, lower crude oil prices could result in a decline in domestic crude oil and natural gas condensate production and reduced volumes to be transported by tank barge. The Company currently operates approximately 6% of its inland barges and approximately 13% of its coastal barges in the transportation of crude oil and natural gas condensate. Volatility in the price of natural

gas and crude oil can also result in heightened uncertainty which may lead to decreased production and delays in new petrochemical and refinery plant construction. Increased competition for available black oil and petrochemical barge moves caused by reduced crude oil and natural gas condensate production could have an adverse impact on the Company's marine transportation segment.

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

The Company's diesel engine services segment could be adversely impacted by the construction of pressure pumping units by its competitors. At the present time, there is an estimated 19.5 million horsepower of pressure pumping units in North America used in the hydraulic fracturing of shale formations. Increased expansion of, or additions to, facilities or equipment by the Company's competitors could have a negative impact on the Company's results of operations. A significant drop in demand as well could result in oversupply in the pressure pumping market as attrition rates may not be high enough to absorb the new capacity entering the market and could negatively impact the Company's results of operations.

**Item 1B. Unresolved Staff Comments**

Not applicable.

**Item 2. Properties**

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

**Item 3. Legal Proceedings**

In June 2011, the Company as well as three other companies received correspondence from the EPA concerning ongoing cleanup and restoration activities under CERCLA with respect to a Superfund site, the Gulfco Marine Maintenance Site ("Gulfco"), located in Freeport, Texas. In prior years, various subsidiaries of the Company utilized a successor to Gulfco to perform tank barge cleaning services, sand blasting and repair on certain Company vessels. The EPA continues to investigate activities at the site to assess additional Potentially Responsible Parties ("PRPs"). Since 2005, four named PRPs have participated in the investigation, cleanup and restoration of the site under an administrative order from EPA. Information received to date indicates that approximately \$4,500,000 has been incurred in connection with the cleanup effort in addition to EPA's oversight costs of approximately \$1,800,000. To date, neither the EPA nor the named PRPs have performed an allocation of potential liability in connection with the site. The named PRPs filed suit against the Company and approximately 21 other defendants seeking contribution and indemnity under CERCLA for costs incurred in connection with its activities in cleaning up the Gulfco Site. This matter is in initial stages of litigation.

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

In 2000, the Company and a group of approximately 45 other companies were notified that they are PRPs under CERCLA with respect to a Superfund site, the Palmer Barge Line Superfund Site ("Palmer"), located in Port Arthur, Texas. In prior years, Palmer had provided tank barge cleaning services to various subsidiaries of the Company. The Company and three other PRPs entered into an agreement with the EPA to perform a remedial investigation and feasibility study and, subsequently, a limited remediation was performed and is now complete. During the 2007 third quarter, five new PRPs entered into an agreement with the EPA related to the Palmer site. In July 2008, the EPA sent a letter to approximately 30 PRPs for the Palmer site, including the Company, indicating that it intends to pursue recovery of \$2,949,000 of costs it incurred in relation to the site. The Company and the other PRPs submitted recommended pro rata allocations of costs among all PRPs to the EPA and the U.S. Department of Justice ("DOJ") in order to resolve the EPA's past costs claim which is under consideration by the DOJ.

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

On July 25, 2011, a subsidiary of the Company was named as a defendant in the U.S. District Court for the Southern District of Texas - Galveston Division, in a complaint styled *Figgs. v. Kirby Inland Marine, et al.*, which alleges that the plaintiff individually as a vessel tankerman, and on behalf of other current and former similarly situated vessel tankermen employed with the Company, is entitled to overtime pay under the Fair Labor Standards Act. Plaintiffs assert that vessel tankermen are not seamen who are expressly exempt from overtime pay provisions under the law. The case was conditionally certified as a collective action on December 22, 2011 at which time the Court prescribed a notice period for current and former employees to voluntarily participate as plaintiffs. The notice period closed on February 27, 2012. Plaintiffs seek compensatory damages in the form of back pay, attorneys' fees, cost and liquidated damages. In a recent case that presented substantially the same facts and legal issues, the United States Court of Appeals for the Fifth Circuit ruled that vessel tankermen are seamen who are exempt from the overtime pay provisions of the Fair Labor Standards Act. While the *Figgs* case is still pending, the Company believes that, after the Fifth Circuit ruling, it will incur no material liability in the case.

On March 22, 2014, a tank barge and towboat (the M/V Miss Susan), both owned by Kirby Inland Marine, a wholly owned subsidiary of the Company, were involved in a collision with the M/S Summer Wind on the Houston Ship Channel near Texas City, Texas. The tank barge was damaged in the collision resulting in a discharge of intermediate fuel oil from one of its cargo tanks. The U.S. Coast Guard and the National Transportation Safety Board have named the Company and the Captain of the M/V Miss Susan, as well as the owner and the pilot of the M/S Summer Wind, as parties of interest in their investigation as to the cause of the incident. Sea Galaxy Ltd is the owner of the M/S Summer Wind. The Company is participating in the natural resource damage assessment and restoration process with federal and state government natural resource trustees.

The Company and the owner of the M/S Summer Wind have filed actions in the U.S. District Court for the Southern District of Texas seeking exoneration from or limitation of liability relating to the foregoing incident as provided for in the federal rules of procedure for maritime claims. The two actions have been consolidated for procedural purposes since they both arise out of the same occurrence. There is a separate process for making a claim under the OPA. The Company is processing claims properly presented, documented and recoverable under OPA. The Company is named as a party in other lawsuits filed in connection with this incident which are currently stayed by orders entered into by the court in the limitation proceedings, some of which may also have been presented as claims in the limitation proceeding. The actions include allegation of business interruption, loss of profit, loss of use of natural resources and seek unspecified economic and compensatory damages. In addition, the Company has received claims from numerous parties claiming property damage and various economic damages. The Company has also been named as a defendant in a civil action by two crewmembers of the M/V Miss Susan, alleging damages under the general maritime law and the Jones Act. The litigation and claims process is ongoing and many of the claims and lawsuits filed have not specified the amount of damages sought, but the Company believes it has adequate insurance coverage for pollution, marine and other potential liabilities arising from the incident. The Company believes it has accrued adequate reserves for the incident and does not expect the incident to have a material adverse effect on its business or financial condition.

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

**Item 4. Mine Safety Disclosures**

Not applicable.

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

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

	Sales Price	
	High	Low
2015		
First Quarter (through February 20, 2015)	\$ 82.91	\$ 70.89
2014		
First Quarter	106.93	92.86
Second Quarter	117.18	96.00
Third Quarter	124.12	114.11
Fourth Quarter	117.78	78.84
2013		
First Quarter	78.04	61.41
Second Quarter	82.84	71.44
Third Quarter	89.19	79.15
Fourth Quarter	99.41	82.16

As of February 20, 2015, the Company had 55,703,000 outstanding shares held by approximately 800 stockholders of record; however, the Company believes the number of beneficial owners of common stock exceeds this number.

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

**Issuer Purchases of Equity Securities**

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Amount that May Yet Be Purchased Under the Plan
October 1 – October 31, 2014	—	—	—	—
November 1 – November 30, 2014	—	—	—	—
December 1 – December 31, 2014	187,000	\$ 81.75	—	\$ 84,679,000
<b>Total</b>	<b>187,000</b>	<b>\$ 81.75</b>	<b>—</b>	

Purchases were made pursuant to a stock trading plan entered into with a brokerage firm pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934 ("Exchange Act"). The plan was entered into pursuant to authorization by the Board of Directors to repurchase up to \$100,000,000 of the Company's common stock pursuant to Rule 10b5-1. Purchases under the plan were completed in January 2015.

**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, 2014. The information should be read in conjunction with Management’s Discussion and Analysis of Financial Condition and Results of Operations of the Company in Item 7 and the Financial Statements included under Item 8 (selected financial data in thousands, except per share amounts).

	<b>December 31,</b>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Revenues:</b>					
Marine transportation	\$ 1,770,684	\$ 1,713,167	\$ 1,408,893	\$ 1,194,607	\$ 915,046
Diesel engine services	795,634	529,028	703,765	655,810	194,511
	<u>\$ 2,566,318</u>	<u>\$ 2,242,195</u>	<u>\$ 2,112,658</u>	<u>\$ 1,850,417</u>	<u>\$ 1,109,557</u>
Net earnings attributable to Kirby	<u>\$ 282,006</u>	<u>\$ 253,061</u>	<u>\$ 209,438</u>	<u>\$ 183,026</u>	<u>\$ 116,249</u>
<b>Net earnings per share attributable to Kirby common stockholders:</b>					
Basic	<u>\$ 4.95</u>	<u>\$ 4.46</u>	<u>\$ 3.75</u>	<u>\$ 3.35</u>	<u>\$ 2.16</u>
Diluted	<u>\$ 4.93</u>	<u>\$ 4.44</u>	<u>\$ 3.73</u>	<u>\$ 3.33</u>	<u>\$ 2.15</u>
<b>Common stock outstanding:</b>					
Basic	56,674	56,354	55,466	54,191	53,331
Diluted	56,867	56,552	55,674	54,413	53,466

	<b>December 31,</b>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Property and equipment, net	\$ 2,589,498	\$ 2,370,803	\$ 2,315,165	\$ 1,822,173	\$ 1,118,161
Total assets	\$ 4,141,909	\$ 3,682,517	\$ 3,653,128	\$ 2,960,411	\$ 1,794,937
Long-term debt, including current portion	\$ 716,700	\$ 749,150	\$ 1,135,110	\$ 802,005	\$ 200,134
Total equity	\$ 2,264,913	\$ 2,022,153	\$ 1,707,054	\$ 1,454,158	\$ 1,159,139

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

Statements contained in this Form 10-K that are not historical facts, including, but not limited to, any projections contained herein, are forward-looking statements and involve a number of risks and uncertainties. Such statements can be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “anticipate,” “estimate” or “continue,” or the negative thereof or other variations thereon or comparable terminology. The actual results of the future events described in such forward-looking statements in this Form 10-K could differ materially from those stated in such forward-looking statements. Among the factors that could cause actual results to differ materially are: adverse economic conditions, industry competition and other competitive factors, adverse weather conditions such as high water, low water, tropical storms, hurricanes, tsunamis, fog and ice, tornados, marine accidents, lock delays, fuel costs, interest rates, construction of new equipment by competitors, government and environmental laws and regulations, and the timing, magnitude and number of acquisitions made by the Company. For a more detailed discussion of factors that could cause actual results to differ from those presented in forward-looking statements, see Item 1A-Risk Factors. Forward-looking statements are based on currently available information and the Company assumes no obligation to update any such statements.

For purposes of Management’s Discussion, all net earnings per share attributable to Kirby common stockholders are “diluted earnings per share.” The weighted average number of common shares applicable to diluted earnings per share for 2014, 2013 and 2012 were 56,867,000, 56,552,000 and 55,674,000, respectively. The increase in the weighted average number of common shares for 2014 compared with 2013 and 2012 primarily reflects the issuance of 500,000 shares of Company common stock associated with the December 14, 2012 acquisition of Penn Maritime, Inc. (“Penn”), the issuance of restricted stock and the exercise of stock options, partially offset by common stock repurchases in the 2014 fourth quarter.

## Overview

The Company is the nation's largest domestic tank barge operator, transporting bulk liquid products throughout the Mississippi River System, on the Gulf Intracoastal Waterway, coastwise along all three United States coasts and in Alaska and Hawaii. The Company transports petrochemicals, black oil, refined petroleum products and agricultural chemicals by tank barge. As of December 31, 2014, the Company operated a fleet of 884 inland tank barges with 17.8 million barrels of capacity, and operated an average of 251 inland towboats during 2014. The Company's coastal fleet consisted of 69 tank barges with 6.0 million barrels of capacity and 74 coastal tugboats. The Company also owns and operates six offshore dry-bulk cargo barges and seven offshore tugboats transporting dry-bulk commodities in United States coastal trade. Through its diesel engine services segment, the Company provides after-market services for medium-speed and high-speed diesel engines, reduction gears and ancillary products for marine and power generation applications, distributes and services high-speed diesel engines and transmissions, pumps and compression products, and manufactures and remanufactures oilfield service equipment, including pressure pumping units, for the land-based pressure pumping and oilfield service markets.

For 2014, net earnings attributable to Kirby were \$282,006,000, or \$4.93 per share, on revenues of \$2,566,318,000, compared with 2013 net earnings attributable to Kirby of \$253,061,000, or \$4.44 per share, on revenues of \$2,242,195,000. The 2014 year results included a \$2,766,000 before taxes, or \$.03 per share, first quarter severance charge which was mainly reflected in the marine transportation results. In addition, the 2014 year included an estimated \$.03 per share first quarter combined negative impact from delays and the cost of extra horsepower to navigate the heavy ice conditions on the upper inland river systems, and costs related to a March 22, 2014 incident in the Houston Ship Channel. The 2013 year results included a credit to selling, general and administrative expenses of \$18,300,000 before taxes, or \$.20 per share, eliminating the fair value of the contingent earnout liability associated with the April 2011 acquisition of United. The 2013 year included an estimated \$.03 per share negative impact during the second quarter from high water on the Mississippi and Illinois Rivers and the closure for repair of the Algiers Lock near New Orleans on the Gulf Intracoastal Waterway, net of certain revenue and cost recovery from contracts with terms that provide reimbursements for delays and increased costs.

## Marine Transportation

For 2014, 69% of the Company's revenue was generated by its marine transportation segment. The segment's customers include many of the major petrochemical and refining companies that operate in the United States. Products transported include intermediate materials used to produce many of the end products used widely by businesses and consumers — plastics, fibers, paints, detergents, oil additives and paper, among others, as well as residual fuel oil, ship bunkers, asphalt, gasoline, diesel fuel, heating oil, crude oil, natural gas condensate and agricultural chemicals. Consequently, the Company's marine transportation business mirrors the volumes produced by the Company's petroleum, petrochemical and refining customer base.

The Company's marine transportation segment's revenues for 2014 increased 3% compared with 2013 and operating income for 2014 increased 5% compared with 2013. The higher marine transportation revenues and operating income reflected continued strong utilization levels for both the inland and coastal markets and favorable pricing trends. For 2014 and 2013, the inland tank barge fleet contributed 68% and 69%, respectively, and the coastal fleet 32% and 31%, respectively, of marine transportation revenues. The Company's inland petrochemical, black oil and refined products fleets achieved consistent tank barge utilization levels in the 90% to 95% range throughout 2014. The results were negatively impacted by changes in the Company's Florida bunkering operation where a customer change led to a decrease in dedicated equipment and reduced revenue. The Company's coastal marine transportation markets continued to improve with tank barge utilization levels in the 90% to 95% range throughout 2014, aided by increased transportation of crude oil and natural gas condensate, continued success in expanding the coastal customer base to inland customers with coastal requirements, and cold weather during the 2014 first quarter that increased the demand for the transportation of heating oil.

During 2014, approximately 80% of the inland marine transportation revenues were under term contracts and 20% were spot contract revenues, thereby providing the operations with a predictable revenue stream. Inland time charters, which insulate the Company from revenue fluctuations caused by weather and navigational delays and temporary market declines, represented 56% of the inland revenues under term contracts during 2014 compared with 58% during 2013. Rates on inland term contract rates renewed in the 2014 first and second quarters increased in the 3% to 5% average range compared with the 2013 first and second quarters. Rates on inland term contracts renewed in the 2014 third and fourth quarters increased in the 1% to 3% average range compared with term contracts renewed in the third and fourth quarters of 2013. Spot contract rates, which include the cost of fuel, increased modestly in each 2014 quarter compared with the prior quarters, except the spot contract rates in the 2014 fourth quarter were essentially flat when compared with the 2014 third quarter. Effective January 1, 2014, annual escalators for labor and the producer price index on a number of inland multi-year contracts resulted in rate increases on those contracts by approximately 1.7%, excluding fuel.

During 2014, approximately 85% of the coastal marine transportation revenues were under term contracts and 15% were spot contract revenues. Coastal time charters, which insulate the Company from revenue fluctuations caused by weather and navigational delays and temporary market declines, represented approximately 90% of the coastal revenues under term contracts during 2014. During 2013, approximately 75% of the coastal marine transportation revenues were under term contracts and 25% were spot contract revenues. Coastal time charters represented approximately 90% of the coastal revenues under term contracts during 2013. The increase in term contract revenues reflected stronger demand for coastal tank barges. Rates on coastal term contracts renewed in the 2014 first, second and third quarters increased in the 7% to 9% average range and in the 2014 fourth quarter in the 5% average range compared with the term contracts renewed in the comparable 2013 quarters. Spot contract rates, which include the cost of fuel, continued to improve during 2014 and remained above term contract rates.

The 2014 marine transportation operating margin was 24.3% compared with 23.8% for 2013. The higher 2014 operating margin was a reflection of continued high inland and coastal equipment utilization, leading to higher inland and coastal term and spot contract rates negotiated throughout 2013 and 2014. The higher operating margin for 2014 was partially offset by the winter weather conditions experienced throughout the 2014 first quarter and the changes in the Company's Florida bunkering operation.

### **Diesel Engine Services**

During 2014, the diesel engine services segment generated 31% of the Company's revenue, of which 46% was generated from overhauls and service, 21% from direct parts sales and 33% from manufacturing. The results of the diesel engine services segment are largely influenced by the economic cycles of the marine and power generation markets and the land-based pressure pumping and oilfield services industries.

Diesel engine services revenues for 2014 increased 50% and operating income increased 40% compared with 2013. The 2013 operating income included an \$18,300,000 credit to selling, general and administrative expenses, resulting from a net decrease in the fair value of the contingent earnout liability associated with the April 2011 acquisition of United, thereby eliminating the remaining liability.

The 2014 increases were primarily attributable to an improvement in the sale and service of land-based diesel engines and transmissions, and an increase in the manufacture of oilfield service equipment, including pressure pumping units. Demand for the remanufacture of pressure pumping units remained steady throughout 2014, reflecting an improvement over 2013. With the steep decline in the price of crude oil during the 2014 fourth quarter, the land-based market was negatively impacted by some customer order cancellations and requests to delay projects. In addition, production inefficiencies related to supply chain issues and difficulties adding productive labor also negatively impacted the land-based market. The marine diesel engine services market improved modestly, benefiting from major service projects for inland and coastal customers, as well as Gulf of Mexico and foreign offshore service vessels and drilling operators. The power generation market was stable, benefiting from major generator set upgrades and parts sales for both domestic and international power generation customers.

The diesel engine services operating margin for 2014 was 7.5% compared with 8.1% for 2013. The operating margin for 2013 was positively impacted by the \$18,300,000 credit to the contingent earnout liability noted above. The 2014 operating margin reflected improvement in the land-based market and stable marine and power generation markets. Some order cancellations and requests to delay projects during the 2014 fourth quarter and production inefficiencies during 2014 in the land-based market negatively impacted the 2014 operating margin.

## Cash Flow and Capital Expenditures

The Company continued to generate strong operating cash flow during 2014 with net cash provided by operating activities of \$438,909,000 compared with \$601,032,000 of net cash provided by operating activities for 2013. The 27% decrease was primarily from a \$179,965,000 net decrease in cash flows from changes in operating assets and liabilities, primarily due to an increase in receivables and inventory during 2014 due to increased business activity levels in the land-based diesel engine services market, and a \$25,080,000 decrease in provision for deferred income taxes, partially offset by \$28,309,000 of higher net earnings. In addition, during 2014 and 2013, the Company generated cash of \$7,519,000 and \$6,635,000, respectively, from the exercise of stock options and \$10,393,000 and \$33,982,000, respectively, from proceeds from the disposition of assets. During 2014, the Company repurchased 187,000 shares of its common stock for \$15,321,000.

For 2014, cash generated and borrowings under the Company's revolving credit facility were used for capital expenditures of \$355,144,000, including \$125,737,000 for inland tank barge and towboat construction, \$71,793,000 for progress payments on the construction of two 185,000 barrel articulated tank barge and 10000 horsepower tugboat units, one scheduled to be placed in service in mid-to-late 2015 and one in the first half of 2016, \$19,201,000 for down payments on the construction of two 155,000 barrel articulated tank barge and 6000 horsepower tugboat units, one scheduled to be placed in service in the 2016 second half and one in the 2017 first half, and \$138,413,000 primarily for upgrading existing marine transportation equipment and facilities and diesel engine services facilities, as well as the final costs for the construction of two offshore dry-bulk barge and tugboat units delivered during 2013. The Company purchased one previously leased coastal tank barge in August 2014 for \$6,500,000. In addition, the Company purchased two previously leased coastal tank barges in October 2014 for \$25,300,000. Cash generated and borrowings under the Company's revolving credit facility in 2014 were also used for the repurchase of 187,000 shares of the Company's common stock for \$15,321,000 in December 2014. The Company's debt-to-capitalization ratio decreased to 24.0% at December 31, 2014 from 27.0% at December 31, 2013, primarily due to a decrease of \$32,450,000 in outstanding debt, an increase in total equity from net earnings attributable to Kirby for 2014 of \$282,006,000, exercises of stock options and the amortization of unearned equity compensation, partially offset by treasury stock purchases. As of December 31, 2014, the Company had \$116,700,000 outstanding under its revolving credit facility, \$100,000,000 outstanding under its term loan, \$500,000,000 of senior notes outstanding and no outstanding balance under its credit agreement.

During 2014, the Company took delivery of 61 new inland tank barges with a total capacity of 1,072,000 barrels, retired 33 inland tank barges and returned five leased inland tank barges, which reduced its capacity by 575,000 barrels. As a result, the Company added a net 23 inland tank barges and 497,000 barrels of capacity.

In January 2014, the Company signed an agreement to construct a 185,000 barrel coastal articulated tank barge and 10000 horsepower tugboat unit at a cost of approximately \$75,000,000 for delivery in mid-to-late 2015. In April 2014, the Company exercised its option for the construction of a second 185,000 barrel coastal articulated tank barge and 10000 horsepower tugboat unit at a cost of approximately \$75,000,000 for delivery in the first half of 2016.

In July 2014, the Company signed agreements to construct two 155,000 barrel coastal articulated tank barge and 6000 horsepower tugboat units at a combined cost of approximately \$125,000,000 to \$130,000,000, the first for delivery in the 2016 second half and second in the 2017 first half.

The Company projects that capital expenditures for 2015 will be in the \$300,000,000 to \$310,000,000 range. The 2015 construction program will consist of 39 inland tank barges with a total capacity of 572,000 barrels, three inland towboats, progress payments on the construction of two 185,000 barrel coastal articulated tank barge and tugboat units scheduled to be placed in service in mid-to-late 2015 and first half of 2016 and progress payments on the construction of two 155,000 barrel coastal articulated tank barge and tugboat units scheduled to be placed in service in the 2016 second half and the 2017 first half. Based on current commitments, steel prices and projected delivery schedules, the Company's 2015 payments on new inland tank barges and towboats will be approximately \$75,000,000 and 2015 progress payments on the construction of the two 185,000 barrel and two 155,000 barrel coastal articulated tank barge and tugboat units will be approximately \$85,000,000. The balance of approximately \$140,000,000 to \$150,000,000 is primarily capital upgrades and improvements to existing marine equipment, and marine transportation and diesel engine services facilities.

## Outlook

Petrochemical, black oil and refined petroleum products inland tank barge utilization levels remained strong during 2014, in the 90% to 95% range. The United States economy showed signs of improvement during 2014 with lower unemployment levels. The United States petrochemical industry continued to see strong production levels for both domestic consumption and exports. Low priced domestic natural gas, a basic feedstock for the United States petrochemical industry, provides the industry with a competitive advantage against foreign petrochemical producers. As a result, United States petrochemical production remained strong throughout 2014, thereby producing increased marine transportation volumes of basic petrochemicals to both domestic consumers and terminals for export destinations. The black oil market also remained strong throughout 2014, primarily due to continued stable United States refinery utilization levels, aided by the export of refined petroleum products and heavy fuel oils. In addition, the black oil market reflected continued strong demand for the inland and coastal transportation of crude oil and natural gas condensate resulting from increased production from the major shale formations in South Texas, the mid-Atlantic and upper Midwest regions of the United States.

The United States petrochemical industry is globally competitive based on a number of factors, including a highly integrated and efficient transportation system of pipelines, tank barges, railroads and trucks, largely depreciated yet well maintained and operated facilities, and a low cost feedstock slate, which includes natural gas. Several United States producers have announced plans for plant capacity expansions and the reopening of idled petrochemical facilities. The current production volumes from the Company's petrochemical and refinery customers have resulted in the Company's inland petrochemical, black oil and refined petroleum products tank barge fleet utilization levels being consistently in the 90% to 95% range and any increased production from current facilities, plant expansions or the reopening of idled facilities should drive feedstock and production volumes higher, in turn leading to higher tank barge demand and higher term and spot contract pricing, which could be mitigated by additional tank barge capacity.

As of December 31, 2014, the Company estimated there were approximately 3,650 inland tank barges in the industry fleet, of which approximately 725 were over 30 years old and approximately 500 of those over 40 years old. Given the age profile of the industry inland tank barge fleet, the expectation is that older tank barges will continue to be removed from service and replaced by new tank barges. During 2014, with continued strong demand for inland petrochemical and black oil tank barges, the Company estimates that approximately 300 inland tank barges were ordered and delivered throughout 2014. The Company estimates that approximately 180 tank barges were ordered during 2014 for delivery throughout 2015, 39 of which are for the Company. Historically, 75 to 150 older inland tank barges are retired from service each year, with the extent of the retirements dependent on petrochemical and refinery production levels, and crude oil and natural gas condensate movements which can have a direct effect on industry-wide tank barge utilization levels. The Company expects continued strong utilization in its inland markets in 2015, but with the sharp decline in crude oil prices in late 2014 and the resulting decline in the North American oil and gas rig count, the Company expects inland tank barge pricing to remain flat throughout much of 2015, with the potential for some weakening as crude oil and natural gas condensate production may decline in late 2015.

As of December 31, 2014, the Company estimated there were approximately 260 tank barges operating in the 195,000 barrel or less coastal industry fleet, the sector of the market in which the Company operates. The Company believes that very few, if any, coastal tank barges in the 195,000 barrel or less category were built during 2012 and 2013 and that one coastal tank barge and tugboat unit was built and placed in service by a competitor during 2014. During 2013, coastal tank barge utilization was consistently in the 90% range, improving to the 90% to 95% range during 2014 with continued success in expanding the coastal customer base to include inland customers with coastal requirements and increased coastal demand for the movement of crude oil and natural gas condensate. The Company announced in January 2014 the signing of an agreement to construct a 185,000 barrel coastal articulated tank barge and 10000 horsepower tugboat unit at a cost of approximately \$75,000,000, with delivery anticipated for mid-to-late 2015. In April 2014, the Company exercised its option for the construction of a second 185,000 barrel coastal articulated tank barge and 10000 horsepower tugboat unit at a cost of approximately \$75,000,000 with delivery anticipated for the first half of 2016. In July 2014, the Company signed agreements to construct two 155,000 barrel coastal articulated tank barge and 6000 horsepower tugboat units at a combined cost of approximately \$125,000,000 to \$130,000,000, the first for delivery in the 2016 second half and the second in the 2017 first half. The Company is also aware of seven announced coastal tank barge and tugboat units to be constructed by competitors for delivery in 2015, 2016 and 2017. The Company expects continued strong utilization in its coastal markets in 2015 with higher term and spot market pricing.

In the diesel engine services segment, with the stable drilling activity in the Gulf of Mexico and positive inland and coastal marine transportation markets, service activity levels for the marine diesel engine services market during 2014 reflected a modest improvement and is anticipated to remain stable in 2015. The power generation market should remain stable, benefiting from engine-generator set upgrades and parts sales for both domestic and international customers. The land-based diesel engine services market consists of manufacturing and remanufacturing of oilfield service equipment, including pressure pumping units, and the distribution and service of their components, which include high-speed diesel engines, transmissions and pumps, many of the same components used by marine customers. Currently, an estimated 19.5 million horsepower is employed in the North American pressure pumping business. As a result of excess pressure pumping horsepower in 2012 and 2013, new orders for pressure pumping units essentially stopped and the supply and distribution portion of the land-based market slowed. During 2014, the land-based diesel engine business results reflected an improvement in manufacturing and remanufacturing of oilfield service equipment. However, with the steep decline in the price of crude oil during the 2014 fourth quarter, the land-based market was negatively impacted by some customer order cancellations and requests to delay projects. Given the current crude oil environment and announced capital spending reductions by oil and gas service companies, the Company anticipates a decline in land-based manufacturing and service activities during 2015.

### **Critical Accounting Policies and Estimates**

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

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

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

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

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

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

## Results of Operations

The Company reported 2014 net earnings attributable to Kirby of \$282,006,000, or \$4.93 per share, on revenues of \$2,566,318,000, compared with 2013 net earnings attributable to Kirby of \$253,061,000, or \$4.44 per share, on revenues of \$2,242,195,000, and 2012 net earnings attributable to Kirby of \$209,438,000, or \$3.73 per share, on revenues of \$2,112,658,000.

Marine transportation revenues for 2014 were \$1,770,684,000, or 69% of total revenues, compared with \$1,713,167,000, or 76% of total revenues for 2013, and \$1,408,893,000, or 67% of total revenues for 2012. Diesel engine services revenues for 2014 were \$795,634,000, or 31% of total revenues, compared with \$529,028,000, or 24% of total revenues for 2013, and \$703,765,000, or 33% of total revenues for 2012.

The 2014 operating results included a \$2,766,000 before taxes, or \$.03 per share, first quarter severance charge which was mainly reflected in the marine transportation results. In addition, the 2014 year included an estimated \$.03 per share first quarter combined negative impact from delays and the cost of extra horsepower to navigate the heavy ice conditions on the upper inland river systems, and costs related to a March 22, 2014 incident in the Houston Ship Channel. For 2013 and 2012, the operating results included a credit to selling, general and administrative expenses of \$18,300,000 before taxes, or \$.20 per share, and a credit of \$4,300,000 before taxes, or \$.05 per share, respectively, associated with the change in the fair value of the United contingent earnout liability. The 2013 year included an estimated \$.03 per share negative impact during the second quarter from high water on the Mississippi and Illinois Rivers and the closure for repair of the Algiers Lock near New Orleans on the Gulf Intracoastal Waterway, net of certain revenue and cost recovery from contracts with terms that provide reimbursements for delays and increased costs.

## Marine Transportation

The Company, through its marine transportation segment, is a provider of marine transportation services, operating tank barges and towing vessels transporting bulk liquid products throughout the Mississippi River System, on the Gulf Intracoastal Waterway, coastwise along all three United States coasts and in Alaska and Hawaii. The Company transports petrochemicals, black oil, refined petroleum products and agricultural chemicals by tank barge. As of December 31, 2014, the Company operated 884 inland tank barges, including 39 leased barges, with a total capacity of 17.8 million barrels. This compares with 861 inland tank barges operated as of December 31, 2013, including 44 leased barges, with a total capacity of 17.3 million barrels. The Company operated an average of 251 inland towboats during 2014, of which an average of 79 were chartered, compared with 256 during 2013, of which an average of 77 were chartered. The Company's coastal tank barge fleet as of December 31, 2014 consisted of 69 tank barges, including eight of which were leased, with 6.0 million barrels of capacity, and 74 tugboats, six of which were chartered. This compares with 72 coastal tank barges operated as of December 31, 2013, 11 of which were leased, with 6.0 million barrels of capacity, and 76 coastal tugboats, seven of which were chartered. As of December 31, 2014 and 2013, the Company operated six and eight, respectively, offshore dry-bulk cargo barge and tugboat units engaged in the offshore transportation of dry-bulk cargoes. The Company also owns a two-thirds interest in Osprey which transports project cargoes and cargo containers by barge, as well as a 51% interest in a shifting operation and fleeting facility for dry cargo barges and tank barges on the Houston Ship Channel.

The following table sets forth the Company's marine transportation segment's revenues, costs and expenses, operating income and operating margins for the three years ended December 31, 2014 (dollars in thousands):

	2014	2013	% Change 2013 to 2014	2012	% Change 2012 to 2013
Marine transportation revenues	\$ 1,770,684	\$ 1,713,167	3%	\$ 1,408,893	22%
Costs and expenses:					
Costs of sales and operating expenses	1,053,390	1,029,040	2	848,540	21
Selling, general and administrative	119,087	112,272	6	105,934	6
Taxes, other than on income	14,324	14,026	2	12,807	10
Depreciation and amortization	154,019	149,574	3	129,857	15
	<u>1,340,820</u>	<u>1,304,912</u>	<u>3</u>	<u>1,097,138</u>	<u>19</u>
Operating income	\$ 429,864	\$ 408,255	5%	\$ 311,755	31%
Operating margins	<u>24.3%</u>	<u>23.8%</u>		<u>22.1%</u>	

The following table shows the marine transportation markets serviced by the Company, the marine transportation revenue distribution for 2014, products moved and the drivers of the demand for the products the Company transports:

<b>Markets Serviced</b>	<b>2014 Revenue Distribution</b>	<b>Products Moved</b>	<b>Drivers</b>
Petrochemicals	47%	Benzene, Styrene, Methanol, Acrylonitrile, Xylene, Caustic Soda, Butadiene, Propylene	Consumer non-durables —70% Consumer durables — 30%
Black Oil	25%	Residual Fuel Oil, Coker Feedstock, Vacuum Gas Oil, Asphalt, Carbon Black Feedstock, Crude Oil, Ship Bunkers	Fuel for Power Plants and Ships, Feedstock for Refineries, Road Construction
Refined Petroleum Products	25%	Gasoline, No. 2 Oil, Jet Fuel, Heating Oil, Naphtha, Diesel Fuel, Ethanol	Vehicle Usage, Air Travel, Weather Conditions, Refinery Utilization
Agricultural Chemicals	3%	Anhydrous Ammonia, Nitrogen-Based Liquid Fertilizer, Industrial Ammonia	Corn, Cotton and Wheat Production, Chemical Feedstock Usage

## 2014 Compared with 2013

### *Marine Transportation Revenues*

Marine transportation revenues for 2014 increased 3% when compared with 2013, reflecting continued strong utilization levels for both the inland and coastal markets and favorable pricing trends. For 2014 and 2013, the inland tank barge fleet contributed 68% and 69%, respectively, and the coastal fleet 32% and 31%, respectively, of marine transportation revenues. The Company's inland petrochemical, black oil and refined petroleum products fleets achieved consistent tank barge utilization levels in the 90% to 95% range throughout 2014, consistent with 2013. The results were negatively impacted by changes in the Company's Florida bunkering operation where a customer change led to a decrease in dedicated equipment and reduced revenue. The coastal equipment utilization for 2014 was in the 90% to 95% range, an improvement over the 90% range reported for 2013, aided by increased transportation of crude oil and natural gas condensate, continued success in expanding the coastal customer base to inland customers with coastal requirements, and cold weather during the 2014 first quarter that increased the demand for the transportation of heating oil.

The petrochemical market, the Company's largest market, contributed 47% of marine transportation revenues for 2014, reflecting continued strong volumes from Gulf Coast petrochemical plants for both domestic consumers and to terminals for export destinations. Low priced domestic natural gas, a basic feedstock for the United States petrochemical industry, provides the industry with a competitive advantage against foreign petrochemical producers.

The black oil market, which contributed 25% of marine transportation revenues for 2014, reflected continued strong demand driven by steady refinery production levels, the export of refined petroleum products and fuel oils, and demand for crude oil and natural gas condensate transportation from the Eagle Ford shale formations in South Texas both along the Gulf Intracoastal Waterway with inland vessels and in the Gulf of Mexico with coastal equipment, and for the movement of Canadian and Utica crude oil and natural gas condensate downriver from the Midwest to the Gulf Coast. The coastal fleet also moved Bakken crude from Albany, New York to Northeast refineries and from the Columbia River to West Coast refineries during 2014.

The refined petroleum products market, which contributed 25% of marine transportation revenues for 2014, reflected continued strong demand for the movement of products in the inland and coastal markets, benefiting from additional volumes from major customers and aided by the export of refined petroleum products and heavy fuel oils. The coastal refined products market was also driven by continued success in expanding the coastal customer base to inland customers with coastal requirements, as well as a cold winter in the Northeast that increased the demand for heating oil during the 2014 first quarter.

The agricultural chemical market, which contributed 3% of 2014 marine transportation revenues, saw strong demand for both domestically produced and imported products during the first quarter but was hindered by the slow transit times created by the harsh Midwest operating conditions throughout the 2014 first quarter. Strong seasonal demand continued through the months of April and May 2014. The 2014 third quarter saw typical demand with the start of the fall fertilizer fill, with demand continuing into the fourth quarter.

For 2014, the inland operations incurred 7,804 delay days, consistent with the 7,843 delay days that occurred during 2013. Delay days measure the lost time incurred by a tow (towboat and one or more tank barges) during transit when the tow is stopped due to weather, lock conditions or other navigational factors. Operating conditions during the 2014 third and fourth quarters were seasonally normal while operating conditions during the 2014 first quarter and portion of the second quarter were challenging, as transit times along the Gulf Intracoastal Waterway were affected by numerous strong frontal systems and fog, as well as heavy ice conditions on the Illinois, upper Mississippi and upper Ohio Rivers for the majority of the first quarter. While the Company continued to operate on these rivers despite the heavy ice conditions, transit times were increased, and either additional horsepower was required or tow sizes were reduced.

During 2014, approximately 80% of marine transportation's inland revenues were under term contracts and 20% were spot contract revenues compared with 75% term contracts and 25% spot contract revenues for 2013. The 2014 increase in term contract revenues was primarily due to increased volumes from term contract customers, thereby reducing equipment available for spot contract movements. The harsh winter weather conditions during the 2014 first quarter and portion of the second quarter that required more equipment to meet contract volumes also contributed to the higher term contract revenues. Inland time charters, which insulate the Company from revenue fluctuations caused by weather and navigational delays and temporary market declines, represented 56% of the revenues under term contracts during 2014 compared with 58% during 2013. The 80% term contract and 20% spot contract mix provides the inland operations with a predictable revenue stream.

During 2014, approximately 85% of the marine transportation's coastal revenues were under term contracts and approximately 15% were spot contract revenues compared with 75% term contracts and 25% spot contracts for 2013. The increase in term contract revenues reflected stronger demand for coastal tank barges. Coastal time charters represented approximately 90% of the revenues under term contracts during 2014 and 2013.

Rates on inland term contract rates renewed in the 2014 first and second quarters increased in the 3% to 5% average range compared with the 2013 first and second quarters. Rates on inland term contracts renewed in the 2014 third and fourth quarters increased in the 1% to 3% average range compared with term contracts renewed in the third and fourth quarters of 2013. Spot contract rates, which include the cost of fuel, increased modestly in each 2014 quarter compared with the prior quarters, except the spot contract rates in the 2014 fourth quarter were essentially flat when compared with the 2014 third quarter. Effective January 1, 2014, annual escalators for labor and the producer price index on a number of inland multi-year contracts resulted in rate increases on those contracts of approximately 1.7%, excluding fuel.

Rates on coastal term contracts renewed in the 2014 first, second and third quarters increased in the 7% to 9% average range and in the 2014 fourth quarter in the 5% average range, compared with term contracts renewed in the comparable 2013 quarters. Spot contract rates, which include the cost of fuel, continued to improve during 2014 and remained above term contract rates.

### ***Marine Transportation Costs and Expenses***

Costs and expenses for 2014 increased 3% compared with 2013. Costs of sales and operating expenses for 2014 increased 2% compared 2013.

The inland operations operated an average of 251 towboats during 2014, of which an average of 79 towboats were chartered, compared with 256 during 2013, of which an average of 77 towboats were chartered. As demand, or anticipated demand, increases or decreases, as new tank barges are added to the fleet, as chartered towboat availability changes, or as weather or water conditions dictate, such as the heavy ice conditions on the Illinois, upper Mississippi and upper Ohio Rivers that occurred in the 2014 first quarter and portion of the second quarter, the Company charters-in or releases chartered towboats in an effort to balance horsepower needs with current requirements. The Company has historically used chartered towboats for approximately one-third of its horsepower requirements.

During 2014, the inland operations consumed 44.7 million gallons of diesel fuel compared to 43.3 million gallons consumed during 2013. The average price per gallon of diesel fuel consumed during 2014 was \$3.06 compared with \$3.21 for 2013. Fuel escalation and de-escalation clauses on term contracts are designed to rebate fuel costs when prices decline and recover additional fuel costs when fuel prices rise; however, there is generally a 30 to 90 day delay before the contracts are adjusted. Spot contracts do not have escalators for fuel.

Selling, general and administrative expenses for 2014 increased 6% compared with 2013, reflecting salary increases effective April 1, 2014 and higher professional fees in the 2014 first half. In addition, the increase for 2014 reflected a first quarter severance charge of \$2,215,000 and the 2013 first quarter included a \$370,000 severance charge.

Depreciation and amortization for 2014 increased 3% compared with 2013. The increase was primarily attributable to increased capital expenditures, including new inland tank barges and towboats.

### ***Marine Transportation Operating Income and Operating Margins***

Marine transportation operating income for 2014 increased 5% compared with 2013. The operating margin was 24.3% for 2014 compared with 23.8% for 2013. The higher 2014 operating income and operating margin was a reflection of continued high inland and coastal equipment utilization, leading to higher inland and coastal term and spot contract rates negotiated throughout 2013 and 2014. The higher operating income and operating margin for 2014 was partially offset by the winter weather conditions experienced throughout the 2014 first quarter and portion of the second quarter and changes in the Company's Florida bunkering operation.

## **2013 Compared with 2012**

### ***Marine Transportation Revenues***

Marine transportation revenues for 2013 increased 22% when compared with 2012, reflecting the expansion of the coastal transportation business with the acquisition of Allied Transportation Company ("Allied") on November 1, 2012 and Penn on December 14, 2012. The inland tank barge fleet contributed approximately 70% and the coastal fleet approximately 30% of 2013 marine transportation revenues. Equipment utilization during 2013 for the inland petrochemical, black oil and refined petroleum products fleets remained in the 90% to 95% range, consistent with 2012. The coastal equipment utilization for 2013 was in the 90% range, a major improvement over the 80% range reported for 2012.

The petrochemical market, the Company's largest market, contributed 47% of marine transportation revenues for 2013, reflecting continued strong volumes from Gulf Coast petrochemical plants for both domestic consumers and to terminals for export destinations. Low priced domestic natural gas, a basic feedstock for the United States petrochemical industry, provides the industry with a competitive advantage against foreign petrochemical producers. The 2013 year also included a full year of revenues from the 10 coastal tank barges purchased from Allied that transport petrochemicals coastwise.

The black oil market, which contributed 25% of marine transportation revenues for 2013, also reflected continued strong demand, driven by steady refinery production levels, the export of refined petroleum products and fuel oils, and increased demand for crude oil transportation from the Eagle Ford shale formations in South Texas both along the Gulf Intracoastal Waterway with inland vessels and in the Gulf of Mexico with coastal equipment, and for the movement of Canadian, Bakken and Utica crude oil and natural gas condensate downriver from the Midwest to the Gulf Coast. The coastal fleet also moved Bakken crude from Albany, New York to Northeast refineries during 2013 and in the 2013 fourth quarter began moving Bakken crude from the Columbia River to West Coast refineries. The 2013 year also included a full year of revenues from the 18 coastal tank barges acquired with the acquisition of Penn, expanding the Company's coastal black oil movements of refinery feedstocks, asphalt, crude oil and natural gas condensate.

The refined petroleum products market, which contributed 24% of marine transportation revenues for 2013, reflected higher demand for the movement of products in the inland and coastal markets, benefiting from additional volumes from major customers and aided by the export of refined petroleum products and heavy fuel oils. The coastal refined products market was also driven by continued success in expanding the coastal customer base to inland customers with coastal requirements, as well as a colder winter in the Northeast that increased the demand for distillate products.

The agricultural chemical market, which contributed 4% of 2013 marine transportation revenues, saw weak demand during January and February due to winter weather and low water conditions in the Midwest. Demand increased significantly in March for both domestically produced and imported products and continued throughout the second quarter. Demand decreased during the 2013 third quarter due to seasonality and the Midwest drought but improved during the fourth quarter with the traditional fall fill.

For 2013, the inland operations incurred 7,843 delay days, 23% more than the 6,358 delay days that occurred during 2012. Delay days measure the lost time incurred by a tow (towboat and one or more tank barges) during transit when the tow is stopped due to weather, lock conditions or other navigational factors. High water conditions on the Mississippi and Illinois Rivers during the entire 2013 second quarter, and the closure of the Algiers Lock located on the Gulf Intracoastal Waterway due to structural damage during the entire second quarter and through the majority of July, created heavy congestion and multi-day delays in the New Orleans area and along the alternate route to the Mississippi River at the Bayou Sorrels and Port Allen Locks. In addition, low water levels on the upper Mississippi River System led to the light loading of tank barges destined for that area during the months of September and October 2013.

During 2013 and 2012, approximately 75% of marine transportation's inland revenues were under term contracts and 25% were spot contract revenues. Inland time charters, which insulate the Company from revenue fluctuations caused by weather and navigational delays and temporary market declines, represented 58% of the revenues under term contracts during 2013 compared with 57% during 2012. The 75% term contract and 25% spot contract mix provides the inland operations with a predictable revenue stream.

During 2013, approximately 75% of the coastal revenues were under term contracts and 25% were spot contract revenues. Coastal time charters represented approximately 90% of the revenues under term contracts. For 2012, approximately 60% of the coastal revenues were under term contracts and 40% were spot contract revenues. The increase in term contracts reflected the stronger demand for coastal tank barges, as well as the 2012 fourth quarter acquisitions of Allied and Penn.

Rates on inland term contracts renewed throughout 2013 increased in the 4% to 6% average range compared with term contracts renewed throughout 2012. Spot contract rates in 2013, which include the cost of fuel, increased modestly compared with 2012. Effective January 1, 2013, annual escalators for labor and the producer price index on a number of inland multi-year contracts resulted in rate increases on those contracts of approximately 1%, excluding fuel.

Rates on coastal term contracts renewed throughout 2013 increased in the 7% to 9% average range compared with term contracts renewed throughout 2012. Spot contract rates, which include the cost of fuel, continued to improve during 2013 and remained above term contract rates.

### ***Marine Transportation Costs and Expenses***

Costs and expenses for 2013 increased 19% compared with the 2012, reflecting higher costs and expenses associated with increased marine transportation demand, and to a lesser extent the Allied and Penn acquisitions in late 2012. Costs of sales and operating expenses for 2013 increased 21% compared with 2012.

The inland operations operated an average of 256 towboats during 2013, of which an average of 77 were chartered, compared with 245 during 2012, of which an average of 64 were chartered. The increase in the number of towboats operated was a reflection of the higher tank barge utilization levels in the petrochemical, black oil and refined petroleum products markets during 2013 compared with 2012, as well as higher demand for towboats associated with the high water and lock closure issues noted above. As demand increases or decreases, or as weather or water conditions dictate, the Company charters-in or releases chartered towboats in an effort to balance horsepower needs with current requirements. The Company has historically used chartered towboats for approximately one-third of its inland horsepower requirements.

During 2013, the inland operations consumed 43.3 million gallons of diesel fuel compared to 43.1 million gallons consumed during 2012. The average price per gallon of diesel fuel consumed during 2013 was \$3.21 compared with \$3.24 for 2012. Fuel escalation and de-escalation clauses on term contracts are designed to rebate fuel costs when prices decline and recover additional fuel costs when fuel prices rise; however, there is generally a 30 to 90 day delay before the contracts are adjusted. Spot contracts do not have escalators for fuel.

Selling, general and administrative expenses for 2013 increased 6% compared with 2012, reflecting the acquisitions of Allied and Penn, and 2013 severance charges of \$370,000 associated with the integration of Penn's administrative functions into the Company. The 2012 year included \$2,920,000 of severance charges associated with the integration of Kirby Offshore Marine's administrative functions into the Company.

Depreciation and amortization for 2013 increased 15% compared with 2012. The increase was primarily attributable to increased capital expenditures, including new inland tank barges and towboats, and the acquisitions of Allied and Penn during late 2012.

**Marine Transportation Operating Income and Operating Margins**

Marine transportation operating income for 2013 increased 31% compared with 2012. The operating margin was 23.8% for 2013 compared with 22.1% for 2012. The higher operating income and operating margin was a reflection of continued high inland equipment utilization, leading to higher inland term and spot contract rates negotiated throughout 2012 and 2013, as well as higher coastal equipment utilization, including the Allied and Penn equipment, that led to higher coastal term and spot contract rates negotiated throughout 2013.

**Diesel Engine Services**

The Company, through its diesel engine services segment, sells genuine replacement parts, provides service mechanics to overhaul and repair medium-speed and high-speed diesel engines, transmissions, reduction gears, pumps and compression products, maintains facilities to rebuild component parts or entire medium-speed and high-speed diesel engines, transmissions and entire reduction gears, and manufactures and remanufactures oilfield service equipment, including pressure pumping units. The Company primarily services the marine, power generation and land-based oil and gas operator and producer markets.

The following table sets forth the Company's diesel engine services segment's revenues, costs and expenses, operating income and operating margins for the three years ended December 31, 2014 (dollars in thousands):

	2014	2013	% Change 2013 to 2014	2012	% Change 2012 to 2013
Diesel engine services revenues	\$ 795,634	\$ 529,028	50%	\$ 703,765	(25)%
Costs and expenses:					
Costs of sales and operating expenses	641,492	419,765	53	561,122	(25)
Selling, general and administrative	80,309	53,595	50	62,560	(14)
Taxes, other than on income	2,307	1,805	28	1,667	8
Depreciation and amortization	11,463	11,096	3	12,030	(8)
	<u>735,571</u>	<u>486,261</u>	<u>51</u>	<u>637,379</u>	<u>(24)</u>
Operating income	\$ 60,063	\$ 42,767	40%	\$ 66,386	(36)%
Operating margins	<u>7.5%</u>	<u>8.1%</u>		<u>9.4%</u>	

The following table shows the markets serviced by the Company, the revenue distribution for 2014, and the customers for each market:

Markets Serviced	2014 Revenue Distribution	Customers
Land-Based	72%	Land-Based Oilfield Services, Oil and Gas Operators and Producers, Compression, On-and Off-Highway Transportation
Marine	19%	Inland River Carriers — Dry and Liquid, Offshore Towing — Dry and Liquid, Offshore Oilfield Services — Drilling Rigs & Supply Boats, Harbor Towing, Dredging, Great Lakes Ore Carriers
Power Generation	9%	Standby Power Generation, Pumping Stations

## 2014 Compared with 2013

### *Diesel Engine Services Revenues*

Diesel engine services revenues for 2014 increased 50% compared with 2013, primarily attributable to an improvement in the sale and service of land-based diesel engines and transmissions, and an increase in the manufacture of oilfield service equipment, including pressure pumping units. Demand for the remanufacture of pressure pumping units remained steady throughout 2014 and reflected an improvement over 2013. With the steep decline in the price of crude oil during the 2014 fourth quarter, the land-based market was negatively impacted by some customer order cancellations and requests to delay projects. In addition, production inefficiencies related to supply chain issues and difficulties adding productive labor also negatively impacted the land-based market. The marine diesel engine services market improved modestly, benefiting from major service projects for inland and coastal customers, as well as Gulf of Mexico and foreign offshore oilfield service vessels and drilling operators. The power generation market was stable, benefiting from major generator set upgrades and parts sales for both domestic and international power generation customers.

### *Diesel Engine Services Costs and Expenses*

Costs and expenses for 2014 increased 51% compared with 2013. The increases in cost of sales and operating expenses were primarily attributable to the continued improvement in demand for the manufacturing of oilfield service equipment, including pressure pumping units, as well as the increase in the sale and service of land-based diesel engines and transmissions. The 2013 year included an \$18,300,000 credit to selling, general and administrative expenses, resulting from a net decrease in the fair value of the contingent earnout liability associated with the April 2011 acquisition of United.

### *Diesel Engine Services Operating Income and Operating Margins*

Diesel engine services operating income for 2014 increased 40% compared with 2013. The operating margin for 2014 was 7.5% compared with 8.1% for 2013. The 2013 year included the \$18,300,000 credit to selling, general and administrative expenses noted above. The 2014 results reflected improvement in the land-based market and stable marine and power generation markets. Some order cancellations and requests to delay projects during the 2014 fourth quarter and production inefficiencies during 2014 in the land-based market negatively impacted the 2014 operating income and margin.

## 2013 Compared with 2012

### *Diesel Engine Services Revenues*

Diesel engine services revenues for 2013 decreased 25% compared with 2012, primarily attributable to a continuation of lower demand for the manufacturing of oil service equipment and the sale and service of land-based diesel engines, transmissions and parts. The market for the remanufacturing of older pressure pumping units remained relatively stable, but at lower levels. This decline in revenues for 2013 reflected the current state of the pressure pumping market and current oversupply of pressure pumping units, the result of over building in 2011 and of low natural gas prices and corresponding decline in drilling for natural gas in North America. The marine diesel engine services market remained stable, benefiting from major service projects for Midwest and Gulf Coast inland customers, and East Coast, Gulf Coast and West Coast offshore customers. The power generation market, consisting of major engine-generator set upgrades and parts sales for both domestic and international power generation customers, was stable.

### ***Diesel Engine Services Costs and Expenses***

Costs and expenses for 2013 decreased 24% compared with 2012 and costs of sales and operating expenses decreased 25%, corresponding with the decrease in land-based revenues noted above. Selling, general and administrative expenses for 2013 decreased 14% compared with 2012, as 2013 included an \$18,300,000 credit resulting from a decrease in the fair value of the contingent earnout liability associated with the April 2011 acquisition of United, thereby eliminating the remaining liability. This compares with a \$4,300,000 credit for 2012 resulting from a net decrease in the fair value of the contingent earnout liability. The 2013 year also included a reduction in force charge in the marine high-speed sector, as well as higher warranty reserves and certain employee related costs in the land-based sector related to personnel changes.

### ***Diesel Engine Services Operating Income and Operating Margins***

Diesel engine services operating income for 2013 decreased 36% compared with 2012. The operating margin for 2013 was 8.1% compared with 9.4% for 2012. The lower operating income and operating margin primarily reflected the significant reduction in the number of pressure pumping units manufactured and the decline in the sale and service of land-based diesel engines, transmissions and parts during 2013 compared with 2012. In addition, 2013 and 2012 included the \$18,300,000 and \$4,300,000, respectively, earnout credit noted above.

### **General Corporate Expenses**

General corporate expenses for 2014, 2013 and 2012 were \$14,896,000, \$15,728,000 and \$13,294,000, respectively. The 5% decrease for 2014 compared with 2013 was due to lower employee incentive compensation accruals in 2014 and staff reductions in the first quarter of 2014. The 18% increase for 2013 compared with 2012 was primarily due to higher employee incentive compensation accruals, employee recruiting costs, and additional corporate personnel and related costs to support the Allied and Penn acquisitions.

### **Gain (Loss) on Disposition of Assets**

The Company reported a net gain on disposition of assets of \$781,000 in 2014 compared with a net gain on disposition of assets of \$888,000 in 2013 and a net loss on disposition of assets of \$14,000 in 2012. The net gains and losses were predominantly from the sale or retirement of marine equipment and the sale of a diesel engine services facility in 2013.

### **Other Income and Expenses**

The following table sets forth equity in earnings of affiliates, other income (expense), noncontrolling interests and interest expense for the three years ended December 31, 2014 (dollars in thousands):

	2014	2013	% Change 2013 to 2014	2012	% Change 2012 to 2013
Equity in earnings of affiliates	\$ 384	\$ 348	10%	\$ 276	26%
Other income (expense)	(345)	20	—%	(198)	—%
Noncontrolling interests	(2,602)	(3,238)	(20)%	(3,181)	2%
Interest expense	(21,461)	(27,872)	(23)%	(24,385)	14%

### ***Equity in Earnings of Affiliates***

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

**Noncontrolling Interests**

Noncontrolling interests for 2014 decreased 20% compared with 2013, primarily due to lower business levels at the Company's 51% owned shifting operation and fleeting facility for dry cargo barges and tank barges on the Houston Ship Channel.

**Interest Expense**

Interest expense for 2014 decreased 23% compared with 2013, primarily due to lower 2014 average debt levels. Interest expense for 2013 increased 14% compared with 2012, primarily the result of borrowings under the revolving credit facility to finance the November 2012 Allied acquisition, as well as the new senior notes to finance the December 2012 Penn acquisition. During 2014, 2013 and 2012, the average debt and average interest rate (excluding capitalized interest expense), including the effect of interest rate swaps in 2012 and a portion of the 2013 first quarter, were \$682,616,000 and 3.2%, \$974,012,000 and 2.8%, and \$800,123,000 and 3.0%, respectively. Interest expense excludes capitalized interest of \$639,000 for the year ending December 31, 2014. No interest was capitalized for the years ending December 31, 2013 and 2012.

**Financial Condition, Capital Resources and Liquidity****Balance Sheet**

Total assets at December 31, 2014 were \$4,141,909,000 compared with \$3,682,517,000 at December 31, 2013 and \$3,653,128,000 at December 31, 2012. The following table sets forth the significant components of the balance sheet as of December 31, 2014 compared with 2013 and 2013 compared with 2012 (dollars in thousands):

	<u>2014</u>	<u>2013</u>	<u>% Change 2013 to 2014</u>	<u>2012</u>	<u>% Change 2012 to 2013</u>
Assets:					
Current assets	\$ 803,154	\$ 544,006	48%	\$ 596,256	(9)%
Property and equipment, net	2,589,498	2,370,803	9	2,315,165	2
Investment in affiliates	2,539	2,156	18	1,808	19
Goodwill	591,405	591,405	—	596,030	(1)
Other assets	155,313	174,147	(11)	143,869	21
	<u>\$ 4,141,909</u>	<u>\$ 3,682,517</u>	<u>12%</u>	<u>\$ 3,653,128</u>	<u>1%</u>
Liabilities and stockholders' equity:					
Current liabilities	\$ 594,027	\$ 345,989	72%	\$ 355,020	(3)%
Long-term debt-less current portion	600,000	749,150	(20)	1,070,110	(30)
Deferred income taxes	595,769	544,110	9	426,096	28
Other long-term liabilities	87,200	21,115	313	94,848	(78)
Total equity	2,264,913	2,022,153	12	1,707,054	18
	<u>\$ 4,141,909</u>	<u>\$ 3,682,517</u>	<u>12%</u>	<u>\$ 3,653,128</u>	<u>1%</u>

**2014 Compared with 2013**

Current assets as of December 31, 2014 increased 48% compared with December 31, 2013. Trade accounts receivable increased 34%, primarily a reflection of the increase in the land-based diesel engine services receivables due to an increase in business activity levels in 2014 compared with 2013. Other accounts receivable increased 169%, primarily due to an increase in insurance claim receivables related to the March 22, 2014 incident in the Houston Ship Channel. Inventory in the diesel engine services segment increased 42% with the building of land-based inventory to support increased business activity levels and parts purchased for 2015 first quarter projects.

Property and equipment, net of accumulated depreciation, at December 31, 2014 increased 9% compared with December 31, 2013. The increase reflected \$355,144,000 of capital expenditures for 2014, more fully described under Capital Expenditures below, the purchase of three previously leased coastal barges for \$31,800,000, less \$160,070,000 of depreciation expense for 2014 and \$9,866,000 of property disposals during 2014.

Other assets at December 31, 2014 decreased 11% compared with December 31, 2013 primarily due to amortization of intangibles other than goodwill and the amortization of deferred major maintenance drydock expenditures on ocean-going vessels during 2014, net of major maintenance drydock expenditures for 2014.

Current liabilities as of December 31, 2014 increased 72% compared with December 31, 2013. The current portion of long-term debt at December 31, 2014 reflected the reclassification of the \$116,700,000 balance of the revolving credit facility as current since it matures November 9, 2015. Accounts payable increased 25%, primarily from increased business activity levels in the diesel engine services segment. Accrued liabilities increased 56%, primarily from an increase in claims payable resulting from the March 22, 2014 incident in the Houston Ship Channel. Deferred revenues increased 38%, primarily reflecting increased advanced billings for diesel engine services and marine transportation customers.

Long-term debt, less current portion, as of December 31, 2014, decreased 20% compared with December 31, 2013, reflecting payments of \$108,000,000 on the term loan during 2014 and the reclassification of the revolving credit facility to current portion of long-term debt.

Deferred income taxes as of December 31, 2014 increased 9% compared with December 31, 2013. The increase was primarily due to the 2014 deferred tax provision of \$77,976,000, the result of bonus tax depreciation on qualifying expenditures due to the Tax Increase Prevention Act of 2014 that continued 50% bonus tax depreciation for capital investments placed in service through December 31, 2014.

Other long-term liabilities as of December 31, 2014 increased 313% compared with December 31, 2013. The increase was primarily attributable to an increase in the pension liability due to a lower discount rate and a new mortality table.

Total equity as of December 31, 2014 increased 12% compared with December 31, 2013. The increase was primarily the result of \$282,006,000 of net earnings attributable to Kirby for 2014, a \$12,272,000 increase in treasury stock, a \$17,860,000 increase in additional paid-in capital and a \$44,244,000 decrease in accumulated other comprehensive income ("OCI"). The increase in treasury stock was attributable to purchases during 2014 of \$15,321,000 of Company common stock, partially offset by the exercise of stock options and the issuance of restricted stock. The increase in additional paid-in capital was due to the excess of proceeds received upon exercise of stock options and the issuance of restricted stock over the cost of the treasury stock issued. The decrease in accumulated OCI primarily resulted from the increase in unrecognized losses related to the Company's defined benefit plans.

### ***2013 Compared with 2012***

Current assets as of December 31, 2013 decreased 9% compared with December 31, 2012. Trade accounts receivable decreased 1%, primarily a reflection of better collection efforts. Inventory in the diesel engine services segment decreased 23%, primarily due to a reduction in the number of engines and transmissions on hand at the Company's land-based diesel engine service facilities that were purchased in 2012 for specific customers and sold in 2013, and the sale of pressure pumping units held on hand.

Property and equipment, net of accumulated depreciation, at December 31, 2013 increased 2% compared with December 31, 2012. The increase reflected \$253,227,000 of capital expenditures for 2013, more fully described under Capital Expenditures below, less \$155,068,000 of depreciation expense for 2013 and \$32,798,000 of property disposals during 2013.

Other assets at December 31, 2013 increased 21% compared with December 31, 2012 primarily due to deferred major maintenance drydock expenditures on ocean-going vessels during 2013 and the recording of a pension asset of \$4,563,000 due to the Company's pension plan being in a fully funded position at December 31, 2013.

Current liabilities as of December 31, 2013 decreased 3% compared with December 31, 2012. At December 31, 2013, none of the long-term debt was classified as current due to prepayments of the term loan during 2013, compared with \$65,000,000 classified as current portion of long-term debt at December 31, 2012. Accounts payable increased 13% primarily from higher voyage expenditures associated with higher marine transportation activity levels and higher shipyard accruals. Accrued liabilities increased 13% primarily from higher employee incentive compensation accruals, accrued interest and marine insurance claim reserves. Deferred revenues increased 118%, primarily reflecting increased advanced billings for coastal transportation customers.

Long-term debt, less current portion, as of December 31, 2013 decreased 30% compared with December 31, 2012, reflecting payments on the revolving credit facility and term loan during 2013.

Deferred income taxes as of December 31, 2013 increased 28% compared with December 31, 2012. The increase was primarily due to the 2013 deferred tax provision of \$103,056,000, the result of bonus tax depreciation on qualifying expenditures due to the American Taxpayers Relief Act of 2012 that provides 50% bonus tax depreciation for capital investments placed in service through December 31, 2013.

Other long-term liabilities as of December 31, 2013 decreased 78% compared with December 31, 2012. The decrease was due to the reversal of pension plan accruals of \$49,100,000 as the Company's pension plan was fully funded at December 31, 2013, the reversal during 2013 of the \$18,300,000 contingent earnout liability associated with the acquisition of United, and a \$5,000,000 payment associated with the \$10,000,000 contingent liability recorded at the acquisition date of Allied pertaining to developments with the sugar provisions in the United States Farm Bill.

Total equity as of December 31, 2013 increased 18% compared with December 31, 2012. The increase was primarily the result of \$253,061,000 of net earnings attributable to Kirby for 2013, a \$5,493,000 decrease in treasury stock, a \$12,830,000 increase in additional paid-in capital and a \$44,334,000 increase in accumulated OCI. The decrease in treasury stock was attributable to the exercise of stock options and the issuance of restricted stock. The increase in additional paid-in capital was due to the excess of proceeds received upon exercise of stock options and the issuance of restricted stock over the cost of the treasury stock issued. The increase in accumulated OCI primarily resulted from the net change in fair value of interest rate swap agreements, net of taxes, more fully described under Fair Value of Derivative Instruments below, and the decrease in unrecognized losses related to the Company's defined benefit plans.

### ***Retirement Plans***

The Company sponsors a defined benefit plan for its inland vessel personnel and shore based tankermen. The plan benefits are based on an employee's years of service and compensation. The plan assets consist primarily of equity and fixed income securities. The Company's pension plan funding strategy has historically been to contribute an amount equal to the greater of the minimum required contribution under ERISA or the amount necessary to fully fund the plan on an accumulated benefit obligation ("ABO") basis at the end of the fiscal year. No pension contribution was made in 2014 for the 2014 year as funding of the pension plan's ABO was 100% at December 31, 2014. No pension contribution was made in 2013 for the 2013 year as funding of the pension plan's ABO was 127% at December 31, 2013. The fair value of plan assets was \$242,275,000 and \$254,523,000 at December 31, 2014 and December 31, 2013, respectively.

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

The Company makes various assumptions when determining defined benefit plan costs including, but not limited to, the current discount rate and the expected long-term return on plan assets. Discount rates are determined annually and are based on a yield curve that consists of a hypothetical portfolio of high quality corporate bonds with maturities matching the projected benefit cash flows. The Company used discount rates of 4.1% and 5.0% in 2014 and 2013, respectively, in determining its benefit obligations. The Company estimates that every 0.1% decrease in the discount rate results in an increase in the ABO of approximately \$4,056,000. The Company assumed that plan assets would generate a long-term rate of return of 7.5% in 2014 and 2013. The Company developed its expected long-term rate of return assumption by evaluating input from investment consultants and comparing historical returns for various asset classes with its actual and targeted plan investments. The Company believes that long-term asset allocation, on average, will approximate the targeted allocation.

## **Long-Term Financing**

The Company has \$500,000,000 of unsecured senior notes (“Senior Notes Series A” and “Senior Notes Series B”) with a group of institutional investors, consisting of \$150,000,000 of 2.72% Senior Notes Series A due February 27, 2020 and \$350,000,000 of 3.29% Senior Notes Series B due February 27, 2023. The Company issued \$82,500,000 of Senior Notes Series A and \$192,500,000 of Senior Notes Series B on December 13, 2012, the proceeds of which were used to fund the acquisition of Penn. The Company issued \$67,500,000 of Senior Notes Series A and \$157,500,000 of Senior Notes Series B on February 27, 2013, the proceeds of which were used to refinance \$200,000,000 of floating rate senior notes due February 28, 2013, with the balance used to pay down the Company’s unsecured revolving credit facility. No principal payments are required until maturity. The Senior Notes Series A and Series B contain certain covenants on the part of the Company, including an interest coverage covenant, a debt-to-capitalization covenant and covenants relating to liens, asset sales and mergers, among others. The Senior Notes Series A and Series B also specify certain events of default, upon the occurrence of which the maturity of the notes may be accelerated, including failure to pay principal and interest, violation of covenants or default on other indebtedness, among others. As of December 31, 2014, the Company was in compliance with all Senior Notes Series A and Series B covenants and had \$150,000,000 of Senior Notes Series A outstanding and \$350,000,000 of Senior Notes Series B outstanding.

The Company has a \$325,000,000 unsecured revolving credit facility (“Revolving Credit Facility”) with a syndicate of banks, with JPMorgan Chase Bank, N.A. as the administrative agent bank, with a maturity date of November 9, 2015. The variable interest rate spread varies with the Company’s senior debt rating and is currently 1.5% over the London Interbank Offered Rate (“LIBOR”) or 0.5% over an alternate base rate calculated with reference to the agent bank’s prime rate, among other factors (“Alternate Base Rate”). The commitment fee is currently 0.3%. The Revolving Credit Facility contains certain restrictive financial covenants including an interest coverage ratio and a debt-to-capitalization ratio. In addition to financial covenants, the Revolving Credit Facility contains covenants that, subject to exceptions, restrict debt incurrence, mergers and acquisitions, sales of assets, dividends and investments, liquidations and dissolutions, capital leases, transactions with affiliates and changes in lines of business. Borrowings under the Revolving Credit Facility may be used for general corporate purposes, the purchase of existing or new equipment, the purchase of the Company’s common stock, or for business acquisitions. As of December 31, 2014, the Company was in compliance with all Revolving Credit Facility covenants and had \$116,700,000 outstanding under the Revolving Credit Facility which was classified as current portion of long-term debt. The Revolving Credit Facility includes a \$25,000,000 commitment which may be used for standby letters of credit. Outstanding letters of credit under the Revolving Credit Facility were \$4,939,000 as of December 31, 2014.

The Company has a credit agreement (“Term Loan”) with a group of commercial banks, with Wells Fargo Bank, National Association as the administrative agent bank, with a maturity date of July 1, 2016. The Term Loan provides for a \$540,000,000 five-year unsecured term loan facility with a variable interest rate based on LIBOR or an Alternate Base Rate. The interest rate spread varies with the Company’s senior debt rating and is currently 1.5% over LIBOR or 0.5% over the Alternate Base Rate. The outstanding balance of the Term Loan is subject to quarterly amortization in increasing amounts and is prepayable, in whole or in part, without penalty. The Term Loan contains certain restrictive financial covenants including an interest coverage ratio and a debt-to-capitalization ratio. In addition to financial covenants, the Term Loan contains covenants that, subject to exceptions, restrict debt incurrence, mergers and acquisitions, sales of assets, dividends and investments, liquidations and dissolutions, capital leases, transactions with affiliates and changes in lines of business. As of December 31, 2014, the Company was in compliance with all Term Loan covenants and had \$100,000,000 outstanding under the Term Loan, none of which was classified as current portion of long-term debt.

The Company had \$200,000,000 of unsecured floating rate senior notes (“Senior Notes”) that were retired on February 28, 2013, the maturity date of the Senior Notes, with the proceeds from the Senior Notes Series A and Senior Notes Series B described above.

The Company has a \$10,000,000 line of credit (“Credit Line”) with Bank of America for short-term liquidity needs and letters of credit, with a maturity date of June 29, 2015. The Credit Line allows the Company to borrow at an interest rate agreed to by Bank of America and the Company at the time each borrowing is made or continued. As of December 31, 2014, the Company had no balance outstanding under the Credit Line. Outstanding letters of credit under the Credit Line were \$1,194,000 as of December 31, 2014.

### ***Interest Rate Risk Management***

From time to time, the Company has utilized derivative financial instruments with respect to a portion of its interest rate risks to achieve a more predictable cash flow by reducing its exposure to interest rate fluctuations. These transactions generally are interest rate swap agreements and are entered into with large multinational banks. On February 28, 2013, all of the Company’s outstanding interest rate swaps expired. These interest rate swaps, with a notional amount of \$200,000,000, were designated as cash flow hedges.

### ***Foreign Currency Risk Management***

From time to time, the Company has utilized derivative financial instruments with respect to its forecasted foreign currency transactions to attempt to reduce the risk of its exposure to foreign currency rate fluctuations in its transactions denominated in foreign currency. These transactions, which relate to foreign currency obligations for the purchase of equipment from foreign suppliers or foreign currency receipts from foreign customers, generally are forward contracts or purchased call options and are entered into with large multinational banks. During the first quarter of 2014, the Company’s remaining forward contract with a notional amount of \$469,000 expired.

### ***Fair Value of Derivative Instruments***

The following table sets forth the fair value of the Company’s derivative instruments recorded as liabilities located on the consolidated balance sheet at December 31, 2014 and 2013 (in thousands):

<b>Liability Derivatives</b>	<b>Balance Sheet Location</b>	<b>2014</b>	<b>2013</b>
<b>Derivatives designated as hedging instruments under ASC 815:</b>			
Foreign currency contracts	Other accrued liabilities	\$ —	\$ 59
Foreign currency contracts	Other long-term liabilities	—	—
Interest rate contracts	Other accrued liabilities	—	—
Total derivatives designated as hedging instruments under ASC 815		<u>\$ —</u>	<u>\$ 59</u>
Total liability derivatives		<u>\$ —</u>	<u>\$ 59</u>

Fair value amounts were derived as of December 31, 2014 and December 31, 2013 utilizing fair value models of the Company and its counterparties on the Company’s portfolio of derivative instruments. These fair value models use the income approach that relies on inputs such as yield curves, currency exchange rates and forward prices. The fair value of the Company’s derivative instruments is described in Note 3, Fair Value Measurements.

### ***Cash Flow Hedges***

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. Any ineffectiveness related to the Company’s hedges was not material for any of the periods presented.

The following table sets forth the location and amount of gains and losses on the Company's derivative instruments in the consolidated statements of earnings for the years ended December 31, 2014, 2013 and 2012 (in thousands):

Derivatives in ASC 815 Cash Flow Hedging Relationships:	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)		
		2014	2013	2012
Interest rate contracts	Interest expense	\$ —	\$ 1,486	\$ 7,716
Foreign exchange contracts	Cost of sales and operating expenses	145	(23)	346
<b>Total</b>		<b>\$ 145</b>	<b>\$ 1,463</b>	<b>\$ 8,062</b>

Derivatives in ASC 815 Cash Flow Hedging Relationships:	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		
		2014	2013	2012
Interest rate contracts	Interest expense	\$ —	\$ (1,389)	\$ (8,321)
Foreign exchange contracts	Cost of sales and operating expenses	121	—	19
<b>Total</b>		<b>\$ 121</b>	<b>\$ (1,389)</b>	<b>\$ (8,302)</b>

### Capital Expenditures

Capital expenditures for 2014 were \$355,144,000, including \$125,737,000 for inland tank barge and tugboat construction, \$71,793,000 primarily for progress payments on the construction of two 185,000 barrel articulated coastal tank barge and 10000 horsepower tugboat units, one scheduled to be placed in service in mid-to-late 2015 and one in the first half of 2016, \$19,201,000 for down payments on the construction of two 155,000 barrel articulated coastal tank barge and 6000 horsepower tugboat units, one scheduled to be placed in service in the 2016 second half and one in the 2017 first half, and \$138,413,000 primarily for upgrading existing marine transportation equipment and facilities and diesel engine services facilities, as well as the final costs for the construction of two offshore dry-bulk barge and tugboat units delivered during 2013. Capital expenditures for 2013 were \$253,227,000, of which \$147,786,000 was for construction of new inland tank barges and tugboats and progress payments on the construction of the two offshore articulated dry-bulk barge and tugboat units completed in the 2013 second quarter, and \$105,441,000 was primarily for upgrading existing marine transportation equipment and facilities and diesel engine service facilities. Financing of the construction of the inland tank barges and tugboats, coastal tank barges and tugboats, and the two offshore dry-bulk barge and tugboat units was through operating cash flows and available credit under the Company's Revolving Credit Facility. The Company purchased one previously leased coastal tank barge in August 2014 for \$6,500,000. In addition, the Company purchased two previously leased coastal tank barges in October 2014 for \$25,300,000.

During 2014, the Company took delivery of 61 new inland tank barges with a total capacity of 1,072,000 barrels, retired 33 inland tank barges and returned five leased inland tank barges, which reduced its capacity by 575,000 barrels. As a result, the Company added a net 23 inland tank barges and 497,000 barrels of capacity during 2014. The Company's inland operation also took delivery of one inland tugboat in 2014.

In January 2014, the Company signed an agreement to construct a 185,000 barrel coastal articulated tank barge and 10000 horsepower tugboat unit at a cost of approximately \$75,000,000 for delivery in mid-to-late 2015. In April 2014, the Company exercised its option for the construction of a second 185,000 barrel coastal articulated tank barge and 10000 horsepower tugboat unit at a cost of approximately \$75,000,000 for delivery in the first half of 2016.

In July 2014, the Company signed agreements to construct two 155,000 barrel coastal articulated tank barge and 6000 horsepower tugboat units at a combined cost of approximately \$125,000,000 to \$130,000,000, the first for delivery in the 2016 second half and second in the 2017 first half.

The Company projects that capital expenditures for 2015 will be in the \$300,000,000 to \$310,000,000 range. The 2015 construction program will consist of 39 inland tank barges with a total capacity of 572,000 barrels, three inland towboats, progress payments on the construction of two 185,000 barrel coastal articulated tank barge and tugboat units scheduled to be placed in service in mid-to-late 2015 and first half of 2016 and progress payments on the construction of two 155,000 barrel coastal articulated tank barge and tugboat units scheduled to be placed in service in the 2016 second half and the 2017 first half. Based on current commitments, steel prices and projected delivery schedules, the Company's 2015 payments on new inland tank barges and towboats will be approximately \$75,000,000 and 2015 progress payments on the construction of the two 185,000 barrel coastal articulated tank barge and tugboat units and the two 155,000 barrel coastal articulated tank barge and tugboat units will be approximately \$85,000,000. The balance of approximately \$140,000,000 to \$150,000,000 is primarily capital upgrades and improvements to existing marine equipment, and marine transportation and diesel engine services facilities.

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

### ***Treasury Stock Purchases***

In December 2014, the Company purchased 187,000 shares of its common stock for \$15,321,000, for an average price of \$81.75 per share, under a stock trading plan entered into with a brokerage firm pursuant to Rule 10b5-1 under the Exchange Act. In January 2015, the Company purchased 1,077,000 shares of its common stock for \$84,679,000, for an average price of \$78.66 per share under the same stock trading plan. On January 23, 2015, the Company's Board of Directors authorized the repurchase of an additional 2,000,000 shares of the Company's common stock. From February 4, 2015 to February 20, 2015, the Company purchased 176,000 shares of its common stock for \$13,332,000, for an average price of \$75.88 per share. As of February 20, 2015, the Company had approximately 3,510,000 shares available under the existing repurchase authorization. The treasury stock purchases are financed through operating cash flows and borrowings under the Company's Revolving Credit Facility. The Company is authorized to purchase its common stock on the New York Stock Exchange and in privately negotiated transactions. When purchasing its common stock, the Company is subject to price, trading volume and other market considerations. Shares purchased may be used for reissuance upon the exercise of stock options or the granting of other forms of incentive compensation, in future acquisitions for stock or for other appropriate corporate purposes.

### ***Liquidity***

The Company generated net cash provided by operating activities of \$438,909,000, \$601,032,000 and \$325,730,000 for the years ended December 31, 2014, 2013 and 2012, respectively. The 2014 year experienced a net decrease in cash flows from changes in operating assets and liabilities of \$123,399,000 compared with a net increase in the 2013 year of \$56,566,000. The reduction was primarily due to an increase in receivables and inventory during 2014 due to increased business activity levels in the land-based diesel engine services market compared to a decrease in inventory in 2013 due to the sale during 2013 of inventories that were purchased in 2012 for specific customers and the sale of pressure pumping units on hand.

The 2013 year experienced a net increase in cash flows from changes in operating assets and liabilities of \$56,566,000 compared with a net decrease in the 2012 year of \$124,607,000. The net increase was primarily due to a decrease in inventory during 2013 due to the sale during 2013 of inventories that were purchased in 2012 for specific customers and the sale of pressure pumping units on hand. In addition, deferred revenue increased during 2013 due to increased advance billings for coastal transportation customers compared to a decrease in deferred revenue during 2012. Also, there was no pension plan contribution in 2013 compared to a \$25,000,000 pension plan contribution in 2012.

Funds generated are available for acquisitions, capital expenditure projects, common stock repurchases, repayments of borrowings and for other corporate and operating requirements. In addition to net cash flow provided by operating activities, the Company also had available as of February 20, 2015, \$55,214,000 under its Revolving Credit Facility and \$8,806,000 available under its Credit Line.

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

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

The Revolving Credit Facility's commitment is in the amount of \$325,000,000 and expires November 9, 2015. As of December 31, 2014, the Company had \$116,700,000 available under the Revolving Credit Facility. The Senior Notes Series A and Senior Notes Series B do not mature until February 27, 2020 and February 27, 2023, respectively, and require no prepayments. The outstanding balance of the Term Loan is subject to quarterly amortization in increasing amounts and is prepayable, in whole or in part, without penalty.

There are numerous factors that may negatively impact the Company's cash flow in 2015. For a list of significant risks and uncertainties that could impact cash flows, see Note 13, Contingencies and Commitments in the financial statements, and Item 1A — Risk Factors. Amounts available under the Company's existing financial arrangements are subject to the Company continuing to meet the covenants of the credit facilities as described in Note 5, Long-Term Debt in the financial statements.

The Company has issued guaranties or obtained standby letters of credit and performance bonds supporting performance by the Company and its subsidiaries of contractual or contingent legal obligations of the Company and its subsidiaries incurred in the ordinary course of business. The aggregate notional value of these instruments is \$36,566,000 at December 31, 2014, including \$7,433,000 in letters of credit and \$29,133,000 in performance bonds. All of these instruments have an expiration date within four years. The Company does not believe demand for payment under these instruments is likely and expects no material cash outlays to occur in connection with these instruments.

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

During the last three years, inflation has had a relatively minor effect on the financial results of the Company. The marine transportation segment has long-term contracts which generally contain cost escalation clauses whereby certain costs, including fuel as noted above, can be passed through to its customers. Spot contract rates include the cost of fuel and are subject to market volatility. The repair portion of the diesel engine services segment is based on prevailing current market rates.

**Contractual Obligations**

The contractual obligations of the Company and its subsidiaries at December 31, 2014 consisted of the following (in thousands):

	<b>Payments Due By Period</b>				
	<b>Total</b>	<b>Less Than 1 Year</b>	<b>2-3 Years</b>	<b>4-5 Years</b>	<b>After 5 Years</b>
Long-term debt	\$ 716,700	\$ 116,700	\$ 100,000	\$ —	\$ 500,000
Non-cancelable operating leases — barges	42,675	13,930	16,345	10,161	2,239
Non-cancelable operating leases — towing vessels	147,105	89,491	53,402	4,212	—
Non-cancelable operating leases — land, buildings and equipment	43,813	7,716	12,112	8,627	15,358
Barge and towing vessel construction contracts	262,209	157,811	104,398	—	—
	<u>\$ 1,212,502</u>	<u>\$ 385,648</u>	<u>\$ 286,257</u>	<u>\$ 23,000</u>	<u>\$ 517,597</u>

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

The Company's pension plan funding strategy has historically been to contribute an amount equal to the greater of the minimum required contribution under ERISA or the amount necessary to fully fund the plan on an ABO basis at the end of the fiscal year. The ABO is based on a variety of demographic and economic assumptions, and the pension plan assets' returns are subject to various risks, including market and interest rate risk, making an accurate prediction of the pension plan contribution difficult resulting in the Company electing to only make an expected pension contribution forecast of one year. As of December 31, 2014, the pension plan was funded at 100% of the ABO.

**Accounting Standards**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"). ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in United States Generally Accepted Accounting Principles when it becomes effective. ASU 2014-09 is effective for the Company on January 1, 2017. Early application is not permitted. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of ASU 2014-09 on its ongoing financial reporting.

In February 2013, the FASB issued ASU 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" ("ASU 2013-02"). ASU 2013-02 established the effective date for the requirement to present components of reclassifications out of OCI on the face of the financial statements. The adoption of ASU 2013-02 in the first quarter of 2013 did not have an impact on the Company's consolidated financial statements except the Company has applied these provisions to its presentation of consolidated financial statements.

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

The Company is exposed to risk from changes in interest rates on certain of its outstanding debt. The outstanding loan balances under the Company's bank credit facilities bear interest at variable rates based on prevailing short-term interest rates in the United States and Europe. A 10% change in variable interest rates would impact the 2015 interest expense by \$33,000 based on balances outstanding at December 31, 2014, and would change the fair value of the Company's debt by less than 1%.

**Interest Rate Risk Management**

From time to time, the Company has utilized derivative financial instruments with respect to a portion of its interest rate risks to achieve a more predictable cash flow by reducing its exposure to interest rate fluctuations. These transactions generally are interest rate swap agreements and are entered into with large multinational banks. On February 28, 2013, all of the Company's outstanding interest rate swaps expired. These interest rate swaps, with a total notional amount of \$200,000,000, were designated as cash flow hedges.

**Foreign Currency Risk Management**

From time to time, the Company has utilized derivative financial instruments with respect to its forecasted foreign currency transactions to attempt to reduce the risk of its exposure to foreign currency rate fluctuations in its transactions denominated in foreign currency. These transactions, which relate to foreign currency obligations for the purchase of equipment from foreign suppliers or foreign currency receipts from foreign customers, generally are forward contracts or purchased call options and are entered into with large multinational banks. During the 2014 first quarter, the Company's remaining forward contract with a notional amount of \$469,000 expired.

**Fair Value of Derivative Instruments**

The following table sets forth the fair value of the Company's derivative instruments recorded as liabilities located on the consolidated balance sheet at December 31, 2014 and 2013 (in thousands):

<b>Liability Derivatives</b>	<b>Balance Sheet Location</b>	<b>2014</b>	<b>2013</b>
<b>Derivatives designated as hedging instruments under ASC 815:</b>			
Foreign currency contracts	Other accrued liabilities	\$ —	\$ 59
Foreign currency contracts	Other long-term liabilities	—	—
Interest rate contracts	Other accrued liabilities	—	—
Total derivatives designated as hedging instruments under ASC 815		\$ —	\$ 59
Total liability derivatives		\$ —	\$ 59

Fair value amounts were derived as of December 31, 2014 and December 31, 2013 utilizing fair value models of the Company and its counterparties on the Company's portfolio of derivative instruments. These fair value models use the income approach that relies on inputs such as yield curves, currency exchange rates and forward prices. The fair value of the Company's derivative instruments is described in Note 3, Fair Value Measurements.

**Cash Flow Hedges**

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. Any ineffectiveness related to the Company's hedges was not material for any of the periods presented.

The following table sets forth the location and amount of gains and losses on the Company's derivative instruments in the consolidated statements of earnings for the years ended December 31, 2014, 2013 and 2012 (in thousands):

Derivatives in ASC 815 Cash Flow Hedging Relationships:	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)		
		2014	2013	2012
Interest rate contracts	Interest expense	\$ —	\$ 1,486	\$ 7,716
Foreign exchange contracts	Cost of sales and operating expenses	145	(23)	346
<b>Total</b>		<b>\$ 145</b>	<b>\$ 1,463</b>	<b>\$ 8,062</b>

Derivatives in ASC 815 Cash Flow Hedging Relationships:	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		
		2014	2013	2012
Interest rate contracts	Interest expense	\$ —	\$ (1,389)	\$ (8,321)
Foreign exchange contracts	Cost of sales and operating expenses	121	—	19
<b>Total</b>		<b>\$ 121</b>	<b>\$ (1,389)</b>	<b>\$ (8,302)</b>

**Item 8. Financial Statements and Supplementary Data**

The response to this item is submitted as a separate section of this report (see Item 15, page 94).

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

Not applicable.

**Item 9A. Controls and Procedures**

*Disclosure Controls and Procedures.* The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has evaluated the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act), as of December 31, 2014. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as of December 31, 2014, the disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

*Management's Report on Internal Control Over Financial Reporting.* Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2014 using the framework in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2014. KPMG LLP, the Company's independent registered public accounting firm, has audited the Company's internal control over financial reporting, as stated in their report which is included herein.

There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART III**

**Items 10 Through 14.**

The information for these items is incorporated by reference to the definitive proxy statement filed by the Company with the Commission pursuant to Regulation 14A within 120 days of the close of the fiscal year ended December 31, 2014, except for the information regarding executive officers which is provided under Item 1.

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Kirby Corporation:

We have audited Kirby Corporation and consolidated subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Kirby Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Kirby Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Kirby Corporation and consolidated subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of earnings, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2014, and our report dated February 23, 2015 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

Houston, Texas  
February 23, 2015

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Kirby Corporation:

We have audited the accompanying consolidated balance sheets of Kirby Corporation and consolidated subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of earnings, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kirby Corporation and consolidated subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Kirby Corporation's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 23, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

Houston, Texas  
February 23, 2015

**KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
**December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
	(\$ in thousands)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 24,299	\$ 4,022
Accounts receivable:		
Trade — less allowance for doubtful accounts of \$8,887 (\$5,055 in 2013)	417,325	311,549
Other	115,598	43,053
Inventories — net, at lower of average cost or market	192,354	135,887
Prepaid expenses and other current assets	43,016	40,037
Deferred income taxes	10,562	9,458
Total current assets	<u>803,154</u>	<u>544,006</u>
Property and equipment:		
Marine transportation equipment	3,495,705	3,170,433
Land, buildings and equipment	221,693	205,460
	<u>3,717,398</u>	<u>3,375,893</u>
Accumulated depreciation	1,127,900	1,005,090
Property and equipment — net	<u>2,589,498</u>	<u>2,370,803</u>
Investment in affiliates	2,539	2,156
Goodwill	591,405	591,405
Other assets	155,313	174,147
Total assets	<u>\$ 4,141,909</u>	<u>\$ 3,682,517</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 116,700	\$ —
Income taxes payable	3,470	2,915
Accounts payable	222,020	177,375
Accrued liabilities:		
Interest	5,610	5,494
Insurance premiums and claims	121,989	49,162
Employee compensation	42,056	42,613
Taxes — other than on income	13,694	12,160
Other	17,684	19,572
Deferred revenues	50,804	36,698
Total current liabilities	<u>594,027</u>	<u>345,989</u>
Long-term debt — less current portion	600,000	749,150
Deferred income taxes	595,769	544,110
Other long-term liabilities	87,200	21,115
Total long-term liabilities	<u>1,282,969</u>	<u>1,314,375</u>
Contingencies and commitments	—	—
Equity:		
Kirby stockholders' equity:		
Common stock, \$.10 par value per share. Authorized 120,000,000 shares, issued 59,776,000 in 2014 and 2013	5,978	5,978
Additional paid-in capital	428,475	410,615
Accumulated other comprehensive income — net	(61,037)	(16,793)
Retained earnings	1,974,146	1,692,140
Treasury stock — at cost, 2,906,000 shares in 2014 and 2,930,000 in 2013	(93,526)	(81,254)
Total Kirby stockholders' equity	<u>2,254,036</u>	<u>2,010,686</u>
Noncontrolling interests	10,877	11,467
Total equity	<u>2,264,913</u>	<u>2,022,153</u>
Total liabilities and equity	<u>\$ 4,141,909</u>	<u>\$ 3,682,517</u>

See accompanying notes to consolidated financial statements.

## KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF EARNINGS**  
**For the Years Ended December 31, 2014, 2013 and 2012**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(\$ in thousands, except per share amounts)		
<b>Revenues:</b>			
Marine transportation	\$ 1,770,684	\$ 1,713,167	\$ 1,408,893
Diesel engine services	795,634	529,028	703,765
Total revenues	<u>2,566,318</u>	<u>2,242,195</u>	<u>2,112,658</u>
<b>Costs and expenses:</b>			
Costs of sales and operating expenses	1,694,882	1,448,805	1,409,662
Selling, general and administrative	210,416	177,766	178,483
Taxes, other than on income	16,677	15,893	14,519
Depreciation and amortization	169,312	164,437	145,147
Loss (gain) on disposition of assets	(781)	(888)	14
Total costs and expenses	<u>2,090,506</u>	<u>1,806,013</u>	<u>1,747,825</u>
Operating income	475,812	436,182	364,833
Equity in earnings of affiliates	384	348	276
Other income (expense)	(345)	20	(198)
Interest expense	(21,461)	(27,872)	(24,385)
Earnings before taxes on income	454,390	408,678	340,526
Provision for taxes on income	(169,782)	(152,379)	(127,907)
Net earnings	284,608	256,299	212,619
Less: Net earnings attributable to noncontrolling interests	(2,602)	(3,238)	(3,181)
Net earnings attributable to Kirby	<u>\$ 282,006</u>	<u>\$ 253,061</u>	<u>\$ 209,438</u>
<b>Net earnings per share attributable to Kirby common stockholders:</b>			
Basic	\$ 4.95	\$ 4.46	\$ 3.75
Diluted	\$ 4.93	\$ 4.44	\$ 3.73

See accompanying notes to consolidated financial statements.

## KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2014, 2013 and 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
		(\$ in thousands)	
Net earnings	\$ 284,608	\$ 256,299	\$ 212,619
Other comprehensive income (loss), net of taxes:			
Pension and postretirement benefits	(44,294)	43,274	(10,270)
Foreign currency translation adjustments	(35)	108	102
Change in fair value of derivative instruments	85	952	5,217
Total other comprehensive income (loss), net of taxes	<u>(44,244)</u>	<u>44,334</u>	<u>(4,951)</u>
Total comprehensive income, net of taxes	240,364	300,633	207,668
Net earnings attributable to noncontrolling interests	(2,602)	(3,238)	(3,181)
Comprehensive income attributable to Kirby	<u>\$ 237,762</u>	<u>\$ 297,395</u>	<u>\$ 204,487</u>

See accompanying notes to consolidated financial statements.

**KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2014, 2013 and 2012**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	(\$ in thousands)		
<b>Cash flows from operating activities:</b>			
Net earnings	\$ 284,608	\$ 256,299	\$ 212,619
Adjustments to reconcile net earnings to net cash provided by operations:			
Depreciation and amortization	169,312	164,437	145,147
Provision (credit) for doubtful accounts	3,577	1,260	(42)
Provision for deferred income taxes	77,976	103,056	77,005
Loss (gain) on disposition of assets	(781)	(888)	14
Equity in earnings of affiliates, net of distributions and contributions	(384)	(348)	1,874
Amortization of unearned share-based compensation	11,591	11,621	9,796
Amortization of scheduled major maintenance costs	16,409	9,029	3,924
Increase (decrease) in cash flows resulting from changes in:			
Accounts receivable	(176,544)	2,235	(8,744)
Inventory	(56,468)	43,275	(46,372)
Other assets	(11,783)	(47,526)	(5,180)
Income taxes payable	(4,544)	313	(4,347)
Accounts payable	44,645	23,088	(10,484)
Accrued and other liabilities	81,295	35,181	(49,480)
Net cash provided by operating activities	<u>438,909</u>	<u>601,032</u>	<u>325,730</u>
<b>Cash flows from investing activities:</b>			
Capital expenditures	(355,144)	(253,227)	(312,167)
Acquisitions of businesses and marine equipment, net of cash acquired	(31,800)	(3,643)	(380,925)
Proceeds from disposition of assets	10,393	33,982	19,651
Net cash used in investing activities	<u>(376,551)</u>	<u>(222,888)</u>	<u>(673,441)</u>
<b>Cash flows from financing activities:</b>			
Borrowings (payments) on bank credit facilities, net	75,550	(150,960)	97,110
Borrowings on long-term debt	—	225,000	275,000
Payments on long-term debt	(108,000)	(460,000)	(39,005)
Return of investment to noncontrolling interests	(3,192)	(3,857)	(2,728)
Proceeds from exercise of stock options	7,519	6,635	8,932
Purchase of treasury stock	(15,321)	—	—
Payment of contingent liability	(4,756)	(5,000)	—
Excess tax benefit from equity compensation plans	6,119	3,001	3,212
Net cash provided by (used in) financing activities	<u>(42,081)</u>	<u>(385,181)</u>	<u>342,521</u>
Increase (decrease) in cash and cash equivalents	20,277	(7,037)	(5,190)
Cash and cash equivalents, beginning of year	4,022	11,059	16,249
Cash and cash equivalents, end of year	<u>\$ 24,299</u>	<u>\$ 4,022</u>	<u>\$ 11,059</u>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the year:			
Interest	\$ 19,622	\$ 21,393	\$ 21,364
Income taxes	\$ 90,460	\$ 46,136	\$ 52,105
Noncash investing activity:			
Stock issued in acquisitions	\$ —	\$ —	\$ 29,080
Cash acquired in acquisitions	\$ —	\$ —	\$ 2,301

See accompanying notes to consolidated financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
For the Years Ended December 31, 2014, 2013 and 2012

	<u>2014</u>	<u>2013</u>	<u>2012</u>
		(\$ in thousands)	
<b>Common stock:</b>			
Balance at beginning of year	\$ 5,978	\$ 5,978	\$ 5,928
Issuance of shares in acquisition	—	—	50
Balance at end of year	<u>\$ 5,978</u>	<u>\$ 5,978</u>	<u>\$ 5,978</u>
<b>Additional paid-in capital:</b>			
Balance at beginning of year	\$ 410,615	\$ 397,785	\$ 357,294
Issuance of shares in acquisition	—	—	29,030
Excess of proceeds received upon exercise of stock options and issuance of restricted stock over cost of treasury stock issued	8,345	8,276	6,716
Tax benefit realized from equity compensation plans	6,119	3,001	3,212
Issuance of restricted stock, net of forfeitures	(8,195)	(10,068)	(8,263)
Amortization of unearned compensation	11,591	11,621	9,796
Balance at end of year	<u>\$ 428,475</u>	<u>\$ 410,615</u>	<u>\$ 397,785</u>
<b>Accumulated other comprehensive income:</b>			
Balance at beginning of year	\$ (16,793)	\$ (61,127)	\$ (56,176)
Other comprehensive income (loss), net of taxes	(44,244)	44,334	(4,951)
Balance at end of year	<u>\$ (61,037)</u>	<u>\$ (16,793)</u>	<u>\$ (61,127)</u>
<b>Retained earnings:</b>			
Balance at beginning of year	\$ 1,692,140	\$ 1,439,079	\$ 1,229,641
Net earnings attributable to Kirby for the year	282,006	253,061	209,438
Balance at end of year	<u>\$ 1,974,146</u>	<u>\$ 1,692,140</u>	<u>\$ 1,439,079</u>
<b>Treasury stock:</b>			
Balance at beginning of year	\$ (81,254)	\$ (86,747)	\$ (94,162)
Purchase of treasury stock (187,000 in 2014)	(15,321)	—	—
Cost of treasury stock issued upon exercise of stock options and issuance of restricted stock (211,000 in 2014, 261,000 in 2013 and 341,000 in 2012)	3,049	5,493	7,415
Balance at end of year	<u>\$ (93,526)</u>	<u>\$ (81,254)</u>	<u>\$ (86,747)</u>
<b>Noncontrolling interests:</b>			
Balance at beginning of year	\$ 11,467	\$ 12,086	\$ 11,633
Net earnings attributable to noncontrolling interests	2,602	3,238	3,181
Return of investment to noncontrolling interests	(3,192)	(3,857)	(2,728)
Balance at the end of year	<u>\$ 10,877</u>	<u>\$ 11,467</u>	<u>\$ 12,086</u>

See accompanying notes to consolidated financial statements.

## KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**(1) Summary of Significant Accounting Policies**

*Principles of Consolidation.* The consolidated financial statements include the accounts of Kirby Corporation and all majority-owned subsidiaries (“the Company”). Two affiliated limited partnerships, in which the Company owns a 50% interest, is the general partner and has effective control and whose activities are an integral part of the operations of the Company, are consolidated. All other investments in which the Company owns 20% to 50% and exercises significant influence over operating and financial policies are accounted for using the equity method. All material intercompany accounts and transactions have been eliminated in consolidation. Certain reclassifications have been made to reflect the current presentation of financial information.

***Accounting Policies***

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

*Accounts Receivable.* In the normal course of business, the Company extends credit to its customers. The Company regularly reviews the accounts and makes adequate provisions for probable uncollectible balances. It is the Company’s opinion that the accounts have no impairment, other than that for which provisions have been made. Included in accounts receivable as of December 31, 2014 and 2013 were \$143,615,000 and \$69,481,000, respectively, of accruals for revenues earned which have not been invoiced as of the end of each year.

The Company’s marine transportation and diesel engine services operations are subject to hazards associated with such businesses. The Company maintains insurance coverage against these hazards with insurance companies. Included in accounts receivable as of December 31, 2014 and 2013 were \$92,379,000 and \$22,396,000, respectively, of receivables from insurance companies to cover claims in excess of the Company’s deductible.

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

*Fair Value of Financial Instruments.* Cash, accounts receivable, accounts payable and accrued liabilities have carrying values that approximate fair value due to the short-term maturity of these financial instruments. The fair value of the Company’s debt instruments is more fully described in Note 5, Long-Term Debt.

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

*Drydocking on Ocean-Going Vessels.* The Company’s ocean-going vessels are subject to regulatory drydocking requirements after certain periods of time to be inspected, have planned major maintenance performed and be recertified by the American Bureau of Shipping (“ABS”). These recertifications generally occur twice in a five year period. The Company defers the drydocking expenditures incurred on its ocean-going vessels due to regulatory marine inspections by the ABS and amortizes the costs of the shipyard over the period between drydockings, generally 30 or 60 months, depending on the type of major maintenance performed. Drydocking expenditures that extend the life or improve the operating capability of the vessel result in the costs being capitalized. The Company recognized amortization of capitalized planned major maintenance costs of \$16,409,000, \$9,029,000 and \$3,924,000 for the years ended December 31, 2014, 2013 and 2012, respectively, in costs of sales and operating expenses. Routine repairs and maintenance on ocean-going vessels are expensed as incurred. Interest is capitalized on the construction of new ocean-going vessels. Interest expense excludes capitalized interest of \$639,000 for the year ending December 31, 2014. No interest was capitalized for the years ending December 31, 2013 and 2012.

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

*Goodwill.* The excess of the purchase price over the fair value of identifiable net assets acquired in transactions accounted for as a purchase is included in goodwill. The Company conducted its annual goodwill impairment test at November 30, 2014 and 2013. For 2014 and 2013, the Company noted no impairment of goodwill. The Company will continue to conduct goodwill impairment tests as of November 30 of subsequent years, or whenever events or circumstances indicate that interim impairment testing is necessary. The gross carrying value of goodwill at December 31, 2014 and 2013 was \$608,872,000 and accumulated amortization at December 31, 2014 and 2013 was \$15,566,000. Accumulated impairment losses were \$1,901,000 at December 31, 2014 and 2013.

Net goodwill for the marine transportation segment was \$381,243,000 at December 31, 2014 and 2013. Net goodwill for the diesel engine services segment was \$210,162,000 at December 31, 2014 and 2013.

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

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

*Stock-Based Compensation.* The Company has share-based compensation plans covering selected officers and other key employees as well as the Company's Board of Directors. Stock-based grants made under the Company's stock plans are recorded at fair value on the date of the grant and the cost is recognized ratably over the vesting period of the stock option or restricted stock. Stock option grants are valued at the date of grant as calculated under the Black-Scholes option pricing model. The Company's stock-based compensation plans are more fully described in Note 8, Stock Award Plans.

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

*Accrued Insurance.* Accrued insurance liabilities include estimates based on individual incurred claims outstanding and an estimated amount for losses incurred but not reported (“IBNR”) or fully developed based on past experience. Insurance premiums, IBNR losses and incurred claim losses, in excess of the Company’s deductible for 2014, 2013 and 2012 were \$25,416,000, \$22,971,000 and \$17,876,000, respectively.

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

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

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

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

### *Accounting Standards*

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”). ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in United States Generally Accepted Accounting Principles when it becomes effective. ASU 2014-09 is effective for the Company on January 1, 2017. Early application is not permitted. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of ASU 2014-09 on its ongoing financial reporting.

In February 2013, the FASB issued ASU 2013-02, “Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income” (“ASU 2013-02”). ASU 2013-02 established the effective date for the requirement to present components of reclassifications out of accumulated other comprehensive income (“OCI”) on the face of the financial statements. The adoption of ASU 2013-02 in the first quarter of 2013 did not have an impact on the Company’s consolidated financial statements except the Company has applied these provisions to its presentation of consolidated financial statements.

**(2) Inventories**

The following table presents the details of inventories as of December 31, 2014 and 2013 (in thousands):

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Finished goods	\$ 179,760	\$ 120,751
Work in process	12,594	15,136
	<u>\$ 192,354</u>	<u>\$ 135,887</u>

**(3) Fair Value Measurements**

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

The following table summarizes the assets and liabilities measured at fair value on a recurring basis at December 31, 2013 (in thousands):

	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total Fair Value Measurements</b>
December 31, 2013:				
Assets:				
Derivatives	\$ —	\$ —	\$ —	\$ —
Liabilities:				
Derivatives	\$ —	\$ 59	\$ —	\$ 59
Contingent liabilities	—	—	4,903	4,903
	<u>\$ —</u>	<u>\$ 59</u>	<u>\$ 4,903</u>	<u>\$ 4,962</u>

In connection with the acquisition of Allied Transportation Company (“Allied”) on November 1, 2012, Allied’s former owners were eligible to receive up to an additional \$10,000,000 payable in 2013 through 2015, contingent on developments with the sugar provisions in the United States Farm Bill. The fair value of the contingent liability recorded at the acquisition date was \$9,756,000. The fair value of the contingent liability was based on a valuation of the estimated fair value of the liability after probability weighting and discounting various potential payments. Payments of \$5,000,000 were made in the 2014 and 2013 first quarters on the contingent liability. The increase in the fair value of the contingent liability of \$97,000 and \$136,000 for the years ended December 31, 2014 and 2013, respectively, was charged to selling, general and administrative expense. As of December 31, 2014, no Allied contingent liability was recorded and no further payments will be made.

In connection with the acquisition of United Holdings LLC (“United”) on April 15, 2011, United’s former owners were eligible to receive a three-year earnout provision for up to an additional \$50,000,000 payable in 2014, dependent on achieving certain financial targets. The fair value of the contingent earnout liability recorded at the acquisition date was \$16,300,000. The fair value of the earnout was based on a valuation of the estimated fair value of the liability after probability weighting and discounting various potential payments. The decrease in the fair value of the earnout liability of \$18,300,000 for the year ended December 30, 2013 was credited to selling, general and administrative expense. No United earnout liability was recorded as of December 31, 2013 and December 31, 2014.

Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities have carrying values that approximate fair value due to the short-term maturity of these financial instruments. The fair value of the Company's debt instruments is described in Note 5, Long-Term Debt.

Certain assets are measured at fair value on a nonrecurring basis and therefore are not included in the table above. These assets are adjusted to fair value when there is evidence of impairment. During the years ended December 31, 2014 and 2013, there was no indication that the Company's long-lived assets were impaired, and accordingly, measurement at fair value was not required.

#### (4) Derivative Instruments

The Company recognizes all derivative instruments at fair value in the balance sheet as either assets or liabilities. The accounting for changes in the fair value of a derivative instrument depends on the intended use of the derivative and the resulting designation, which is established at the inception date of a derivative. For derivative instruments designated as cash flow hedges, changes in fair value, to the extent the hedge is effective, are recognized in OCI until the hedged item is recognized in earnings. Hedge effectiveness is measured at least quarterly based on the cumulative difference between the fair value of the derivative contract and the hedged item over time. Any change in fair value resulting from ineffectiveness is recognized immediately in earnings.

##### *Interest Rate Risk Management*

From time to time, the Company has utilized derivative financial instruments with respect to a portion of its interest rate risks to achieve a more predictable cash flow by reducing its exposure to interest rate fluctuations. These transactions generally are interest rate swap agreements and are entered into with large multinational banks. On February 28, 2013, all of the Company's outstanding interest rate swaps expired. These interest rate swaps, with a total notional amount of \$200,000,000, were designated as cash flow hedges.

##### *Foreign Currency Risk Management*

From time to time, the Company has utilized derivative financial instruments with respect to its forecasted foreign currency transactions to attempt to reduce the risk of its exposure to foreign currency rate fluctuations in its transactions denominated in foreign currency. These transactions, which relate to foreign currency obligations for the purchase of equipment from foreign suppliers or foreign currency receipts from foreign customers, generally are forward contracts or purchased call options and are entered into with large multinational banks. During the 2014 first quarter, the Company's remaining forward contract with a notional amount of \$469,000 expired.

##### *Fair Value of Derivative Instruments*

The following table sets forth the fair value of the Company's derivative instruments recorded as liabilities located on the consolidated balance sheet at December 31, 2014 and 2013 (in thousands):

<b>Liability Derivatives</b>	<b>Balance Sheet Location</b>	<b>2014</b>	<b>2013</b>
<b>Derivatives designated as hedging instruments under ASC 815:</b>			
Foreign currency contracts	Other accrued liabilities	\$ —	\$ 59
Foreign currency contracts	Other long-term liabilities	—	—
Interest rate contracts	Other accrued liabilities	—	—
Total derivatives designated as hedging instruments under ASC 815		\$ —	\$ 59
Total liability derivatives		\$ —	\$ 59

Fair value amounts were derived as of December 31, 2014 and 2013 utilizing fair value models of the Company and its counterparties on the Company's portfolio of derivative instruments. These fair value models use the income approach that relies on inputs such as yield curves, currency exchange rates and forward prices. The fair value of the Company's derivative instruments is described above in Note 3, Fair Value Measurements.

**Cash Flow Hedges**

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. Any ineffectiveness related to the Company's hedges was not material for any of the periods presented.

The following table sets forth the location and amount of gains and losses on the Company's derivative instruments in the consolidated statements of earnings for the years ended December 31, 2014, 2013 and 2012 (in thousands):

Derivatives in ASC 815 Cash Flow Hedging Relationships:	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)		
		2014	2013	2012
		Interest rate contracts	Interest expense	\$ —
Foreign exchange contracts	Cost of sales and operating expenses	145	(23)	346
<b>Total</b>		<b>\$ 145</b>	<b>\$ 1,463</b>	<b>\$ 8,062</b>

Derivatives in ASC 815 Cash Flow Hedging Relationships:	Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)		
		2014	2013	2012
		Interest rate contracts	Interest expense	\$ —
Foreign exchange contracts	Cost of sales and operating expenses	121	—	19
<b>Total</b>		<b>\$ 121</b>	<b>\$ (1,389)</b>	<b>\$ (8,302)</b>

**(5) Long-Term Debt**

Long-term debt at December 31, 2014 and 2013 consisted of the following (in thousands):

	2014	2013
Long-term debt, including current portion:		
\$150,000,000 senior notes Series A due February 27, 2020	\$ 150,000	\$ 150,000
\$350,000,000 senior notes Series B due February 27, 2023	350,000	350,000
\$540,000,000 term loan due July 1, 2016	100,000	208,000
\$325,000,000 revolving credit facility due November 9, 2015	116,700	41,150
\$10,000,000 credit line due June 29, 2015	—	—
	<b>\$ 716,700</b>	<b>\$ 749,150</b>

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

2015	\$	116,700
2016		100,000
2017		—
2018		—
2019		—
Thereafter		500,000
	\$	<u>716,700</u>

The Company has \$500,000,000 of unsecured senior notes (“Senior Notes Series A” and “Senior Notes Series B”) with a group of institutional investors, consisting of \$150,000,000 of 2.72% Senior Notes Series A due February 27, 2020 and \$350,000,000 of 3.29% Senior Notes Series B due February 27, 2023. The Company issued \$82,500,000 of Senior Notes Series A and \$192,500,000 of Senior Notes Series B on December 13, 2012, the proceeds of which were used to fund the acquisition of Penn Maritime, Inc. (“Penn”). The Company issued \$67,500,000 of Senior Notes Series A and \$157,500,000 of Senior Notes Series B on February 27, 2013, the proceeds of which were used to refinance \$200,000,000 of floating rate senior notes due February 28, 2013, with the balance used to pay down the Company’s unsecured revolving credit facility. No principal payments are required until maturity. The Senior Notes Series A and Series B contain certain covenants on the part of the Company, including an interest coverage covenant, a debt-to-capitalization covenant and covenants relating to liens, asset sales and mergers, among others. The Senior Notes Series A and Series B also specify certain events of default, upon the occurrence of which the maturity of the notes may be accelerated, including failure to pay principal and interest, violation of covenants or default on other indebtedness, among others. As of December 31, 2014, the Company was in compliance with all Senior Notes Series A and Series B covenants and had \$150,000,000 of Senior Notes Series A outstanding and \$350,000,000 of Senior Notes Series B outstanding.

The Company has a \$325,000,000 unsecured revolving credit facility (“Revolving Credit Facility”) with a syndicate of banks, with JPMorgan Chase Bank, N.A. as the administrative agent bank, with a maturity date of November 9, 2015. The variable interest rate spread varies with the Company’s senior debt rating and is currently 1.5% over the London Interbank Offered Rate (“LIBOR”) or 0.5% over an alternate base rate calculated with reference to the agent bank’s prime rate, among other factors (“Alternate Base Rate”). The commitment fee is currently 0.3%. The Revolving Credit Facility contains certain restrictive financial covenants including an interest coverage ratio and a debt-to-capitalization ratio. In addition to financial covenants, the Revolving Credit Facility contains covenants that, subject to exceptions, restrict debt incurrence, mergers and acquisitions, sales of assets, dividends and investments, liquidations and dissolutions, capital leases, transactions with affiliates and changes in lines of business. Borrowings under the Revolving Credit Facility may be used for general corporate purposes, the purchase of existing or new equipment, the purchase of the Company’s common stock, or for business acquisitions. As of December 31, 2014, the Company was in compliance with all Revolving Credit Facility covenants and had \$116,700,000 outstanding under the Revolving Credit Facility which was classified as current portion of long-term debt. The average borrowing under the Revolving Credit Facility during 2014 was \$28,591,000, computed by averaging the daily balance, and the weighted average interest rate was 1.7%, computed by dividing the interest expense under the Revolving Credit Facility by the average Revolving Credit Facility borrowing. The Revolving Credit Facility includes a \$25,000,000 commitment which may be used for standby letters of credit. Outstanding letters of credit under the Revolving Credit Facility were \$4,939,000 as of December 31, 2014.

The Company has a credit agreement (“Term Loan”) with a group of commercial banks, with Wells Fargo Bank, National Association as the administrative agent bank, with a maturity date of July 1, 2016. The Term Loan provides for a \$540,000,000 five-year unsecured term loan facility with a variable interest rate based on LIBOR or an Alternate Base Rate. The interest rate spread varies with the Company’s senior debt rating and is currently 1.5% over LIBOR or 0.5% over the Alternate Base Rate. The outstanding balance of the Term Loan is subject to quarterly amortization in increasing amounts and is prepayable, in whole or in part, without penalty. The Term Loan contains certain restrictive financial covenants including an interest coverage ratio and a debt-to-capitalization ratio. In addition to financial covenants, the Term Loan contains covenants that, subject to exceptions, restrict debt incurrence, mergers and acquisitions, sales of assets, dividends and investments, liquidations and dissolutions, capital leases, transactions with affiliates and changes in lines of business. As of December 31, 2014, the Company was in compliance with all Term Loan covenants and had \$100,000,000 outstanding under the Term Loan, none of which was classified as current portion of long-term debt. The average borrowing under the Term Loan during 2014 was \$152,892,000, computed by averaging the daily balance, and the weighted average interest rate was 1.7%, computed by dividing the interest expense under the Term Loan by the average Term Loan borrowing.

The Company had \$200,000,000 of unsecured floating rate senior notes (“Senior Notes”) that were retired on February 28, 2013, the maturity date of the Senior Notes, with the proceeds from the Senior Notes Series A and Senior Notes Series B described above.

The Company has a \$10,000,000 line of credit (“Credit Line”) with Bank of America, N.A. (“Bank of America”) for short-term liquidity needs and letters of credit, with a maturity date of June 29, 2015. The Credit Line allows the Company to borrow at an interest rate agreed to by Bank of America and the Company at the time each borrowing is made or continued. The Company had no borrowings outstanding under the Credit Line as of December 31, 2014. Outstanding letters of credit under the Credit Line were \$1,194,000 as of December 31, 2014.

The estimated fair value of total debt outstanding at December 31, 2014 and 2013 was \$705,215,000 and \$710,377,000, respectively, which differs from the carrying amount of \$716,700,000 and \$749,150,000, respectively, included in the consolidated financial statements. The fair value was determined using an income approach that relies on inputs such as yield curves.

**(6) Taxes on Income**

Earnings before taxes on income and details of the provision for taxes on income for the years ended December 31, 2014, 2013 and 2012 were as follows (in thousands):

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Earnings before taxes on income — United States	\$ 454,390	\$ 408,678	\$ 340,526
Provision for taxes on income:			
Federal:			
Current	\$ 81,953	\$ 41,008	\$ 41,297
Deferred	72,920	97,586	71,767
State and local	14,909	13,785	14,843
	<u>\$ 169,782</u>	<u>\$ 152,379</u>	<u>\$ 127,907</u>

During the three years ended December 31, 2014, 2013 and 2012, tax benefits related to the exercise of stock options and the issuance of restricted stock that were allocated directly to additional paid-in capital were \$6,119,000, \$3,001,000 and \$3,212,000, respectively.

The Company’s provision for taxes on income varied from the statutory federal income tax rate for the years ended December 31, 2014, 2013 and 2012 due to the following:

	<b>2014</b>	<b>2013</b>	<b>2012</b>
United States income tax statutory rate	35.0%	35.0%	35.0%
State and local taxes, net of federal benefit	2.2	2.2	2.8
Other – net	.2	.1	(.2)
	<u>37.4%</u>	<u>37.3%</u>	<u>37.6%</u>

The tax effects of temporary differences that give rise to significant portions of the current deferred tax assets and non-current deferred tax assets and liabilities at December 31, 2014 and 2013 were as follows (in thousands):

	<u>2014</u>	<u>2013</u>
Current deferred tax assets:		
Compensated absences	\$ 854	\$ 782
Allowance for doubtful accounts	3,111	1,927
Insurance accruals	2,858	2,572
Other	3,739	4,177
	<u>\$ 10,562</u>	<u>\$ 9,458</u>
Non-current deferred tax assets and liabilities:		
Deferred tax assets:		
Postretirement health care benefits	\$ 2,795	\$ 3,015
Insurance accruals	3,325	2,781
Deferred compensation	10,157	9,526
Unrealized loss on derivative financial instruments	—	51
Unrealized loss on defined benefit plans	34,501	9,379
Operating loss carryforwards	515	5,699
Other	20,687	17,925
	<u>71,980</u>	<u>48,376</u>
Deferred tax liabilities:		
Property	(547,388)	(487,187)
Deferred state taxes	(49,503)	(46,798)
Pension benefits	(11,198)	(13,063)
Goodwill and other intangibles	(37,936)	(26,120)
Other	(21,724)	(19,318)
	<u>(667,749)</u>	<u>(592,486)</u>
	<u>\$ (595,769)</u>	<u>\$ (544,110)</u>

The Company has determined that it is more likely than not that all deferred tax assets at December 31, 2014 will be realized, including its operating loss carryforwards of \$515,000 that expire in various amounts through 2030.

The Company or one of its subsidiaries files income tax returns in the United States federal jurisdiction and various state jurisdictions. The Company is currently open to audit under the statute of limitations by the Internal Revenue Service for the 2011 through 2013 tax years. With few exceptions, the Company and its subsidiaries' state income tax returns are open to audit under the statute of limitations for the 2008 through 2013 tax years.

As of December 31, 2014, the Company has provided a liability of \$1,477,000 for unrecognized tax benefits related to various income tax issues which includes interest and penalties. The amount that would impact the Company's effective tax rate, if recognized, is \$998,000, with the difference between the total amount of unrecognized tax benefits and the amount that would impact the effective tax rate being primarily related to the federal tax benefit of state income tax items. It is not reasonably possible to determine if the liability for unrecognized tax benefits will significantly change prior to December 31, 2015 due to the uncertainty of possible examination results.

A reconciliation of the beginning and ending amount of the liability for unrecognized tax benefits for the years ended December 31, 2014, 2013 and 2012, is as follows (in thousands):

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Balance at beginning of year	\$ 949	\$ 1,045	\$ 1,532
Additions based on tax positions related to the current year	470	239	165
Additions for tax positions of prior years	39	114	53
Reductions for tax positions of prior years	(287)	(413)	(502)
Settlements	—	(36)	(203)
Balance at end of year	<u>\$ 1,171</u>	<u>\$ 949</u>	<u>\$ 1,045</u>

The Company accounts for interest and penalties related to uncertain tax positions as part of its provision for federal and state income taxes. The Company recognized net expense (credit) of \$40,000, \$(421,000) and \$(43,000) in interest and penalties for the years ended December 31, 2014, 2013 and 2012, respectively. The Company had \$306,000, \$266,000 and \$790,000 of accrued liabilities for the payment of interest and penalties at December 31, 2014, 2013 and 2012, respectively.

**(7) Leases**

The Company and its subsidiaries currently lease various facilities and equipment under a number of cancelable and noncancelable operating leases. Lease agreements for barges have terms from one to 12 years expiring at various dates through 2020. Lease agreements for towing vessels chartered by the Company have terms from 30 days to five years expiring at various dates through 2018; however, approximately half of the towing vessel charter agreements are for terms of one year or less. Total rental expense for the years ended December 31, 2014, 2013 and 2012 was as follows (in thousands):

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Rental expense:			
Marine equipment — barges	\$ 19,780	\$ 20,841	\$ 23,835
Marine equipment — towing vessels	136,331	124,877	97,428
Other buildings and equipment	9,146	10,298	9,952
Rental expense	<u>\$ 165,257</u>	<u>\$ 156,016</u>	<u>\$ 131,215</u>

Future minimum lease payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2014 were as follows (in thousands):

	<u>Land, Buildings And Equipment</u>	<u>Marine Equipment</u>		<u>Total</u>
		<u>Barges</u>	<u>Towing Vessels</u>	
2015	\$ 7,716	\$ 13,930	\$ 89,491	\$ 111,137
2016	6,351	8,872	35,656	50,879
2017	5,761	7,473	17,746	30,980
2018	5,104	6,594	4,212	15,910
2019	3,523	3,567	—	7,090
Thereafter	15,358	2,239	—	17,597
	<u>\$ 43,813</u>	<u>\$ 42,675</u>	<u>\$ 147,105</u>	<u>\$ 233,593</u>

**(8) Stock Award Plans**

The Company has share-based compensation plans which are described below. The compensation cost that has been charged against earnings for the Company's stock award plans and the income tax benefit recognized in the statement of earnings for stock awards for the years ended December 31, 2014, 2013 and 2012 were as follows (in thousands):

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Compensation cost	\$ 11,591	\$ 11,621	\$ 9,796
Income tax benefit	\$ 4,358	\$ 4,370	\$ 3,644

The Company has an employee stock award plan for selected officers and other key employees which provides for the issuance of stock options and restricted stock. The exercise price for each option equals the fair market value per share of the Company's common stock on the date of grant. The terms of the options are seven years and vest ratably over three years. No performance awards payable in stock have been awarded under the plan. At December 31, 2014, 2,540,946 shares were available for future grants under the employee plan and no outstanding stock options under the employee plan were issued with stock appreciation rights.

The following is a summary of the stock option activity under the employee plan described above for the years ended December 31, 2014, 2013 and 2012:

	<b>Outstanding Non- Qualified or Nonincentive Stock Awards</b>	<b>Weighted Average Exercise Price</b>
Outstanding at December 31, 2011	445,674	\$ 36.81
Granted	99,906	\$ 65.80
Exercised	(191,955)	\$ 35.65
Canceled or expired	(2,452)	\$ 58.28
Outstanding at December 31, 2012	<u>351,173</u>	<u>\$ 45.54</u>
Granted	111,527	\$ 70.94
Exercised	(83,096)	\$ 34.51
Canceled or expired	—	\$ —
Outstanding at December 31, 2013	<u>379,604</u>	<u>\$ 55.42</u>
Granted	75,204	\$ 98.91
Exercised	(119,276)	\$ 42.07
Canceled or expired	(12,576)	\$ 68.89
Outstanding at December 31, 2014	<u><u>322,956</u></u>	<u><u>\$ 69.95</u></u>

Under the employee plan, stock options exercisable were 157,140, 175,170 and 149,544 at December 31, 2014, 2013 and 2012, respectively.

The following table summarizes information about the Company's outstanding and exercisable stock options under the employee plan at December 31, 2014:

Range of Exercise Prices	Options Outstanding				Options Exercisable		
	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Aggregated Intrinsic Value	Number Exercisable	Weighted Average Exercise Price	Aggregated Intrinsic Value
\$31.35 – \$36.35	16,910	2.1	\$ 32.82		16,910	\$ 32.82	
\$46.74	56,629	3.1	\$ 46.74		56,629	\$ 46.74	
\$65.28 – \$70.65	172,246	4.6	\$ 68.39		82,946	\$ 67.56	
\$86.96 – \$96.85	37,730	6.1	\$ 93.89		655	\$ 86.96	
\$101.46 – \$114.11	39,441	6.2	\$ 103.12		—	\$ —	
\$31.35 – \$114.11	<u>322,956</u>	4.6	\$ 69.95	\$ 4,863,000	<u>157,140</u>	\$ 56.40	\$ 3,829,000

The following is a summary of the restricted stock award activity under the employee plan described above for the years ended December 31, 2014, 2013 and 2012:

	Unvested Restricted Stock Award Shares	Weighted Average Grant Date Fair Value Per Share
Nonvested balance at December 31, 2011	475,632	\$ 36.43
Granted	121,953	\$ 67.79
Vested	(168,166)	\$ 35.43
Forfeited	(11,291)	\$ 58.64
Nonvested balance at December 31, 2012	418,128	\$ 45.39
Granted	139,971	\$ 69.85
Vested	(149,162)	\$ 44.30
Forfeited	(9,659)	\$ 61.20
Nonvested balance at December 31, 2013	399,278	\$ 54.92
Granted	97,706	\$ 97.46
Vested	(141,870)	\$ 45.64
Forfeited	(33,661)	\$ 63.56
Nonvested balance at December 31, 2014	<u>321,453</u>	\$ 71.04

The Company has a director stock award plan for nonemployee directors of the Company which provides for the issuance of stock options and restricted stock. The director plan provides for the automatic grants of stock options and restricted stock to nonemployee directors on the date of first election as a director and after each annual meeting of stockholders. In addition, the director plan allows for the issuance of stock options or restricted stock in lieu of cash for all or part of the annual director fee at the option of the director. The exercise prices for all options granted under the plan are equal to the fair market value per share of the Company's common stock on the date of grant. The terms of the options are ten years. The options granted to a director when first elected vest immediately. The options granted and restricted stock issued after each annual meeting of stockholders vest six months after the date of grant. Options granted and restricted stock issued in lieu of cash director fees vest in equal quarterly increments during the year to which they relate. At December 31, 2014, 559,881 shares were available for future grants under the director plan. The director stock award plan is intended as an incentive to attract and retain qualified independent directors.

The following is a summary of the stock option activity under the director plan described above for the years ended December 31, 2014, 2013, and 2012:

	<b>Outstanding Non- Qualified or Nonincentive Stock Awards</b>	<b>Weighted Average Exercise Price</b>
Outstanding at December 31, 2011	353,625	\$ 39.05
Granted	66,306	\$ 62.39
Exercised	(73,993)	\$ 28.22
Outstanding at December 31, 2012	345,938	\$ 45.84
Granted	54,958	\$ 75.17
Exercised	(80,574)	\$ 46.75
Outstanding at December 31, 2013	320,322	\$ 50.64
Granted	42,000	\$ 99.52
Exercised	(63,988)	\$ 39.08
Outstanding at December 31, 2014	<u>298,334</u>	\$ 60.01

Under the director plan, options exercisable were 298,334, 320,082 and 345,360 at December 31, 2014, 2013 and 2012, respectively.

The following table summarizes information about the Company's outstanding and exercisable stock options under the director plan at December 31, 2014:

Range of Exercise Prices	Options Outstanding			Options Exercisable			
	Number Outstanding	Weighted Average Remaining Contractual Life in Years	Weighted Average Exercise Price	Aggregate Intrinsic Value	Number Exercisable	Weighted Average Exercise Price	Aggregate Intrinsic Value
\$20.28 – \$29.60	30,000	1.9	\$ 25.87		30,000	\$ 25.87	
\$35.17 – \$36.82	32,048	1.3	\$ 36.09		32,048	\$ 36.09	
\$41.24 – \$56.45	91,022	4.2	\$ 51.87		91,022	\$ 51.87	
\$61.89 – \$62.48	54,306	5.8	\$ 62.37		54,306	\$ 62.37	
\$75.17 – \$99.52	90,958	7.2	\$ 86.41		90,958	\$ 86.41	
\$20.28 – \$99.52	<u>298,334</u>	4.9	\$ 60.01	\$ 6,975,000	<u>298,334</u>	\$ 60.01	\$ 6,975,000

The following is a summary of the restricted stock award activity under the director plan described above for the years ended December 31, 2014, 2013 and 2012:

	<b>Unvested Restricted Stock Award Shares</b>	<b>Weighted Average Grant Date Fair Value Per Share</b>
Nonvested balance at December 31, 2011	1,748	\$ 58.07
Granted	10,383	\$ 62.99
Vested	(11,783)	\$ 62.26
Nonvested balance at December 31, 2012	348	\$ 62.99
Granted	10,536	\$ 75.65
Vested	(10,500)	\$ 75.23
Nonvested balance at December 31, 2013	384	\$ 75.65
Granted	8,160	\$ 99.52
Vested	(8,252)	\$ 98.41
Nonvested balance at December 31, 2014	<u>292</u>	\$ 99.52

The total intrinsic value of all stock options exercised under all of the Company's plans was \$11,671,000, \$6,703,000 and \$6,768,000 for the years ended December 31, 2014, 2013 and 2012, respectively. The actual tax benefit realized for tax deductions from stock option exercises was \$4,388,000, \$2,520,000 and \$2,518,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

The total intrinsic value of all the restricted stock vestings under all of the Company's plans was \$14,847,000, \$10,993,000 and \$11,878,000 for the years ended December 31, 2014, 2013 and 2012, respectively. The actual tax benefit realized for tax deductions from restricted stock vestings was \$5,583,000, \$4,133,000 and \$4,418,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

As of December 31, 2014, there was \$2,701,000 of unrecognized compensation cost related to nonvested stock options and \$16,271,000 related to restricted stock. The stock options are expected to be recognized over a weighted average period of approximately 1.2 years and restricted stock over approximately 2.6 years. The total fair value of stock options vested was \$3,759,000, \$3,341,000 and \$2,846,000 during the years ended December 31, 2014, 2013 and 2012, respectively. The fair value of the restricted stock vested was \$14,847,000, \$10,993,000 and \$11,878,000 for the years ended December 31, 2014, 2013 and 2012, respectively.

The weighted average per share fair value of stock options granted during the years ended December 31, 2014, 2013 and 2012 was \$36.05, \$25.14 and \$22.21, respectively. The fair value of the stock options granted during the years ended December 31, 2014, 2013 and 2012 was \$4,226,000, \$4,184,000 and \$3,691,000, respectively. The Company currently uses treasury stock shares for restricted stock grants and stock option exercises. The fair value of each stock option was determined using the Black-Scholes option pricing model. The key input variables used in valuing the stock options during the years ended December 31, 2014, 2013 and 2012 were as follows:

	2014	2013	2012
Dividend yield	None	None	None
Average risk-free interest rate	2.0%	1.1%	1.1%
Stock price volatility	33%	34%	33%
Estimated option term	Six years or seven years	Six years or seven years	Six years or seven years

**(9) Retirement Plans**

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

The fair value of plan assets was \$242,275,000 and \$254,523,000 at December 31, 2014 and 2013 respectively. As of December 31, 2014 and 2013, these assets were allocated among asset categories as follows:

<u>Asset Category</u>	<u>2014</u>	<u>2013</u>	<u>Current Minimum, Target and Maximum Allocation Policy</u>
U.S. equity securities	52%	51%	30% — 50% — 70%
International equity securities	18%	21%	0% — 20% — 30%
Debt securities	30%	28%	15% — 30% — 55%
Cash and cash equivalents	—%	—%	0% — 0% — 5%
	<u>100%</u>	<u>100%</u>	

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

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

The Company makes various assumptions when determining defined benefit plan costs including, but not limited to, the current discount rate and the expected long-term return on plan assets. Discount rates are determined annually and are based on a yield curve that consists of a hypothetical portfolio of high quality corporate bonds with maturities matching the projected benefit cash flows. The Company assumed that plan assets would generate a long-term rate of return of 7.5% in 2014 and 2013. The Company developed its expected long-term rate of return assumption by evaluating input from investment consultants comparing historical returns for various asset classes with its actual and targeted plan investments. The Company believes that its long-term asset allocation, on average, will approximate the targeted allocation.

The Company's pension plan funding strategy has historically been to contribute an amount equal to the greater of the minimum required contribution under ERISA or the amount necessary to fully fund the plan on an accumulated benefit obligation ("ABO") basis at the end of the fiscal year. The ABO is based on a variety of demographic and economic assumptions, and the pension plan assets' returns are subject to various risks, including market and interest rate risk, making an accurate prediction of the pension plan contribution difficult. The Company's pension plan funding was 100% of the pension plan's ABO at December 31, 2014.

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

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

	Pension Benefits				Other Postretirement Benefits	
	Pension Plan		SERP		Postretirement Welfare Plan	
	2014	2013	2014	2013	2014	2013
<b>Change in benefit obligation</b>						
Benefit obligation at beginning of year	\$ 249,960	\$ 266,911	\$ 1,529	\$ 1,746	\$ 2,307	\$ 2,854
Service cost	10,645	12,824	—	—	—	—
Interest cost	12,839	11,400	73	70	110	112
Actuarial loss (gain)	66,640	(35,767)	180	(138)	(1,065)	(600)
Gross benefits paid	(25,009)	(5,408)	(145)	(149)	(88)	(59)
Benefit obligation at end of year	<u>\$ 315,075</u>	<u>\$ 249,960</u>	<u>\$ 1,637</u>	<u>\$ 1,529</u>	<u>\$ 1,264</u>	<u>\$ 2,307</u>
<b>Accumulated benefit obligation at end of year</b>						
	<u>\$ 241,592</u>	<u>\$ 200,577</u>	<u>\$ 1,637</u>	<u>\$ 1,529</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Weighted-average assumption used to determine benefit obligation at end of year</b>						
Discount rate	4.1%	5.0%	4.1%	5.0%	4.1%	5.0%
Rate of compensation increase	4.25%	4.25%	—	—	—	—
<b>Health care cost trend rate</b>						
Initial rate	—	—	—	—	7.0%	7.0%
Ultimate rate	—	—	—	—	5.0%	5.0%
Years to ultimate	—	—	—	—	2019	2018
<b>Effect of one-percentage-point change in assumed health care cost trend rate on postretirement obligation</b>						
Increase	\$ —	\$ —	\$ —	\$ —	\$ 167	\$ 202
Decrease	—	—	—	—	(141)	(178)
<b>Change in plan assets</b>						
Fair value of plan assets at beginning of year	\$ 254,523	\$ 217,811	\$ —	\$ —	\$ —	\$ —
Actual return on plan assets	12,761	42,120	—	—	—	—
Employer contribution	—	—	145	149	88	59
Gross benefits paid	(25,009)	(5,408)	(145)	(149)	(88)	(59)
Fair value of plan assets at end of year	<u>\$ 242,275</u>	<u>\$ 254,523</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The following table presents the funded status and amounts recognized in the Company's consolidated balance sheet for the Company's defined benefit plans and postretirement benefit plan at December 31, 2014 and 2013 (in thousands):

	Pension Benefits				Other Postretirement Benefits	
	Pension Plan		SERP		Postretirement Welfare Plan	
	2014	2013	2014	2013	2014	2013
<b>Funded status at end of year</b>						
Fair value of plan assets	\$ 242,275	\$ 254,523	\$ —	\$ —	\$ —	\$ —
Benefit obligations	315,075	249,960	1,637	1,529	1,264	2,307
Funded status and amount recognized at end of year recognized at end of year	\$ (72,800)	\$ 4,563	\$ (1,637)	\$ (1,529)	\$ (1,264)	\$ (2,307)
<b>Amounts recognized in the consolidated balance sheets</b>						
Noncurrent asset	\$ —	\$ 4,563	\$ —	\$ —	\$ —	\$ —
Current liability	—	—	(141)	(140)	(83)	(197)
Long-term liability	(72,800)	—	(1,496)	(1,389)	(1,181)	(2,110)
<b>Amounts recognized in accumulated other comprehensive income</b>						
Net actuarial loss (gain)	\$ 104,795	\$ 32,760	\$ 566	\$ 402	\$ (6,787)	\$ (6,364)
Prior service cost (credit)	—	—	—	—	—	—
Accumulated other compensation income	\$ 104,795	\$ 32,760	\$ 566	\$ 402	\$ (6,787)	\$ (6,364)

The projected benefit obligation and fair value of plan assets for pension plans with a projected benefit obligation in excess of plan assets at December 31, 2014 and 2013 were as follows (in thousands):

	Pension Benefits			
	Pension Plan		SERP	
	2014	2013	2014	2013
<b>Projected benefit obligation in excess of plan assets</b>				
Projected benefit obligation at end of year	\$ 315,075	\$ —	\$ 1,637	\$ 1,529
Fair value of plan assets at end of year	242,275	—	—	—

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2014 and 2013 were as follows (in thousands):

	Pension Benefits			
	Pension Plan		SERP	
	2014	2013	2014	2013
<b>Accumulated benefit obligation in excess of plan assets</b>				
Projected benefit obligation at end of year	\$ —	\$ —	\$ 1,637	\$ 1,529
Accumulated benefit obligation at end of year	—	—	1,637	1,529
Fair value of plan assets at end of year	—	—	—	—

The following tables presents the expected cash flows for the Company's defined benefit plans and postretirement benefit plan at December 31, 2014 and 2013 (in thousands):

	Pension Benefits				Other Postretirement Benefits	
	Pension Plan		SERP		Postretirement Welfare Plan	
	2014	2013	2014	2013	2014	2013
<b>Expected employer contributions</b>						
First year	\$ 8,400	\$ —	\$ 143	\$ 144	\$ 84	\$ 202

	Pension Benefits				Other Postretirement Benefits	
	Pension Plan		SERP		Postretirement Welfare Plan	
	2014	2013	2014	2013	2014	2013
<b>Expected benefit payments (gross)</b>						
Year one	\$ 7,100	\$ 6,538	\$ 143	\$ 144	\$ 96	\$ 215
Year two	7,672	6,996	151	142	98	218
Year three	8,333	7,598	155	149	103	219
Year four	9,080	8,321	153	154	95	229
Year five	9,868	9,140	150	151	94	226
Next five years	62,666	59,242	621	663	445	976

	Pension Benefits				Other Postretirement Benefits	
	Pension Plan		SERP		Postretirement Welfare Plan	
	2014	2013	2014	2013	2014	2013
<b>Expected federal subsidy</b>						
Year one	\$ —	\$ —	\$ —	\$ —	\$ (11)	\$ (13)
Year two	—	—	—	—	(11)	(13)
Year three	—	—	—	—	(11)	(13)
Year four	—	—	—	—	(12)	(12)
Year five	—	—	—	—	(12)	(12)
Next five years	—	—	—	—	(55)	(55)

The components of net periodic benefit cost and other changes in plan assets and benefit obligations recognized in other comprehensive income for the Company's defined benefit plans for the years ended December 31, 2014, 2013 and 2012 were as follows (in thousands):

	Pension Benefits					
	Pension Plan			SERP		
	2014	2013	2012	2014	2013	2012
<b>Components of net periodic benefit cost</b>						
Service cost	\$ 10,645	\$ 12,824	\$ 10,206	\$ —	\$ —	\$ —
Interest cost	12,839	11,400	10,506	73	70	73
Expected return on plan assets	(18,858)	(16,127)	(12,872)	—	—	—
Amortization:						
Actuarial loss	701	8,276	7,395	16	19	14
Prior service credit	—	—	—	—	—	—
Net periodic benefit cost	<u>5,327</u>	<u>16,373</u>	<u>15,235</u>	<u>89</u>	<u>89</u>	<u>87</u>
<b>Other changes in plan assets and benefit obligations recognized in other comprehensive income</b>						
Current year actuarial loss (gain)	72,737	(61,759)	23,557	180	(138)	131
Recognition of actuarial loss	(701)	(8,276)	(7,395)	(16)	(19)	(14)
Recognition of prior service credit	—	—	—	—	—	—
Total recognized in other comprehensive income	<u>72,036</u>	<u>(70,035)</u>	<u>16,162</u>	<u>164</u>	<u>(157)</u>	<u>117</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ 77,363</u>	<u>\$ (53,662)</u>	<u>\$ 31,397</u>	<u>\$ 253</u>	<u>\$ (68)</u>	<u>\$ 204</u>

**Weighted average assumptions used to determine net periodic benefit cost**

Discount rate	5.0%	4.1%	4.6%	5.0%	4.1%	4.6%
Expected long-term rate of return on plan assets	7.5%	7.5%	7.5%	—	—	—
Rate of compensation increase	4.25%	4.25%	4.25%	—	—	—

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2015 are as follows (in thousands):

	Pension Benefits	
	Pension Plan	SERP
Actuarial loss	\$ 7,845	\$ 28
Prior service credit	—	—
	<u>\$ 7,845</u>	<u>\$ 28</u>

The components of net periodic benefit cost and other changes in benefit obligations recognized in other comprehensive income for the Company's postretirement benefit plan for the years ended December 31, 2014, 2013 and 2012 were as follows (in thousands):

	<b>Other Postretirement Benefits</b>		
	<b>Postretirement Welfare Plan</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Components of net periodic benefit cost</b>			
Service cost	\$ —	\$ —	\$ —
Interest cost	110	112	133
Amortization:			
Actuarial gain	(649)	(620)	(618)
Prior service cost	—	—	—
Net periodic benefit cost	<u>(539)</u>	<u>(508)</u>	<u>(485)</u>
<b>Other changes in benefit obligations recognized in other comprehensive income</b>			
Current year actuarial gain	(1,065)	(600)	(235)
Recognition of actuarial gain	649	620	618
Recognition of prior service cost	—	—	—
Adjustment for actual Medicare Part D reimbursement	(8)	(5)	(10)
Total recognized in other comprehensive income	<u>(424)</u>	<u>15</u>	<u>373</u>
Total recognized in net periodic benefit cost and other comprehensive income	<u>\$ (963)</u>	<u>\$ (493)</u>	<u>\$ (112)</u>
<b>Weighted average assumptions used to determine net periodic benefit cost</b>			
Discount rate	5.0%	4.1%	4.6%
Health care cost trend rate:			
Initial rate	7.0%	7.5%	7.5%
Ultimate rate	5.0%	5.0%	5.0%
Years to ultimate	2018	2018	2017

**Effect of one-percentage-point change in assumed health care cost trend rate on aggregate service and interest cost**

Increase	\$ 7	\$ 10	\$ 13
Decrease	(6)	(9)	(11)

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2015 are as follows (in thousands):

	<b>Other Postretirement Benefits Postretirement Welfare Plan</b>
Actuarial gain	\$ (690)
Prior service cost	—
	<u>\$ (690)</u>

The Company also contributes to a multiemployer pension plan pursuant to a collective bargaining agreement which covers certain vessel crew members of its coastal operations and expires on April 30, 2015. The Company began participation in the Seafarers Pension Trust ("SPT") with the Penn acquisition on December 14, 2012.

Contributions to the SPT are made currently based on a per day worked basis and charged to expense as incurred and included in costs of sales and operating expenses in the consolidated statement of earnings. During 2014 and 2013, the Company made contributions of \$1,290,000 and \$1,368,000, respectively, to the SPT and none of the Company's contributions to the SPT exceeded 5% of total contributions to the SPT nor did the Company pay any material surcharges.

The federal identification number of the SPT is 13-6100329 and the Certified Zone Status is Green at December 31, 2014. The Company's future minimum contribution requirements under the SPT are unavailable because actuarial reports for the 2014 plan year are not yet complete and such contributions are subject to negotiations between the employers and the unions. The SPT was neither in endangered or critical status for the 2013 plan year, the latest period for which a report is available, as the funded status was in excess of 100%. Based on an actuarial valuation performed as of December 31, 2013, there would be no withdrawal liability if the Company chose to withdraw from the SPT although the Company currently has no intention of terminating its participation in the SPT.

In addition to the defined benefit plans, the Company sponsors various defined contribution plans for substantially all employees. The aggregate contributions to the plans were \$23,356,000, \$23,158,000 and \$22,427,000 in 2014, 2013 and 2012, respectively.

**(10) Other Comprehensive Income**

The Company's changes in other comprehensive income for the years ended December 31, 2014, 2013 and 2012 were as follows (in thousands):

	2014			2013			2012		
	Gross Amount	Income Tax (Provision) Benefit	Net Amount	Gross Amount	Income Tax (Provision) Benefit	Net Amount	Gross Amount	Income Tax (Provision) Benefit	Net Amount
Pension and postretirement benefits (a):									
Amortization of net actuarial loss	\$ 68	\$ (26)	\$ 42	\$ 7,675	\$ (2,942)	\$ 4,733	\$ 6,791	\$ (2,603)	\$ 4,188
Actuarial gains (losses)	(71,843)	27,507	(44,336)	62,503	(23,962)	38,541	(23,443)	8,985	(14,458)
Foreign currency translation adjustments	(35)	—	(35)	108	—	108	102	—	102
Change in fair value of derivative instruments (b):									
Unrealized gains (losses)	24	(9)	15	2,851	(996)	1,855	16,364	(5,775)	10,589
Reclassified to net earnings	121	(51)	70	(1,389)	486	(903)	(8,302)	2,930	(5,372)
<b>Total</b>	<b>\$ (71,665)</b>	<b>\$ 27,421</b>	<b>\$ (44,244)</b>	<b>\$ 71,748</b>	<b>\$ (27,414)</b>	<b>\$ 44,334</b>	<b>\$ (8,488)</b>	<b>\$ 3,537</b>	<b>\$ (4,951)</b>

(a) Actuarial gains (losses) are amortized into costs of sales and operating expenses or selling, general and administrative expenses as appropriate. (See Note 9 – Retirement Plans)

(b) Reclassifications to net earnings of derivatives qualifying as effective hedges are recognized in interest expense or costs of sales and operating expenses as appropriate. (See Note 4 – Derivative Instruments)

**(11) Earnings Per Share**

The following table presents the components of basic and diluted earnings per share for the years ended December 31, 2014, 2013 and 2012 (in thousands, except per share amounts):

	<b>2014</b>	<b>2013</b>	<b>2012</b>
Net earnings attributable to Kirby	\$ 282,006	\$ 253,061	\$ 209,438
Undistributed earnings allocated to restricted shares	(1,643)	(1,819)	(1,618)
Income available to Kirby common stockholders — basic	280,363	251,242	207,820
Undistributed earnings allocated to restricted shares	1,643	1,819	1,618
Undistributed earnings reallocated to restricted shares	(1,637)	(1,813)	(1,612)
Income available to Kirby common stockholders — diluted	<u>\$ 280,369</u>	<u>\$ 251,248</u>	<u>\$ 207,826</u>
Shares outstanding:			
Weighted average common stock issued and outstanding	57,006	56,762	55,897
Weighted average unvested restricted stock	(332)	(408)	(431)
Weighted average common stock outstanding — basic	56,674	56,354	55,466
Dilutive effect of stock options	193	198	208
Weighted average common stock outstanding — diluted	<u>56,867</u>	<u>56,552</u>	<u>55,674</u>
Net earnings per share attributable to Kirby common stockholders:			
Basic	<u>\$ 4.95</u>	<u>\$ 4.46</u>	<u>\$ 3.75</u>
Diluted	<u>\$ 4.93</u>	<u>\$ 4.44</u>	<u>\$ 3.73</u>

Certain outstanding options to purchase approximately 75,000, 2,000 and 100,000 shares of common stock were excluded in the computation of diluted earnings per share as of December 31, 2014, 2013 and 2012, respectively, as such stock options would have been antidilutive.

**(12) Quarterly Results (Unaudited)**

The unaudited quarterly results for the year ended December 31, 2014 were as follows (in thousands, except per share amounts):

	<b>Three Months Ended</b>			
	<b>March 31, 2014</b>	<b>June 30, 2014</b>	<b>September 30, 2014</b>	<b>December 31, 2014</b>
Revenues	\$ 589,246	\$ 628,054	\$ 680,721	\$ 668,297
Costs and expenses	482,443	501,556	552,642	554,646
Gain on disposition of assets	51	527	47	156
Operating income	106,854	127,025	128,126	113,807
Other income (expense)	(236)	123	27	125
Interest expense	(5,618)	(5,469)	(5,225)	(5,149)
Earnings before taxes on income	101,000	121,679	122,928	108,783
Provision for taxes on income	(37,989)	(45,768)	(45,715)	(40,310)
Net earnings	63,011	75,911	77,213	68,473
Less: Net earnings attributable to noncontrolling interests	(765)	(919)	(496)	(422)
Net earnings attributable to Kirby	<u>\$ 62,246</u>	<u>\$ 74,992</u>	<u>\$ 76,717</u>	<u>\$ 68,051</u>
Net earnings per share attributable to Kirby common stockholders:				
Basic	<u>\$ 1.09</u>	<u>\$ 1.32</u>	<u>\$ 1.34</u>	<u>\$ 1.19</u>
Diluted	<u>\$ 1.09</u>	<u>\$ 1.31</u>	<u>\$ 1.34</u>	<u>\$ 1.19</u>

The unaudited quarterly results for the year ended December 31, 2013 were as follows (in thousands, except per share amounts):

	<b>Three Months Ended</b>			
	<b>March 31, 2013</b>	<b>June 30, 2013</b>	<b>September 30, 2013</b>	<b>December 31, 2013</b>
Revenues	\$ 558,785	\$ 563,908	\$ 551,105	\$ 568,397
Costs and expenses	458,904	455,193	432,991	459,813
Gain (loss) on disposition of assets	(32)	537	223	160
Operating income	99,849	109,252	118,337	108,744
Other income	75	101	60	132
Interest expense	(7,988)	(7,219)	(6,694)	(5,971)
Earnings before taxes on income	91,936	102,134	111,703	102,905
Provision for taxes on income	(34,384)	(38,342)	(42,007)	(37,646)
Net earnings	57,552	63,792	69,696	65,259
Less: Net earnings attributable to noncontrolling interests	(974)	(699)	(573)	(992)
Net earnings attributable to Kirby	<u>\$ 56,578</u>	<u>\$ 63,093</u>	<u>\$ 69,123</u>	<u>\$ 64,267</u>
<b>Net earnings per share attributable to Kirby common stockholders:</b>				
Basic	<u>\$ 1.00</u>	<u>\$ 1.11</u>	<u>\$ 1.22</u>	<u>\$ 1.13</u>
Diluted	<u>\$ 1.00</u>	<u>\$ 1.11</u>	<u>\$ 1.21</u>	<u>\$ 1.13</u>

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

### **(13) Contingencies and Commitments**

In June 2011, the Company as well as three other companies received correspondence from the United States Environmental Protection Agency (“EPA”) concerning ongoing cleanup and restoration activities under the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”) with respect to a Superfund site, the Gulfco Marine Maintenance Site (“Gulfco”), located in Freeport, Texas. In prior years, various subsidiaries of the Company utilized a successor to Gulfco to perform tank barge cleaning services, sand blasting and repair on certain Company vessels. The EPA continues to investigate activities at the site to assess additional Potentially Responsible Parties (“PRPs”). Since 2005, four named PRPs have participated in the investigation, cleanup and restoration of the site under an administrative order from EPA. Information received to date indicates that approximately \$4,500,000 has been incurred in connection with the cleanup effort in addition to EPA’s oversight costs of approximately \$1,800,000. To date, neither the EPA nor the named PRPs have performed an allocation of potential liability in connection with the site. The named PRPs filed suit against the Company and approximately 21 other defendants seeking contribution and indemnity under CERCLA for costs incurred in connection with its activities in cleaning up the Gulfco Site. This matter is in initial stages of litigation.

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

In 2000, the Company and a group of approximately 45 other companies were notified that they are PRPs under CERCLA with respect to a Superfund site, the Palmer Barge Line Superfund Site (“Palmer”), located in Port Arthur, Texas. In prior years, Palmer had provided tank barge cleaning services to various subsidiaries of the Company. The Company and three other PRPs entered into an agreement with the EPA to perform a remedial investigation and feasibility study and, subsequently, a limited remediation was performed and is now complete. During the 2007 third quarter, five new PRPs entered into an agreement with the EPA related to the Palmer site. In July 2008, the EPA sent a letter to approximately 30 PRPs for the Palmer site, including the Company, indicating that it intends to pursue recovery of \$2,949,000 of costs it incurred in relation to the site. The Company and the other PRPs submitted recommended pro rata allocations of costs among all PRPs to the EPA and the U.S. Department of Justice (“DOJ”) in order to resolve the EPA’s past costs claim which is under consideration by the DOJ.

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

On July 25, 2011, a subsidiary of the Company was named as a defendant in the U.S. District Court for the Southern District of Texas - Galveston Division, in a complaint styled *Figgs. v. Kirby Inland Marine, LP (“Kirby Inland Marine”), et al.*, which alleges that the plaintiff individually as a vessel tankerman, and on behalf of other current and former similarly situated vessel tankermen employed with the Company, is entitled to overtime pay under the Fair Labor Standards Act. Plaintiffs assert that vessel tankermen are not seamen who are expressly exempt from overtime pay provisions under the law. The case was conditionally certified as a collective action on December 22, 2011 at which time the Court prescribed a notice period for current and former employees to voluntarily participate as plaintiffs. The notice period closed on February 27, 2012. Plaintiffs seek compensatory damages in the form of back pay, attorneys’ fees, cost and liquidated damages. In a recent case that presented substantially the same facts and legal issues, the United States Court of Appeals for the Fifth Circuit ruled that vessel tankermen are seamen who are exempt from the overtime pay provisions of the Fair Labor Standards Act. While the *Figgs* case is still pending, the Company believes that, after the Fifth Circuit ruling, it will incur no material liability in the case.

On March 22, 2014, a tank barge and towboat (the M/V Miss Susan), both owned by Kirby Inland Marine, a wholly owned subsidiary of the Company, were involved in a collision with the M/S Summer Wind on the Houston Ship Channel near Texas City, Texas. The tank barge was damaged in the collision resulting in a discharge of intermediate fuel oil from one of its cargo tanks. The USCG and the National Transportation Safety Board have named the Company and the Captain of the M/V Miss Susan, as well as the owner and the pilot of the M/S Summer Wind, as parties of interest in their investigation as to the cause of the incident. Sea Galaxy Ltd is the owner of the M/S Summer Wind. The Company is participating in the natural resource damage assessment and restoration process with federal and state government natural resource trustees.

The Company and the owner of the M/S Summer Wind have filed actions in the U.S. District Court for the Southern District of Texas seeking exoneration from or limitation of liability relating to the foregoing incident as provided for in the federal rules of procedure for maritime claims. The two actions have been consolidated for procedural purposes since they both arise out of the same occurrence. There is a separate process for making a claim under the Oil Pollution Act of 1990 (“OPA”). The Company is processing claims properly presented, documented and recoverable under OPA. The Company is named as a party in other lawsuits filed in connection with this incident which are currently stayed by orders entered into by the court in the limitation proceedings, some of which may also have been presented as claims in the limitation proceeding. The actions include allegation of business interruption, loss of profit, loss of use of natural resources and seek unspecified economic and compensatory damages. In addition, the Company has received claims from numerous parties claiming property damage and various economic damages. The Company has also been named as a defendant in a civil action by two crewmembers of the M/V Miss Susan, alleging damages under the general maritime law and the Jones Act. The litigation and claims process is ongoing and many of the claims and lawsuits filed have not specified the amount of damages sought, but the Company believes it has adequate insurance coverage for pollution, marine and other potential liabilities arising from the incident. The Company believes it has accrued adequate reserves for the incident and does not expect the incident to have a material adverse effect on its business or financial condition.

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

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

The customer base of the marine transportation segment includes the major industrial petrochemical and chemical manufacturers, refining companies and agricultural chemical manufacturers operating in the United States. During 2014, approximately 80% of marine transportation's inland revenues were from movements of such products under term contracts, typically ranging from one year to five years, with renewal options. During 2014, approximately 85% of the marine transportation's coastal revenues were under term contracts. While the manufacturing and refining companies have generally been customers of the Company for numerous years (some as long as 40 years) and management anticipates a continuing relationship, there is no assurance that any individual contract will be renewed. No single customer of the marine transportation segment accounted for 10% of the Company's revenues in 2014, 2013 and 2012.

Major customers of the diesel engine services segment include inland and offshore barge operators, oilfield service companies, oil and gas operators and producers, compression companies, offshore fishing companies, marine and on-highway transportation companies, the USCG and United States Navy, and power generation, nuclear and industrial companies. The segment operates as an authorized distributor in 17 eastern states and the Caribbean, and as non-exclusive authorized service centers for Electro-Motive Diesel, Inc. ("EMD") throughout the rest of the United States for marine and power generation applications. The diesel engine services segment's relationship with EMD has been maintained for 49 years. The segment also operates factory-authorized full service marine dealerships for Cummins, Detroit Diesel and John Deere high-speed diesel engines and Allison transmissions and gears in the Gulf Coast region, as well as an authorized marine dealer for Caterpillar in Alabama, Kentucky, Louisiana and New Jersey.

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

The results of the diesel engine services segment are largely tied to the industries it serves and, therefore, can be influenced by the cycles of such industries. No single customer of the diesel engine services segment accounted for 10% of the Company's revenues in 2014, 2013 and 2012.

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

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

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

The Company has issued guaranties or obtained standby letters of credit and performance bonds supporting performance by the Company and its subsidiaries of contractual or contingent legal obligations of the Company and its subsidiaries incurred in the ordinary course of business. The aggregate notional value of these instruments is \$36,566,000 at December 31, 2014, including \$7,433,000 in letters of credit and \$29,133,000 in performance bonds. All of these instruments have an expiration date within four years. The Company does not believe demand for payment under these instruments is likely and expects no material cash outlays to occur in connection with these instruments.

#### **(14) Segment Data**

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

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

*Diesel Engine Services* — Provides after-market services for medium-speed and high-speed diesel engines, reduction gears and ancillary products for marine and power generation applications, and distributes and services high-speed diesel engines, transmissions, pumps and compression products, and manufactures and remanufactures oilfield service equipment, including pressure pumping units, for the land-based pressure pumping and oilfield service markets.

The Company's two reportable business segments are managed separately based on fundamental differences in their operations. The Company's accounting policies for the business segments are the same as those described in Note 1, Summary of Significant Accounting Policies. The Company evaluates the performance of its segments based on the contributions to operating income of the respective segments, and before income taxes, interest, gains or losses on disposition of assets, other nonoperating income, noncontrolling interests, accounting changes, and nonrecurring items. Intersegment sales for 2014, 2013 and 2012 were not significant.

The following table sets forth by reportable segment the revenues, profit or loss, total assets, depreciation and amortization, and capital expenditures attributable to the principal activities of the Company for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:			
Marine transportation	\$ 1,770,684	\$ 1,713,167	\$ 1,408,893
Diesel engine services	795,634	529,028	703,765
	<u>\$ 2,566,318</u>	<u>\$ 2,242,195</u>	<u>\$ 2,112,658</u>
Segment profit (loss):			
Marine transportation	\$ 429,864	\$ 408,255	\$ 311,755
Diesel engine services	60,063	42,767	66,386
Other	(35,537)	(42,344)	(37,615)
	<u>\$ 454,390</u>	<u>\$ 408,678</u>	<u>\$ 340,526</u>
Total assets:			
Marine transportation	\$ 3,317,696	\$ 3,046,692	\$ 2,951,723
Diesel engine services	736,129	576,472	647,986
Other	88,084	59,353	53,419
	<u>\$ 4,141,909</u>	<u>\$ 3,682,517</u>	<u>\$ 3,653,128</u>
Depreciation and amortization:			
Marine transportation	\$ 154,019	\$ 149,574	\$ 129,857
Diesel engine services	11,463	11,096	12,030
Other	3,830	3,767	3,260
	<u>\$ 169,312</u>	<u>\$ 164,437</u>	<u>\$ 145,147</u>
Capital expenditures:			
Marine transportation	\$ 340,315	\$ 237,964	\$ 274,351
Diesel engine services	7,486	4,658	20,477
Other	7,343	10,605	17,339
	<u>\$ 355,144</u>	<u>\$ 253,227</u>	<u>\$ 312,167</u>

The following table presents the details of “Other” segment profit (loss) for the years ended December 31, 2014, 2013 and 2012 (in thousands):

	<u>2014</u>	<u>2013</u>	<u>2012</u>
General corporate expenses	\$ (14,896)	\$ (15,728)	\$ (13,294)
Interest expense	(21,461)	(27,872)	(24,385)
Gain (loss) on disposition of assets	781	888	(14)
Other income	39	368	78
	<u>\$ (35,537)</u>	<u>\$ (42,344)</u>	<u>\$ (37,615)</u>

The following table presents the details of “Other” total assets as of December 31, 2014, 2013 and 2012 (in thousands):

	<u>2014</u>	<u>2013</u>	<u>2012</u>
General corporate assets	\$ 85,545	\$ 57,197	\$ 51,611
Investment in affiliates	2,539	2,156	1,808
	<u>\$ 88,084</u>	<u>\$ 59,353</u>	<u>\$ 53,419</u>

## (15) Related Party Transactions

Richard J. Alario, a current director of the Company, is the Chairman of the Board, President and Chief Executive Officer of Key Energy Services, Inc. (“Key Energy”). Key Energy paid the Company \$1,232,000 in 2014, \$1,973,000 in 2013 and \$13,152,000 in 2012 for oilfield service equipment and for parts and service. Such sales and service were in the ordinary course of business of the Company.

The Company is a 50% owner of The Hollywood Camp, L.L.C. (“The Hollywood Camp”), a company that owns and operates a hunting and fishing facility used by the Company primarily for customer entertainment. The Hollywood Camp allocates lease and lodging expenses to its members based on their usage of the facilities. Key Energy paid The Hollywood Camp \$1,634,000 in 2014, \$1,112,000 in 2013 and \$463,000 in 2012 for use of the facility.

William M. Waterman, a current director of the Company, is the former President and owner (together with his family members) of Penn but resigned as an officer and director of Penn and affiliated companies contemporaneously with the closing of the acquisition of Penn by the Company on December 14, 2012. A portion of the purchase price consisting of approximately \$24,000,000 in cash and 83,825 shares of Kirby stock was held in escrow to secure the sellers’ indemnification of the Company for breaches of representations and warranties in the purchase agreement. The escrow account terminated on March 31, 2014 and the cash and stock, net of a \$17,000 claim, were distributed to Mr. Waterman, members of his family and a family trust.

The husband of Amy D. Husted, Vice President — Legal of the Company, is a partner in the law firm of Strasburger & Price, LLP. The Company paid the law firm \$1,184,000 in 2014, \$851,000 in 2013 and \$384,000 in 2012 for legal services in connection with matters in the ordinary course of business of the Company.

**PART IV****Item 15. Exhibits and Financial Statement Schedules****1. Financial Statements**

Included in Part III of this report:

Report of Independent Registered Public Accounting Firm.

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets, December 31, 2014 and 2013.

Consolidated Statements of Earnings, for the years ended December 31, 2014, 2013 and 2012.

Consolidated Statements of Comprehensive Income, for the years ended December 31, 2014, 2013 and 2012.

Consolidated Statements of Cash Flows, for the years ended December 31, 2014, 2013 and 2012.

Consolidated Statements of Stockholders' Equity, for the years ended December 31, 2014, 2013 and 2012.

Notes to Consolidated Financial Statements, for the years ended December 31, 2014, 2013 and 2012.

**2. Financial Statement Schedules**

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

**3. Exhibits**

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
3.1*	— Restated Articles of Incorporation of the Company with all amendments to date.
3.2*	— Bylaws of the Company, as amended to date.
10.1	— Second Amended and Restated Credit Agreement, dated November 9, 2010 among Kirby Corporation, JPMorgan Chase Bank, N.A. as Administrative Agent, and the banks named therein (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Commission on November 12, 2010).
10.2	— First Amendment to Credit Agreement dated as of May 31, 2011 among Kirby Corporation, JPMorgan Chase Bank, N.A., as Administrative Agent, and the banks named therein (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the Commission on June 3, 2011).
10.3	— Credit Agreement dated as of May 31, 2011 among Kirby Corporation, Wells Fargo Bank National Association, as administrative agent, and the banks named therein (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Commission on June 3, 2011).

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
10.4	— Commitment Increase Agreements dated as of August 30, 2012 among Kirby Corporation, JP Morgan Chase Bank, N.A., as Administrative Agent, and each of the Increasing Banks named therein (incorporated by reference to Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012).
10.5	— Note Purchase Agreement dated December 13, 2012 among Kirby Corporation and the purchasers named therein relating to \$500,000,000 in Senior Notes (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Commission on December 20, 2012).
10.6†	— Deferred Compensation Plan for Key Employees (incorporated by reference to Exhibit 10.7 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2005).
10.7†	— Annual Incentive Plan Guidelines for 2014 (incorporated by reference to Exhibit 10.8 to the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2013).
10.8†*	— Annual Incentive Plan Guidelines for 2015.
10.9†*	— 2000 Nonemployee Director Stock Plan.
10.10†*	— 2005 Stock and Incentive Plan.
10.11†	— Form of Nonincentive Stock Option Agreement (incorporated by reference to Exhibit 10.2 to the Registrant’s Current Report on Form 8-K filed with the Commission on April 29, 2005, File No. 001-07615).
10.12†	— Form of Incentive Stock Option Agreement (incorporated by reference to Exhibit 10.3 to the Registrant’s Current Report on Form 8-K filed with the Commission on April 29, 2005, File No. 001-07615).
10.13†	— Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.4 to the Registrant’s Current Report on Form 8-K filed with the Commission on April 29, 2005, File No. 001-07615).
10.14†*	— Nonemployee Director Compensation Program.
21.1*	— Consolidated Subsidiaries of the Registrant.
23.1*	— Consent of Independent Registered Public Accounting Firm.
31.1*	— Certification of Chief Executive Officer Pursuant to Rule 13a-14(a).
31.2*	— Certification of Chief Financial Officer Pursuant to Rule 13a-14(a).
32*	— Certification Pursuant to 18 U.S.C. Section 1350 (As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002).

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
101.INS**	— XBRL Instance Document
101.SCH**	— XBRL Taxonomy Extension Schema Document
101.CAL**	— XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	— XBRL Taxonomy Extension Definitions Linkbase Document
101.LAB**	— XBRL Taxonomy Extension Label Linkbase Document
101.PRE**	— XBRL Taxonomy Extension Presentation Linkbase Document

\* Filed herewith.

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

† Management contract, compensatory plan or arrangement.



## EXHIBIT INDEX

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<a href="#">10.9+*</a>	— 2000 Nonemployee Director Stock Plan.
<a href="#">10.10+*</a>	— 2005 Stock and Incentive Plan.
<a href="#">10.14+*</a>	— Nonemployee Director Compensation Program.
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† Management contract, compensatory plan or arrangement.

ARTICLES OF INCORPORATION  
OF

KIRBY JAMAICA, INC.

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FILED AT THE REQUEST OF

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C T Corporation 3 years

P. O. Box 807

Dallas, Texas 75221

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January 31, 1969  
(DATE)



JOHN KOONTZ, SECRETARY OF STATE

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(BY) DEPUTY SECRETARY OF STATE

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No. 246-69

FILING FEE \$ 150.00

ARTICLES OF INCORPORATION  
OF  
KIRBY JAMAICA, INC.

FIRST: The name of the corporation is KIRBY JAMAICA, INC.

SECOND: Its principal office in the State of Nevada is located at One East First Street, Reno, Washoe County, Nevada. The name and address of its resident agent is The Corporation Trust Company of Nevada, One East First Street, Reno, Nevada.

THIRD: The Corporation may engage in any lawful activity including, by way of partial enumeration and not by way of limitation, the following:

To enter into, maintain, operate or carry on in any or all of its branches the business of exploring for, producing, developing, mining, processing, refining, treating, handling, marketing or dealing in, petroleum, oil, natural gas, asphalt, bituminous rock, sulphur and any and all other minerals, whether similar or dissimilar, and any and all products or by-products which may be derived from such substances, or any of them; and for all or any of such purposes to acquire, own, lease, operate or otherwise deal in or with oil or gas wells, tanks, storage facilities, gathering systems, pipelines, processing plants, mines, samplers, refineries, smelters, crushers, mills, wharves, watercraft, aircraft, tank cars, communication systems, machinery, equipment and any and all other kinds and types

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of real or personal property that may in anywise be deemed necessary, convenient or advisable in connection with the carrying on of such business or any branch thereof.

To purchase, or otherwise acquire, or invest in, own, mortgage, pledge, sell, assign, transfer, or otherwise dispose of, in whole or in part, oil, gas and mineral leases and interests therein, fee lands, mineral interests in lands, mining claims, applications or options to acquire oil, gas or mineral leases, royalty interests, overriding royalty interests, net profits interests, production payments and any other interest in lands or any interest created by contract or otherwise which entitles the owner or owners thereof to participate in any way in, or obtain any advantage from, the production or sale of oil, gas or other minerals whether similar or dissimilar.

To transport oil, gas and other similar and dissimilar minerals, as well as any and all refinements and by-products thereof, and also any and all types and kinds of equipment, supplies, materials, machinery, goods, wares, and merchandise and property, and to buy, exchange, construct, contract for, lease and in any and all other ways acquire, take, hold, and own any and all required easements, transportation equipment and facilities, including gathering lines and pipelines, and to manage, maintain and operate the same, and to sell, mortgage, lease or otherwise dispose of the same.

To engage in the business of drilling, boring and sinking wells for the extraction and production of petroleum, gas and any other useful or valuable substances or products either for itself or for others through any type of contracts

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or arrangements deemed beneficial to the corporation, and to manufacture, acquire, own, use, maintain and operate drilling rigs, derricks, drills, bits, casing, pipe, explosives and any articles, materials, machinery, equipment and property used for or in connection with the said business of the corporation.

To lay, construct, purchase or otherwise acquire, own, lease, develop, improve, maintain and operate a pipe line or pipe lines; to transport by means of such pipe line or pipe lines, natural gas, manufactured gas, combinations of natural gas and manufactured gas, petroleum, refined petroleum products, and all kinds of products and by-products of gas and oil whether purchased, produced or sold by the corporation or by others; and to sell, convey or otherwise dispose of such pipe line or pipe lines.

To conduct and engage in a scientific business, including prospecting, exploring and computing by electric, physical, mechanical and other means for the discovery and location in, upon or above the earth, and the detecting of oil, gas, rock, minerals and objects of every kind; and the conducting of research and scientific tests and experiments.

To engage in the business of managing, supervising and operating all types of oil, gas and mineral properties; to negotiate and consummate, for itself or for others, leases and contracts with respect to all such property; to enter into contracts and arrangements, either as principal or as agent, for the operation, conduct and improvement of any property managed, supervised or operated by the corporation; to furnish financial, management and other services to others; to purchase or otherwise acquire, own, use, improve,

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maintain, sell, lease, or otherwise dispose of any articles, materials, machinery, equipment and property used for or in connection with the business of the corporation; and to engage in and conduct, or authorize, license, and permit others to engage in and conduct, any business, or activity incident, necessary, advisable, or advantageous to the ownership of oil, gas and other mineral properties managed, supervised or operated by the corporation.

To guarantee the payment of the principal of and interest upon notes, debentures, bonds, or other evidences of indebtedness, of any kind or character of any corporation, joint stock company, syndicate, association, firm, trust or person whatsoever.

To engage in any lawful activity and to manufacture purchase or otherwise acquire, invest in, own, mortgage, pledge, sell, assign and transfer or otherwise dispose of, trade, deal in and deal with goods, wares and merchandise and personal property of every class and description.

To hold, purchase and convey real and personal estate and to mortgage or lease any such real and personal estate with its franchises and to take the same by devise or bequest.

To acquire, and pay for in cash, stock or bonds of this corporation or otherwise, the good will, rights, assets and property, and to undertake or assume the whole or any part of the obligations or liabilities of any person, firm, association or corporation.

To acquire, hold, use, sell, assign, lease, grant licenses in respect of, mortgage or otherwise dispose of letters patent of the United States or any foreign country

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patent rights, licenses and privileges, inventions, improvements and processes, copyrights, trade-marks and trade names, relating to or useful in connection with any business of this corporation.

The objects and purposes specified in the foregoing clauses shall except where otherwise expressed, be in nowise limited or restricted by reference to, or inference from, the terms of any other clause in these articles of incorporation, but the objects and purposes specified in each of the foregoing clauses of this article shall be regarded as independent objects and purposes.

FOURTH: The amount of the total authorized capital stock of the corporation is One Million Dollars (\$1,000,000.00) consisting of one million (1,000,000) shares of common stock of the par value of One Dollar (\$1.00) each.

No stockholder of this corporation shall by reason of his holding shares of any class have any preemptive or preferential right to purchase or subscribe to any shares of any class of this corporation, now or hereafter to be authorized, or any notes, debentures, bonds, or other securities convertible into or carrying options or warrants to purchase shares of any class, now or hereafter to be authorized, whether or not the issuance of any such shares, or such notes, debentures, bonds or other securities, would adversely affect the dividend or voting rights of such stockholder, other than such rights, if any, as the Board of Directors, in its discretion from time to time may grant, and at such price as the Board of Directors in its discretion may fix; and the Board of Directors may issue shares

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of any class of this corporation, or any notes, debentures, bonds, or other securities convertible into or carrying options or warrants to purchase shares of any class, without offering any such shares of any class either in whole or in part, to the existing stockholders of any class.

FIFTH: The governing board of this corporation shall be known as directors, and the number of directors may from time to time be increased or decreased in such manner as shall be provided by the by-laws of this corporation, provided that the number of directors shall not be reduced to less than three (3), except that in cases where all the shares of the corporation are owned beneficially and of record by either one or two stockholders, the number of directors may be less than three (3) but not less than the number of stockholders.

The names and post office addresses of the first board of directors, which shall be three (3) in number, are as follows:

<u>NAME</u>		<u>POST OFFICE ADDRESS</u>
Jeff Montgomery	1200	First City National Bank Bldg. Houston, Texas
Warren F. Johnston	1200	First City National Bank Bldg. Houston, Texas
Paul W. pond	1200	First City National Bank Bldg. Houston, Texas

SIXTH: The capital shall not be subject to assessment to pay the debts of the corporation.

SEVENTH: The name and post office address of each of the incorporators signing the articles of incorporation are as follows:

NAME

POST OFFICE ADDRESS

D. R. Allen  
H. C. Broadt  
T. R. Bohannon

Republic National Bank Building Dallas, Texas  
Republic National Bank Building Dallas, Texas  
Republic National Bank Building Dallas, Texas

EIGHTH: The Corporation is to have perpetual existence.

NINTH: In furtherance, and not in limitation of the powers conferred by statute, the board of directors is expressly authorized:

Subject to the by-laws, if any, adopted by the stockholders, to make, alter or amend the by-laws of the corporation.

To fix the amount to be reserved as working capital over and above its capital stock paid in, to authorize and cause to be executed mortgages and liens upon the real and personal property of this corporation.

By resolution passed by a majority of the whole board, to designate one or more committees, each committee to consist of two or more of the directors of the corporation, which, to the extent provided in the resolution or in the by-laws of the corporation, shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be stated in the by-laws of the corporation or as may be determined from time to time by resolution adopted by the board of directors.

When and as authorized by the affirmative vote of

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stockholders holding stock entitling them to exercise a majority of the voting power given at a stockholder's meeting called for that purpose, or when authorized by the written consent of the holders of a majority of the voting stock issued and outstanding, the board of directors shall have power and authority at any meeting to sell, lease or exchange all of the property and assets of the corporation, including its good will, and its corporate franchises, upon such terms and conditions as its board of directors deem expedient and for the best interests of the corporation. No vote or consent of the stockholders, however, shall be required for a transfer of assets by way of mortgage or in trust or in pledge to secure indebtedness of the corporation.

TENTH: Meetings of stockholders and directors may be held outside the State of Nevada in the manner provided for by the by-laws. The books of the corporation may be kept (subject to any provision contained in the statutes) outside the State of Nevada at such place or places as may be designated from time to time by the board of directors or in the by-laws of the corporation.

ELEVENTH: No contract or other transaction between the corporation and any other corporation and no other act of the corporation shall, in the absence of fraud, be invalidated or in any way affected by the fact that any of the directors of the corporation are pecuniarily or otherwise interested in such contract, transaction or other act, or are directors or officers of such other corporation. Any director of the corporation, individually, or any firm or

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association of which any such director may be a member, may be a party to, or may be pecuniarily or otherwise interested, in, any contract or transaction of the corporation, provided that the fact that he individually or such firm or association is so interested shall be disclosed or shall have been known to the Board of Directors or a majority of such members thereof as shall be present at any meeting of the Board of Directors at which action upon any such contract or transaction shall be taken; and any director of the corporation who is a director or officer of such other corporation or who is so interested may be counted in determining the existence of a quorum at any meeting of the Board of Directors which shall authorize any such contract or transaction, and may vote thereat to authorize any such contract or transaction with like force and effect as if he were not such director or officer of such other corporation or not so interested, every director of the corporation being hereby relieved from any disability which might otherwise prevent him from carrying out transactions with or contracting with the corporation for the benefit of himself or any firm, corporation, association, trust or organization in which or with which he may be in anywise interested or connected.

TWELFTH: All of this corporation's directors and officers and former directors and officers and all persons who may have served at this corporation's request as a director or officer of another corporation in which this corporation owns shares of capital stock or of which this

corporation is a creditor, shall be indemnified against expenses actually and necessarily incurred by them in connection with the defense of any action, suit or proceeding in which they, or any of them, are made parties, or a party, by reason of being or having been directors or officers or a director or officer of this corporation [ILLEGIBLE], of such other corporation, except in relation to matters as to which any such director or officer or for [ILLEGIBLE] or director or officer or person shall be adjudged in such action, suit or proceeding to be liable for negligence or misconjst. The foregoing right to indemnity shall include reimbursement of amounts and expenses paid or incurred in settlement of any such action, suite or proceeding if settlement thereof or a plea of nolo contendere (or other plea of substantially the same Import and effect) in the opinion of counsel for this corporation appears to be in the interest of this corporation. Such indemnification shall not be deemed exclusive of any other rights to which those indemnified may be entitled by law or under any by-laws, agreement, vote of stockholders or otherwise.

THIRTEENTH: This corporation reserves the right to amend, alter, change or repeal any provision contained in the articles of incorporation, in the manner now or hereafter prescribed by statute, or by the articles of Incorporation, and all rights conferred upon stockholders herein are granted subject to this reservation.

WE, THE UNDERSIGNED, being each of the incorporators hereinbefore named, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Nevada, do make and file these articles of

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incorporation, hereby declaring; and certifying that the facts herein stated are true, and accordingly have here-unto set our hands this 29th day of January, 1969.



D. R. Allen



H. C. Broadt



T. R. Bohannon

STATE OF TEXAS           X  
  SS:  
COUNTY OF DALLAS       X

On this 29th day of January, 1969, before me, the undersigned, a Notary Public in and for the county and state aforesaid, personally appeared D. R. Allen, H. C. Broadt and T. R. Bohannon, known to me to be the persons described in and who executed the foregoing instrument and who acknowledged to me that they executed the same freely and voluntarily and for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



Notary Public

**EUGENE B. ADINGTON**  
Notary Public, Dallas County, Texas  
My Comm. Expires on or before **June 1, 1969**

(Seal)

CERTIFICATE OF AMENDMENT TO  
ARTICLES OF INCORPORATION  
OF

KIRBY JAMAICA, INC.

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**INDEXED**

FILED AT THE REQUEST OF

Woodbum, Formon, Wedge, Blakey, Foloon & Hug  
Attorneys-at law  
One East First Street, Rano, Nevada 89501

June 7, 1992

(DATE)

*John Koontz*

JOHN KOONTZ SECRETARY OF STATE

*John A. Woodbum*

(BY) DEPUTY SECRETARY OF STATE

No 246-69

FILING FEE \$ 15.00

CERTIFICATE OF AMENDMENT  
OF  
ARTICLES OF INCORPORATION OF  
KIRBY JAMAICA, INC.

FILED  
IN THE OFFICE OF THE  
SECRETARY OF STATE OF THE  
STATE OF NEVADA

JUN 7 1972

JOHN KOONITS - SECRETARY OF STATE

*John Koonits*  
No. 246-63

Kirby Jamaica, Inc., a corporation organized under the laws of the State of Nevada, by its President and Assistant Secretary does hereby certify:

1. That the Board of Directors of said corporation, at a meeting duly convened and held on the 2nd day of June, 1972, passed a resolution declaring that it is advisable and in the best interest of the Corporation that its Articles of Incorporation be amended as follows:

“RESOLVED, that Article First of said Articles of Incorporation be amended to read as follows:

“FIRST: The name of the corporation is Kirby Petroleum Co. of Jamaica.”

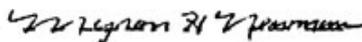
2. That the number of shares outstanding and entitled to vote on an amendment to the Articles of Incorporation is 1,000 shares; that the said change by amendment has been consented to and authorized by the written consent of the shareholder holding at least a majority of each class of stock outstanding and entitled to vote thereon.

IN WITNESS WHEREOF, the said Kirby Jamaica, Inc. has caused this certificate to be signed by its President and its Assistant Secretary and its corporate seal to be hereto affixed this 2nd day of June, 1972.

KIRBY JAMAICA, INC.



By \_\_\_\_\_  
Warren F. Johnston, President

  
By \_\_\_\_\_  
Myron H. Newman, Assistant Secretary

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STATE OF TEXAS )

COUNTY OF HARRIS )

On this 2nd day of June, 1972, personally appeared before me, [ILLEGIBLE], a Notary Public in and for the county and state aforesaid, WARREN F. JOHNSTON and [ILLEGIBLE] known to me to be respectively the President and Assistant Secretary of KIRBY JAMAICA, INC., a corporation organized and existing under the laws of the State of Nevada, who executed the foregoing instrument on behalf of said corporation, and upon oath, did depose and say that he, the said WARREN F. JOHNSTON, is the President and that he, the said [ILLEGIBLE], is the Assistant Secretary of said corporation; that they are acquainted with the seal of said corporation and that the seal affixed to said instrument is the corporate seal of said corporation; that the signatures to said instrument were made by officers of said corporation as indicated after said signatures; and that the said corporation executed the said instrument freely and voluntarily and for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in the County of Harris in the State of Texas, the day and year in this certificate first above written.



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Notary Public in and for  
Harris County, Texas

My Commission Expires:  
June 1, 1973

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CERTIFICATE OF AMENDMENT TO  
ARTICLES OF INCORPORATION  
OF

KIRBY PETROLEUM CO. OF JAMAICA

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FILED AT THE REQUEST OF

CT Corporation System

P.O. Box 807

Dallas, Texas 75221

January 20, 1975

(DATE)



WM. D. SWACKHAMER, SECRETARY OF STATE

(BY) DEPUTY SECRETARY OF STATE

No 246-69

FILING FEE \$ 20.00

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FILED  
IN THE OFFICE OF THE  
SECRETARY OF STATE OF THE  
STATE OF NEVADA

JAN 20 1975

WAL SWACOMMER - SECRETARY OF STATE

*W. Swacomer*  
No. 246-69

CERTIFICATE OF AMENDMENT  
OF  
ARTICLES OF INCORPORATION

KIRBY PETROLEUM CO. OF JAMAICA, a corporation organized under the laws of the State of Nevada, by its president and ASST secretary, does hereby certify:

1. That the board of directors of said corporation at a meeting duly convened and held on the 14th day of November, 1974, passed a resolution declaring that the following change and amendment in the Articles of Incorporation is advisable.

RESOLVED that Article First of said Articles of Incorporation be amended to read as follows:

"First: The name of the corporation is KIRBY EXPLORATION COMPANY".

2. That the number of shares of the corporation outstanding and entitled to vote on an amendment to the Articles of Incorporation is one thousand (1,000); that the said change and amendment has been consented to and authorized by the written consent of stockholders holding at least a majority of each class of stock outstanding and entitled to vote thereon.

IN WITNESS WHEREOF, the said KIRBY PETROLEUM CO. OF JAMAICA has caused this certificate to be signed by its president and its ASST secretary and its corporate seal to be hereto affixed this 18 day of November, 1974.

KIRBY PETROLEUM CO. OF JAMAICA

By *Robert R. Willey*  
President

By *Paul W. Ford*  
Asst Secretary

(SEAL)

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STATE OF TEXAS            )  
                                  ) ss:  
COUNTY OF ILLEGIBLE    )

On [ILLEGIBLE] 18, 1774 personally appeared before me, a Notary Public, [ILLEGIBLE] and [ILLEGIBLE] who acknowledged that they executed the above instrument.

  
\_\_\_\_\_  
(Notary Public)

(SEAL)

---

CERTIFICATE OF AMENDMENT  
TO

ARTICLES OF INCORPORATION  
OF

KIRBY EXPLORATION COMPANY

---

FILED AT THE REQUEST OF

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Woodbum, Formon, Wedge, Blakey, Folsom & Hug  
Attorneys-at-Low  
One East First Street, Rena, Nevada 89501

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JUN 13 1976

(DATE)



WM. D. SWACKHAMER, SECRETARY OF STATE

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(BY) DEPUTY SECRETARY OF STATE

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No 246-69

FILING FEES \$ 450.00

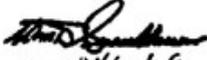
 324

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FILED  
IN THE OFFICE OF THE  
SECRETARY OF STATE OF THE  
STATE OF NEVADA

JUN 18 1976

WILL BRADY JR. - SECRETARY OF STATE

  
No. 246-69

CERTIFICATE OF AMENDMENT  
OF  
ARTICLES OF INCORPORATION

KIRBY EXPLORATION COMPANY, a corporation organized under the laws of the State of Nevada, by its president and secretary, does hereby certify:

1. That the board of directors of said corporation by unanimous consent dated the 23rd day of March, 1976, passed a resolution declaring that the following changes and amendments in the Articles of Incorporation are advisable:

RESOLVED, that Article Fourth of the Articles of Incorporation of this corporation be amended to read as follows:

“FOURTH: The amount of the total authorized capital stock of the corporation is Four Million (4,000,000) shares of common Stock of the per value of \$1.00 per share.

“No stockholder of this corporation shall by reason of his holding shares of any class have any preemptive or preferential right to purchase or subscribe to any shares of any class of this corporation, now or hereafter to be authorized, or any notes, debentures, bonds or other securities convertible into or carrying options or warrants to purchase shares of any class, now or hereafter to be authorized, whether or not the issuance of any such shares, or such notes, debentures, bonds or other securities, would adversely affect the dividend or voting rights of such stockholder other than such rights, if any, as the Board of Directors in its discretion from time to time may grant, and at such price as the Board of Directors in its discretion may fix; and the Board of Directors may cause to be issued shares of any class of this corporation, or any notes, debentures, bonds or other securities convertible into or carrying options or warrants to purchase shares of any class without offering any such shares or other securities either in whole or in part to the existing stockholders of any class.”

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RESOLVED, that the first paragraph of Article Fifth of the Articles of Incorporation of this corporation be amended to read as follows:

“FIFTH: The members of the governing board shall be styled directors and the number thereof shall be not less than three (3) nor more than fifteen (15), the exact number to be fixed as provided by the by-laws of the corporation, provided, that the number so fixed as provided by the by-laws may be increased or decreased within the limit above specified from time to time as provided by the by-laws.”

RESOLVED, that Article Twelfth of the Articles of Incorporation of this corporation be amended to read as follows:

“TWELFTH: 1. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys’ fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and that, with respect to any criminal action or proceeding, he had reasonable cause to believe that his conduct was unlawful.

“2. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including attorneys’ fees, actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good

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faith and in a manner which he reasonably believed to be in or not opposed to the best interest, of the corporation, but no indemnification shall be made in respect of any claim, issue or matter as to which such person has been adjudged to be liable for gross negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the court in which such action or suit was brought determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

“3. To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action suit or proceeding referred to in sections 1 and 2 of this Article Twelfth, or in defense of any claim, issue or matter therein, he shall be indemnified by the corporation against expenses, including attorneys’ fees, actually and reasonably incurred by him in connection with such defense.

“4. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it is ultimately determined that he is entitled to be indemnified by the corporation as authorized in this Article Twelfth.

“5. The indemnification provided by this Article Twelfth:

“(a) Does not exclude any other rights to which a person seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office; and

“(b) Shall continue as to a person who has caused to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

“6. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article Twelfth.”

2. That the number of shares of the corporation outstanding and entitled to vote on an amendment to the Articles of Incorporation is 1,000; that the number of shares voted for the amendment was 1,000; that the number of shares voted against the amendment was 0.

IN WITNESS WHEREOF, KIRBY EXPLORATION COMPANY has caused this certificate to be signed by its president and its secretary and its corporate seal to be hereto affixed this 23rd day of March, 1976.

KIRBY EXPLORATION COMPANY



By \_\_\_\_\_ President



By \_\_\_\_\_ Secretary

(SEAL)

STATE OF TEXAS        )  
                                  )  
COUNTY OF HARRIS    )

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared Robert R. Hillery and Myron H. Newman, who, being by me first duly sworn, declared that they are the president and secretary, respectively, of Kirby Exploration Company, that they signed the foregoing document as president and secretary, respectively, of the corporation, and that they executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 23rd day of March, 1976.



\_\_\_\_\_  
Notary Public in and for  
County, Texas

My Commission Expires: June 1, 1977

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RESTATED

ARTICLES OF INCORPORATION  
OF

KIRBY EXPLORATION COMPANY

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FILED AT THE REQUEST OF

Woodbum, Forman, Wedge, Blokey, Folsom & Hug  
Attorneys-of-Law  
One East First Street, Reno, Nevada 89501

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JUN 18  
[ILLEGIBLE]  
(DATE)



Wm. D. SWACKHAMER, SECRETARY OF STATE

(BY) DEPUTY SECRETARY OF STATE

No 246-69

FILING FEE \$ 50.00

 324

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RESTATED ARTICLES OF INCORPORATION  
OF  
KIRBY EXPLORATION COMPANY

FIRST: The name of the corporation is KIRBY EXPLORATION COMPANY.

SECOND: Its principal office in the State of Nevada is Located at One East First Street, Reno, Washoe County, Nevada. The name and address of its resident agent is The Corporation Trust Company of Nevada, One East First Street, Reno, Nevada.

THIRD: The corporation may engage in any lawful activity including, by way of partial enumeration and not by way of limitation, the following:

To enter into, maintain, operate or carry on in any or all of its branches the business of exploring for, producing, developing, mining, processing, refining, treating, handling, marketing or dealing in, petroleum, oil, natural gas, asphalt, bituminous rock, sulphur and any and all other minerals, whether similar or dissimilar, and any and all products or by-products which may be derived from such substances, or any of them; and for all or any of such purposes to acquire, own, lease, operate or otherwise deal in or with oil or gas wells, tanks, storage facilities, gathering systems, pipelines, processing plants, mines, samplers, refineries, smelters, crushers, mills, wharves, watercraft, aircraft, tank cars, communication systems, machinery, equipment and any and all other kinds and types of real or personal property that may in anywise be deemed necessary, convenient or advisable in connection with the carrying on of such business or any branch thereof.

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To purchase, or otherwise acquire, or invest in, own, mortgage, pledge, sell, assign, transfer or otherwise dispose of, in whole or in part, oil, gas and mineral leases and interests therein, fee lands, mineral interests in lands, mining claims, applications or options to acquire oil, gas or mineral leases, royalty interests, overriding royalty interests, net profits interests, production payments and any other interest in lands or any interest created by contract or otherwise which entitles the owner or owners thereof to participate in any way in, or obtain any advantage from, the production or sale of oil, gas or other minerals whether similar or dissimilar.

To transport oil, gas and other similar and dissimilar minerals, as well as any and all refinements and by-products thereof, and also any and all types and kinds of equipment, supplies, materials, machinery, goods, wares, and merchandise and property, and to buy, exchange, construct, contract for, lease and in any and all other ways acquire, take, hold and own any and all required easements, transportation equipment and facilities, including gathering lines and pipelines, and to manage, maintain and operate the same, and to sell, mortgage, lease or otherwise dispose of the same.

To engage in the business of drilling, boring and sinking wells -for the extraction and production of petroleum, gas and any other useful or valuable substances or products either for itself or for others through any type of contracts or arrangements deemed beneficial to the corporation, and to manufacture, acquire, own, use, maintain and operate drilling rigs, derricks, drills, bits, casing, pipe, explosives and any articles, materials, machinery, equipment and property used for or in connection with the said business of the corporation.

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To lay, construct, purchase or otherwise acquire, own, lease, develop, improve, maintain and operate a pipe line or pipe lines; to transport by means of such pipe line or pipe lines, natural gas, manufactured gas, combinations of natural gas and manufactured gas, petroleum, refined petroleum products, and all kinds of products and by-products of gas and oil whether purchased, produced or sold by the corporation or by others; and to sell, convey or otherwise dispose of such pipe line or pipe lines.

To conduct and engage in a scientific business, including prospecting, exploring and computing by electric, physical, mechanical and other means for the discovery and location in, upon or above the earth, and the detecting of oil, gas, rock, minerals and objects of every kind; and the conducting of research and scientific tests and experiments.

To engage in the business of managing, supervising and operating all types of oil, gas and mineral properties; to negotiate and consummate, for itself or for others, leases and contracts with respect to all such property; to enter into contracts and arrangements, either as principal or as agent, for the operation, conduct and improvement of any property managed, supervised or operated by the corporation; to furnish financial, management and other services to others; to purchase or otherwise acquire, own, use, improve, maintain, sell, lease or otherwise dispose of any articles, materials, machinery, equipment and property used for or in connection with the business of the corporation; and to engage in and conduct, or authorize, license and permit others to engage in and conduct any business or activity incident, necessary, advisable or

advantageous to the ownership of oil, gas and other wineral properties managed, supervised or operated by the corporation.

To guarantee the payment of the principal of and interest upon notes, debentures, bonds, or other evidences of indebtedness, of any kind or character, of any corporation, joint stock company, syndicate, association, firm, trust or person whatsoever.

To engage in any lawful activity and to manufacture, purchase or otherwise acquire, invest in, own, mortgage, pledge, sell, assign and transfer or otherwise dispose of, trade, deal in and deal with goods, wares, and merchandise and personal property of every class and description.

To hold, purchase and convey real and personal estate and to mortgage or lease any such real and personal estate with its franchises and to take the same by devise or bequest.

To acquire, and pay for in cash, stock or bonds of this corporation or otherwise, the good will, rights, assets and property, and to undertake or assume the whole or any part of the obligations or liabilities of any person, firm, association or corporation.

To acquire, hold, use, sell, assign, lease, grant licenses in respect of, mortgage or otherwise dispose of letters patent of the United states or any foreign country patent rights, licenses and privileges, inventions, improvements and processes, copyrights, trademarks and trade names, relating to or useful in connection with any business of this corporation.

The objects and purposes specified in the foregoing clauses shall except where otherwise expressed, be in nowise limited or restricted by reference to, or inference from, the

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terms of any other clause in these Articles of Incorporation, but the objects and purposes specified in each of the foregoing clauses of this Article shall be regarded as independent objects and purposes.

FOURTH: The amount of the total authorized capital stock of the corporation is Four Million (4,000,000) shares of Common Stock of the par value of \$1.00 per share.

No stockholder of this corporation shall by reason of his holding shares of any class have any preemptive or preferential right to purchase or subscribe to any shares of any class of this corporation, now or hereafter to be authorized, or any notes, debentures, bonds or other securities convertible into or carrying options or warrants to purchase shares of any class, now or hereafter to be authorized, whether or not the issuance of any such shares, or such notes, debentures, bonds or other securities, would adversely affect the dividend or voting rights of such stockholder other than such rights, if any, as the Board of Directors in its discretion from time to time may grant, and at such price as the Board of Directors in its discretion may fix; and the Board of Directors may cause to be issued shares of any class of this corporation, or any notes, debentures, bonds or other securities convertible into or carrying options or warrants to purchase shares of any class without offering any such shares or other securities either in whole or in part to the existing stockholders of any class.

FIFTH: The members of the governing board shall be styled directors and the number thereof shall be not less than three (3) nor more than fifteen (15), the exact number to be fixed as provided by the by-laws of the corporation, provided, that the number so fixed as provided by the by-laws may be increased or decreased within the limit above specified from time to time as provided by the by-laws.

The names and post office addresses of the first Board of Directors, which shall be three (3) in number, are as follows:

<u>NAME</u>	<u>POST OFFICE ADDRESS</u>
Jeff Montgomery	1200 First City National Bank Bldg. Houston, Texas
Warren F. Johnston	1200 First City National Bank Bldg. Houston, Texas
Paul W. Pond	1200 First City National Bank Bldg. Houston, Texas

SIXTH: The capital shall not be subject to assessment to pay the debts of the corporation.

SEVENTH: The name and post office address of each of the incorporators signing the Articles of Incorporation are as follows :

<u>NAME</u>	<u>POST OFFICE ADDRESS</u>
D. R. Allen	Republic National Bank Building Dallas, Texas
H. C. Broadt	Republic National Bank Building Dallas, Texas
T. R. Bohannon	Republic National Bank Building Dallas, Texas

EIGHTH: The corporation is to have perpetual existence.

NINTH: In furtherance, and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized:

Subject to the by-laws, if any, adopted by the stockholders to make, alter or amend the by-laws of the corporation.

To fix the amount to be reserved as working capital over and above its capital stock paid in, to authorize and cause to be executed mortgages and liens upon the real and personal property of this corporation.

By resolution passed by a majority of the whole Board, to designate one or more committees, each committee to consist of two or more of the Directors of the corporation which, to the extent provided in the resolution or in the by-laws of the corporation, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be stated in the by-laws of the corporation or as may be determined from time to time by resolution adopted by the Board of Directors.

When and as authorized by the affirmative vote of stockholders holding stock entitling them to exercise a majority of the voting power given at a stockholders' meeting called for that purpose, or when authorized by the written consent of the holders of a majority of the voting stock issued and outstanding, the Board of Directors shall have power and authority at any meeting to sell, lease or exchange all of the property and assets of the corporation, including its

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good will, and its corporate franchises, upon such terms and conditions as its Board of Directors deems expedient and for the best interests of the corporation. No vote or consent of the stockholders, however, shall be required for a transfer of assets by way of mortgage or in trust or in pledge to secure indebtedness of the corporation.

TENTH: Meetings of stockholders and Directors may be held outside the State of Nevada in the manner provided for by the by-laws. The books of the corporation may be kept (subject to any provision contained in the statutes) outside the State of Nevada at such place or places as may be designated from time to time by the Board of Directors or in the by-laws of the corporation.

ELEVENTH: No contract or other transaction between the corporation and any other corporation and no other act of the corporation shall, in the absence of fraud, be invalidated or in any way affected by the fact that any of the Directors of the corporation are pecuniarily or otherwise interested in such contract, transaction or other act, or are directors or officers of such other corporation. Any Director of the corporation, individually, or any firm or association of which any such Director may be a member, may be a party to, or may be pecuniarily or otherwise interested in any contract or transaction of the corporation, provided that the fact that he individually or such firm or association is so interested shall be disclosed or shall have been known to the Board of Directors or a majority of such members thereof as shall be present at any meeting of the Board of Directors at which action upon any such contract or transaction shall be taken; and any Director of the corporation who is a director or

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officer of such other corporation or who is so interested may be counted in determining the existence of a quorum at any meeting of the Board of Directors which shall authorize any such contract or transaction, and may vote thereat to authorize any such contract or transaction with like force and effect as if he were not such director or officer of such other corporation or not so interested, every Director of the corporation being hereby relieved from any disability which might otherwise prevent him from carrying out transactions with or contracting with the corporation for the benefit of himself or any firm, corporation, association, trust or organization in which or with which he may be in anywise interested or connected.

TWELFTH: 1. The corporation shall indemnify any person who was or is a party or is threatened. to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or

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upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and that, with respect to any criminal action or proceeding, he had reasonable cause to believe that his conduct was unlawful.

2. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, but no indemnification shall be made in respect of any claim, issue or matter as to which such person has been adjudged to be liable for gross negligence or misconduct in the performance of his duty to the corporation unless and only to the extent that the court in which such action or suit was brought determines upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

3. To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in sections 1 and 2 of this Article Twelfth, or in defense of any claim, issue or matter therein, he shall be indemnified by the corporation against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with such defense.

4. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it is ultimately determined that he is entitled to be indemnified by the corporation as authorized in this Article Twelfth.

5. The indemnification provided by this Article Twelfth:

(a) Does not exclude any other rights to which, a person seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office; and

(b) Shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

6. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the

request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article Twelfth.

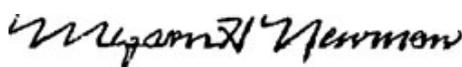
THIRTEENTH: This corporation reserves the right to amend, alter, change or repeal any provision contained in the Articles of Incorporation, in the manner now or hereafter prescribed by statute, or by the Articles of Incorporation, and all rights conferred upon stockholders herein are granted subject to this reservation.

STATE OF TEXAS            )  
  )  
COUNTY OF HARRIS        )

The undersigned, Robert R. Hillery, President of Kirby Exploration Company, and Myron H. Newman, Secretary of Kirby Exploration Company, being duly sworn, depose and say that they have been authorized to execute the foregoing certificate by resolution of the Board of Directors of Kirby Exploration Company adopted on March 27, 1976, and that the foregoing certificate correctly sets forth the text of the Articles of Incorporation of Kirby Exploration Company as amended to date.

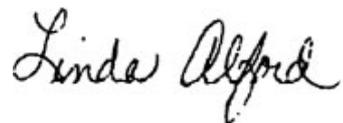


Robert R. Hillery, President  
Kirby Exploration Company



Myron H. Newman, Secretary  
Kirby Exploration Company

SUBSCRIBED AND SWORN TO before me this 23<sup>rd</sup> day of March, 1976.



Notary Public in and for  
Harris County, Texas

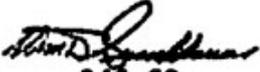


Filing Fee: \$20.00  
BY: woodburn, Wedge, Blakey  
Jeppson  
One East First st.  
Reno, Nevada 89501

**FILED**  
IN THE OFFICE OF THE  
SECRETARY OF STATE OF THE  
STATE OF NEVADA

**APR 22 1981**

WAL SWACKHAMER - SECRETARY OF STATE

  
No. 246-69

CERTIFICATE OF AMENDMENT  
OF THE RESTATED ARTICLES OF INCORPORATION  
OF KIRBY EXPLORATION COMPANY

KIRBY EXPLORATION COMPANY, a corporation organized under the laws of the State of Nevada, by its President and Secretary, does hereby certify:

SECTION ONE: The name of the Corporation is KIRBY EXPLORATION COMPANY.

SECTION TWO: That the Board of Directors of said Kirby Exploration Company by unanimous written consent, dated as of the 25th day of March, 1981, adopted a resolution declaring that it would be advisable to amend Article FOURTH of the Restated Articles of Incorporation of Kirby Exploration Company increasing the authorized shares of common capital stock of Kirby Exploration Company from 4,000,000 shares of common capital stock with the par value of One Dollar (\$1.00) per share to 40,000,000 shares of common capital stock of the par value of Ten Cents (\$0.10) per share, and they therefore called for submission of such resolution to the shareholders at the Annual Meeting to take action thereon.

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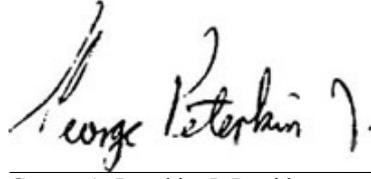
SECTION THREE: That, pursuant to such call of the Board of Directors, and upon notice given to each shareholders entitled to vote on an amendment to the Restated Articles of Incorporation, an Annual Meeting of the Shareholders of Kirby Exploration Company was held on April 21, 1981, in Houston, Texas. The number of shares of Kirby Exploration Company outstanding and entitled to vote at the time of such meeting was 1,596,946 shares of common stock. The number of shares which voted for such amendment to the Restated Articles of Incorporation was 1,044,351 shares of common stock representing 65.4% of the shares entitled to vote and the number of shares of common stock which voted against such amendment was 1,407 shares of common stock representing .09% of the common stock entitled to vote thereon. Such amendment read as follows:

The first sentence of Article FOURTH of the Restated Articles of Incorporation of Kirby Exploration Company is amended to read as follows:

“The amount of the total authorized capital stock of the corporation is Forty Million (40,000,000) shares of common stock of the par value of Ten Cents (\$.10) per share.”

SECTION FOUR: That upon the filing of such amendment each share of the presently authorized common stock of Kirby Exploration Company of the par value of One Dollar (\$1.00) per share will be changed into ten (10) shares of the new common stock of said Kirby Exploration Company of the par value of Ten Cents (\$0.10) per share.

IN WITNESS WHEREOF, the said Kirby Exploration Company has caused this instrument to be executed by its President and Secretary, duly authorized, and its corporate seal affixed hereto, this 22nd day of April, 1981.



George A. Peterkin, Jr President

(Corporate Seal)

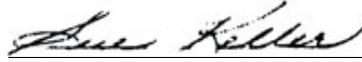


Henry Gilchrist, Secretary

THE STATE OF TEXAS     )  
                                  )  
COUNTY OF HARRIS     )

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared GEORGE A. PETERKIN, JR., President of Kirby Exploration Company, the corporation executing the foregoing instrument, and being first duly sworn, acknowledged that he signed the foregoing document in the capacity therein stated and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 22nd day of April, 1981.



\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

My Commission Expires:

November 30, 1984

THE STATE OF TEXAS:     )  
                                  )  
COUNTY OF HARRIS     )

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day personally appeared HENRY GILCHRIST, Secretary of Kirby Exploration Company, the corporation executing the foregoing instrument, and being first duly sworn, acknowledge that he signed the foregoing instrument in the capacity therein stated and declared that the statements therein contained are true.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 22nd day of April, 1981.



\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

My Commission Expires:

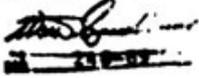
November 30, 1984

FILING FEE: \$6,600  
By: C T CORPORATION  
SYSTEM  
SUITE #1600  
ONE EAST FIRST  
STREET  
RENO, NEVADA  
89501

**FILED**  
ON THE OFFICE OF THE  
SECRETARY OF STATE OF THE  
STATE OF NEVADA

SEP 13 1984

W. BRADSHAW • SECRETARY OF STATE



CERTIFICATE OF AMENDMENT  
OF  
RESTATED ARTICLES OF INCORPORATION  
OF  
KIRBY EXPLORATION COMPANY

KIRBY EXPLORATION COMPANY, a Nevada corporation, by its Vice President and Assistant Secretary does hereby certify:

- I. The Board of Directors of the Corporation adopted a resolution setting forth the amendments in the Restated Articles of Incorporation hereinafter set forth and declaring their advisability, and called an annual meeting of the shareholders entitled to vote for the consideration of such amendments.
  - II. Thereafter, on the 25th day of April, 1984 upon notice given to each stockholder of record entitled to vote on an amendment to the Restated Articles of Incorporation as provided by law, an annual meeting of the stockholders of the Corporation was held, at which meeting 16,733,420 shares of the common stock of the Corporation, being approximately 69.7% of the issued and outstanding common stock of the Corporation, voted in favor of the amendment contained in III.A below, and 13,506,753 shares of common stock of the Corporation, being approximately 56.3% of the issued and outstanding common stock of the Corporation, voted in favor of the amendment contained in III. B below.
  - III. The Amended Articles of Incorporation of the Corporation are hereby amended as follows:
    - A. Article First of the Amended Articles of Incorporation of the Corporation is hereby amended to read in its entirety as follows:

“FIRST: The name of the corporation is KIRBY EXPLORATION COMPANY, INC.”
    - B. Article Fourth of the Amended Articles of Incorporation of the Corporation is hereby amended to read in its entirety as follows:
-

“FOURTH: 1. The total number of shares of all classes of stock which the corporation shall have authority to issue is 80,000,000, consisting of (1) 20,000,000 shares of Preferred Stock, par value \$1.00 per share (“Preferred Stock”), and (2) 60,000,000 shares of Common Stock, par value \$0.10 per share (“Common Stock”).

2. The Board of Directors is hereby expressly authorized, by resolution or resolutions from time to time adopted, to provide, out of the unissued shares of Preferred Stock, for the issuance of serial Preferred Stock. Before any shares of any such series are issued, the Board of Directors shall fix and state, and hereby is expressly empowered to fix, by resolution or resolutions, the designations, preferences, and relative, participating, optional or other special rights of the shares of each such series, and the qualifications, limitations or restrictions thereon, including but not limited to, determination of any of the following:

- (a) the designation of such series, the number of shares to constitute such series and the stated value thereof if different from the par value thereof;
- (b) whether the shares of such series shall have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights, which may be full or limited;
- (c) the dividends, if any, payable on such series and at what rates, whether any such dividends shall be cumulative, and, if so, from what dates, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends shall bear to the dividends payable on any shares of stock of any other class or any other series of this class;
- (d) whether the shares of such series shall be subject to redemption by the corporation, and, if so, prices and other terms and conditions of such redemption;

- (e) the amount or amounts payable upon shares of such series upon, and the rights of the holders of such series in, the voluntary or involuntary liquidation, dissolution or winding up of, or upon any distribution of the assets of, the corporation;
- (f) whether the shares of such series shall be subject to the operation of a retirement or sinking fund and, if so, the extent to and manner in which any such retirement or sinking fund shall be applied to the purchase or redemption of the shares of such series for retirement or other corporate purposes and the terms and provisions relative to the operation thereof;
- (g) whether the shares of such series shall be convertible into, or exchangeable for, shares of stock of any other class or any other series of this class or any other class or classes of securities and, if so, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same, and any other terms and conditions of conversion or exchange;
- (h) the limitations and restrictions, if any, to be effective while any shares of such series are outstanding upon the payment of dividends or the making of other distributions on, and upon the purchase, redemption or other acquisition by the corporation of, the Common Stock or shares of stock of any other class or any other series of this class;
- (i) the conditions or restrictions, if any, upon the creation of indebtedness of the corporation or upon the issue of any additional stock, including additional shares of such series or any other series of this class or of any other class; and
- (j) any other powers, preferences and relative, participating, optional and other special rights, and any qualifications, limitations and restrictions thereof.

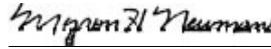
The powers, preferences and relative, participating, optional and other special rights of each series of Preferred Stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding. All shares of any one series of Preferred Stock shall be identical in all respects with all other shares of such series, except that shares of any one series issued at different times may differ as to the dates from which dividends thereof shall be cumulative. The Board of Directors may increase the number of shares of the Preferred Stock designated for any existing series by a resolution adding to such series authorized and unissued shares of the Preferred Stock not designated for any other series. The Board of Directors may decrease the number of shares of Preferred Stock designated for any existing series by a resolution, subtracting from such series unissued shares of the Preferred Stock designated for such series, and the shares so subtracted shall become authorized, unissued and undesignated shares of the Preferred Stock.

3. Each holder of Common Stock shall be entitled to one vote for each share of Common Stock held of record on all matters on which stockholders generally are entitled to vote. Subject to the provisions of law and the rights of the Preferred Stock and any other class or series of stock having a preference as to dividends over the Common Stock then outstanding, dividends may be paid on the Common Stock out of assets legally available for dividends, but only at such times and in such amounts as the Board of Directors shall determine and declare. Upon the dissolution, liquidation or winding up of the corporation, after any preferential amounts to be distributed to the holders of the Preferred Stock and any other class or series of stock having a preference over the Common Stock then outstanding have been paid or declared and set apart for payment, the holders of the Common Stock shall be entitled to receive all the remaining assets of the corporation available for distribution to its stockholders ratably in proportion to the number of shares held by them, respectively.

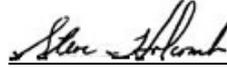
4. No stockholder of this corporation shall by reason of his holding shares of any class have

any preemptive or preferential right to purchase or subscribe to any shares of any class of this corporation, now or hereafter to be authorized, or any notes, debentures, bonds or other securities convertible into or carrying options or warrants to purchase shares of any class, now or hereafter to be authorized, whether or not the issuance of any shares or such notes, debentures, bonds or other securities, would adversely affect the dividend or voting rights of such stockholder other than such rights, if any, as the Board of Directors in its discretion from time to time may grant, and at such price as the Board of Directors in its discretion may fix; and the Board of Directors may cause to be issued shares of any class of this corporation, or any notes, debentures, bonds or other securities convertible into or carrying options or warrants to purchase shares of any class without offering any such shares or other securities either in whole or in part to the existing stockholders of any class.”

IN WITNESS WHEREOF, this Certificate of Amendment has been executed by the Vice President and Assistant Secretary of the Corporation as of the 11th day of September, 1984.



\_\_\_\_\_  
Vice President



\_\_\_\_\_  
Assistant Secretary

STATE OF TEXAS [ILLEGIBLE]

COUNTY OF HARRIS [ILLEGIBLE]

On this 11th day of September, 1984, before me appeared Myron H. illegible to so personally known, who, being by me duly sworn, did say that he is the Vice President of KIRBY EXPLORATION COMPANY, a Nevada corporation, and acknowledged that the statements contained in the foregoing Certificate of Amendment are true and correct.

*Jenny S. Gavranovic*

Notary Public

My commission expires: \_\_\_\_\_

**JENNY S. GAVRANOVIC**  
Notary Public in and for the State of Texas  
My Commission Expires August 5, 1987

STATE OF TEXAS [ILLEGIBLE]

COUNTY OF HARRIS [ILLEGIBLE]

On this 11th day of September, 1984, before me appeared Steve Holcomb, to me personally known, who, being by me duly sworn, did say that he is the Assistant Secretary of KIRBY EXPLORATION COMPANY, a Nevada corporation, and acknowledged that the statements contained in the foregoing Certificate of Amendment are true and correct.

*Jenny S. Gavranovic*

Notary Public

My commission expires: \_\_\_\_\_

**JENNY S. GAVRANOVIC**  
Notary Public in and for the State of Texas  
My Commission Expires August 5, 1987

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FILING FEE: \$50.00  
BY: PRENTICE HALL CORPORATE SERV  
ROOM E  
502 EAST JOHN STREET  
CARSON CITY, NEVADA 89701

**FILED**  
IN THE OFFICE OF THE  
SECRETARY OF STATE OF THE  
STATE OF NEVADA

JUL 13 1988

RECEIVED THE DEL. PAPER SECRETARY OF STATE  
*James A. ...*  
245-69

CERTIFICATE OF AMENDMENT  
OF  
RESTATED ARTICLES OF INCORPORATION  
OF  
KIRBY EXPLORATION COMPANY, INC.

KIRBY EXPLORATION COMPANY, INC., a Nevada corporation (the "Corporation"), by its President and Secretary does hereby certify:

- I. The Board of Directors of the Corporation adopted resolutions setting forth the amendments below in III.A and III.B (the "Amendments") to the Restated Articles of Incorporation of the Corporation, as amended (the "Restated Articles of Incorporation"), directed that the Amendments be submitted to a vote of the stockholders and called an annual meeting of the stockholders entitled to vote for the consideration of the Amendments.
- II. Thereafter, on the 26th day of April, 1988, upon notice given to each stockholder of record entitled to vote on an amendment to the Restated Articles of incorporation as provided by law, an annual meeting of the stockholders of the Corporation was held, at which meeting 17,684,863 shares of the common stock of the Corporation, being approximately 74.0% of the issued and outstanding common stock of the Corporation, voted in favor of the amendment contained in III.A below, and 17,422,597 shares of common stock of the Corporation, being approximately 72.9% of the issued and outstanding common stock of the Corporation, voted in favor of the amendment contained in III.B below.
- III. The Restated Articles of Incorporation are hereby amended as follows:
  - A. Article Twelfth is amended to read in its entirety as follows:

"TWELFTH: 1. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, except an action by or in the right of the corporation, by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including

attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with the action, suit or proceeding if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, has no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and that, with respect to any criminal action or proceeding, he had reasonable cause to believe that his conduct was unlawful.

2. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, Joint venture, trust or other enterprise against expenses, including amounts paid in settlement and attorneys' fees actually and reasonably incurred by him in connection with the defense or settlement of the action or suit if he acted in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation. Indemnification shall not be made for any claim, issue or matter as to which such a person has been adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable to the corporation or for amounts paid in settlement to the corporation unless and only to the extent that the court in which the action or suit was brought or other court of competent jurisdiction determines upon application that in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

3. To the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in sections 1 and 2 of this Article Twelfth, or in defense of any claim, issue or matter therein, he must be indemnified by the corporation against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense.

4. Any indemnification under sections 1 and 2 of this Article Twelfth, unless ordered by a court or advanced pursuant to section 5 of this Article Twelfth, must be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances. The determination must be made:

- (a) By the stockholders;
- (b) By the board of directors by majority vote of a quorum consisting of directors who were not parties to the act, suit or proceeding;
- (c) If a majority vote of a quorum consisting of directors who were not parties to the act, suit or proceeding so orders, by independent legal counsel in a written opinion; or
- (d) If a quorum consisting of directors who were not parties to the act, suit or proceeding cannot be obtained, by independent legal counsel in a written opinion.

5. The expenses of officers and directors incurred in defending a civil or criminal action, suit or proceeding must be paid by the corporation as they are incurred and in advance of the final disposition of the action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he is not entitled to be indemnified by the corporation. The provisions of this section 5 of this Article Twelfth do not affect any rights to advancement of expenses to which corporate personnel other than directors or officers may be entitled under any contract or otherwise by law.

6. The indemnification and advancement of expenses provided by this Article Twelfth:

- (a) Does not exclude any other rights to which a person seeking indemnification or advancement of expenses may be entitled under these articles of incorporation or any bylaws, agreement, vote of stockholders or disinterested directors or otherwise, for either an action in his official capacity or an action in another capacity while holding his office, except that indemnification, unless ordered by a court pursuant to section 2 of this Article Twelfth or for the advancement of expenses of any director or officer, if a final adjudication establishes that his acts or

omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the cause of action.

(b) Continues for a person who has ceased to be a director, officer, employee or agent and inures to the benefit of the heirs, executors and administrators of such a person.

7. The corporation may purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise for any liability asserted against him and liability and expenses incurred by him in his capacity as a director, officer, employee or agent, or arising out of his status as such, whether or not the corporation has the authority to indemnify him against such liability and expenses.

8. The other financial arrangements made by the corporation pursuant to section 7 of this Article Twelfth may include the following:

- (a) The creation of a trust fund.
- (b) The establishment of a program of self-insurance.
- (c) The securing of its obligation of indemnification by granting a security interest or other lien on any assets of the corporation.
- (d) The establishment of a letter of credit, guaranty or surety.

No financial arrangement made pursuant to this section may provide protection for a person adjudged by a court of competent jurisdiction, after exhaustion of all appeals therefrom, to be liable for intentional misconduct, fraud or a knowing violation of law, except with respect to the advancement of expenses or indemnification ordered by a court.

9. Any insurance or other financial arrangement made on behalf of a person pursuant to this Article Twelfth may be provided by the corporation or any other person approved by the board of directors, even if all or part of the other person's stock or other securities is owned by the corporation.

10. In the absence of fraud:

(a) The decision of the board of directors as to the propriety of the terms and conditions of any insurance or other financial arrangement made pursuant to this Article Twelfth and the choice of the person to provide the Insurance or other financial arrangement shall be conclusive; and

(b) The insurance or other financial arrangement:

(1) Is not void or voidable; and

(2) Does not subject any director approving it to personal liability for his action, even if a director approving the insurance or other financial arrangement is a beneficiary of the insurance or other financial arrangement.”

B. Article Thirteenth is renumbered as Article Fourteenth and a now Article Thirteenth is added to read in its entirety as follows:

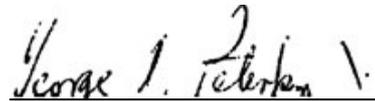
“THIRTEENTH: No director or officer of the corporation shall be personally liable to the corporation or any of its stockholders for damages for breach of fiduciary duty as a director or officer involving any act or omission of any of such director or officer occurring on or after April 26, 1988, and to the extent permitted under applicable law, occurring prior to April 26, 1988, except, that the foregoing provision shall not eliminate or limit the liability of a director or officer for:

(a) acts or omissions which involve intentional misconduct, fraud or a knowing violation of law; or

(b) the payments of dividends in violation of Section 78.300 of the Nevada Revised Statutes.

Neither the amendment nor repeal of this Article Thirteenth, nor the adoption of any provision of the Restated Articles of incorporation inconsistent with this Article Thirteenth, shall eliminate or reduce the effect of this Article Thirteenth with respect to any matter occurring, or any cause of action, suit or claim that, but for this Article Thirteenth would accrue or arise, prior to such amendment, repeal or adoption of any inconsistent provision.”

IN WITNESS WHEREOF, this Certificate of Amendment has been executed by the President and Secretary of the Corporation as of the 28<sup>th</sup> day of June, 1988.

  
George A. Peterkin, Jr., President

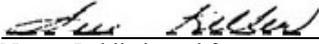
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Henry Gilchrist, Secretary

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THE STATE OF TEXAS     \$  
                                   \$  
COUNTY OF HARRIS     \$

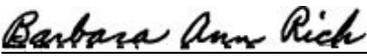
On this 28<sup>th</sup> day of June, 1988, before me appeared George A. Peterkin, Jr, to me personally known, who, being by me duly sworn, did say that he is the President of KIRBY EXPLORATION COMPANY, INC., a Nevada corporation, and acknowledged that the statements contained in the foregoing Certificate of Amendment are true and correct.

  
\_\_\_\_\_  
Notary Public in and for  
The State of Texas  
Soe Keller

My Commission expires:  
[ILLEGIBLE] 30, 1988

THE STATE OF TEXAS     \$  
                                   \$  
COUNTY OF HARRIS     \$

On this 28<sup>th</sup> day of June, 1988, before me appeared Henry Gilchrist, to me personally known, who, being by me duly sworn, did say that he is the Secretary of KIRBY EXPLORATION COMPANY, INC., a Nevada corporation, and acknowledged that the statements contained in the foregoing Certificate of Amendment are true and correct.

  
\_\_\_\_\_  
Notary Public in and for  
The State of Texas  
BARBARA ANN RICH

My Commission expires:  
02/28/89

**FILED**  
IN THE OFFICE OF THE  
SECRETARY OF STATE OF THE  
STATE OF NEVADA

APR 30 1990

FRANKIE BIRD THE PAPE SECRETARY OF STATE  
thanks due best 2pm  
246-69

FILING PER- 75.00 TS  
REC. C46495  
PRENTICE HALL  
502 E. JOHN ST RM. E  
CARSON CITY, NV 89701

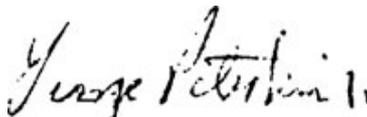
CERTIFICATE OF AMENDMENT  
OF  
RESTATED ARTICLES OF INCORPORATION  
OF  
KIRBY EXPLORATION COMPANY, INC.

KIRBY EXPLORATION COMPANY, INC., a Nevada corporation (the "Corporation"), by its President and Secretary does hereby certify:

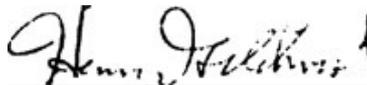
- I. The Board of Directors of the Corporation adopted resolutions setting forth the amendment below in III (The "Amendment") to the Restated Articles of Incorporation of the Corporation, as amended (the "Restated Articles of Incorporation"), directed that the Amendment be submitted to a vote of the stockholders and called an annual meeting of the stockholders entitled to vote for the consideration of the Amendment.
- II. Thereafter, on the 24th day of April, 1990, upon notice given to each stockholder of record entitled to vote on an amendment to the Restated Articles of Incorporation as provided by law, an annual meeting of the stockholders of the Corporation was held, at which meeting 18,531,750 shares of the common stock of the Corporation, being approximately 81.6% of the issued and outstanding common stock of the Corporation, voted in favor of the amendment contained in III below.
- III. Article First of the Restated Articles of Incorporation is hereby amended to read in its entirety as follows:

"FIRST: The name of the corporation is KIRBY CORPORATION."

IN WITNESS WHEREOF, this Certificate of Amendment has been executed by the President and Secretary of the Corporation as of the 24th day of April, 1990.



George A. Peterkin, Jr., President



Henry Gilchrist, Secretary

**RECEIVED**  
APR 30 1990

SECRETARY OF STATE

THE STATE OF TEXAS     \$  
                                  \$  
COUNTY OF HARRIS     \$

On this 24th day of April, 1990, before me appeared George A. PeterKin, Jr., to me personally known, who, being by me duly sworn, did say that he is the President of KIRBY EXPLORATION COMPANY, INC., a Nevada corporation, and acknowledged that the statements contained in the foregoing Certificate of Amendment are true and correct.

*Sue Keller*

\_\_\_\_\_  
Notary Public in and for  
The State of Texas

*Sue Keller*

\_\_\_\_\_  
Print Name

My Commission expires:

November 30, 1992

THE STATE OF TEXAS     \$  
                                  \$  
COUNTY OF HARRIS     \$

On this 24th day of April, 1990, before me appeared Henry Gilchrist, to me personally known, who, being by me duly sworn, did say that he is the Secretary of KIRBY EXPLORATION COMPANY, INC., a Nevada corporation, and acknowledged that the statements contained in the foregoing Certificate of Amendment are true and correct.

*Sue Keller*

\_\_\_\_\_  
Notary Public in and for  
The State of Texas

*Sue Keller*

\_\_\_\_\_  
Print Name

My Commission expires:

November 30, 1992

**FILED**  
IN THE OFFICE OF THE  
SECRETARY OF STATE OF THE  
STATE OF NEVADA

DEC 28 1999  
No. C-246-69  
*Dean Heller*  
DEAN HELLER, SECRETARY OF STATE

ARTICLES OF MERGER  
OF  
KIRBY MARINE TRANSPORTATION CORPORATION  
INTO  
KIRBY CORPORATION

**FIRST:** Kirby Corporation, a Nevada corporation ("Kirby"), owns all of outstanding shares of each class of Kirby Marine Transportation Corporation, a Texas corporation ("KMTC").

**SECOND:** A Plan of Merger has been adopted by Kirby pursuant to which KMTC is to be merged into Kirby.

**THIRD:** Approval of the owners of neither Kirby nor KMTC was required.

**FOURTH:** The complete executed Plan of Merger is on file at the place of business of Kirby located at 1775 St. James Place, Suite 200, Houston, Texas 77056, and a copy Of the Plan will be furnished by Kirby, on request and without cost, to any owner of any entity which is a party to this merger.

**FIFTH:** Kirby designates the following address as the address to which fee Secretary of State of the State of Nevada is to mail any process served on it against Kirby:

The Corporation Trust Company of Nevada  
One East First Street  
Reno, Washoe County, Nevada

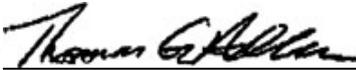
**SIXTH:** This merger shall be effective on January 1, 2000.

Dated: December 21, 1999.

KIRBY CORPORATION

By 

Mark R. Buese  
Senior Vice President

By 

Thomas G. Adler  
Secretary

KIRBY MARINE TRANSPORTATION  
CORPORATION

By 

Mark R. Buese  
Vice President - Administration

CERTIFICATE OF DESIGNATION  
establishing  
Series A Junior Participating Preferred Stock  
of  
KIRBY CORPORATION

FILED # C 246-69  
JUL 24 2000  
IN THE OFFICE OF  
*Deanne Hill*  
DEANNE HILL, SECRETARY OF STATE

Pursuant to Sections 78.195 and 78.1955 of the Nevada Revised Statutes

Kirby Corporation, a Nevada corporation (the "Corporation"), hereby certifies that the following resolutions were adopted by the Board of Directors of the Corporation at a meeting duly called and held on July 18, 2000.

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of the Restated Articles of Incorporation, a series of Preferred Stock, par value \$1.00 per share, of the Corporation be and hereby is created, and that the designation and number of shares thereof and the voting and other powers, preferences and relative, participating, optional or other rights of the shares of such series and the qualifications, limitations and restrictions thereof are as follows:

**Series A Junior Participating Preferred Stock**

1. *Designation and Amount.* There shall be a series of Preferred Stock that shall be designated as "Series A Junior Participating Preferred Stock," and the number of shares constituting such series shall be 1,000,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, however, that no decrease shall reduce the number of shares of Series A Junior Participating Preferred Stock to less than the number of shares then issued and outstanding plus the number of shares issuable upon exercise of outstanding rights, options or warrants or upon conversion of outstanding securities issued by the Corporation.

2. *Dividends and Distributions.*

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Junior Participating Preferred Stock with respect to dividends, the holders of shares of Series A Junior Participating Preferred Stock, in preference to the holders of shares of any class or series of stock of the Corporation ranking junior to the Series A Junior Participating Preferred Stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the 15th day of February, May, August and November in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1.00 or (b) the Adjustment Number (as

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defined below) times the aggregate per share amount of all cash dividends, and the Adjustment Number times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value \$.10 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior Participating Preferred Stock. The "Adjustment Number" shall initially be 100. In the event the Corporation shall at any time after July 18, 2000 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Junior Participating Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1.00 per share on the Series A Junior Participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

3. *Voting Rights.* The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

(A) Each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to a number of votes equal to the Adjustment Number on all matters submitted to a vote of the stockholders of the Corporation.

(B) Except as otherwise provided herein, in the Restated Articles of Incorporation or by law, the holders of shares of Series A Junior Participating Preferred Stock, the holders of shares of any other class or series entitled to vote with the Common Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C)(i) If at any time dividends on any Series A Junior Participating Preferred Stock shall be in arrears in an amount equal to six quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") that shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Junior Participating Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, (1) the number of Directors shall be increased by two, effective as of the time of election of such Directors as herein provided, and (2) the holders of Preferred Stock (including holders of the Series A Junior Participating Preferred Stock) upon which these or like voting rights have been conferred and are exercisable (the "Voting Preferred Stock") with dividends in arrears in an amount equal to six quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect such two Directors.

(ii) During any default period, such voting right of the holders of Series A Junior Participating Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that such voting right shall not be exercised unless the holders of at least one-third in number of the shares of Voting Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Voting Preferred Stock of such voting right.

(iii) Unless the holders of Voting Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than ten percent of the total number of shares of Voting Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Voting Preferred Stock, which meeting shall thereupon be called by the Chairman of the Board, the President, a Vice President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Voting Preferred Stock are entitled to vote pursuant to this paragraph (C)(iii) shall be given to each holder of record of Voting Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or, in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than ten percent of the total number of shares of Voting Preferred Stock outstanding. Notwithstanding the provisions of this paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period, after the holders of Voting Preferred Stock shall have exercised their right to elect Directors voting as a class, (x) the Directors so elected by the holders of Voting Preferred Stock shall continue in office until their successors shall have been, elected by, such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class or classes of stock which elected the Director whose office shall have become vacant. References in this paragraph (C) to Directors elected by the holders of a particular class or classes of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Voting Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Voting Preferred Stock as a class shall terminate and (z) the number of Directors shall be such number as may be provided for in the Restated Articles of Incorporation or By-Laws irrespective of any increase made pursuant to the provisions of paragraph (C) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the Restated Articles of incorporation or Bylaws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(D) Except as set forth herein, holders of Series A Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

4. *Certain Restrictions.*

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled; or

(iii) redeem or purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any shares of stock ranking on a parity

with the Series A Junior Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of Series A Junior Participating Preferred Stock, or to all such holders and the holders of any such shares ranking on a parity therewith, upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

5. *Reacquired Shares.* Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to any conditions and restrictions on issuance set forth herein.

6. *Liquidation, Dissolution or Winding Up.* (A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Junior Participating Preferred Stock Liquidation Preference"). Following the payment of the full amount of the Series A Junior Participating Preferred Stock Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Junior Participating Preferred Stock Liquidation Preference by (ii) the Adjustment Number. Following the payment of the full amount of the Series A Junior Participating Preferred Stock Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Junior Participating Preferred Stock and Common Stock, respectively, holders of Series A Junior Participating Preferred Stock and holders of shares of Common Stock shall, subject to the prior rights of all other series of Preferred Stock, if any, ranking prior thereto, receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Series A Junior Participating Preferred Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Junior Participating Preferred Stock Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, that rank on a parity with the Series A Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the

Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) Neither the merger or consolidation of the Corporation into or with another corporation nor the merger or consolidation of any other corporation into or with the Corporation shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 6, but the sale, lease or conveyance of all or substantially all the Corporation's assets shall be deemed to be a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 6.

7. *Consolidation, Merger, etc.* In case the Corporation shall enter into any consolidation, merger, combination, share exchange or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share equal to the Adjustment Number times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged.

8. *Redemption.* (A) The Corporation, at its option, may redeem shares of the Series A Junior Participating Preferred Stock in whole at any time and in part from time to time, at a redemption price equal to the Adjustment Number times the current per share market price (as such term is hereinafter defined) of the Common Stock on the date of the mailing of the notice of redemption, together with unpaid accumulated dividends to the date of such redemption. The "current per share market price" on any date shall be deemed to be the average of the closing price per share of such Common Stock for the ten consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date; *provided*, however, that in the event that the current per share market price of the Common Stock is determined during a period following the announcement of (A) a dividend or distribution on the Common Stock other than a regular quarterly cash dividend or (B) any subdivision, combination or reclassification of such Common Stock and the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, shall not have occurred prior to the commencement of such ten Trading Day period, then, and in each such case, the current per share market price shall be properly adjusted to take into account ex-dividend trading. The closing price for each day shall be the last sales price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange, or, if the Common Stock is not listed or admitted to trading on the New York Stock Exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading, or, if the Common Stock is not listed or admitted to trading on any national securities exchange but sales price information is reported for such security, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or such other self-regulatory organization or registered securities information processor (as such terms are used under the Securities Exchange Act of 1934, as amended) that then reports information concerning the Common Stock, or, if sales price information is not so reported, the average of the high bid and low asked prices in the over-the-counter market on such day, as reported by NASDAQ or such other entity, or, if on any such date the Common Stock is not quoted by any such entity, the average of the closing bid and asked prices

as furnished by a professional market maker making a market in the Common Stock selected by the Board of Directors of the Corporation. If on any such date no such market maker is making a market in the Common Stock, the fair value of the Common Stock on such date as determined in good faith by the Board of Directors of the Corporation shall be used. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Common Stock is listed or admitted to trading is open for the transaction of business, or, if the Common Stock is not listed or admitted to trading on any national securities exchange but is quoted by NASDAQ, a day on which NASDAQ reports trades, or, if the Common Stock is not so quoted, a Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in the Commonwealth of Massachusetts are not authorized or obligated by law or executive order to close.

(B) In the event that fewer than all the outstanding shares of the Series A Junior Participating Preferred Stock are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors and the shares to be redeemed shall be determined by lot or pro rata as may be determined by the Board of Directors or by any other method that may be determined by the Board of Directors in its sole discretion to be equitable.

(C) Notice of any such redemption shall be given by mailing to the holders of the shares of Series A Junior Participating Preferred Stock to be redeemed a notice of such redemption, first class postage prepaid, not later than the fifteenth day and not earlier than the sixtieth day before the date fixed for redemption, at their last address as the same shall appear upon the books of the Corporation. Each such notice shall state: (i) the redemption date; (ii) the number of shares to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the close of business on such redemption date. Any notice that is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the stockholder received such notice, and failure duly to give such notice by mail, or any defect in such notice, to any holder of Series A Junior Participating Preferred Stock shall not affect the validity of the proceedings for the redemption of any other shares of Series A Junior Participating Preferred Stock that are to be redeemed. On or after the date fixed for redemption as stated in such notice, each holder of the shares called for redemption shall surrender the certificate evidencing such shares to the Corporation at the place designated in such notice and shall thereupon be entitled to receive payment of the redemption price. If fewer than all the shares represented by any such surrendered certificate are redeemed, a new certificate shall be issued representing the unredeemed shares.

(D) The shares of Series A Junior Participating Preferred Stock shall not be subject to the operation of any purchase, retirement or sinking fund.

9. *Ranking.* The Series A Junior Participating Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise, and shall rank senior to the Common Stock as to such matters.

10. *Amendment.* At any time that any shares of Series A Junior Participating Preferred Stock are outstanding, the Restated Articles of Incorporation of the Corporation shall not

9. *Ranking.* The Series A Junior Participating Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise, and shall rank senior to the Common Stock as to such matters.

10. *Amendment.* At any time that any shares of Series A Junior Participating Preferred Stock are outstanding, the Restated Articles of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of two-thirds or more of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

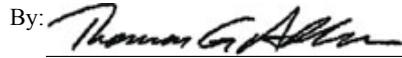
11. *Fractional Shares.* Series A Junior Participating Preferred Stock may be issued in fractions of a share that shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.

IN WITNESS WHEREOF, the undersigned has executed this Certificate and does affirm the foregoing as true this 18<sup>th</sup> day of July, 2000.

KIRBY CORPORATION



By: \_\_\_\_\_  
J. H. Pyne, President

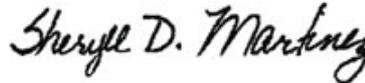
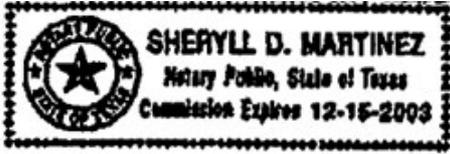


By: \_\_\_\_\_  
Thomas G. Adler, Secretary

STATE OF TEXAS            )  
  )  
COUNTY OF HARRIS        )

The foregoing instrument was acknowledged before me, on the 18<sup>th</sup> day of July, 2000, by J. H. Pyne, President, and Thomas G. Adler, Secretary, of Kirby Corporation, a Nevada Corporation, on behalf of the corporation.

Given under my hand and official seal this 18<sup>th</sup> day of July, 2000.



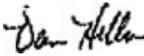
\_\_\_\_\_  
Notary Public in and for the  
State of Texas

My commission expires:

12-15-2003



DEAN HELLER  
 Secretary of State  
 204 North Carson Street, Suite 1  
 Carson City, Nevada [ILLEGIBLE]  
 (775) 684 5708  
 Website: [ILLEGIBLE]

Filed in the office of  Dean Heller Secretary of State State of Nevada	Document Number <b>20060296100-06</b>
	Filing Date and Time <b>05/09/2006 1:00 PM</b>
	Entity Number <b>C246-1969</b>

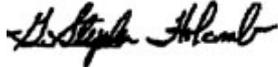
**Certificate of Change Pursuant  
 to NRS 78.209**

[ILLEGIBLE]

**Certificate of Change filed Pursuant to NRS 78.209  
 FOR Nevada Profit Corporation**

1. Name of corporation: Kirby Corporation
2. The board of directors have adopted a resolution pursuant to NR8 78.207 and have obtained any required approval of the stockholders.
3. The current number of authorized shares and the per value, if any, of each class or series, if any, of shares before the change: 60,000,000 shares of Common Stock, par value \$.10 par share, and 20,000,000 shares of preferred stock, par value \$1.00 par share.
4. The number of authorized shares and the par value, if any, of each class or series, if any, of shares after the change: 120,000,000 shares of Common stock, par value \$.10 par share, and 20,000,000 shares of preferred stock, par value \$1.00 per shares.
5. The number of shares of each affected class or series, if any, to be issued after the change in exchange for each issued share of the same class or series: One additional share of common stock will be issued with respect to each currently outstanding share of Common Stock.
6. The provisions, if any, for the issuance of traditional shares, or for the payment of money or the issuance of scrip to stockholders otherwise entitled to a fraction of a share and the percentage of outstanding shares affected thereby: N/A
7. Effective date-of filing (optional): 5:00 p.m. (CDT) on May 10, 2006

[ILLEGIBLE]

8. Officer Signature:  Vice President-Investor Relations  
 Signature Title

IMPORTANT: Failure to include any of the above Information and submit with the proper fees may cause this filing to be rejected.

*This form must be accompanied by appropriate fees.*

Nevada secretary of State [ILLEGIBLE]  
 Revised [ILLEGIBLE]



ROSS MILLER  
 Secretary of State  
 204 North Carson Street, Suite 1  
 Carson City, Nevada 89701-4520  
 (775) 684 5708  
 Website: www.nvsos.gov

Filed in the office of  Ross Miller Secretary of State State of Nevada	Document Number <b>20100601948-21</b>
	Filing Date and Time <b>08/11/2010 11:55 AM</b>
	Entity Number <b>C246-1969</b>

**Certificate of Withdrawal of  
 Certificate of Designation  
 (PURSUANT TO NRS 78.1955(6))**

USE BLACK INK ONLY • DO NOT HIGHLIGHT

ABOVE SPACE IS FOR OFFICE USE ONLY

**Certificate of Withdrawal of  
 Certificate of Designation  
 for Nevada Profit Corporations  
 (Pursuant to NRS 78.1955(6))**

1. Name of corporation:

KIRBY CORPORATION  
 (the "Corporation")

2. Following is the resolution by the board of directors authorizing the withdrawal of Certificate of Designation establishing the classes or series of stock:

WHEREAS, the Board previously, pursuant to the authority granted to it in the Corporation's Restated Articles of Incorporation (the "Articles of Incorporation") and in connection with the approval of the Rights Agreement, designated, out of the authorized preferred stock of the Corporation, 1,000,000 shares of preferred stock as Series A Junior Participating Preferred Stock, which is described in the Certificate of Designation of the Preferred Stock (the "Certificate of Designation") filed on July 24, 2000 with the Secretary of State of the State of Nevada (the "Secretary of State");  
 WHEREAS, pursuant to Section 78.1955 of the Nevada Revised Statutes (the "NRS"), when no shares of a series of stock are outstanding a corporation may file a certificate which states that no shares of the class or series at outstanding and which contains the resolution of the board of directors authorizing the withdrawal of the certificate of designation establishing the class or series of stock;  
 WHEREAS, when such certificate becomes effective, it Shall have the affect of amending the articles of incorporation so as to eliminate from the articles of incorporation all matters set forth in the certificate of designation with respect to such series of stock; and  
 CONTINUATION ON ADDITIONAL PAGE

3. No shares of the class or series of stock being withdrawn are outstanding.

4. Signature: (required)

X   
 \_\_\_\_\_  
 Signature of Officer Secretary of Kirby Corporation

**Filing Fee:** \$175.00

**IMPORTANT:** Failure to include any of the above Information and submit with the proper fees may cause this filing to be rejected.

*This form must be accompanied by appropriate fees.*

Nevada secretary of State Withdrawal of Designation  
 Revised 3-12-09

NY101-05/25/2009 CT System Online

**CONTINUATION:**

WHEREAS, the Board has determined that it is in the best interests of the Corporation and its stockholders to file a certificate pursuant to Section 78.1955 of the NRS with the Secretary of State to withdraw the Certificate of Designation and eliminate from the Articles of Incorporation all descriptions of and references to the voting and other powers, preferences and relative, participating, optional or other rights of the shares of the Preferred Stock, and the qualifications, limitations and restrictions thereof (a "Certificate of Withdrawal");

RESOLVED that the Board hereby authorizes the withdrawal of the Certificate of Designation and the elimination of the Preferred Stock.

RESOLVED that all matters set forth in the Certificate of Designation with respect to the Preferred Stock be eliminated from the Articles of Incorporation.

RESOLVED that the Authorized Officers are hereby authorized and directed to file a Certificate of Withdrawal with the office of the Secretary of State setting forth a copy of these resolutions whereupon all matters set forth in the Certificate of Designation with respect to the Preferred Stock shall be eliminated from the Articles of incorporation.

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## KIRBY CORPORATION

## BYLAWS

## ARTICLE I

## Offices

Section 1. The principal office of the corporation in the State of Nevada shall be in the City of Reno, County of Washoe, State of Nevada.

Section 2. The corporation shall also have an office and a place of business in the City of Houston, Texas, and it may also have offices at such other places both within and without the State of Nevada as the Board of Directors may from time to time determine or as the business of the corporation may require.

## ARTICLE II

## Meetings of Stockholders

Section 1. All annual meetings of the stockholders shall be held at such place as may be designated by the Board of Directors and stated in the notice of the meeting, in the City of Houston, State of Texas. Special meetings of the stockholders may be held at such time and place within or without the State of Nevada as shall be stated in the notice of the meeting, or in a duly executed waiver of notice thereof.

Section 2. Annual meetings of stockholders shall be held at such time and place and on such date during the month of April or May as may be determined by resolution adopted by the Board of Directors of the corporation, at which meeting the stockholders shall elect Directors and transact such other business as may properly be brought before the meeting. Except in a contested election, each Director shall be elected by the vote of a majority of the votes cast with respect to that Director's election. In a contested election, Directors shall be elected by a plurality of the votes cast. A contested election is an election of Directors in which, as of the date that is 14 days in advance of the date the corporation files its definitive proxy statement with the Securities and Exchange Commission (regardless of whether thereafter revised or supplemented), there are more nominees for election than the number of Directors to be elected. A majority of the votes cast means that the number of votes cast "for" a Director's election exceeds the number of votes cast "against" that Director's election (with abstentions and broker nonvotes not counted as either a "for" or "against" vote).

Section 3. Special meetings of the stockholders may be called only by the Chairman of the Board, the President or the Board of Directors acting by a majority of the entire Board of Directors, in each case stating the purpose or purposes of the proposed meeting.

Section 4. Notices of meetings shall be in writing and signed by the President or a Vice President, or the Secretary, or an Assistant Secretary, or by such other person or persons as the Directors shall designate. Such notice shall state the purpose or purposes for which the meeting is called and the time when, and the place, which may be within or without this state, where it is to be held. A copy of such notice shall be either delivered personally to or shall be mailed, postage prepaid, to each stockholder of record entitled to vote at such meeting not less than ten nor more than sixty days before such meeting. If mailed, it shall be directed to a stockholder at his address as it appears upon the records of the corporation and, upon such mailing of any such notice, the service thereof shall be complete, and the time of the notice shall begin to run from the date upon which such notice is deposited in the mail for transmission to such stockholder. Personal delivery of any such notice to any officer of a corporation or association, or to any member of a partnership shall constitute delivery of such notice to such corporation, association or partnership. In the event of the transfer of stock after delivery or mailing of the notice of and prior to the holding of the meeting, it shall not be necessary to deliver or mail notice of the meeting to the transferee.

Section 5. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 6. A majority of the voting power, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Articles of Incorporation of the corporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the chairman of the meeting shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 7. When a quorum is present or represented at any meeting, the vote of the holders of a majority of the shares of stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes, the Articles of Incorporation or these Bylaws, a different vote is required, in which case such express provision shall govern and control the decision of such question.

Section 8. Every stockholder of record of the corporation shall be entitled at each meeting of stockholders to one vote for each share of stock standing in his name on the books of the corporation.

Section 9. At any meeting of the stockholders, any stockholder may be represented and vote by a proxy or proxies appointed by an instrument in writing. In the event that any such instrument in writing shall designate two or more persons to act as proxies, a majority of such persons present at the meeting or, if only one shall be present, then that one shall have and may exercise all of the powers conferred by such written instrument upon all of the persons so designated unless the instrument shall otherwise provide. No such proxy shall be valid after the expiration of six months from the date of its execution, unless coupled with an interest, or unless the person executing it specifies therein the length of time for which it is to continue in force, which in no case shall exceed seven years from the date of its execution. Subject to the above, any proxy duly executed is not revoked and continues in full force and effect until an instrument revoking it or a duly executed proxy bearing a later date is filed with the Secretary of the corporation.

Section 10. Subject to the rights of the holders of Preferred Stock or any series thereof as shall be prescribed in the Articles of Incorporation or in the resolutions of the Board of Directors providing for the issuance of any such series, any action required or permitted to be taken by the stockholders of the corporation must be taken at a duly called annual or special meeting of stockholders of the corporation and may not be taken by any consent in writing by such stockholders.

Section 11. (a) Subject to such rights of the holders of Preferred Stock or any series thereof as shall be prescribed in the Articles of Incorporation or in the resolutions of the Board of Directors providing for the issuance of any such series, only persons who are nominated in accordance with the procedures set forth in this Section 11 shall be eligible for election as, and to serve as, Directors. Nominations of persons for election to the Board of Directors may be made at a meeting of stockholders at which directors are to be elected (i) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (ii) by any stockholder of the corporation (A) who is a stockholder of record on the date of the giving of the notice provided for in this Section 11 and at the time of the meeting, (B) who is entitled to vote at the meeting and (C) who complies with the requirements of this Section 11. In addition to any other applicable requirements, nominations, other than those made by or at the direction of the Board of Directors (or any duly authorized committee thereof), shall be preceded by timely notice thereof in proper written form to the Secretary of the corporation.

(b) To be timely, a stockholder's notice must be delivered to, or mailed and received at, the principal executive offices of the corporation not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder, in order to be timely, must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs. In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described above.

(c) To be in proper form, a stockholder's notice to the Secretary must: (i) set forth, as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination is made (A) the name and address of such stockholder, as they appear on the corporation's books, and of such beneficial owner, if any, (B) (1) the class or series and number of shares of the corporation which are, directly or indirectly, owned beneficially and of record by such stockholder and such beneficial owner, (2) any option, warrant, convertible security, stock appreciation right or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of shares of the corporation or with a value derived in whole or in part from the value of any class or series of shares of the corporation, whether or not such instrument or right shall be subject to settlement in the underlying class or series of capital stock of the corporation or otherwise (a "Derivative Instrument"), directly or indirectly owned beneficially by such stockholder and by such beneficial owner, if any, and any other direct or indirect opportunity to profit or share in any profit derived from any increase or decrease in the value of shares of the corporation, (3) any proxy, contract, arrangement, understanding or relationship pursuant to which such stockholder or beneficial owner, if any, has a right to vote any shares of any security of the corporation, (4) any short interest in any security of the corporation (for purposes of this Section 11 a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (5) any right to dividends on the shares of the corporation owned beneficially by such stockholder or such beneficial owner, if any, that are separated or separable from the underlying shares of the corporation, (6) any proportionate interest in shares of the corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or such beneficial owner, if any, is a general partner or, directly or indirectly, beneficially owns an interest in a general partner and (7) any performance-related fees (other than an asset-based fee) that such stockholder or such beneficial owner, if any, is entitled to based on any increase or decrease in the value of shares of the corporation or Derivative Instruments, if any, as of the date of such notice, including without limitation any such interests held by members of such stockholder's or such beneficial owner's immediate family sharing the same household (which information shall be supplemented by such stockholder and beneficial owner, if any, (x) not later than 10 days after the record date for the meeting to disclose such ownership as of the record date, (y) 10 days before the meeting date disclosing such ownership as of such date and (z) immediately prior to commencement of the meeting disclosing such ownership as of such date, by delivery to the Secretary of the corporation of such supplemental information), (C) any other information relating to such stockholder and beneficial owner, if any, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the election of directors in a contested election pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations promulgated thereunder, (D) a representation that the stockholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such nomination, and (E) a representation whether the stockholder or the beneficial owner, if any, intends or is part of a group that intends to solicit proxies from stockholders in support of such nomination; (ii) set forth, as to each person whom the stockholder proposes to nominate for election or reelection to the Board of Directors (A) all information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a Director if elected) and (B) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such stockholder and beneficial owner, if any, and their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the stockholder making the nomination and any beneficial owner on whose behalf the nomination is made, if any, or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant; and (iii) with respect to each nominee for election or reelection to the Board of Directors, include a completed and signed questionnaire, representation and agreement required by Section 11(d) of this Article II. The corporation may require any proposed nominee to furnish such other information as it may reasonably require (I) to determine the eligibility of such proposed nominee to serve as a Director of the corporation, (II) to determine whether such nominee qualifies as an "independent director" or "audit committee financial expert" under applicable law, securities exchange rule or regulation or any publicly-disclosed corporate governance guideline or committee charter of the corporation and (III) that could be material to a reasonable stockholder's understanding of the independence and qualifications, or lack thereof, of such nominee.

(d) To be eligible to be a nominee for election or reelection as a Director of the Corporation, a person must deliver (in accordance with the time periods prescribed for delivery of notice under this Section 11) to the Secretary at the principal executive offices of the corporation a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the Secretary upon written request) and a written representation and agreement (in the form provided by the Secretary upon written request) that such person (i) is not and will not become a party to (A) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such person, if elected as a Director of the corporation, will act or vote on any issue or question (a "**Voting Commitment**") that has not been disclosed in writing to the corporation or (B) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a Director of the corporation, with such person's fiduciary duties under applicable law, (ii) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a Director that has not been disclosed in writing to the corporation, and (iii) in such person's individual capacity and on behalf of any person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a Director of the corporation, and will comply with all applicable corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the corporation that are publicly disclosed or have been disclosed to such person by the corporation.

(e) No person shall be eligible for election as a Director of the corporation unless nominated in accordance with the procedures set forth in this Section 11. If the chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

(f) Notwithstanding anything in paragraph (b) of this Section 11 to the contrary, in the event that the number of Directors to be elected to the Board of Directors of the corporation is increased and there is no public disclosure by the corporation naming all of the nominees for Director or specifying the size of the increased Board of Directors at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Section 11 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the corporation not later than the close of business on the 10th day following the day on which such public disclosure is first made by the corporation.

(g) For purposes of Section 11 and Section 12 of Article II of these Bylaws, “public disclosure” shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press, PR Newswire, Bloomberg or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(h) Nothing in Section 11 or Section 12 of Article II of these Bylaws shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals or nominations in the Corporation’s proxy statement pursuant to Rule 14a-8 (or any successor thereto) promulgated under the Exchange Act or (ii) of the holders of any series of Preferred Stock to nominate and elect Directors pursuant to and to the extent provided in any applicable provisions of the Articles of Incorporation.

Section 12. (a) No business (other than nomination and election of Directors in accordance with all other provisions of these Bylaws) may be transacted at an annual meeting of stockholders, other than business that is either (i) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (ii) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (iii) otherwise properly brought before the annual meeting by any stockholder of the corporation (A) who is a stockholder of record on the date of the giving of the notice provided for in this Section 12 and at the time of the meeting, (B) who is entitled to vote at the meeting and (C) who complies with the notice procedures set forth in this Section 12. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the corporation.

(b) To be timely, a stockholder’s notice must be delivered to or mailed and received at the principal executive offices of the corporation not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder, in order to be timely, must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was mailed or public disclosure of the date of the annual meeting was made, whichever first occurs. In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of a stockholder’s notice as described above.

(c) To be in proper form, a stockholder’s notice to the Secretary must: (i) set forth, as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the proposal is made (A) all of the information that is required by Section 11(c)(i) of Article II of these Bylaws in the case of the nomination of a person for election as a director and (B) any other information relating to such stockholder and beneficial owner, if any, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for the proposal pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder and (ii) set forth (A) a brief description of the business desired to be brought before the meeting, (B) the reasons for conducting such business at the meeting, (C) the text of the proposal or business (including the text of any resolutions proposed for consideration), (D) any material interest of such stockholder and beneficial owner, if any, in such business and (E) a description of all agreements, arrangements and understandings between such stockholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such stockholder.

(d) No business (other than nomination and election of Directors in accordance with all other provisions of these Bylaws) shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 12. If the chairman of the annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

(e) At a special meeting of stockholders, only such business shall be conducted as shall have been set forth in the notice of the meeting. At any meeting, matters incident to the conduct of the meeting may be voted upon or otherwise disposed of as the chairman of the meeting shall determine to be appropriate.

Section 13. Meetings of stockholders shall be presided over by the Chairman of the Board or in his absence by the President, or in his absence by a Vice President, or in the absence of the foregoing persons by a chairman designated by the Board of Directors, or in the absence of such designation by a chairman chosen at the meeting. The Secretary of the corporation shall act as secretary of the meeting, but in the absence of the Secretary the chairman of the meeting may appoint any person to act as secretary of the meeting.

The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be determined by the person presiding over the meeting. The Board of Directors of the corporation may adopt by resolution such rules and regulations for the conduct of meetings of stockholders as it shall deem appropriate. Except to the extent inconsistent with any such rules and regulations adopted by the Board of Directors, the chairman of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations and procedures and take all such actions as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (a) the establishment of an agenda or order of business for the meeting; (b) rules and procedures for maintaining order at the meeting and the safety of those present; (c) limitations on attendance at or participation in the meeting to stockholders of record of the corporation, their duly authorized proxies or such other persons as the chairman of the meeting shall determine; (d) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (e) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

## Directors

Section 1. The number of Directors of the corporation shall be not fewer than three nor more than fifteen, and within that range shall be established from time to time by resolution of the Board of Directors. Commencing with the election of Directors at the annual meeting of stockholders held in 2001, the Directors, other than those who may be elected by the holders of Preferred Stock or any series thereof as shall be prescribed in the Articles of Incorporation or in the resolutions of the Board of Directors providing for the issuance of any such series, shall be divided into three classes designated Class I, Class II and Class III, as determined by the Board of Directors. Such classes shall be as nearly equal in number as possible. The term of office of the initial Class I Directors shall expire at the annual meeting of stockholders in 2002, the term of office of the initial Class II Directors shall expire at the annual meeting of stockholders in 2003, and the term of office of the initial Class III Directors shall expire at the annual meeting of stockholders in 2004. At each annual meeting of stockholders beginning with the annual meeting of stockholders in 2002, Directors elected to succeed Directors whose terms are then expiring shall serve for a term ending at the third annual meeting of stockholders after their election and shall be of the same class as the Directors they succeed; provided that the Board of Directors may designate one or more directorships whose term expires at any annual meeting as directorships of another class so that the classes will be as nearly equal in number as possible. Each Director shall hold office until the expiration of his or her term and until his or her successor is elected and qualified or until his or her earlier death, resignation or removal. In the event of any change in the authorized number of Directors constituting the entire Board of Directors, each Director then serving shall nevertheless continue as a Director of the class of which he or she is a member until the expiration of his or her current term, or his or her earlier death, resignation or removal. Directors need not be residents of the State of Nevada nor stockholders of the corporation.

Section 2. Subject to the rights of the holders of Preferred Stock or any series thereof as shall be prescribed in the Articles of Incorporation or in the resolutions of the Board of Directors providing for the issuance of any such series, newly created directorships resulting from any increase in the number of Directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other cause shall be filled by the affirmative vote of a majority of the remaining Directors then in office, even though less than a quorum, or by the sole remaining Director. Any Director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of Directors in which the new directorship was created or the vacancy occurred and until such Director's successor shall have been elected and qualified. Except as otherwise provided with respect to a Director elected by the holders of Preferred Stock or any series thereof in the Articles of Incorporation or in resolutions providing for the issuance of any such series, no decrease in the number of Directors constituting the entire Board of Directors shall shorten the term of any incumbent Director. When one or more directors shall give notice of his or their resignation to the Board, effective as of a future date, the Board shall have power to fill such vacancy or vacancies to take effect when such resignation or resignations become effective, each Director so appointed to hold office for the remainder of the term of office of the resigning Director or Directors.

Section 3. The business of the corporation shall be managed by its Board of Directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

Section 4. The Board of Directors of the corporation may hold meetings, both regular and special, either within or without the State of Nevada.

#### Meetings of the Board of Directors

Section 5. The first meeting of each newly elected Board of Directors shall be held at the offices of the corporation in Houston, Texas, immediately following the annual meeting of stockholders and no notice of such meeting shall be necessary to the newly elected Directors in order legally to constitute the meeting, provided a quorum shall be present. In the event of the failure of the Directors to hold such meeting at the time and place so fixed, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by all of the Directors.

Section 6. Regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by the Board.

Section 7. Special meetings of the Board of Directors may be called at any time and from time to time by the Chairman of the Board, the President or the Secretary and shall be called by the President or Secretary on the written request of two Directors. Oral, written, telegraphic, telephone or electronic notice of special meetings of the Board of Directors shall be given to each Director at least two (2) days before the date of the meeting.

Section 8. A majority of the Board of Directors, at a meeting duly assembled, shall be necessary to constitute a quorum for the transaction of business and the act of a majority of the Directors present at any meeting at which a quorum is present shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Articles of Incorporation. Any action of a majority, although not at a regularly called meeting, and the record thereof, if assented to in writing by all of the other members of the Board either before or after such action, shall be as valid and effective in all respects as if passed by the Board at a regular meeting.

Section 9. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if, before or after the action, all the members of the Board or of such committee consent thereto in writing or by facsimile or electronic transmission. Such written consent or facsimile or electronic transmission shall be filed with the minutes of proceedings of the Board or committee.

Section 10. Members of the Board of Directors and members of any committee designated by the Board of Directors may participate in and hold a meeting of such Board or committee by means of a conference telephone or a similar communications method by which all persons participating in the meeting can hear each other. Participation in such a meeting shall constitute presence in person at the meeting.

#### Committees of Directors

Section 11. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the Directors of the corporation which, to the extent provided in the resolution, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the corporation, and may have power to authorize the seal of the corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

Section 12. The committees shall keep regular minutes of their proceedings and report the same to the Board when required.

#### Compensation of Directors

Section 13. The Directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or stated compensation in any form for service as a Director. No such payment shall preclude any Director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings and serving as a member of one or more committees.

#### Advisory Directors

Section 14. The Board of Directors may from time to time designate one or more persons as Advisory Directors of the corporation. Advisory Directors shall serve for terms specified by the Board of Directors but ending no later than the time of the annual meeting of the Board of Directors following the annual meeting of stockholders each year; provided, however, any or all of the Advisory Directors may be removed at any time, with or without cause, by the Board of Directors.

Section 15. Advisory Directors shall not be entitled to attend meetings of the Board of Directors or any of its committees but shall attend such meetings only at the invitation of the Board or a committee. Advisory Directors shall not be considered in determining whether a quorum is present at any meeting of the Board of Directors.

Section 16. Advisory Directors shall not be entitled to vote on any matter brought before the Board of Directors or any of its committees and shall not have the powers, duties or responsibilities of a Director of the corporation.

Section 17. The Board of Directors may nominate a Director, Directors or slate of Directors to be voted upon by the stockholders at the annual meeting of stockholders or at any other meeting of stockholders at which Directors are to be elected. Except as provided in this Section 17, the Board of Directors shall not nominate for election or reelection as a Director any person who will be seventy-two (72) years of age or older at the time the stockholders are scheduled to vote on such election; provided, however, this restriction may be waived by the vote or written consent of two-thirds (2/3rds) of the total number of Directors of the Corporation then in office, excluding, however, any Director who would otherwise be disqualified for nomination for election. Any such waiver shall be applicable only to the scheduled election, but additional waivers may be granted for subsequent elections.

#### ARTICLE IV

##### Notices

Section 1. Notices to stockholders shall be in writing and delivered personally or mailed to the stockholders at their addresses appearing on the books of the corporation. Notice by mail shall be deemed to be given at the time when the same shall be mailed. Notice to Directors may be given in the same manner or may be given orally, electronically or by telegram or telephone.

Section 2. Whenever all parties entitled to vote at any meeting, whether of Directors or stockholders, consent, either by a writing on the records of the meeting or filed with the Secretary, or by presence at such meeting and oral consent entered on the minutes, or by taking part in the deliberations at such meeting without objection, the doings of such meeting shall be as valid as if had at a meeting regularly called and noticed, and at such meeting any business may be transacted which is not excepted from the written consent or to the consideration of which no objection for want of notice is made at the time, and if any meeting be irregular for want of notice or of such consent, provided a quorum was present at such meeting, the proceedings of said meeting may be ratified and approved and rendered likewise valid and the irregularity or defect therein waived by a writing signed by all parties having the right to vote at such meetings; and such consent or approval of stockholders may be by proxy or attorney, but all such proxies and powers of attorney must be in writing.

Section 3. Whenever any notice whatever is required to be given under the provisions of the statutes, of the Articles of Incorporation or of these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

#### ARTICLE V

##### Officers

Section 1. The officers of the corporation shall be chosen by the Board of Directors and shall include a Chairman of the Board of Directors (who must be a Director), a President, one or more Vice Presidents (as elected by the Board of Directors hereinafter provided), and a Secretary and a Treasurer. Any person may hold two or more offices except that the offices of President and Vice President shall not be held by the same person.

Section 2. The Board of Directors at its first meeting after each annual meeting of stockholders shall choose a Chairman of the Board, a President, one or more Vice Presidents, a Secretary and a Treasurer. The Board of Directors shall designate either the Chairman of the Board or the President as the chief executive officer of the corporation.

Section 3. The Board of Directors may appoint additional Vice Presidents, and Assistant Secretaries and Assistant Treasurers and such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

Section 4. The salaries of all officers of the corporation shall be fixed by the Board of Directors.

Section 5. Each officer of the corporation shall hold office until his successor is chosen and qualifies or until his earlier death, resignation or removal. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the corporation by death, resignation, removal or otherwise may only be filled by the Board of Directors.

#### Chairman of the Board of Directors

Section 6. The Chairman of the Board of Directors shall be chosen from the membership of the Board of Directors.

Section 7. He shall preside at all meetings of the Board of Directors and stockholders and, except as otherwise provided in these Bylaws or ordered by the Board of Directors, shall appoint all special or other committees of the Board of Directors.

Section 8. He may call meetings of the Board of Directors whenever he deems same to be necessary; and he shall perform such other duties as may be prescribed by the Board of Directors from time to time.

#### The President

Section 9. The President of the corporation shall have general and active management of the business of the corporation and shall see that all policies, orders and resolutions of the Board of Directors are carried into effect. If there is no Chairman of the Board or during the absence or disability of the Chairman of the Board, the President shall preside at all meetings of the stockholders and of the Board of Directors and shall exercise all of the other powers and discharge all of the other duties of the Chairman of the Board. He may call meetings of the Board of Directors and of any committee thereof whenever he deems same to be necessary.

Section 10. He may sign and deliver on behalf of the corporation any deeds, mortgages, bonds, contracts, powers of attorney or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed. He shall perform all such other duties as are incident to his office or are properly required of or assigned to him by the Board of Directors.

Section 11. He shall have the right to exercise on behalf of the corporation any and all voting privileges, including the power to grant proxies, on all stocks of subsidiaries of the corporation and all other securities owned by or on behalf of the corporation, such right to be exercised by him in his discretion as he deems in the best interest of the corporation unless limited or otherwise directed by resolution of the Board of Directors.

#### The Vice President

Section 12. The Vice President who shall be designated by the Board of Directors or, if no Vice President is so designated, then the Vice President who shall have longest served in such capacity shall, in the absence or disability of the President, perform the duties and exercise the powers of the President and shall perform such other duties as the Board of Directors may from time to time prescribe.

Section 13. All other Vice Presidents, if any, shall at all times possess power to sign all certificates, contracts and other instruments of the corporation, except as otherwise limited in writing by the Chairman of the Board or the President of the corporation, and shall have such other authority and perform such other duties as these Bylaws or the Board of Directors, executive committee, Chairman of the Board or President shall prescribe.

#### The Secretary and Assistant Secretaries

Section 14. The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the corporation and of the Board of Directors in a book to be kept for the purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or President, under whose supervision he shall be.

Section 15. The Assistant Secretaries shall, in the absence or disability of the Secretary, perform the duties and exercise the powers of the Secretary and shall perform such other duties as the Board of Directors shall prescribe.

#### The Treasurer and Assistant Treasurers

Section 16. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the Board of Directors.

Section 17. He shall disburse the funds of the corporation as may be ordered by the Board of Directors or the Chairman of the Board, the President or any Vice President of the Corporation, and shall render to the President and the Board of Directors, when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the corporation.

Section 18. If required by the Board of Directors, he shall give the corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the corporation.

Section 19. The Assistant Treasurers in the order of their seniority shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer and shall perform such other duties as the Board of Directors shall prescribe.

#### Operating Divisions

Section 20. The Board of Directors may, by resolution passed by a majority of the whole Board, establish one or more operating divisions of the corporation, and may confer on the employees of the corporation assigned to any such operating division the title of President, Vice President and any other titles deemed appropriate. The Board of Directors may at any time discontinue any such operating division or title. The designation of any such titles for employees assigned to operating divisions of the corporation shall not be permitted to conflict in any way with any executive or administrative authority established from time to time by or for the corporation. Any employee designated as an officer of an operating division shall have authority, responsibilities and duties with respect to such operating division corresponding to those normally vested in the comparable officer of the corporation by these Bylaws, subject to such limitations as may be imposed by the Board of Directors of the corporation.

### ARTICLE VI

#### Certificates of Stock

Section 1. Shares of stock of the corporation may be certificated or uncertificated, as provided under Nevada law. Every holder of certificated shares shall be entitled to have a certificate, signed by the President or a Vice President and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the corporation, certifying the number of shares owned by him in the corporation. If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, the designations, preferences and relative, participating, optional or other special rights of the various classes of stock or series thereof and the qualifications, limitations or restrictions of such rights, shall be set forth in full or summarized on the face or back of any certificate which the corporation shall issue to represent such stock and, if the corporation shall be authorized to issue only special stock, such certificate shall be set forth in full or summarize the rights of the holders of such stock.

Section 2. Whenever any certificate is countersigned or otherwise authenticated by a transfer agent or transfer clerk, and by a registrar duly appointed by the corporation, then a facsimile of the signatures of the officers or agents of the corporation may be printed or lithographed upon such certificate in lieu of the actual signatures. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the corporation, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the corporation, such certificate or certificates may nevertheless be adopted by the corporation and be issued and delivered as though the person or persons who signed such certificate or certificates, or whose facsimile signature or signatures shall have been used thereon, had not ceased to be the officer or officers of such corporation.

Section 3. The Board of Directors may direct a new certificate or certificates, or uncertificated shares, to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates or of uncertificated shares, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost or destroyed.

#### Transfer of Stock

Section 4. Transfers of shares of stock of the corporation shall be made on the stock records of the corporation only upon authorization by the registered holder of such shares, or by such holder's attorney duly authorized in writing, and, if the shares are certificated, upon surrender to the corporation or any duly appointed transfer agent of the corporation of the certificate or certificates for such shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer.

#### Closing of Transfer Books

Section 5. The Directors may prescribe a period not exceeding sixty days prior to any meeting of the stockholders during which no transfer of stock on the books of the corporation may be made, or may fix a day not more than sixty days prior to the holding of any such meeting as the day as of which stockholders entitled to notice of and to vote at such meeting shall be determined; and only stockholders of record on such day shall be entitled to notice or to vote at such meeting.

#### Registered Stockholders

Section 6. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Nevada.

## ARTICLE VII

### General Provisions

#### Dividends

Section 1. Dividends upon the capital stock of the corporation, subject to the provisions of the Articles of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock or other securities of the corporation, subject to the provisions of the Articles of Incorporation.

Section 2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Directors shall think conducive to the interest of the corporation, and the Directors may modify or abolish any such reserve in the manner in which it was created.

#### Checks

Section 3. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

#### Fiscal Year

Section 4. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

## ARTICLE VIII

### Amendments

Section 1. Subject to the provisions of the Articles of Incorporation, and in addition to any affirmative vote required by law, any alteration, amendment, repeal or rescission of these Bylaws must be approved either (a) by the Board of Directors by the affirmative vote of at least a majority of the then-authorized number of Directors or (b) by the stockholders by the affirmative vote of the holders of at least 66 2/3% of the combined voting power of the then-outstanding shares of stock entitled to vote generally in elections of Directors, voting together as a single class. No amendment, alteration, rescission or repeal of these Bylaws shall be effective to reduce the term of any incumbent Director, whether by reduction in the number of Directors, changes to the provisions for the division of the Directors into classes or otherwise.

Indemnification of Directors and Officers

Section 1. The corporation shall indemnify each and every present and former director and officer of the corporation, and each and every person who may have served at the corporation's request as a director or officer of another corporation in which the corporation owns shares of capital stock or of which the corporation is a creditor (each of which other corporations is individually referred to herein as an "Other Enterprise"), against any and all expenses (including attorneys' fees) actually and necessarily incurred by him in connection with the defense of any action, suit or proceeding in which he was or is a party by reason of being or having been a director or officer of the corporation or Other Enterprise to the fullest extent permitted by law. The rights of indemnification provided in this Section 1 shall be in addition to any other rights to which a person may otherwise be entitled by any other sections of this Article IX, the corporation's Articles of Incorporation, statute, agreement, vote of stockholders or otherwise.

Section 2. The corporation shall indemnify officers and directors of the corporation, as well as other persons who serve as agents and employees of the corporation, to the extent set forth in the corporation's Articles of Incorporation.

Section 3. The corporation may purchase and maintain insurance on behalf of, and contractually agree to indemnify, any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of Section 1 or Section 2 of this Article IX.

As amended through July 29, 2014.



**ANNUAL INCENTIVE PLAN (AIP)**

2015 Plan Year

**Guidelines**

**KIRBY CORPORATION**

January 2015

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## *Introduction*

Kirby Corporation (together with its subsidiaries, “Kirby” or the “Company”) established the 2015 Annual Incentive Plan (the “Plan”) to focus employees on identifying and achieving business strategies that lead to increased stockholder value. The Plan is also intended to reward superior performance by employees and their contribution to achieving Kirby’s objectives. This program may be offered, in whole or in part, to wholly owned subsidiaries of the Company, at the Company’s discretion.

Certain aspects of this Plan are complex. Although these guidelines establish rules for Plan operation, those rules may not work in all circumstances. Therefore, the Compensation Committee of the Kirby Board of Directors has discretion to interpret these guidelines to assure the awards are consistent with the Plan’s purposes and the Company’s interests. All decisions by the Compensation Committee shall be final and binding.

Unless resolutions of the Compensation Committee expressly provide otherwise, awards granted under the Plan shall constitute performance awards granted under Article IV of the Kirby Corporation 2005 Stock and Incentive Plan (as amended from time to time, the “Stock Plan”) and are subject to the terms and provisions of the Stock Plan that apply to such performance awards.

This Plan or any part thereof may be amended, modified, or terminated at any time without prior notice, by written authorization of (i) the Compensation Committee or (ii) the Chief Executive Officer of the Company; provided that the Plan may not be amended or modified in a manner that would cause an award that is intended to satisfy the performance-based compensation exception under Section 162(m) of the Internal Revenue Code of 1986, as amended (“Section 162(m)”) to fail to satisfy the exception.

## ***The Annual Incentive Plan***

Each award granted under the Plan is an award for total Company and designated Business Group performance. Awards are generally based on achieving the Company Performance Goal as well as additional Company, Business Group and individual performance measures and objectives. Once the Performance Goal is reached participants in the Plan become eligible for a bonus.

### ***Plan Objectives***

The Plan key objectives are:

- Provide an annual incentive plan that drives performance toward objectives critical to creating stockholder value.
- Offer competitive cash compensation opportunities to key Kirby employees.
- Award outstanding achievement by employees who directly affect Kirby's results.
- Assist Kirby in attracting and retaining high quality employees.
- Reflect both quantitative and qualitative performance factors in actual bonus payouts.
- Ensure that incentive payments made by the Company are fully deductible by the Company.

### ***Performance Period***

Performance is measured on a calendar year basis for the Plan. The Performance Period begins on January 1, 2015 and ends on December 31, 2015.

### ***Eligibility***

- Generally, managerial employees and Kirby Inland Marine Wheelhouse employees classified as Captain, Relief Captain or Pilot, are eligible for participation. Selection for participation in the Plan is based upon each position's ability to impact long-term financial results of the Company and designation by management. Some employees in managerial positions might not be included in the Plan.
- In order to be eligible to receive an incentive payment under the Plan, participants must be employed on the last day of the Performance Period and on the date bonuses are actually paid for the Performance Period, unless their earlier termination is due to death, normal retirement<sup>1</sup> or disability<sup>1</sup>. If a participant's employment is terminated prior to the last day of the Performance Period, or prior to the date of payment, for any reason other than death, normal retirement<sup>1</sup> or disability<sup>1</sup>, any bonus the participant may otherwise have received will be forfeited and the participant will have no right to any incentive payment under the Plan.

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<sup>1</sup> Normal retirement or disability as defined for shore based employees in the Company's Profit Sharing Plan, and as defined for wheelhouse employees in the Vessel Pension Plan

Participation in the Plan in 2015 does not guarantee participation in similar plans in future years. Participants in the Plan or in similar plans in future years will be notified annually of their selection for participation.

### ***Individual Bonus Targets***

On or before March 31, 2015, each participant will be assigned a target bonus level defined as a percentage of base salary earned during the Performance Period. This bonus target is based on competitive market practices, as well as the employee's ability to impact long-term Company performance. Market practices will be determined using data from either general industry, the marine transportation industry, or the diesel engine services industry, depending upon the individual position being considered.

### ***Aggregate Payment Amount***

An interim incentive payment amount will be determined as of December 31, 2015 for each participant in the Plan based on the target incentive level for such participant and the calculation formulas described in the Plan under the headings Performance Measures, Business Group Designations and Weightings, and Performance Standards for Interim Incentive Payment Calculations. The Aggregate Payment Amount shall equal the sum of all of such interim incentive payment amounts.

The Company will be obligated to pay out the full Aggregate Payment Amount to eligible participants, subject to the discretion of the Compensation Committee, with respect to the allocation of the Aggregate Payment Amount among individual participants. Therefore, the Company's obligation to pay out the Aggregate Payment Amount becomes fixed on the last day of the Performance Period.

The Compensation Committee may determine the amount of the bonus paid to any participant based on the performance measures described in the Plan or any other criteria deemed appropriate in its discretion, provided that in no event will the aggregate incentive payments made pursuant to the Plan exceed the Aggregate Payment Amount.

### ***Section 162(m) Performance Goal and Maximum Awards***

The performance goal (the "Performance Goal") that must be attained in order for any Plan participant to receive a bonus under the Plan is the achievement by the Company of net earnings attributable to Kirby for 2015 (as shown in Kirby's audited Consolidated Statements of Earnings for 2015) greater than \$1,000,000. If the Company achieves the Performance Goal, the maximum bonus that any participant may receive under the Plan will be equal to 200% of the individual bonus target established for such participant (for each participant, the "Maximum Award"). The Compensation Committee in its discretion may reduce the bonus paid to any participant to an amount less than the Maximum Award.

## ***Performance Measures***

In addition to the Performance Goal, performance measures used under the Plan are:

- EBITDA
- Return on Total Capital
- Earnings per share

Annual performance targets will be established for each measure based on Kirby's projected budget and each of the performance measures will have equal weight in calculating the interim incentive payment amount for each participant.

<b>Measure</b>	<b>Weight</b>
EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)	33.33 %
Return on Total Capital (Earnings before interest and taxes divided by average beginning and ending stockholders' equity plus long-term debt)	33.33 %
Earnings per Share	33.33 %
	<b>100 %</b>

## ***Business Group Designations and Weightings***

The following business groups are designated for purposes of the Plan:

- Kirby Inland Marine
- Kirby Engine Systems
- United Holdings
- Kirby Offshore Marine

**Note:** Kirby Ocean Transport Company and Osprey Line, LLC are considered part of the Kirby Inland Marine business group for purposes of the Plan.

In calculating actual versus target performance against the performance measures, the recommended award for Business Group employees will be primarily based on Business Group performance with a defined portion based on Company performance. The award for Corporate employees will be based on total Kirby performance. Specific weightings are defined in the following table:

<b>Calculation of Incentive Payments</b>		
	Incentive Bonus Calculation	
	Kirby (Company)	Business Group
Eligible Corporate Employees	100 %	0 %
Business Group Presidents <i>(KIM, KOM, KES, United Holdings. KMTG President 50% company, 35% KIM 15%KOM)</i>	50 %	50 %
Officers with responsibilities for both KIM and KOM <i>(30% corporate, 50% KIM, 20% KOM)</i>	30 %	70 %
Other Business Group Employees	30 %	70 %

**Performance Standards for Incentive Payment Calculations**

Performance Level	Definition	Relationship to Budget*	% of Target Used for Calculation
Below Threshold	Performance did not meet minimum metric	less than 80% of Budget	0%
Threshold	Minimal acceptable performance for payout	80% of Budget	50%
Target	Expected performance at stretch level	100% of Budget	100%
Maximum	Outstanding performance	120% of Budget	200%

\*budget and target are measured on an incremental basis (example: 90% of budget results in 75% of target used for calculation)

- As shown in the tables, actual performance against each performance measure results in a corresponding percentage of target amount.
- The target amount determined for each performance measure is then multiplied by the weight for the performance measure (33.33%) and the results are added together to produce a total corporate or business payout percentage of the target incentive that is applied to each individual participant.
- The Compensation Committee shall in its discretion allocate the Aggregate Payment Amount among eligible participants. In allocating the Aggregate Payment Amount, the Compensation Committee may consider, but shall not be bound by, the interim incentive payment calculation for each participant.

- The Compensation Committee has discretion to modify the performance measures or adjust the calculation of the interim incentive amounts to adjust for acquisitions, divestures, and other material business events.
- Notwithstanding the foregoing or any provision of the Plan to the contrary, no participant who is a covered employee as defined in the Section 162(m) of the Internal Revenue Code of 1986, as amended (a "Covered Employee"), may receive an amount in excess of the participant's Maximum Award and the aggregate amount of incentive payments made to participants in the Plan must equal the Aggregate Payment Amount.

## **Administration**

### **Award Payout**

A participant's final bonus payment is paid out in cash within 90 days following the end of the Company's fiscal year, based on audited financial statements of the Company. No payment shall be made to a participant who is a Covered Employee until the Compensation Committee certifies that the Performance Goal and other material terms of the Plan resulting in such payment have been achieved.

### **Eligibility Limitation**

Participants must be employed by the Company on the last day of the Performance Period and on the date bonuses are actually paid in order to receive a bonus, unless otherwise provided for in the Plan.

### **Special Circumstances**

The Compensation Committee will have the sole authority to resolve disputes related to Plan administration. Decisions made by the Compensation Committee will be final and binding on all participants. The Compensation Committee has the sole discretion to determine the bonuses for newly hired, terminated, transferred and promoted employees, but will generally award bonuses based on the following provisions.

### **New Employees**

New employees hired after the beginning of a Performance Period who are selected for participation in the Plan, will receive prorated bonuses for the current Performance Period, subject to the Termination of Employment restrictions.

### **Termination of Employment**

If employment terminates prior to the last day of the Performance Period or prior to the date bonuses are actually paid for the Performance Period, for any reason other than death, normal retirement<sup>2</sup>, or disability<sup>2</sup>, the participant will be ineligible to receive a bonus.

If employment terminates before the end of the full Performance Period or before the date bonuses are actually paid for the Performance Period as a result of death, normal retirement<sup>2</sup>, or disability<sup>2</sup>, the participant (or the participant's heirs) will be entitled to receive a prorated bonus at the end of the Performance Period based upon actual performance and base wages earned while employed during the Performance Period.

### **Transfer**

A participant who is transferred between business units of the Company will be eligible to receive a weighted bonus based upon the time spent at each of the units<sup>3</sup>.

### **Promotions**

A participant who is promoted or reassigned during any Performance Period and whose bonus target is subsequently increased or decreased will be eligible to receive a weighted bonus, based on the service before and after the promotion or reassignment.

### **Compensation Committee**

The Compensation Committee has the responsibility for governance and administration of the Plan. In fulfilling its duties the Compensation Committee will be responsible for interpreting the Plan and will rely on these guidelines in making all determinations necessary.

In administering the Plan the Compensation Committee will, on an annual basis:

- Approve the designation of Business Groups within the Company
- Approve the Performance Goal
- Approve the performance measures and the Threshold, Target and Maximum budget performance levels for all participants for purposes of calculating interim incentive payments
- Approve linkage for participants to Company and Business Group performance
- Approve the individual bonus targets for all participants whose salaries are at or above \$100,000
- Determine at its discretion the final incentive payments for participants
- Approve the Aggregate Payment Amount to be paid to participants in the Plan
- Certify whether the Performance Goal and other material terms that result in payments under the Plan have been satisfied prior to payment of an award to a Covered Employee.

The Compensation Committee may deviate from the guidelines for the Plan, but in no event will a bonus paid pursuant to the Plan exceed the Maximum Award for any Covered Employee. The Compensation Committee may decrease the bonus to be paid to any participant below the Maximum Award based on such objective or subjective criteria as the Compensation Committee deems appropriate.

The total amount of the bonuses paid to participants pursuant to the Plan may not exceed the Aggregate Payment Amount.

The performance objectives of Covered Employees may only be adjusted as permitted under Section 162(m) or the regulations thereunder.

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<sup>2</sup> Normal retirement or disability as defined for shore-based employees in the Company's Profit Sharing Plan, and as defined for wheelhouse employees in the Vessel Pension Plan.

<sup>3</sup> Company and Business Group performance factors are calculated using performance for the entire Performance Period.

**Chief Executive Officer (CEO)**

The CEO has primary responsibility for recommending Plan guidelines to the Committee and for delegating administrative duties associated with the plan. The Compensation Committee may delegate additional administrative duties to the CEO or any Company officer. The CEO may make recommendations subject to Compensation Committee approval, with respect to the incentive payment to any participant.

**Chief Financial Officer (CFO)**

The CFO is responsible for calculating performance under the Plan and recommending adjustments to the performance objectives. The CFO will:

- Provide annual reports to the Compensation Committee and the CEO on each Business Group's performance at the end of the fiscal year
- Maintain a financial information system that reports results on an estimated quarterly and annual basis
- Coordinate with the Company's auditors to properly recognize any accounting expense associated with incentive payments under the Plan
- Provide the VP of Human Resources with the performance results of each Business Group as well as overall Company performance
- Calculate new Threshold, Target and Maximum performance objectives as required by the Plan

**VP of Human Resources**

The VP of HR has responsibility for administration of the Plan and will:

- Develop and recommend Target Award Guidelines and eligible participants for each Performance Period to the CEO for approval
- Coordinate communications with participants, including materials to facilitate understanding the Plan's objectives and goals
- Calculate participants' interim incentive amounts, using the performance factors provided by the CFO
- Process paperwork approving individual incentive payments

**Business Group Presidents and Vice Presidents will:**

- Recommend participants in the Plan
- Coordinate with the CFO to determine any significant changes in business conditions for purposes of reviewing the Threshold, Target and Maximum performance objectives
- Assure that participants are informed of the actual incentive payment to be made for the Performance Period

## KIRBY CORPORATION

## 2000 NONEMPLOYEE DIRECTOR STOCK PLAN

ARTICLE I  
GENERAL

Section 1.1. *Purpose.* The purpose of this Plan is to advance the interests of Kirby Corporation, a Nevada corporation (the “Company”), by providing an additional incentive to attract and retain qualified and competent directors, upon whose efforts and judgment the success of the Company is largely dependent, through the encouragement of stock ownership in the Company by such persons.

Section 1.2. *Definitions.* As used herein, the following terms shall have the meaning indicated:

(a) “Award” means a grant under this Plan in the form of an Option or Restricted Stock.

(b) “Board” means the Board of Directors of the Company.

(c) “Change in Control” means the occurrence of any of the following events:

(i) Any “person” (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended) becomes the beneficial owner, directly or indirectly, of voting securities representing thirty percent (30%) or more of the combined voting power of the Company’s then outstanding voting securities or, if a person is the beneficial owner, directly or indirectly, of voting securities representing thirty percent (30%) or more of the combined voting power of the Company’s outstanding voting securities as of the date a particular Award is granted, such person becomes the beneficial owner, directly or indirectly, of additional voting securities representing ten percent (10%) or more of the combined voting power of the Company’s then outstanding voting securities;

(ii) During any period of twelve (12) months, individuals who at the beginning of such period constitute the Board cease for any reason to constitute a majority of the Directors unless the election, or the nomination for election by the Company’s stockholders, of each new Director was approved by a vote of at least a majority of the Directors then still in office who were Directors at the beginning of the period;

(iii) (A) Any consolidation or merger of the Company or any Subsidiary that results in the holders of the Company’s voting securities immediately prior to the consolidation or merger having (directly or indirectly) less than a majority ownership interest in the outstanding voting securities of the surviving entity immediately after the consolidation or merger, (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or (C) the liquidation or dissolution of the Company;

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(iv) The stockholders of the Company accept a share exchange, with the result that stockholders of the Company immediately before such share exchange do not own, immediately following such share exchange, at least a majority of the voting securities of the entity resulting from such share exchange in substantially the same proportion as their ownership of the voting securities outstanding immediately before such share exchange; or

(v) Any tender or exchange offer is made to acquire thirty percent (30%) or more of the voting securities of the Company, other than an offer made by the Company, and shares are acquired pursuant to that offer.

For purposes of this definition, the term “voting securities” means equity securities, or securities that are convertible or exchangeable into equity securities, that have the right to vote generally in the election of Directors.

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

(e) “Committee” means the Compensation Committee, if any, appointed by the Board.

(f) “Compensation Plan” means the written plan or program in effect from time to time, as approved by the Board, which sets forth the compensation to be paid to Eligible Directors.

(g) “Date of Grant” means the date on which an Option or Restricted Stock is granted to an Eligible Director.

(h) “Director” means a member of the Board.

(i) “Eligible Director” means a Director who is not an employee of the Company or a Subsidiary.

(j) “Existing Plan” means the 2000 Nonemployee Director Stock Option Plan as adopted by the Board on September 22, 2000 and as amended through April 24, 2012.

(k) “Fair Market Value” of a Share means the closing price on the New York Stock Exchange on the day of reference. If the Shares are not listed for trading on the New York Stock Exchange, the Fair Market Value on the date of reference shall be determined by any fair and reasonable means prescribed by the Committee.

(l) “Nonincentive Stock Option” means an option that is not an incentive stock option as defined in Section 422 of the Internal Revenue Code of 1986, as amended.

(m) “Option” means any option granted under this Plan.

(n) "Optionee" means a person to whom a stock option is granted under this Plan or any successor to the rights of such person under this Plan by reason of the death of such person.

(o) "Payment Date" means the last day of a calendar quarter.

(p) "Plan" means this 2000 Nonemployee Director Stock Plan for Kirby Corporation.

(q) "Restricted Stock" means Shares granted under this Plan that are subject to restrictions described in Article III and the Compensation Plan.

(r) "Share" means a share of the common stock, par value ten cents (\$0.10) per share, of the Company.

(s) "Subsidiary" means any corporation (other than the Company) in any unbroken chain of corporations beginning with the Company if, at the time of the granting of the Option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

Section 1.3. *Total Shares and Limitations.*

(a) The maximum number of Shares that may be issued under this Plan shall be One Million Five Hundred Thousand (1,500,000) Shares, which may be from Shares held in the Company's treasury or from authorized and unissued Shares. If any Award granted under the Plan shall terminate, expire or be cancelled as to any Shares, new Options may thereafter be granted covering such Shares or such Shares may thereafter be issued as Restricted Stock. All Share numbers in the Plan reflect the 2-for-1 split of the common stock of the Company effected on May 31, 2006.

(b) The maximum aggregate number of Shares that may be issued upon the exercise of Options granted pursuant to Section 2.3 or as Restricted Stock pursuant to Section 3.3 shall be Ten Thousand (10,000) Shares.

ARTICLE II  
STOCK OPTIONS

Section 2.1. *Grant of Options.* Options shall be granted to Eligible Directors as provided in Section 2.2 and may be granted in the discretion of the Committee as provided in Section 2.3. All Options shall be Nonincentive Stock Options. Each Option shall be evidenced by an option agreement containing such terms deemed necessary or desirable by the Committee that are not inconsistent with the Plan or any applicable law. Neither the Plan nor any Option shall confer upon any person any right to continue to serve as a Director.

Section 2.2. *Election to Receive Options.* If the Compensation Plan permits Eligible Directors to elect to receive an Option in lieu of all or part of Director fees otherwise payable in cash, each Eligible Director who has properly and timely made such election as provided in the Compensation Plan shall be granted an Option for a number of Shares equal to (i) the amount of the fee such Eligible Director elects to receive in the form of an Option divided by (ii) the Fair Market Value of a Share on the Date of Grant multiplied by (iii) 3, with the result rounded to the nearest whole Share.

Section 2.3. *Discretionary Grant of Options.* The Committee may in its discretion grant Options to Eligible Directors in addition to the Options granted pursuant to Section 2.2.

Section 2.4. *Option Price.* The option price per Share for any Option shall be the Fair Market Value on the Date of Grant.

Section 2.5. *Date of Grant.*

(a) The Date of Grant of an Option granted under Section 2.2 shall be the date of the next annual meeting of stockholders after the election by the Eligible Director pursuant to the Compensation Plan to receive the Option in lieu of cash fees, except that, for an Eligible Director elected between annual stockholder meetings, the Date of Grant shall be the date of his or her election as a Director.

(b) The Date of Grant of an Option granted under Section 2.3 shall be the date on which the Committee takes formal action to grant the Option or such later date as may be specified by the Committee when granting the Option.

Section 2.6. *Vesting.*

(a) An Option granted under Section 2.2 shall become exercisable on the Payment Date(s) following the Date of Grant as provided in this Section 2.6(a). The number of Shares as to which an Option granted under Section 2.2 will become exercisable on each Payment Date after the Date of Grant shall equal the number of Shares subject to the Option divided by the number of Payment Dates occurring after the Date of Grant and before the first anniversary of the most recent annual meeting of stockholders of the Company.

(b) An Option granted under Section 2.3 shall become exercisable six months after the Date of Grant.

(c) Notwithstanding the other provisions of this Section 2.6, (i) an Option shall only become exercisable as provided in this Section 2.6 if the Optionee is a Director at the time the Option would otherwise become exercisable and (ii) upon the occurrence of a Change in Control, all Options outstanding at the time of the Change in Control shall become immediately exercisable.

Section 2.7. *Term of Options.* The portion of an Option that is exercisable shall automatically and without notice terminate upon the earlier of (a) one (1) year after the Optionee ceases to be a Director for any reason or (b) ten (10) years after the Date of Grant of the Option. The portion of an Option that is not exercisable shall automatically and without notice terminate at the time the Optionee ceases to be a Director for any reason.

Section 2.8. *Exercise of Options.* Any Option may be exercised in whole or in part to the extent exercisable in accordance with Section 2.6. An Option shall be deemed exercised when (i) the Company has received written notice of such exercise in accordance with the terms of the Option and (ii) full payment of the aggregate option price of the Shares as to which the Option is exercised has been made. Unless further limited by the Committee in any Option, the option price of any Shares purchased shall be paid solely in cash, by certified or cashier's check, by money order, by personal check or with Shares owned by the Optionee for at least six months, or by a combination of the foregoing. If the option price is paid in whole or in part with Shares, the value of the Shares surrendered shall be their Fair Market Value on the date received by the Company.

Section 2.9. *Adjustment of Shares.*

(a) If at any time while the Plan is in effect or unexercised Options are outstanding, there shall be any increase or decrease in the number of issued and outstanding Shares through the declaration of a stock dividend or through any recapitalization resulting in a stock split, combination or exchange of Shares, then and in such event:

(i) appropriate adjustment shall be made in the maximum number of Shares then subject to being optioned under the Plan, and the numbers of Options to be granted under Sections 2.2 and 2.3, so that the same proportion of the Company's issued and outstanding Shares shall continue to be subject to being so optioned, and

(ii) appropriate adjustment shall be made in the number of Shares and the exercise price per Share thereof then subject to any outstanding Option, so that the same proportion of the Company's issued and outstanding Shares shall remain subject to purchase at the same aggregate exercise price.

(b) In the event of a merger, consolidation or other reorganization of the Company in which the Company is not the surviving entity, the Board or the Committee may provide for any or all of the following alternatives: (i) for Options to become immediately exercisable, (ii) for exercisable Options to be cancelled immediately prior to such transaction, (iii) for the assumption by the surviving entity of the Plan and the Options, with appropriate adjustments in the number and kind of shares and exercise prices or (iv) for payment in cash or stock in lieu of and in complete satisfaction of Options.

(c) Any fractional shares resulting from any adjustment under this Section 2.9 shall be disregarded and each Option shall cover only the number of full shares resulting from such adjustment.

(d) Except as otherwise expressly provided herein, the issuance by the Company of shares of its capital stock of any class, or securities convertible into shares of capital stock of any class, either in connection with direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of or exercise price of Shares then subject to outstanding Options granted under the Plan.

(e) Without limiting the generality of the foregoing, the existence of outstanding Options granted under the Plan shall not affect in any manner the right or power of the Company to make, authorize or consummate (i) any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business; (ii) any merger or consolidation of the Company; (iii) any issue by the Company of debt securities, or preferred or preference stock that would rank above the Shares subject to outstanding Options; (iv) the dissolution or liquidation of the Company; (v) any sale, transfer or assignment of all or any part of the assets or business of the Company; or (vi) any other corporate act or proceeding, whether of a similar character or otherwise.

Section 2.10. *Transferability of Options.* Each Option shall provide that such Option shall not be transferable by the Optionee otherwise than by will or the laws of descent and distribution and that so long as an Optionee lives, only such Optionee or his guardian or legal representative shall have the right to exercise such Option.

Section 2.11. *Issuance of Shares.* No person shall be, or have any of the rights or privileges of, a stockholder of the Company with respect to any of the Shares subject to any Option unless and until such Shares (whether in certificated or in book entry or other electronic form) shall have been issued and delivered to such person. As a condition of any transfer of Shares, the Committee may obtain such agreements or undertakings, if any, as it may deem necessary or advisable to assure compliance with any provision of the Plan, any agreement or any law or regulation including, but not limited to, the following:

(a) a representation, warranty or agreement by the Optionee to the Company, at the time any Option is exercised, that the Optionee is acquiring the Shares for investment and not with a view to, or for sale in connection with, the distribution of any such Shares; and

(b) a representation, warranty or agreement to be bound by any restrictions that are, in the opinion of the Committee, necessary or appropriate to comply with the provisions of any securities law deemed by the Committee to be applicable to the issuance of the Shares.

### ARTICLE III RESTRICTED STOCK

Section 3.1. *Grants of Restricted Stock.* Restricted Stock shall be granted to Eligible Directors as provided in Sections 3.2 and 3.3 and may be granted in the discretion of the Committee as provided in Section 3.4. Each Restricted Stock grant shall be evidenced by an agreement containing such terms deemed necessary or desirable by the Committee that are not inconsistent with the Plan or any applicable law. No grant of Restricted Stock shall confer upon any person any right to continue to serve as a Director.

Section 3.2. *Automatic Annual Grants.* Immediately after each annual meeting of stockholders of the Company, each Eligible Director shall automatically be granted \$167,500 in value of Restricted Stock. The number of shares of Restricted Stock granted will be equal to (a) \$167,500 divided by (b) the Fair Market Value on the Date of Grant multiplied by (c) 1.2, with the result then rounded to the nearest whole share.

Section 3.3. *Election to Receive Restricted Stock.* If the Compensation Plan permits Eligible Directors to elect to receive Restricted Stock in lieu of all or part of Director fees otherwise payable in cash, each Eligible Director who has properly and timely made such election as provided in the Compensation Plan shall automatically be granted a number of Shares of Restricted Stock equal to (i) the amount of the fee such Eligible Director elects to receive in the form of Restricted Stock divided by (ii) the Fair Market Value of a Share on the Date of Grant multiplied by (iii) 1.2, with the result rounded to the nearest whole Share.

Section 3.4. *Discretionary Grant of Restricted Stock.* The Committee may in its discretion grant Restricted Stock to Eligible Directors in addition to Restricted Stock granted pursuant to Sections 3.2 and 3.3.

Section 3.5. *Date of Grant.*

(a) The Date of Grant of Restricted Stock granted under Section 3.2 shall be the date of the annual meeting of stockholders of the Company to which the grant relates.

(b) The Date of Grant of Restricted Stock granted under Section 3.3 shall be the date of the next annual meeting of stockholders after the election by the Eligible Director pursuant to the Compensation Plan to receive the Restricted Stock in lieu of cash fees, except that, for an Eligible Director elected between annual stockholder meetings, the Date of Grant shall be the date of his or her election as a Director.

(c) The Date of Grant of Restricted Stock granted under Section 3.4 shall be the date on which the Committee takes formal action to grant the Restricted Stock.

Section 3.6. *Vesting.*

(a) Restricted Stock granted under Section 3.2 shall vest six months after the Date of Grant.

(b) Restricted Stock granted under Section 3.3 shall vest on the Payment Date(s) following the Date of Grant as provided in this Section 3.6(b). The number of Shares of Restricted Stock granted under Section 3.3 that will vest on each Payment Date after the Date of Grant shall equal the number of Shares of Restricted Stock granted divided by the number of Payment Dates occurring after the Date of Grant and before the first anniversary of the most recent annual meeting of stockholders of the Company.

(c) Restricted Stock granted under Section 3.4 shall vest six months after the Date of Grant.

(d) Notwithstanding the other provisions of this Section 3.6, (i) Restricted Stock shall only vest as provided in this Section 3.6 if the holder is a Director at the time the Restricted Stock would otherwise vest and (ii) upon the occurrence of a Change in Control, all Restricted Stock issued under the Plan that is outstanding at the time of the Change in Control shall immediately vest.

(e) Notwithstanding the vesting conditions set forth in the Plan or the Compensation Plan, the Committee may in its discretion at any time accelerate the vesting of Restricted Stock or otherwise waive or amend any conditions of a grant of Restricted Stock under the Plan.

Section 3.7. *Restrictions on Transfer.* Restricted Stock granted to an Eligible Director under the Plan (whether represented by stock certificates or in book entry or other electronic form) shall be registered in the Director's name or, at the option of the Committee, not issued until such time as the Restricted Stock shall become vested or as otherwise determined by the Committee. If certificates are issued prior to the Shares of Restricted Stock becoming vested, such certificates shall either be held by the Company on behalf of the Director, or delivered to the Director bearing a legend to restrict transfer of the certificate until the Restricted Stock has vested, as determined by the Committee. The Director shall have the right to vote and receive dividends on the Restricted Stock before it has vested. Except as may otherwise be expressly permitted by the Committee, no Share of Restricted Stock may be sold, transferred, assigned or pledged by the Director until such Share has vested. In the event that a Director ceases to be a Director before all the Director's Restricted Stock has vested, the Shares of Restricted Stock that have not vested shall be forfeited. At the time Restricted Stock vests (and, if the Director has been issued legended certificates for Restricted Stock, upon the return of such certificates to the Company), such vested Shares shall be issued to the Director, in certificated or book entry or other electronic form, free of restrictions.

Section 3.8. *Issuance of Shares.* As a condition of the issuance of any Shares of Restricted Stock, the Committee may obtain such agreements or undertakings, if any, as it may deem necessary or advisable to assure compliance with any provision of the Plan, any agreement or any law or regulation including, but not limited to, the following:

(a) a representation, warranty or agreement by the Eligible Director to the Company that the Eligible Director is acquiring the Shares for investment and not with a view to, or for sale in connection with, the distribution of any such Shares; and

(b) a representation, warranty or agreement to be bound by any restrictions that are, in the opinion of the Committee, necessary or appropriate to comply with the provisions of any securities law deemed by the Committee to be applicable to the issuance of the Shares.

Section 3.9. *Section 83(b) Election.* If a Director receives Restricted Stock that is subject to a "substantial risk of forfeiture," the Director may elect under Section 83(b) of the Code to include in his or her gross income, for the taxable year in which the Restricted Stock is received, the Fair Market Value of such Restricted Stock on the Date of Grant. If the Director makes the Section 83(b) election, the Director shall (a) make such election in a manner that is satisfactory to the Committee, (b) provide the Company with a copy of such election and (c) agree to promptly notify the Company if any Internal Revenue Service or state tax agent, on audit or otherwise, questions the validity or correctness of such election or of the amount of income reportable on account of such election.

ARTICLE IV  
ADDITIONAL PROVISIONS

Section 4.1. *Administration of the Plan.* The Plan shall be administered by the Committee. The Committee shall have the authority to interpret the provisions of the Plan, to adopt such rules and regulations for carrying out the Plan as it may deem advisable, to decide conclusively all questions arising with respect to the Plan and to make all other determinations and take all other actions necessary or desirable for the administration of the Plan. All decisions and acts of the Committee shall be final and binding upon all affected Optionees and holders of Restricted Stock. If there is no Committee, the Board shall administer the Plan and in such case all references to the Committee shall be deemed to be references to the Board.

Section 4.2. *Adjustment of Shares.* If at any time while the Plan is in effect, there shall be any increase or decrease in the number of issued and outstanding Shares through the declaration of a stock dividend or through any recapitalization resulting in a stock split, combination or exchange of Shares, the Committee shall make an appropriate adjustment in the number and kind of Shares then subject to being issued under the Plan, so that the same proportion of the Company's issued and outstanding Shares shall continue to be subject to issuance under the Plan upon the exercise of Options or as Restricted Stock.

Section 4.3. *Amendment.* The Board may amend or modify the Plan in any respect at any time, subject to stockholder approval if required by applicable law or regulation or by applicable stock exchange rules.

Section 4.4. *Duration and Termination.* The Plan shall be of unlimited duration. The Board may suspend, discontinue or terminate the Plan at any time. Such action shall not impair any of the rights of any holder of any Option or Restricted Stock outstanding on the date of the Plan's suspension, discontinuance or termination without the holder's written consent.

Section 4.5. *Effective Date.* The Plan amends and restates the Existing Plan in its entirety, effective April 28, 2015.

## KIRBY CORPORATION

## 2005 STOCK AND INCENTIVE PLAN

ARTICLE I  
GENERAL

Section 1.1. *Purpose.* The purpose of this Plan is to advance the interests of Kirby Corporation, a Nevada corporation (the "Company"), by providing an additional incentive to attract and retain qualified and competent employees for the Company and its subsidiaries, upon whose efforts and judgment the success of the Company is largely dependent, through the award of (i) Options to purchase shares of Common Stock (which Options may be Incentive Stock Options or Nonincentive Stock Options); (ii) shares of Restricted Stock; and (iii) Performance Awards.

Section 1.2. *Definitions.* As used herein, the following terms shall have the meaning indicated:

(a) "Award" means a grant under this Plan in the form of Options, Restricted Stock, Performance Awards or any combination of the foregoing.

(b) "Board" means the Board of Directors of the Company.

(c) "Change in Control" means the occurrence of any of the following events:

(i) Any "person" (as such term is used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended) becomes the beneficial owner, directly or indirectly, of voting securities representing thirty percent (30%) or more of the combined voting power of the Company's then outstanding voting securities;

(ii) The Board ceases to consist of a majority of Continuing Directors, with the term "Continuing Director" meaning a Director who (A) is a Director on the effective date of the Plan or (B) is nominated or appointed to serve as a Director by a majority of the then Continuing Directors;

(iii) (A) Any consolidation or merger of the Company or any Subsidiary that results in the holders of the Company's voting securities immediately prior to the consolidation or merger having (directly or indirectly) less than a majority ownership interest in the outstanding voting securities of the surviving entity immediately after the consolidation or merger, (B) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or (C) the liquidation or dissolution of the Company;

(iv) The stockholders of the Company accept a share exchange, with the result that stockholders of the Company immediately before such share exchange do not own, immediately following such share exchange, at least a majority of the voting securities of the entity resulting from such share exchange in substantially the same proportion as their ownership of the voting securities outstanding immediately before such share exchange; or

(v) Any tender or exchange offer is made to acquire thirty percent (30%) or more of the voting securities of the Company, other than an offer made by the Company, and shares are acquired pursuant to that offer.

For purposes of this definition, the term “voting securities” means equity securities, or securities that are convertible or exchangeable into equity securities, that have the right to vote generally in the election of Directors.

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

(e) “Committee” means the Compensation Committee, if any, appointed by the Board.

(f) “Date of Grant” means the date on which the Committee takes formal action to grant an Award to an Eligible Person or such later date as may be specified by the Committee when approving the Award.

(g) “Director” means a member of the Board.

(h) “Disability” means mental or physical disability as determined by a medical doctor satisfactory to the Committee.

(i) “Eligible Person” means an employee of the Company or a Subsidiary.

(j) “Existing Plan” means the 2005 Stock and Incentive Plan as approved by the stockholders of the Company on April 26, 2005 and as amended through April 24, 2012.

(k) “Fair Market Value” of a Share means the closing price on the New York Stock Exchange on the day of reference. If the Shares are not listed for trading on the New York Stock Exchange, the Fair Market Value on the date of reference shall be determined by any fair and reasonable means prescribed by the Committee.

(l) “Incentive Stock Option” means an option that is an incentive stock option as defined in Section 422 of the Code.

(m) “Nonincentive Stock Option” means an option that is not an Incentive Stock Option.

(n) “Option” means any option granted under this Plan.

(o) “Optionee” means a person to whom a stock option is granted under this Plan or any successor to the rights of such person under this Plan by reason of the death of such person.

(p) “Participant” means a person to whom an Award is granted under the Plan.

- (q) "Performance Award" means an Award granted pursuant to Article IV.
- (r) "Performance Objectives" means the objectives established by the Committee pursuant to Section 4.1(b).
- (s) "Performance Period" means the period over which the performance of a holder of a Performance Award is measured.
- (t) "Plan" means this Kirby Corporation 2005 Stock and Incentive Plan.
- (u) "Restricted Stock" means Shares granted under this Plan that are subject to restrictions imposed by the Committee pursuant to Article III.
- (v) "Restricted Stock Award" means an award of Restricted Stock under this Plan.
- (w) "Section 162(m) Participant" means each Participant who would be a "covered employee" under Section 162(m) of the Code.
- (x) "Share" means a share of the common stock, par value ten cents (\$0.10) per share, of the Company.
- (y) "Subsidiary" means any corporation (other than the Company) in any unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

Section 1.3. *Total Shares and Limitations.*

(a) The maximum number of Shares that may be issued under the Plan shall be Five Million (5,000,000) Shares, which may be from Shares held in the Company's treasury or from authorized and unissued Shares. If any Award granted under the Plan shall terminate, expire or be cancelled or surrendered as to any Shares, or the Award is paid in cash in lieu of Shares, the Shares that were subject to such Award shall not count against the above limit and shall again be available for grants under the Plan. Shares equal in number to the Shares surrendered in payment of the option price of an Option and Shares that are withheld in order to satisfy federal, state or local tax liability, shall not count against the above limit and shall be available for grants under the Plan. All Share numbers in the Plan reflect the 2-for-1 split of the common stock of the Company effected on May 31, 2006.

(b) The maximum aggregate number of Shares that may be issued under the Plan pursuant to the exercise of Incentive Stock Options shall be 1,000,000.

(c) The maximum number of Shares that may be issued to any Participant pursuant to the exercise of Options during any calendar year shall be 500,000.

(d) The maximum number of Shares that may be issued to any Participant pursuant to any Performance Award during the term of the Plan shall be 400,000.

(e) The maximum amount of cash that may be paid to any Participant pursuant to any Performance Award during any calendar year shall be \$5,000,000.

Section 1.4. *Awards Under the Plan.*

(a) Only Eligible Persons may receive awards under the Plan. Awards to Eligible Persons may be in the form of (i) Options; (ii) shares of Restricted Stock; (iii) Performance Awards; or (iv) any combination of the foregoing. No Award shall confer on any person any right to continue as an employee of the Company or any Subsidiary.

(b) Each Award shall be evidenced by an agreement containing any terms deemed necessary or desirable by the Committee that are not inconsistent with the Plan or applicable law.

ARTICLE II  
STOCK OPTIONS

Section 2.1. *Grant of Options.* The Committee may from time to time grant Options to Eligible Persons. Options may be Incentive Stock Options or Nonincentive Stock Options as designated by the Committee on or before the Date of Grant. If no such designation is made by the Committee for an Option, the Option shall be a Nonincentive Stock Option. The aggregate Fair Market Value (determined as of the Date of Grant) of the Shares with respect to which Incentive Stock Options are exercisable for the first time by an Optionee during any calendar year under the Plan and all such plans of the Company and any parent or subsidiary of the Company (as defined in Section 424 of the Code) shall not exceed \$100,000.

Section 2.2. *Exercise Price.* The exercise price per Share for any Option shall be determined by the Committee, but shall not be less than the Fair Market Value on the Date of Grant and shall not be less than 110% of the Fair Market Value on the Date of Grant for any Incentive Stock Option if the Optionee is a person who owns directly or indirectly (within the meaning of Section 422(b)(6) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company.

Section 2.3. *Term of Option.* The term of an Option shall be determined by the Committee, provided that, in the case of an Incentive Stock Option, if the grant is to a person who owns directly or indirectly (within the meaning of Section 422(b)(6) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company, the term of the Option shall not exceed five years from the Date of Grant. Notwithstanding any other provision of this Plan, no Option shall be exercised after the expiration of its term.

Section 2.4. *Vesting.* Options shall be exercisable at such times and subject to such terms and conditions as the Committee shall specify in the option agreement. Unless the option agreement specifies otherwise, the Committee shall have discretion at any time to accelerate such times and otherwise waive or amend any conditions in respect of all or any portion of any Options. Notwithstanding the other provisions of this Section 2.4 and unless otherwise provided in the option agreement, upon the occurrence of a Change in Control, all Options outstanding at the time of the Change in Control shall become immediately exercisable.

Section 2.5. *Termination of Options.*

(a) Except as otherwise provided in the option agreement, the portion of an Option that is exercisable shall automatically and without notice terminate upon the earliest to occur of the following:

- (i) thirty (30) days after the date on which the Optionee ceases to be an Employee for any reason other than (x) death, (y) Disability or (z) termination for cause;
- (ii) one (1) year after the date on which the Optionee ceases to be an Employee as a result of a Disability;
- (iii) either (y) one (1) year after the death of the Optionee or (z) six (6) months after the death of the Optionee if the Optionee dies during the 30-day period described in Section 2.5(a)(i) or the one-year period described in Section 2.5(a)(ii);
- (iv) the date on which the Optionee ceases to be an Employee as a result of a termination for cause; and
- (v) the tenth anniversary of the Date of Grant of the Option.

(b) The portion of an Option that is not exercisable shall automatically and without notice terminate on the date on which the Optionee ceases to be an Employee for any reason.

(c) The Committee shall have discretion at any time to extend the term of any Nonincentive Stock Option to any date that is not later than the date described in Section 2.5(a)(v).

Section 2.6. *Exercise of Options.* An Option may be exercised in whole or in part to the extent exercisable in accordance with Section 2.4 and the option agreement. An Option shall be deemed exercised when (i) the Company has received written notice of such exercise in accordance with the terms of the Option and (ii) full payment of the aggregate exercise price of the Shares as to which the Option is exercised has been made. Unless further limited by the Committee for any Option, the exercise price of any Shares purchased shall be paid solely in cash, by certified or cashier's check, by money order, by personal check or with Shares owned by the Optionee for at least six months, or by a combination of the foregoing. If the exercise price is paid in whole or in part with Shares, the value of the Shares surrendered shall be their Fair Market Value on the date received by the Company.

Section 2.7. *Corporate Transactions.*

(a) In the event of a merger, consolidation or other reorganization of the Company in which the Company is not the surviving entity, the Board or the Committee may provide for payment in cash or in securities of the Company or the surviving entity in lieu of and in complete satisfaction of Options.

(b) Except as otherwise expressly provided herein, the issuance by the Company of shares of its capital stock of any class, or securities convertible into shares of capital stock of any class, either in connection with direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number of or exercise price of Shares then subject to outstanding Options granted under the Plan.

(c) Without limiting the generality of the foregoing, the existence of outstanding Options granted under the Plan shall not affect in any manner the right or power of the Company to make, authorize or consummate (i) any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business; (ii) any merger or consolidation of the Company; (iii) any issue by the Company of debt securities, or preferred or preference stock that would rank above the Shares subject to outstanding Options; (iv) the dissolution or liquidation of the Company; (v) any sale, transfer or assignment of all or any part of the assets or business of the Company; or (vi) any other corporate act or proceeding, whether of a similar character or otherwise.

Section 2.8. *Issuance of Shares.* No person shall be, or have any of the rights or privileges of, a stockholder of the Company with respect to any of the Shares subject to any Option unless and until such Shares (whether represented by certificates or in book-entry or other electronic form) shall have been issued and delivered to such person.

### ARTICLE III RESTRICTED STOCK

Section 3.1. *Grant of Restricted Stock Awards.* The Committee may from time to time grant Restricted Stock Awards to Eligible Persons.

Section 3.2. *Terms and Conditions of Restricted Stock Awards.* Each Restricted Stock Award shall specify the number of shares of Restricted Stock awarded, the price, if any, to be paid by the Participant receiving the Restricted Stock Award, the date or dates on which the Restricted Stock will vest and any other terms and conditions that the Committee may determine. The vesting and number of shares of Restricted Stock may be conditioned upon the completion of a specified period of service with the Company or its Subsidiaries or upon the attainment of any performance goals established by the Committee, including without limitation goals related to the performance of the Company or any Subsidiary, division, department or other unit of the Company, the performance of the Company's common stock or other securities, the performance of the recipient of the Restricted Stock Award or any combination of the foregoing.

Section 3.3. *Restrictions on Transfer.* Unless otherwise provided in the grant relating to a Restricted Stock Award, the Restricted Stock granted to a Participant (whether represented by certificates or in book-entry or other electronic form) shall be registered in the Participant's name or, at the option of the Committee, not issued until such time as the Restricted Stock shall become vested or as otherwise determined by the Committee. If certificates are issued prior to the shares of Restricted Stock becoming vested, such certificates shall either be held by the Company on behalf of the Participant, or delivered to the Participant bearing a legend to restrict transfer of the certificate until the Restricted Stock has vested, as determined by the Committee. The Committee shall determine whether the Participant shall have the right to vote and/or receive dividends on the Restricted Stock before it has vested. Except as may otherwise be expressly permitted by the Committee, no share of Restricted Stock may be sold, transferred, assigned or pledged by the Participant until such share has vested in accordance with the terms of the Restricted Stock Award. Unless the grant of a Restricted Stock Award specifies otherwise, in the event that a Participant ceases to be an Employee before all the Participant's Restricted Stock has vested, or in the event other conditions to the vesting of Restricted Stock have not been satisfied prior to any deadline for the satisfaction of such conditions set forth in the award agreement, the shares of Restricted Stock that have not vested shall be forfeited and any purchase price paid by the Participant for the forfeited Shares shall be returned to the Participant. At the time Restricted Stock vests (and, if the Participant has been issued legended certificates for Restricted Stock, upon the return of such certificates to the Company), such vested shares shall be issued to the Participant (or the beneficiary designated by the Participant in the event of death), in certificated or book entry or other electronic form, free of all restrictions.

Section 3.4. *Accelerated Vesting.* Notwithstanding the vesting conditions set forth in a Restricted Stock Award, unless the Restricted Stock Award grant or other agreement with the Participant specifies otherwise:

(a) the Committee may in its discretion at any time accelerate the vesting of Restricted Stock or otherwise waive or amend any conditions of a grant of a Restricted Stock Award, and

(b) all shares of Restricted Stock shall vest upon a Change in Control of the Company.

Section 3.5. *Section 83(b) Election.* If a Participant receives Restricted Stock that is subject to a “substantial risk of forfeiture,” such Participant may elect under Section 83(b) of the Code to include in his or her gross income, for the taxable year in which the Restricted Stock is received, the excess of the Fair Market Value of such Restricted Stock on the Date of Grant (determined without regard to any restriction other than one which by its terms will never lapse), over the amount paid for the Restricted Stock. If the Participant makes the Section 83(b) election, the Participant shall (a) make such election in a manner that is satisfactory to the Committee, (b) provide the Company with a copy of such election, (c) agree to notify the Company promptly if any Internal Revenue Service or state tax agent, on audit or otherwise, questions the validity or correctness of such election or of the amount of income reportable on account of such election and (d) agree to such federal and state income tax withholding as the Committee may reasonably require in its sole discretion.

#### ARTICLE IV PERFORMANCE AWARDS

Section 4.1. *Terms and Conditions of Performance Awards.* The Committee may from time to time grant Awards that are intended to be “performance-based compensation,” which are payable in stock, cash or a combination thereof, at the discretion of the Committee.

(a) *Performance Period.* The Committee shall establish a Performance Period for each Performance Award at the time such Performance Award is granted. A Performance Period may overlap with Performance Periods relating to other Performance Awards granted hereunder to the same Participant. The Committee shall not grant Performance Awards to Section 162(m) Participants after the earliest to occur of (i) the 90<sup>th</sup> day after the start of the Performance Period, (ii) the date on which 25% of the Performance Period has elapsed or (iii) the date on which the satisfaction of the Performance Objectives becomes substantially certain.

(b) Performance Objectives. The Committee shall establish written performance objectives for the Participant at the time of the grant of each Performance Award. Each Performance Award shall be contingent upon the achievement of the Performance Objectives established by the Committee. Performance Objectives shall be based on earnings, cash flow, economic value added, total stockholder return, return on equity, return on capital, return on assets, revenues, operating profit, EBITDA, net profit, earnings per share, stock price, cost reduction goals, debt to capital ratio, financial return ratios, profit or operating margins, working capital or any combination of the foregoing, for the Company on a consolidated basis or, if applicable, for one or more Subsidiaries, divisions, departments or other units of the Company or one or more of its Subsidiaries.

(c) Amount; Frequency. The Committee shall determine at the time of grant of Performance Awards the target and maximum values of Performance Awards and the date or dates when Performance Awards are earned.

(d) Payment. Following the end of each Performance Period, the holder of each Performance Award will be entitled to receive payment of an amount, not exceeding the maximum value of the Performance Award, based on the achievement of the Performance Objectives for such Performance Period, as determined in writing by the Committee. Unless otherwise provided in the Performance Award, if the Participant exceeds the specified minimum level of acceptable achievement but does not attain the Performance Objectives, the Participant shall be deemed to have partly earned the Performance Award, and shall become entitled to receive a portion of the total award, as determined by the Committee. Unless otherwise provided in the Performance Award, if a Performance Award is granted after the start of a Performance Period, the Performance Award shall be reduced to reflect the portion of the Performance Period during which the Performance Award was in effect.

(e) Termination of Employment. Unless otherwise provided in the Performance Award, a Participant who receives a Performance Award and who ceases to be an Employee as a result of death, Disability or retirement before the end of the applicable Performance Period shall be entitled to receive, to the extent earned as a result of the full or partial achievement of the Performance Objectives during the Performance Period, a portion of the Performance Award that is proportional to the portion of the Performance Period during which the Participant was employed, with payment to be made following the end of the Performance Period. Unless otherwise provided in the Performance Award, a Participant who receives a Performance Award who ceases to be an Employee for any reason other than death, Disability or retirement shall not be entitled to any part of the Performance Award.

(f) Accelerated Vesting. Notwithstanding the vesting conditions set forth in a Performance Award, unless the Performance Award specifies otherwise (i) the Committee may in its discretion at any time accelerate the time at which the Performance Award is considered to have been earned or otherwise waive or amend any conditions (including but not limited to Performance Objectives) in respect of a Performance Award, and (ii) all Performance Awards shall be considered earned upon a Change in Control of the Company. In addition, upon a Change in Control of the Company, unless a Performance Award specifies otherwise, each Participant shall receive the target Performance Award such Participant could have earned for the proportionate part of the Performance Period prior to the Change in Control, and shall retain the right to earn any additional portion of his or her Performance Award if such Participant remains in the Company's employ through the end of the Performance Period.

(g) Stockholder Rights. The holder of a Performance Award shall, as such, have none of the rights of a stockholder of the Company.

(h) Annual Incentive Plan. Cash awards based on the attainment of the performance objectives established under the Company's Annual Incentive Plan may, in the Committee's discretion, be considered Performance Awards granted under the Plan, provided that such awards are subject to the terms and conditions of this Article IV.

## ARTICLE V ADDITIONAL PROVISIONS

Section 5.1. *Administration of the Plan.* The Plan shall be administered by the Committee. The Committee shall have the authority to interpret the provisions of the Plan, to adopt such rules and regulations for carrying out the Plan as it may deem advisable, to decide conclusively all questions arising with respect to the Plan, to establish performance criteria in respect of Awards under the Plan, to determine whether Plan requirements have been met for any Participant in the Plan and to make all other determinations and take all other actions necessary or desirable for the administration of the Plan. All decisions and acts of the Committee shall be final and binding upon all affected Participants. If there is no Committee, the Board shall administer the Plan and in such case all references to the Committee shall be deemed to be references to the Board.

Section 5.2. *Adjustments for Changes in Capitalization.* In the event of any (a) stock dividends, stock splits, recapitalizations, combinations, exchanges of shares, mergers, consolidations, liquidations, split-ups, split-offs, spin-offs or other similar changes in capitalization, (b) distributions to stockholders, including a rights offering, other than regular cash dividends, (c) changes in the outstanding stock of the Company by reason of any increase or decrease in the number of issued Shares resulting from a split-up or consolidation of Shares or any similar capital adjustment or the payment of any stock dividend, (d) Share repurchase at a price in excess of the market price of the Shares at the time such repurchase is announced or (e) other similar increase or decrease in the number of the Shares, the Committee, in its sole discretion, shall make appropriate adjustment in the number and kind of shares authorized by the Plan in the number, price or kind of shares covered by the Awards and in any outstanding Awards under the Plan. In addition, upon the occurrence of any event described in this Section 5.2, the Committee, in its sole discretion, shall make appropriate adjustment in the limits specified in Section 1.3(b), (c) and (d) so that the effect of such limits is, as nearly as practicable, equivalent to the effect of such limits prior to the event in question, provided that any such adjustment complies with applicable laws and does not cause an award that is intended to satisfy the performance-based compensation exception under Section 162(m) of the Code to fail to satisfy the exception. In the event of any adjustment in the number of Shares covered by any Award, any fractional Shares resulting from such adjustment shall be disregarded and each such Award shall cover only the number of full Shares resulting from such adjustment.

Section 5.3. *Amendment.*

(a) The Board may amend or modify the Plan in any respect at any time, subject to stockholder approval if required by applicable law or regulation or by applicable stock exchange rules. Such action shall not impair any of the rights of any Participant with respect to any Award outstanding on the date of the amendment or modification without the Participant's written consent.

(b) The Committee shall have the authority to amend any Award to include any provision which, at the time of such amendment, is authorized under the terms of the Plan; however, no outstanding Award may be revoked or altered in a manner unfavorable to the Participant without the written consent of the Participant.

Section 5.4. *Transferability of Awards.* An Award shall not be transferable by the Participant otherwise than by will or the laws of descent and distribution. So long as a Participant lives, only such Participant or his or her guardian or legal representative shall have the right to exercise such Award.

Section 5.5. *Beneficiary.* A Participant may file with the Company a written designation of beneficiary, on such form as may be prescribed by the Committee, to receive any Shares, Awards or payments that become deliverable to the Participant pursuant to the Plan after the Participant's death. A Participant may, from time to time, amend or revoke a designation of beneficiary. If no designated beneficiary survives the Participant, the executor or administrator of the Participant's estate shall be deemed to be the Participant's beneficiary.

Section 5.6. *Non-uniform Determinations.* Determinations by the Committee under the Plan (including, without limitation, determinations of the Eligible Persons to receive Awards, the form, amount and timing of Awards, the terms and provisions of Awards and the agreements evidencing Awards and provisions with respect to termination of employment) need not be uniform and may be made by the Committee selectively among persons who receive, or are eligible to receive, Awards under the Plan, whether or not such persons are similarly situated.

Section 5.7. *Duration and Termination.* The Plan shall be of unlimited duration, provided that no Incentive Stock Option shall be granted under the Plan on or after the tenth anniversary of the effective date of the Plan. The Board may suspend, discontinue or terminate the Plan at any time. Such action shall not impair any of the rights of any holder of any Award outstanding on the date of the Plan's suspension, discontinuance or termination without the holder's written consent.

Section 5.8. *Withholding.* Prior to the issuance of any Shares under the Plan, arrangements satisfactory to the Committee in its sole discretion shall have been made for the Participant's payment to the Company of the amount, if any, that the Committee determines to be necessary for the Company or Subsidiary employing the Participant to withhold in accordance with applicable federal or state income tax withholding requirements. If the Committee allows Shares to be withheld from an Award to satisfy such withholding requirements, the amount withheld in Shares shall not exceed the minimum amount required to be withheld, determined on the date that the amount of tax to be withheld is to be determined. When payments under the Plan are made in cash, such payments shall be net of an amount sufficient to satisfy such withholding requirements.

Section 5.9. *Agreements and Undertakings.* As a condition of any issuance or transfer of Shares, the Committee may obtain such agreements or undertakings, if any, as it may deem necessary or advisable to assure compliance with any provision of the Plan, any agreement or any law or regulation including, but not limited to, the following:

(a) a representation, warranty or agreement by the Participant to the Company that the Participant is acquiring the Shares for investment and not with a view to, or for sale in connection with, the distribution of any such Shares; and

(b) a representation, warranty or agreement to be bound by any restrictions that are, in the opinion of the Committee, necessary or appropriate to comply with the provisions of any securities law deemed by the Committee to be applicable to the issuance of the Shares.

Section 5.10. *Uncertificated Shares.* In lieu of issuing stock certificates for Shares acquired pursuant to the Plan, the Company may issue such Shares in book-entry or other electronic or uncertificated form, unless prohibited by applicable law or regulation or by applicable stock exchange rules.

Section 5.11. *Governing Law.* The Plan shall be governed by the laws of the State of Texas except to the extent that federal law or Nevada corporate law is controlling.

Section 5.12. *Effective Date.* The Plan amends and restates the Existing Plan in its entirety, effective January 23, 2015.

## KIRBY CORPORATION

Nonemployee Director Compensation ProgramAnnual Director Fee

1. Each director will receive an annual fee of \$75,000, payable in four equal quarterly payments to be made at the end of each calendar quarter, unless the director elects to receive (a) a stock option for shares of Kirby common stock or (b) restricted shares of Kirby common stock, in lieu of all or part of the cash fee. The fee will be prorated for any director elected between annual stockholder meetings.

2. The election to receive a stock option or restricted stock in lieu of director fees will be made annually. Except as provided in the next sentence, any director who elects to receive a stock option or restricted stock in lieu of all or part of the annual fee for the year following any annual meeting of stockholders must give written notice of that election to Kirby no later than the December 31 preceding such annual meeting. A newly elected director must give written notice of his or her election to receive a stock option or restricted stock in lieu of all or part of the annual fee no later than 30 days after the date of his or her first election as a director.

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

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

(b) The exercise price per share will be the fair market value on the date of grant. The fair market value of a share of stock means the closing price on the New York Stock Exchange on the date of reference.

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

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

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4. The restricted stock shall be issued on the following terms:

(a) The number of shares of restricted stock will be equal to (i) the portion of the annual fee that a director elects to receive in the form of restricted stock divided by (ii) the fair market value of a share of stock on the date of grant multiplied by (iii) 1.2, with the result then rounded to the nearest whole share.

(b) The fair market value of a share of stock means the closing price on the New York Stock Exchange on the date of reference.

(c) The restricted stock will vest one-fourth on the first quarterly payment date, one-fourth on the second quarterly payment date, one-fourth on the third quarterly payment date and one-fourth on the fourth quarterly payment date or, in the case of a director elected between annual stockholder meetings, in equal parts on the remaining quarterly payment dates prior to the first anniversary of the most recent annual meeting of stockholders.

(d) The restricted stock will be subject to the terms of the plan under which it is issued, including without limitation provisions relating to vesting and transferability.

5. Except as provided in the next sentence, the date of grant of an option or restricted stock granted in lieu of the annual fee means the date of the next annual meeting of stockholders after the election by the director to receive a stock option or restricted stock in lieu of cash fees. For a newly elected director, the date of grant means the date of his or her election to receive a stock option or restricted stock in lieu of cash fees.

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

#### Annual Committee Chairman and Presiding Director Fees

1. The Chairman of the Audit Committee will receive an annual fee of \$20,000. The Chairman of the Compensation Committee will receive an annual fee of \$15,000. The Chairman of the Governance Committee will receive an annual fee of \$10,000. The director selected to be the presiding director at executive sessions of non-management directors will receive an annual fee of \$20,000. In addition, each director will receive an annual fee of \$7,500 for each committee of the board on which he or she serves. All of such fees will be payable in four equal quarterly payments to be made at the end of each calendar quarter. The committee chairman, presiding director and committee member fees will be prorated for any director who is elected to such position between annual meetings of the board of directors.

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

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### Meeting Fees

1. Each director will receive a fee of \$3,000 for each board meeting attended, in person or by telephone, in excess of 6 meetings in any one calendar year.
2. Each member of a committee of the board will receive a fee of \$3,000 for each committee meeting attended, in person or by telephone, in excess of 10 meetings in any one calendar year in the case of the Audit Committee, in excess of 8 meetings in any one calendar year in the case of the Compensation Committee and in excess of 8 meetings in any one calendar year in the case of the Governance Committee.

### Automatic Restricted Stock Grants

1. Each director will receive \$167,500 in value of restricted shares of Kirby common stock immediately after each annual meeting of stockholders.
2. The restricted stock shall be issued on the following terms:
  - (a) The number of shares of restricted stock will be equal to (i) \$167,500 divided by (ii) the fair market value of a share of stock on the date of grant multiplied by (iii) 1.2, with the result then rounded to the nearest whole share.
  - (b) The fair market value of a share of stock means the closing price on the New York Stock Exchange on the date of grant, which shall be the date of the annual meeting of stockholders of the Company to which the grant relates.
  - (c) The restricted stock will vest six months after the date of grant.
  - (d) The restricted stock will be subject to the terms of the plan under which it is issued, including without limitation provisions relating to vesting and transferability.

### Discretionary Stock Option and Restricted Stock Grants

1. The Compensation Committee or the Board of Directors, as applicable, may, in its discretion, grant options and restricted stock to directors as permitted by and subject to the terms of the plan under which such grants are issued, including without limitation provisions relating to vesting, exercise, termination and transferability.

### General

1. This compensation program may be amended, modified or terminated by the board at any time.
  2. This compensation program applies only to directors of Kirby who are not employees of Kirby or any of its subsidiaries.
  3. This compensation program is effective April 28, 2015 and amends and restates in its entirety the Nonemployee Director Compensation Program previously in effect.
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**KIRBY CORPORATION**  
**CONSOLIDATED SUBSIDIARIES OF THE REGISTRANT**

	<b>Domicile of Incorporation</b>
<b>KIRBY CORPORATION – PARENT AND REGISTRANT</b>	Nevada
<b>SUBSIDIARIES OF THE PARENT AND REGISTRANT</b>	
Kirby Corporate Services, LLC	Delaware
KIM Holdings, Inc.	Delaware
Kirby Terminals, Inc.	Texas
Sabine Transportation Company	Delaware
AFRAM Carriers, Inc.	Delaware
Kirby Engine Systems, Inc.	Delaware
Kirby Tankships, Inc.	Delaware
Kirby Ocean Transport Company	Delaware
Kirby Offshore Marine, LLC	Delaware
K Equipment, LLC	Texas
<b>CONTROLLED CORPORATIONS</b>	
KIM Partners, LLC (Subsidiary of KIM Holdings, Inc.)	Louisiana
Kirby Inland Marine, LP (KIM Holdings, Inc. 1% General Partner, KIM Partners, LLC 99% Limited Partner)	Delaware
Greens Bayou Fleeting, LLC (51%)	Texas
Dixie Carriers, Inc. (subsidiary of Kirby Inland Marine, LP)	Texas
Marine Systems, Inc. (subsidiary of Kirby Engine Systems, Inc.)	Louisiana
Engine Systems, Inc. (subsidiary of Kirby Engine Systems, Inc.)	Delaware
Osprey Line, L.L.C. (66 2/3%)	Texas
United Holdings LLC (subsidiary of Kirby Engine Systems, Inc.)	Delaware
United Engines LLC (subsidiary of United Holdings LLC)	Colorado
UE Powertrain GP LLC (subsidiary of United Holdings LLC) (dba Buck's Engines)	Texas
UE Manufacturing LLC (subsidiary of United Holdings LLC)	Colorado
UE Compression LLC (subsidiary of United Holdings LLC)	Colorado
Thermo King of Houston, LP (subsidiary of United Holdings LLC)	Texas
San Antonio Thermo King, Inc. (subsidiary of Thermo King of Houston, LP)	Texas
UE Powertrain LP (subsidiary of United Holdings LLC and UE Powertrain GP LLC)	Texas
Kirby Offshore Marine Operating, LLC (subsidiary of Kirby Offshore Marine, LLC)	Delaware
Kirby Offshore Marine Hawaii, LLC (subsidiary of Kirby Offshore Marine Operating, LLC)	Delaware
Kirby Offshore Marine Pacific, LLC (subsidiary of Kirby Offshore Marine Operating, LLC)	Delaware
Kirby Offshore Marine, Inc. (subsidiary of Kirby Offshore Marine Operating, LLC)	Delaware
Inversiones Kara Sea SRL (subsidiary of Kirby Offshore Marine Operating, LLC)	Venezuela
K-Sea Canada Holdings, Inc. (subsidiary of Kirby Offshore Marine, Inc.)	Delaware
K-Sea Canada Corp. (subsidiary of K-Sea Canada Holdings, Inc.)	Nova Scotia
Penn Maritime Inc. (subsidiary of Kirby Offshore Marine, LLC)	Delaware

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders  
Kirby Corporation:

We consent to the incorporation by reference in the registration statements (No. 333-57625, No. 333-72592, No. 333-129290, No. 333-129333, No. 333-152565, No. 333-152566, No. 333-184598 and No. 333-184599) on Form S-8 of Kirby Corporation and consolidated subsidiaries of our reports dated February 23, 2015, with respect to the consolidated balance sheets of Kirby Corporation and consolidated subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of earnings, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2014, and the effectiveness of internal control over financial reporting as of December 31, 2014, which reports appear in the December 31, 2014 annual report on Form 10-K of Kirby Corporation and consolidated subsidiaries.

KPMG LLP

Houston, Texas  
February 23, 2015

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## CERTIFICATION OF CHIEF EXECUTIVE OFFICER

In connection with the filing of the report on Form 10-K for the year ended December 31, 2014 by Kirby Corporation, David W. Grzebinski certifies that:

1. I have reviewed this report on Form 10-K of Kirby Corporation (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ DAVID W. GRZEBINSKI

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David W. Grzebinski  
*President and Chief Executive Officer*

Dated: February 23, 2015

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## CERTIFICATION OF CHIEF FINANCIAL OFFICER

In connection with the filing of the report on Form 10-K for the year ended December 31, 2014 by Kirby Corporation, C. Andrew Smith certifies that:

1. I have reviewed this report on Form 10-K of Kirby Corporation (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ C. ANDREW SMITH

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C. Andrew Smith  
*Executive Vice President and  
Chief Financial Officer*

Dated: February 23, 2015

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**Certification Pursuant to Section 18 U.S.C. Section 1350**  
**(As adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)**

In connection with the filing of the Annual Report on Form 10-K for the year ended December 31, 2014 (the "Report") by Kirby Corporation (the "Company"), each of the undersigned hereby certifies that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID W. GRZEBINSKI

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David W. Grzebinski  
*President and Chief Executive Officer*

/s/ C. ANDREW SMITH

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C. Andrew Smith  
*Executive Vice President and  
Chief Financial Officer*

Dated: February 23, 2015

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