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

FORM 10-K

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1993
OR

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

FOR THE TRANSITION PERIOD FROM .... TO ....
COMMISSION FILE NO. 1-7615

KIRBY CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEVADA	74-1884980
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
1775 ST. JAMES PLACE, SUITE 300 HOUSTON, TEXAS	77056-3453
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 629-9370
SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock -- $.10 Par Value Per Share	American Stock Exchange

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

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

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

As of March 14, 1994, 28,275,133 shares of common stock were outstanding. The aggregate market value of common stock held by nonaffiliates of the registrant, based on the closing sales price of such stock on the American Stock Exchange on March 14, 1994 was $581,184,036. For purposes of this computation, all executive officers, directors and 10% beneficial owners of registrant are deemed to be affiliates. Such determination should not be deemed an admission that such executive officers, directors and 10% beneficial owners are affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

The Company's definitive proxy statement in connection with the Annual Meeting of the Stockholders to be held April 19, 1994, to be filed with the Commission pursuant to Regulation 14A, is incorporated by reference into Part III of this report.

PART I

ITEM 1. BUSINESS

THE COMPANY

Kirby Corporation (the "Company") was incorporated January 31, 1969 in Nevada as a subsidiary of Kirby Petroleum Co. Pursuant to the plan of liquidation of Kirby Industries, Inc. ("Industries"), Kirby Petroleum Co., which was then a wholly owned subsidiary of Industries, transferred to the Company in 1975 substantially all of its nonproducing oil and gas acreage, royalty interests and interests in oil and gas limited partnerships. The Company became publicly owned on September 30, 1976, when its common stock was distributed pro rata to the stockholders of Industries in connection with the liquidation of Industries. In September, 1984, the Company changed its name from "Kirby Exploration Company" to "Kirby Exploration Company, Inc." and in April, 1990, the name was changed from "Kirby Exploration Company, Inc." to "Kirby Corporation."

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

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

BUSINESS AND PROPERTY

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

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

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

The Company's insurance segment is engaged primarily in the writing of property and casualty insurance in the Commonwealth of Puerto Rico through a 70% owned subsidiary.

The Company and its subsidiaries have approximately 2,050 employees with approximately 150 in the Commonwealth of Puerto Rico and the balance in the United States.

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

	YEARS ENDED DECEMBER 31,		
	1991	1992	1993
Gross revenues from unaffiliated customers:			
Transportation	$118,573	191,007	284,761
Diesel repair	34,386	35,889	32,025
Insurance	34,713	42,520	61,611
	187,672	269,416	378,397
General corporate revenues	1,361	87	7
Consolidated revenues	$189,033	269,503	378,404
Operating profits:			
Transportation	$ 17,689	28,034	42,208
Diesel repair	2,482	2,561	1,904
Insurance	4,891	1,108	4,539
	25,062	31,703	48,651
General corporate expenses, net	(1,249)	(3,563)	(4,911)
Interest expense	(5,965)	(9,411)	(8,416)
Earnings before taxes on income	$ 17,848	18,729	35,324
Identifiable assets:			
Transportation	$150,477	275,616	344,488
Diesel repair	15,353	18,897	20,260
Insurance	106,401	145,246	184,868
	272,231	439,759	549,616
Investment in unconsolidated affiliate	134	146	177
General corporate assets	13,637	6,515	13,460
Consolidated assets	$286,002	446,420	563,253

MARINE TRANSPORTATION

The Company is engaged in marine transportation as a provider of service for both the inland and offshore markets. As of March 14, 1994, the equipment owned or operated by the Company's three marine transportation divisions was composed of 400 inland tank barges, 10 inland dry cargo barges, 123 inland towing vessels, six offshore tank ships, two offshore tank barges, six offshore dry cargo barges, four offshore break-bulk and container ships and nine offshore tugboats with the following specifications and capacities:

CLASS OF EQUIPMENT	NUMBER IN CLASS	AVERAGE AGE (IN YEARS)	BARREL CAPACITIES
Inland Fleet			
Inland tank barges:			
Regular double skin:			
20,000 barrels and under	161	21.6	1,961,000
Over 20,000 barrels	114	13.9	3,010,000
Specialty double skin	20	21.0	376,000
Single skin:			
20,000 barrels and under	39	25.8	656,000
Over 20,000 barrels	66	22.3	1,678,000
Total inland tank barges	400	20.0	7,681,000

			DEADWEIGHT TONNAGE
Inland dry cargo barges	10	17.8	11,100
Inland towing vessels			
Inland towboats:			
2,000 horsepower and under	78	20.8	
Over 2,000 horsepower	32	17.4	
Total inland towboats	110	19.8	
Inland bowboats	6	14.1	
Harbor tugboats	7	18.6	
	123	19.5	

			BARREL CAPACITIES
Offshore Fleet			
Tank ships	6	44.3	1,538,000
Tank barges	2	19.3	322,000

			DEADWEIGHT TONNAGE
Offshore break-bulk and container ships	4	22.9	49,900
Offshore dry cargo barges(*)	6	17.3	106,000
Offshore tugboats(*)	9	18.3	

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

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

REVENUE BY PRODUCT OR OPERATION	YEARS ENDED DECEMBER 31, 1991 AMOUNTS	1991 %	1992 AMOUNTS	1992 %	1993 AMOUNTS	1993 %
Inland Chemical Division............	$103,948	89%	$115,448	61%	$134,578	48
Inland Refined Products Division....	--	--	29,578	15	45,940	16
Total inland revenues.....	103,948	89	145,026	76	180,518	64
Offshore Division:						
Liquid petroleum products.........	3,717	3	37,716	20	47,799	17
Dry bulk..........................	12,628	11	12,708	7	12,735	4
Break-bulk and container..........	--	--	--	--	47,842	17
Total offshore revenues...	16,345	14	50,424	27	108,376	38
Intercompany transactions...........	(3,290)	(3)	(5,236)	(3)	(5,147)	(2)
Total transportation revenues................	$117,003	100%	$190,214	100%	283,747	100%

INLAND TANK BARGE INDUSTRY

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

Although no official industry statistics are maintained, the Company believes that the total number of tank barges that operate in the inland waters of the United States has declined from an estimate of approximately 4,200 in 1981 to approximately 2,900 in 1993. The Company believes this decrease is primarily attributable to the following reasons: increasing age of the domestic tank barge fleet resulting in scraping; rates inadequate to justify new construction; reduction in financial incentives to construct new equipment; and an increase in regulations that mandate expensive equipment modification which some owners are unwilling or unable to undertake given current rate levels and the age of the fleet.

Although well maintained tank barges can be efficiently operated for more than 30 years, the cost of hull work for required annual Coast Guard certifications, as well as general safety and environmental concerns, force operators to periodically reassess their ability to recover maintenance costs. Previously, tax and financing incentives to operators and investors to construct tank barges, including short life depreciation, investment tax credits and government guaranteed financing, led to the growth in the supply of domestic tank barges to a peak of approximately 4,200 in 1981. These tax incentives have since been eliminated and government financing programs have since been curtailed. The supply of tank barges resulting from the earlier programs is slowly aligning with demand for tank barge services, primarily through attrition, as discussed above.

While the United States tank barge fleet has decreased in size, domestic production of petrochemicals, a major component of the industry's revenues, has increased between 1982 and 1993 by approximately 48%. Growth in the economy and the continued substitution of plastics and synthetics in a wide variety of products have been major factors behind the increase of capacity in the petrochemical industry. Texas and Louisiana, which are within the Company's areas of operations, currently account for more than 78% of the total United States production of petrochemicals.

COMPETITION IN THE INLAND TANK BARGE INDUSTRY

The Company operates in the highly competitive marine transportation market for commodities transported on the major inland rivers and tributaries and the Gulf Intracoastal Waterway. The industry has become increasingly concentrated within recent years as smaller and/or economically weaker companies have gone out of business or have been acquired by stronger or larger companies. Competition has historically been based primarily on price; however, shipping customers, through increased emphasis on safety, the environment, quality and a greater reliance on a "single source" supply of services, are more frequently requiring that their supplier of inland tank barge services have the capability to handle a variety of tank barge requirements, and offer flexibility, safety, environmental responsibility and quality of service consistent with the customer's own operations.

The Company's direct competitors are primarily noncaptive marine transportation companies. "Captive" companies are those companies that are owned by major oil and/or petrochemical companies which, although competing in the inland barge market to varying extents, primarily transport cargos for their own account. Although industry statistics are not categorized by individual firms, the Company believes it is the largest inland tank barge carrier based on its number of barges and barrels of available capacity.

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

INLAND CHEMICAL DIVISION

The Company's Inland Chemical Division provides transportation services for three distinct markets: industrial chemicals, agricultural chemicals and barge fleeting services. Collectively, the Division operates a fleet of 285 inland tank barges, 84 towboats and two bowboats.

Industrial Chemicals. Dixie Carriers, Inc. ("Dixie"), a subsidiary of the Company, and its subsidiaries, Dixie Marine, Inc. ("Dixie Marine") and TPT Transportation Company ("TPT Transportation"), and Chotin Carriers, Inc. ("Chotin"), a subsidiary of the Company, provide service to the industrial chemical industry through intraplant movements of petrochemical feedstock and the transportation of industrial processed chemicals and lube oils to industry users. Operating a fleet of 216 inland tank barges, 56 towboats and two bowboats, the fleet operates primarily along the Gulf Intracoastal Waterway, the Mississippi River and its tributaries and the Houston Ship Channel. The business is conducted under contracts with customers with whom the Company has long-term relationships, as well as under short-term and spot contracts. Currently, approximately 76% of the industrial chemical revenues are derived from term contracts and 24% from the spot market. All of the inland tank barges used in the transportation of industrial chemicals are of double hull construction for increased environmental protection and, where applicable, are capable of controlling vapor emissions to meet occupational health and safety regulations and air quality concerns.

Chotin was acquired on June 1, 1992 by means of a merger of Scott Chotin, Inc. ("Scott Chotin") with and into Chotin. TPT Transportation acquired the assets of TPT, a marine transportation division of Ashland Oil, Inc. on March 3, 1993. See "Note 2" to the financial statements included under Item 8 elsewhere herein for further disclosure on the Chotin merger and the TPT Transportation asset purchase. Dixie's and Dixie Marine's headquarters are located in Houston, Texas and Chotin's and TPT Transportation's headquarters are in Baton Rouge, Louisiana.

Agricultural Chemicals. Brent Transportation Corporation ("Brent Transportation"), a subsidiary of Dixie, operates 69 inland tank barges, including 11 cryogenic anhydrous ammonia barges, and 17 towboats primarily in transportation of agricultural chemicals, including anhydrous ammonia, to points along the Mississippi River and its tributaries and the Gulf Intracoastal Waterway. Brent Transportation's assets were acquired effective April 1, 1989, in connection with the purchase of certain assets of Brent Towing Company, Inc., and related affiliates ("Brent"), which had been engaged in the transportation of agricultural chemicals and other liquid cargos since 1961. Brent Transportation conducts its business with customers with whom it has long-term relationships and, to a lesser extent, under short-term contracts. Brent Transportation's headquarters are in Greenville, Mississippi. The Company believes that Brent Transportation has the largest inland barge fleet that primarily transports agricultural chemicals.

Barge Fleeting Services. Western Towing Company ("Western"), a subsidiary of Dixie, owns 11 towboats and operates what the Company believes to be the largest commercial barge fleeting service (provision of temporary barge storage facilities) in the Port of Houston, at Bolivar Peninsula and in the Port of Freeport, Texas. Western's towboats are engaged primarily in shifting (distribution and gathering of barges) in the Houston-Galveston area.

INLAND REFINED PRODUCTS DIVISION

The Company's Inland Refined Products Division provides transportation services for the refined products and harbor services markets. Collectively, the Division operates a fleet of 115 inland tank barges, 26 towboats, seven harbor tugboats and four bowboats.

Refined Products. Sabine Transportation Company ("Sabine Transportation"), a subsidiary of the Company, and OMR Transportation Company ("OMR Transportation"), a subsidiary of Dixie, provide service from Gulf Coast refineries through movements of primarily gasoline, diesel fuel and jet fuel to waterfront terminals on the Gulf Intracoastal Waterway and the Mississippi River and its tributaries. Many of Sabine Transportation's barges are split-product barges which maximize shipping alternatives for customers by allowing for the efficient transportation of smaller individual volumes of petroleum products and providing a means to carry up to four grades of products in the same barge. In addition, by consolidating the product requirements of several customers in split-product equipment, the Refined Products Division is able to offer quantity discounted rates to customers who are carrying small quantities of product. Currently, approximately 36% of the Inland Refined Products Division's revenues are derived from long-term contracts and 64% from the spot market.

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

Harbor Services. Sabine Transportation provides towing, docking and shifting services for vessels calling at the ports of Beaumont, Port Arthur and Orange, Texas and the port of Lake Charles, Louisiana. Operating seven harbor tugboats, the Company believes that this fleet holds a combined market share of approximately 55% in the ports which it serves. In addition, Sabine Transportation provides offshore ship assistance and drill-rig movements off the Texas and Louisiana coasts.

OFFSHORE TRANSPORTATION INDUSTRY

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

COMPETITION IN THE OFFSHORE TRANSPORTATION INDUSTRY

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

OFFSHORE DIVISION

Offshore Tank Ship and Tank Barge Operations. Sabine Transportation operates a fleet of six owned U.S. flag single skin tank ships, that transport petroleum products primarily domestically in the Gulf of Mexico, along the East Coast and internationally to ports in the Caribbean Basin. Currently, four of Sabine Transportation's tank ships are chartered to various oil companies for the transportation of their products and two operate in the spot market, transporting petroleum products as cargo offers. Classified as "handy size," the tank ships have deadweight capacities ranging between 28,000 and 35,000 tons with a total capacity of 1,538,000 barrels.

As discussed under "Environmental Regulations" below, the Oil Pollution Act of 1990 ("OPA") has placed a number of stringent requirements on tank ship owners and operators, including the phasing out of all single hull vessels beginning in 1995, depending on vessel size and age. In accordance with the OPA, Sabine Transportation's tank ships are scheduled to be retired from service as follows: one -- January 1, 1995; one -- January 1, 1996; one -- October 1, 1996; one -- October 30, 2000; one -- November 4, 2004; and one -- January 1, 2005. In order to stay in service beyond the retirement date, these tank ships would have to be either retrofitted with a double hull cargo section or used exclusively in foreign trade.

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

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

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

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

Dixie, as general partner, also manages the operations of Dixie Fuels, which operates a fleet of four ocean-going dry bulk barges, four ocean-going tugboats and one shifting tugboat. The remaining 65% of Dixie Fuels is owned by Electric Fuels Corporation ("EFC"), an affiliate of Florida Power Corporation ("Florida Power"). Dixie Fuels operates primarily under long-term contracts of affreightment, including a contract that expires in the year 2002 with EFC to transport coal across the Gulf of Mexico to Florida Power's facility at Crystal River, Florida.

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

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

Offshore Break-bulk and Container Cargo Operations. In May, 1993, the Company completed the acquisition of AFRAM Lines (USA) Co., Ltd. ("AFRAM Lines") by means of a merger of AFRAM Lines with and into AFRAM Carriers, Inc. ("AFRAM"). AFRAM is engaged in the worldwide transportation of dry bulk, container and palletized cargos, primarily for departments and agencies of the United States Government. AFRAM's fleet of three U.S. flag break-bulk and container ships specialize in the transportation of United States Government military and preference aid cargos. See "Note 2" to the financial statements included under Item 8 elsewhere herein for further disclosures on the AFRAM merger. In addition, for a discussion of preference aid cargos, see "Governmental Regulations" below. AFRAM's headquarters are located in Houston, Texas.

In early March, 1994, the Company, through its subsidiary, Americas Marine Express, Inc. ("Americas Marine"), began all-water marine transportation services between Memphis, Tennessee and Mexico, Guatemala, Honduras and El Salvador. The new transportation service utilizes a chartered river/ocean vessel that offers direct sailing between the locations. The new service provides exporters and importers in the north, central and mid-south states with a direct shipping alternative between Memphis and Mexico and Central America on a fourteen day round trip basis. The direct all-water liner service accepts 20 foot and 40 foot containers, including refrigerated and tank containers, as well as other cargo on a space available basis. The Company is of the opinion that the liner service offers container shippers to the interior of the United States a lower transportation cost alternative, predictable delivery time, a consistent product flow to their customers and other benefits inherent in a direct all-water liner service.

CONTRACTS AND CUSTOMERS

The majority of the marine transportation contracts are for terms of one to five years. Currently, the three marine transportation divisions of the Company operate under long-term contracts with Agricultural Minerals Corporation, Chevron Chemical Company, EFC, Holnam, Monsanto Chemical Company, Odfjell Tank Ships (USA) Inc. and Shell Oil Company, among many others. While these companies have generally been customers of the Company's marine transportation divisions for several years and management anticipates a continuing relationship, there is no assurance that any individual contract will be renewed. No single customer of the Company's marine transportation segment accounted for more than 10% of the Company's revenue in 1993, 1992 or 1991.

EMPLOYEES

The Company's three marine transportation divisions have approximately 1,725 employees, of which approximately 1,425 are vessel crew members. Approximately 39% of the 1,425 vessel crew members are subject to various collective bargaining agreements with various labor organizations. No one collective bargaining agreement covers more than 10% of the 1,425 vessel crew members.

PROPERTIES

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

GOVERNMENTAL REGULATIONS

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

The majority of the Company's tank barges, all offshore barges and all ships are inspected by the United States Coast Guard and carry certificates of inspection. The Company's inland and offshore towing vessels are not subject to United States Coast Guard inspection requirements; however, the Company's offshore tugboats and offshore dry bulk and tank barges are built to American Bureau of Shipping ("ABS") classification standards. These offshore vessels are inspected periodically by the ABS to maintain the vessels in class. The crew employed by the Company aboard vessels, including captains, pilots, engineers, able-bodied seamen and tankermen, are licensed by the United States Coast Guard.

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

The Company believes that safety concerns highlighted by the highly publicized barge collision with the railroad bridge near Mobile, Alabama in September, 1993 will result in additional regulations being imposed on the barge industry in the form of personnel licensing and navigation equipment requirements. Generally, the Company endorses the anticipated additional regulations and believes it is currently operating to standards at least the equal of such anticipated additional regulations.

Jones Act. The Jones Act is a federal law that restricts domestic marine transportation in the United States to vessels built and registered in the United States. Furthermore, the Jones Act requires that the vessels be manned by United States citizens and owned by United States citizens. For corporations, 75% of the corporations' beneficial stockholders must be United States citizens. The Company presently meets all of the requirements of the Jones Act for its owned vessels.

Compliance with the United States ownership requirements of the Jones Act is very important to the operations of the Company and the loss of the Jones Act status could have a significant negative effect to the Company. The Company monitors the citizenship requirements under the Jones Act of its employees and beneficial stockholders and will take any remedial action necessary to insure compliance with the Jones Act requirements.

The requirements that the Company's vessels be United States built, manned by United States citizens and the crewing requirements of the Coast Guard significantly increase the capital and labor costs of U.S. flag vessels when compared with foreign flag vessels. The Company's business would be adversely affected if the Jones Act were to be modified so as to permit foreign competition.

During the past several years, the Jones Act and cargo preference laws, see "Preference Cargo" below, have come under attack by interests seeking to facilitate foreign flag competition for cargos reserved for U.S.

flag vessels under the Jones Act and cargo preference laws. These efforts have been consistently defeated by large margins in the United States Congress. The Company believes that continued efforts will be made to gain access to such trade and if such access is successful, it could have an adverse effect on the Company.

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

Preference Cargo. The Merchant Marine Act of 1936, as amended, requires that preference be given to U.S. flag vessels in the transportation of certain United States Government impelled cargos (cargos shipped either by the United States Government or by a foreign nation, with the aid or guarantee of the United States Government). Currently, 75% of the Government directed foreign aid and agricultural assistance programs, which includes grains and other food concessions, are required to be transported in U.S. flag vessels. Such programs currently benefit the Company's offshore break-bulk ships and dry bulk barge and tug units, some of which work primarily in this trade. The transportation of such cargo accounted for approximately 10% of the Company's transportation revenues in 1993, 1% in 1992 and 2% in 1991.

The transportation of United States military cargo is also classified as a preference cargo, which requires the use of U.S. flag vessels, if available. The Company's AFRAM break-bulk ships have from time to time been chartered by the Military Sealift Command ("MSC"). Charters to MSC accounted for 2% of the Company's 1993 transportation revenues. The chartering by the MSC depends upon the requirements of the United States military for marine transportation of cargos, and, therefore, depends in part on world conditions and United States foreign policy. Currently, none of the Company's vessels are chartered to the MSC.

The preference cargo law is often opposed by agricultural interests which perceive they would benefit from the ability to transport preference cargos aboard foreign flag vessels. Like the Jones Act, the Company is of the opinion that continued efforts will be made to significantly reduce, or remove completely, the requirement that 75% of such cargos be transported in U.S. flag vessels. Any reduction in this percentage could have an adverse effect on the Company's operations and, therefore, the Company will continue to participate in efforts to preserve the present preference cargo requirements.

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

The Company presently pays a waterway tax of 23.4 cents per gallon, reflecting a 4.3 cents per gallon increase imposed during October, 1993 and a 2 cents per gallon increase imposed in January, 1994. In mid-February, 1993, President Clinton announced his economic plan which included a proposal to raise the user tax by an additional $1.00 per gallon, such user tax to be phased in until taking full effect in 1997. The Company and marine transportation and shipping groups vigorously protested the user tax proposal, stating that such a rate increase could significantly reduce the ability of the Company's customers to be internationally competitive and would place the inland river transportation system at a competitive disadvantage to other modes of transportation. These efforts were successful in defeating the $1.00 per gallon proposal as, in October, 1993, President Clinton signed into law the 1993 budget which included a 4.3 cents per gallon increase in the waterway user tax, increasing the total tax to 21.4 cents per gallon. In January, 1994, an additional 2 cents per gallon was phased in, the result of prior legislation. Currently, an additional 2 cents per gallon is scheduled to be phased in effective January 1, 1995, with the user tax rate reaching an ultimate rate of 25.4 cents per gallon.

There can be no assurance that additional user fees, above the presently planned amounts, may not be imposed in the future.

ENVIRONMENTAL REGULATIONS

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

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

The OPA and various state laws of similar intent, substantially increased over historic levels statutory strict exposure of owners and operators of vessels for oil spills, both in terms of limit of liability and scope of damages. The Company considers its most significant pollution liability exposure to be the carriage of persistent oils (crude oil, asphalt, # 5 oil, # 6 oil, lube oil and other black oil). The Company restricts the carriage of persistent oil in inland equipment to double skin barges only. Currently, the only persistent oil carried in the Company's offshore fleet is in a Sabine Transportation single skin tank ship which ceases operation at year-end 1994.

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

As a result of several recent highly publicized oil spills, federal or state legislators could impose additional licensing, certification or equipment requirements on marine vessel operations. Generally, the Company believes that it is in a good position to accommodate any reasonably foreseeable regulatory changes and that it will not incur significant additional costs. The Company manages its exposure to losses from potential discharges of pollutants through the use of well maintained and equipped vessels, the safety and environmental programs of the Company and the Company's insurance program. In addition, the Company uses double skin barges in the transportation of more hazardous substances. There can be no assurance, however, that any new regulations or requirements or any discharge of pollutants by the Company will not have an adverse effect on the Company.

Financial Responsibility Requirement. Commencing with the Federal Water Pollution Control Act of 1972, as amended, vessels over three hundred gross tons operating in United States waters have been required to maintain evidence of financial ability to satisfy statutory liabilities for water pollution. This evidence is in the form of a Certificate of Financial Responsibility ("CFR") issued by the United States Coast Guard. The majority of the Company's tank barges and all the tank ships are subject to this CFR requirement and the Company has fully complied since inception of the requirement.

The OPA amended the CFR requirements principally by expanding the scope of liability subject to the requirements and by significantly increasing the financial ability requirements. The United States Coast Guard promulgated a Notice of Proposed Rulemaking on September 26, 1991 that would implement the new financial responsibility requirements of OPA. The proposed rule, if implemented in present form, would eliminate the ability of the Company to utilize its insurance, which greatly exceeds the financial responsibility requirements, as a means of satisfying the financial ability requirement under OPA. Under the proposed rule the Company would be required to demonstrate net worth and working capital equal to the maximum statutory limit of liability under OPA and the Comprehensive Environmental Response, Compensation and Liability Act of 1981.

The Company believes it will be able to satisfy the more stringent CFR requirements currently proposed. The Company is also of the opinion that such proposed regulations are unnecessarily stringent and that a majority of domestic and foreign vessel operators subject to the proposed regulation will be unable to comply.

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 degassing emissions. The implementation of these regulations will require a reduction of hydrocarbon emissions released in the atmosphere during the loading of most petroleum products and the degassing and cleaning of barges for maintenance or change of cargo. These new regulations will require operators who operate in these states to install vapor control equipment on their barges. The Company expects that future toxic emission regulations will be developed and will apply this same technology to many chemicals that are handled by barge. Most of the Company's barges engaged in the transportation of petrochemicals, chemicals and refined products are already equipped with vapor control systems. Although a risk exists that new regulations could require significant capital expenditures by the Company and otherwise increase the Company's costs, the Company believes that, based upon the regulations that have been proposed thus far, no material capital expenditures beyond those currently contemplated by the Company or increase in costs are likely to be required.

Contingency Plan Requirement. Commencing August 8, 1993, OPA and several state statutes of similar intent require the majority of the vessels operated by the Company to maintain approved oil spill contingency plans as a condition of operation. The Company has submitted plans that it believes comply with requirements, but approval has not yet been granted.

Occupational Health Regulations. The Company's vessel operations are primarily regulated by the United States Coast Guard for occupational health standards. The Company's shore personnel are subject to the United States Occupational Safety and Health Administration regulations. The Coast Guard has promulgated regulations that address the exposure to benzene vapors, which require the Company, as well as other operators, to perform extensive monitoring, medical testing and record keeping of seamen engaged in the handling of benzene transported aboard vessels. It is expected that these regulations may serve as a prototype for similar health regulations relating to the carriage of other hazardous liquid cargos. The Company believes that it is in compliance with the provisions of the regulations that have been adopted and does not believe that the adoption of any further regulations will impose additional material requirements on the Company. There can be no assurance, however, that claims will not be made against the Company for work related illness or injury or that the further adoption of health regulations will not adversely affect the Company.

Insurance. The Company's marine transportation operations are subject to the hazards associated with operating heavy equipment carrying large volumes of cargo in a marine environment. These hazards include the risk of loss of or damage to the Company's vessels, damage to third parties from impact, fire or explosion as a result of collision, loss or contamination of cargo, personal injury of employees, pollution and other environmental damages. The Company maintains insurance coverage against these hazards. Risk of loss of or damage to the Company's vessels is insured through hull insurance policies currently insuring approximately $500 million in hull values. Vessel operating liabilities, such as collision, cargo, environmental and personal injury, are insured primarily through the Company's participation in protection and indemnity mutual insurance associations under which the protection against such hazards is in excess of $1 billion for each incident, except in the case of oil pollution, which is limited to $500 million for each incident, but is limited to $700 million for each incident in the case of the Company's tank ships and ocean-going tank barges. However, because it is mutual insurance, the Company is exposed to funding requirements and coverage shortfalls in the event claims by the Company or other members exceed available funds and reinsurance.

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

Safety. The Company manages its exposure to the hazards incident to its business through safety, training and preventive maintenance efforts. The Company places considerable emphasis on safety through a program oriented towards extensive monitoring of safety performance for the purpose of identifying trends and initiating corrective action, and for the purpose of rewarding personnel achieving superior safety performance. The Company believes that its safety performance consistently places it among the industry leaders, which is evidenced by what it believes are lower insurance costs (as a percentage of revenue) and a lower injury level than many of its competitors.

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

The Company's commitment to quality has been expanded in recent years to include the installation and maintenance of Quality Assurance Systems in compliance with the International Quality Standard, ISO 9002 ("ISO"). During 1993, Dixie's offshore operations and Dixie's inland operations were awarded ISO certifications by ABS Quality Evaluations, a leading registrar of quality systems. Dixie's offshore operation was the first U.S. flag offshore vessel operator to achieve this distinction, while Dixie's inland operation was the second inland marine transportation company to be recognized in the United States. At present, the balance of the Company's marine transportation operations are working toward certification during 1994 and 1995. Achieving ISO certification demonstrates the Company's total commitment to quality throughout the organization.

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

DIESEL REPAIR

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

MARINE DIESEL REPAIR

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

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

During 1993, Marine Systems enhanced its long-term opportunities with the addition of two distributorship agreements. Under a long-term agreement with Paxman Diesels, Ltd. of Colchester, England, a manufacturer of diesel engines, Marine Systems will sell engine parts and other authorized repair services. Paxman engines are used primarily by the United States Coast Guard in its patrol boats. In addition, during 1993, Marine Systems signed a long-term agreement with Falk Corporation, a marine reduction gear manufacturer, whereby Marine Systems will sell parts and offer authorized repair services.

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

	YEARS ENDED DECEMBER 31,					
	1991		1992		1993	
ACTIVITY	AMOUNTS	%	AMOUNTS	%	AMOUNTS	%
Overhaul and repair............	$19,168	56%	$21,288	60%	$19,954	62%
Direct parts sales.............	15,120	44	14,465	40	11,998	38
Total................	$34,288	100%	$35,753	100%	$31,952	100%

MARINE CUSTOMERS

Major customers of Marine Systems include inland and offshore dry bulk and tank barge operators, oil service companies, petrochemical companies, offshore fishing companies, other marine transportation entities and the United States Coast Guard, Navy and Army. Marine Systems also provides services to the Company's fleet, which accounted for approximately 6% of Marine Systems' total 1993 revenues; however, such revenues are eliminated in consolidation, and not included in the table above. No single customer of Marine Systems accounted for more than 10% of the Company's revenues in 1993, 1992 or 1991.

Since Marine Systems' business can be cyclical and is linked to the relative health of the diesel power tug and towboat industry, the offshore supply boat industry, the military and the offshore commercial fishing industry, there is no assurance that its present gross revenues can be maintained in the future. The results of the diesel repair service industry are largely tied to the industries it serves, and, therefore, have been somewhat influenced by the cycles of such industries.

MARINE COMPETITIVE CONDITIONS

Marine Systems' primary competitors are 10 to 15 independent diesel repair companies. While price is a major determinant in the competitive process, reputation, consistent quality and expeditious service, experienced personnel, access to parts inventories and market presence are significant factors. A substantial portion of Marine Systems' business is obtained by competitive bids.

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

LOCOMOTIVE DIESEL REPAIR

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

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

LOCOMOTIVE CUSTOMERS

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

LOCOMOTIVE COMPETITIVE CONDITIONS

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

EMPLOYEES

Marine Systems and Rail Systems have approximately 120 employees.

PROPERTIES

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

INSURANCE

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

On September 25, 1992, Universal merged with Eastern America Insurance Company ("Eastern America"), a property and casualty insurance company in Puerto Rico, with Universal being the surviving entity. As of December 31, 1993, the Company owned approximately 70% of Universal's voting common stock with the remaining approximately 30% owned by Eastern America Financial Group, Inc. ("Eastern America Group"), the former parent of Eastern America. The Company owns 100% of the non-voting common and preferred stocks of Universal. In accordance with a shareholder agreement among Universal, the Company and Eastern America Group, through options and redemption rights, Universal has the right to purchase the Company's interest in Universal over a period of up to 12 years, the result of which would be Eastern America

Group becoming the owner of 100% of Universal's stock. To date, Universal has redeemed from the Company 44,933 shares of Class B common stock for a total redemption price of $8,000,000. Of the total redemptions to date, $7,000,000, or 39,128 shares, were redeemed in July, 1993 and $1,000,000, or 5,805 shares, were redeemed in December, 1992.

INSURANCE OPERATION

Universal writes a broad range of property and casualty insurance. Universal, however, is primarily a property insurer, generating approximately 66% of its 1993 premiums written from property lines. Universal's principal property insurance line is automobile physical damage, specifically the vehicle single-interest risk line, which insures lending institutions against the risk of loss of the unpaid balance of their automobile loans with respect to financed vehicles. Vehicle single-interest premiums accounted for 25% of Universal's consolidated premiums written in 1993.

Universal's insurance business is generated primarily through independent agents and brokers in Puerto Rico. While no one agent, other than the Eastern America Insurance Agency, an affiliate of Eastern America Group, accounted for more than 5% of premiums written in 1993, Universal could be adversely affected if it were to lose several of its higher producing agents.

Universal maintains an extensive program of reinsurance of the risks that it insures, primarily under arrangements with reinsurers in London and the United States. Property lines are reinsured under quota share agreements up to $5,000,000. Casualty claims above $500,000 are reinsured up to $4,000,000. Ocean marine and surety lines are reinsured under various pro rata and excess treaties up to $500,000 and $4,000,000, respectively. Catastrophe automobile physical damage, fire and allied lines and marine coverage affords recovery of losses over $500,000, $1,500,000 and $250,000 up to $15,000,000, $64,000,000 and $3,000,000, respectively.

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

At December 31, 1993, Universal had investments of $122,412,000, consisting primarily of short-term and available-for-sale securities. At such date, approximately 97% of that portfolio was invested in United States Government instruments due to their safety and to the favorable Puerto Rican tax treatment of such securities.

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

REINSURANCE OPERATION

Prior to 1991, the Company participated in the international reinsurance market through Mariner Reinsurance Company Limited ("Mariner"), a wholly owned subsidiary of the Company, and through Universal. From 1972 through 1990, Mariner was engaged in the pro rata and excess of loss reinsurance business dealing principally with brokers in London. This reinsurance consisted of certain property and casualty reinsurance lines whereby Mariner participated in the reinsurance of certain Lloyd's underwriters, British insurance companies, and other foreign insurance companies. In addition, Mariner reinsured certain treaties of Universal. Effective January 1, 1987, Mariner ceased writing any new or renewal reinsurance and Mariner's business portfolio was assumed by Universal; however, in 1989, two reinsurance contracts were transferred back to Mariner. Effective January 1, 1991, Universal ceased accepting new participation in the international reinsurance market and the entire reinsurance business portfolio was assumed by Mariner.

During the 1992 year, Mariner, based on certain delayed and certain timely loss advices, increased its loss reserves. See "Note 5" to the financial statements included under Item 8 elsewhere herein for further disclosures on the increase in the Mariner reserves.

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

The Company is currently pursuing strategies to withdraw from the runoff of Mariner's reinsurance business at the earliest possible date. Such strategies include the possible commutation of Mariner's open book of reinsurance business in exchange for a portion of, or all of, Mariner's assets. As of December 31, 1993, the Company had net equity in Mariner of approximately $1,500,000.

CAPTIVE INSURANCE OPERATION

Effective January 1, 1994, the Company established a captive insurance company, Oceanic Insurance Limited ("Oceanic"). The captive will insure only risks of the Company and its domestic subsidiaries.

EMPLOYEES

Universal has approximately 150 employees, all in the Commonwealth of Puerto Rico. Mariner's and Oceanic's activities are handled by the Company's employees and by agents in Bermuda.

PROPERTIES

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

ITEM 2. PROPERTIES

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

ITEM 3. LEGAL PROCEEDINGS

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

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

During the fourth quarter of the fiscal year December 31, 1993, no matter was submitted to a vote of security holders through solicitation of proxies or otherwise.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company are as follows:

NAME	AGE	POSITIONS AND OFFICES
George A. Peterkin, Jr.	66	President, Director and Chief Executive Officer
J. H. Pyne	46	President of Dixie and Executive Vice President and Director of Kirby
Brian K. Harrington	47	Senior Vice President, Treasurer and Assistant Secretary
G. Stephen Holcomb	48	Vice President, Controller, Assistant Treasurer and Assistant Secretary
Ronald C. Dansby	54	Vice President -- Inland Chemical Division
Steven M. Bradshaw	45	Vice President -- Inland Refined Products Division
Patrick L. Johnsen	48	Vice President -- Offshore Division
Dorman L. Strahan	37	Vice President -- Diesel Repair Division
Mark R. Buese	37	Vice President -- Administration
Jack M. Sims	51	Vice President -- Human Resources

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

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

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

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

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

Ronald C. Dansby holds a degree in business administration from the University of Houston and has served the Company as Vice President -- Inland Chemical Division since 1993. He also serves as President of Dixie Marine, joining the Company in connection with the acquisition of Alamo Inland Marine Co. ("Alamo") in 1989. He had served as President of Alamo since 1974. Prior to that, he was employed by Alamo Barge Lines and Monsanto Chemical Company from 1962 to 1973.

Steven M. Bradshaw holds a M.B.A. degree from Harvard Business School and has served the Company as Vice President -- Inland Refined Products Division since 1993. He also serves as Executive Vice President -- Marketing of Dixie since 1990 and served in various operating and administrative capacities with

Dixie from 1981 to 1990, including Vice President -- Sales from 1985 to 1990. Prior to joining Dixie, he was employed by the Ohio River Company and served as an officer in the United States Navy.

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

Dorman L. Strahan attended Nicholls State University and has served the Company as Vice President -- Diesel Repair since 1993. He also serves as President of Marine Systems since 1986 and President of Rail Systems since 1993. After joining the Company in 1982 in connection with the acquisition of Marine Systems, he served as Vice President of Marine Systems until 1985.

Mark R. Buese holds a degree in business administration from Loyola University and has served the Company as Vice President -- Administration since 1993. He also serves as Vice President of Dixie since 1985 and served in various sales, operating and administrative capacities with Dixie from 1978 through 1985, including President of Western.

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

PART II

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

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

	SALES PRICES	
	HIGH	LOW
1992		
First Quarter	$15 3/8	11
Second Quarter	$15 1/2	11 1/8
Third Quarter	$14	11 1/2
Fourth Quarter	$13 1/4	10
1993		
First Quarter	$14 3/8	11 3/8
Second Quarter	$19 1/8	13 5/8
Third Quarter	$22	17
Fourth Quarter	$21 3/4	17 5/8
1994		
First Quarter (through March 14, 1994)	$23 3/8	20 1/8

As of March 14, 1994, the Company had 28,275,133 outstanding shares held by approximately 2,300 stockholders of record.

On September 5, 1989, the Company paid a cash dividend of $.10 per share of common stock to stockholders of record as of August 14, 1989. A similar dividend was paid in 1988. The Company does not have an established dividend policy. Decisions regarding the payment of future dividends will be made by the Board of Directors based on the facts and circumstances that exist at that time. Prior to 1988, the Company had not paid any cash dividends on its common stock since it became a publicly held company in 1976.

ITEM 6. SELECTED FINANCIAL DATA

The comparative selected financial data of the Company and consolidated subsidiaries is presented for the five years ended December 31, 1993. The information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company and the Financial Statements and Schedules included under Item 8 elsewhere herein (in thousands, except per share amounts):

	FOR THE YEARS ENDED DECEMBER 31,				
	1989(1)	1990	1991	1992(1)	1993(1)
Revenues:					
Transportation	$ 83,450	109,366	117,003	190,214	283,747
Diesel repair	18,990	24,894	34,288	35,753	31,952
Insurance	30,668	31,412	27,947	34,661	52,875
Investment income	7,045	7,885	6,875	6,795	7,910
Gain on disposition of assets	487	393	1,412	427	355
Other	696	1,834	1,508	1,653	1,565
	$141,336	175,784	189,033	269,503	378,404
Earnings before extraordinary item and cumulative effect of accounting changes	$ 8,913	13,500	13,298	13,598	22,829
Extraordinary item(2)	2,600	1,900	--	--	--
Earnings before cumulative effect of accounting changes	11,513	15,400	13,298	13,598	22,829
Cumulative effect on prior years of accounting changes(3)	--	--	--	(12,917)	--
Net earnings	$ 11,513	15,400	13,298	681	22,829
Earnings (loss) per share of common stock:					
Primary:					
Earnings before extraordinary item and cumulative effect of accounting changes	$ .39	.60	.61	.60	.86
Extraordinary item(2)	.11	.08	--	--	--
Earnings before cumulative effect of accounting changes	.50	.68	.61	.60	.86
Cumulative effect on prior years of accounting changes (3)	--	--	--	(.57)	--
Net earnings	$ .50	.68	.61	.03	.86
Fully diluted net earnings -- 1991 only			$ .59		
Weighted average shares outstanding	22,952	22,700	21,952	22,607	26,527
Net cash provided by continuing operations before extraordinary item and changes in assets and liabilities	$ 19,467	30,032	28,620	35,387	58,998
Capital expenditures	$ 78,926	18,104	38,215	132,537	90,542
Dividend ($.10) per common share	$ 2,272	--	--	--	--

	DECEMBER 31,				
	1989(1)	1990	1991	1992(1)	1993(1)
Investments	$ 92,112	88,687	94,747	115,838	127,303
Property and equipment, net	$100,335	106,437	129,617	237,596	283,413
Total assets	$246,976	253,716	286,002	446,420	563,253
Insurance reserves and claims	$ 54,217	55,049	53,587	81,559	116,865
Long-term debt	$ 77,025	68,428	80,702	158,922	120,559
Stockholders' equity	$ 87,929	97,112	111,625	122,825	211,749

(Footnotes on following page)

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(1) Comparability with prior periods is affected by the acquisitions of Alamo and Brent in the second quarter of 1989, the acquisition of Sabine in the first quarter of 1992, the acquisition of Ole Man River and merger with Scott Chotin in the second quarter of 1992, the merger with Eastern America in the third quarter of 1992, the acquisition of TPT in the first quarter of 1993, the merger with AFRAM Lines in the second quarter of 1993 and the acquisition of Chotin Transportation in the fourth quarter of 1993.

(2) The extraordinary item for the years ended December 31, 1989 and 1990 represents the reduction in equivalent income taxes from utilization of financial net operating loss carryforwards.

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

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

RESULTS OF OPERATIONS

The Company reported net earnings for the 1993 year of $22,829,000, or $.86 per share, compared with net earnings before the cumulative effect of changes in accounting principles for the 1992 year of $13,598,000, or $.60 per share, and net earnings of $13,298,000, or $.61 per share, for 1991. Net earnings for 1992 were $681,000, or $.03 per share.

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

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

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

In 1993, the corporate federal income tax rate was increased from 34% to 35%. In accordance with Accounting Standards No. 109, the effect of the increase in the corporate federal income tax rate resulted in additional federal taxes of $1,131,000, or $.04 per share, for 1993.

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

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

MARINE TRANSPORTATION

The Company's marine transportation revenues for the 1993 year totaled $283,747,000, reflecting a 49% increase when compared with $190,214,000 reported in 1992 and a 143% increase when compared with $117,003,000 reported in 1991. The 49% increase for the 1993 year reflects the operations of three marine transportation companies acquired during the 1992 year, one in March, one in April and one in June, and the operations of three marine transportation companies acquired during the 1993 year, TPT Transportation on

March 3, AFRAM on May 14 and Chotin Transportation on December 21, all of which were accounted for under the purchase method of accounting. Collectively, the operations of TPT Transportation, AFRAM and Chotin Transportation generated revenues during 1993 of approximately $61,400,000 since their dates of acquisition. In addition, the revenues for each year reflect the new and existing equipment additions to both the inland and offshore fleets made during the years.

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

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

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

Movements of inland industrial chemicals for the petrochemical processing industry, handled by the segment's Inland Chemical Division, were intermittently weak during the 1993 year. In the latter part of the 1993 first quarter, the Inland Chemical Division's equipment utilization and rates reflected signs of improvement from the recessionary pressures which negatively influenced the market during all of 1992 as well as the second half of 1991. While the improvement continued through the 1993 second quarter, equipment utilization was somewhat lower during the 1993 third quarter and remained static during the balance of 1993. Budgetary constraints by petrochemical manufacturers have held back needed rate increases.

Movements of liquid fertilizer and anhydrous ammonia have remained at high levels for the 1993, 1992 and 1991 years due to continued heavy usage of fertilizer products and consistent export sales. For the 1993 year, the movements of liquid fertilizer were conducted well past the normal fertilizer season, as fertilizer terminals which could not be reached during the flooding in the upper Mississippi River were supplied and the demand for fertilizer was enhanced due to flooding of the River farmlands.

The Inland Refined Products Division, which moves inland refined products (gasoline, diesel fuel and jet fuel) reflected improvements during the 1993 year primarily due to a strong demand for gasoline and the resupplying of terminals in the upper Mississippi River flood areas. Such growth in demand benefitted equipment utilization and enabled modest rate increases. The Inland Refined Products Division, formed in 1992 with the acquisitions by Sabine Transportation and OMR Transportation, reflected weakness of demand during the 1992 year, as the peak driving season fell below expectations.

Revenues from the Offshore Division improved significantly during the 1993 year, primarily from the merger with AFRAM Lines on May 14, 1993. Throughout 1993, the Division's dry bulk, container and palletized cargo vessels have remained in heavy demand, being taken out of service only for scheduled maintenance. The merger with AFRAM Lines has improved the Division's ability to transport cargos for United States Government aid programs and military use. The Offshore Division's liquid market, however, has shown price and demand weakness due to excess capacity in the offshore liquid market, particularly affecting spot prices. During 1993, certain equipment was idle due to lack of business. For the 1992 year, revenues from the Offshore Division were significantly enhanced with the addition of Sabine Transportation's six tank ships, all of which were fully booked, except for periods of scheduled maintenance.

Each year includes gains from the disposition of primarily single skin barges and other surplus or obsolete transportation assets. Such gains totaled $525,000 for 1993, $494,000 for 1992 and $1,414,000 for 1991.

Costs and expenses, excluding interest expense, for the marine transportation segment for the 1993 year increased to $242,553,000, an increase of 49% over the comparable 1992 expense of $162,973,000 and 140% over 1991 costs and expenses of $100,884,000. Most of the increases for both comparable periods reflect the costs and expenses, including depreciation, associated with the acquisitions and mergers consummated during the 1993 and 1992 years. In addition, the increases reflect higher equipment costs, employee health and welfare costs, general and administrative costs and inflationary increases in costs and expenses.

The marine transportation pretax earnings for 1993 were $35,668,000, an increase of 63% over 1992 pretax earnings of $21,836,000 and 164% over 1991 pretax earnings of $13,507,000.

DIESEL REPAIR

The Company's diesel repair segment reported diesel repair revenues of $31,952,000 for 1993 reflecting an 11% decrease compared with $35,753,000 for 1992 and a 7% decrease compared with $34,288,000 for 1991. With diesel repair facilities in five locations nationwide that cater to specific markets, each location has been influenced by different economic or environmental conditions during the three comparable periods. The East Coast facility, catering to the military, has been slowed in 1993 and 1992 by United States military reductions and government budget restraints. The Midwest facility, which caters to the inland barge industry, has been hampered to some degree in 1993 and 1992 by the recession, however, the 1993 year was significantly affected by the flooding in the upper Mississippi River during the 1993 third quarter. Revenues from the segment's Midwest facility were reduced by an estimated $900,000, as customers affected by the flooding either curtailed or postponed scheduled repairs and overhauls and significantly curtailed parts purchases. The Gulf Coast facility, tied to the inland and offshore barge and oil service industries was hampered during 1992 by the recession, however, during 1993, business has remained relatively constant. The West Coast facilities, whose primary emphasis is the offshore tuna fishing industry, were negatively affected during 1993 and 1992 by deferred maintenance of equipment by their commercial fishing customers due to low tuna prices caused by the worldwide surplus of tuna. Diesel repair revenues increased by $6,000,000 in 1992 and $2,000,000 in 1991 due to the West Coast facility acquisition in July, 1991.

Costs and expenses, excluding interest expense, for the diesel repair segment for 1993 totaled $30,121,000, compared with $33,328,000 for 1992 and $31,904,000 for 1991. The decrease of 10% for 1993 when compared with 1992 reflects the overall decline in revenues and its effect on the segment's profit margins. The increase for 1992 and 1991 reflects the growth of the segment's direct parts sales and overhaul and repair revenues. In addition, for the 1992 year, the increase in costs and expenses partially reflects the opening of the Seattle facility and the acquisition of the West Coast facility in 1991, which also increased the 1991 costs and expenses.

The diesel repair segment's pretax earnings for 1993 were $1,577,000, a decrease of 30% compared with 1992 pretax earnings of $2,263,000 and 29% under 1991 pretax earnings of $2,213,000.

PROPERTY AND CASUALTY INSURANCE

The Company's property and casualty insurance segment, which is conducted primarily through Universal, reported premiums written of $80,993,000 for 1993, compared with $52,830,000 for 1992 and $36,481,000 for 1991. The 53% increase in premiums written during 1993 compared with 1992 reflected business generated from Eastern America's portfolio brought in with the merger of Eastern America with and into Universal in September, 1992, a new government policy, two vehicle single-interest portfolio transfers and the addition of vehicle single-interest business from two financial institutions, which was the result of an improvement in automobile sales during 1993. The 45% increase in premiums written during 1992 compared with 1991 reflected the increased emphasis in participation in the commercial multi-peril and double-interest lines of business, as premium volumes in the automobile single-interest line remained low due to depressed new automobile sales in Puerto Rico. Premiums written for the 1992 year also included $3 million of single-interest premiums associated with a portfolio transfer which occurred during the 1992 first quarter. In addition, the 1992 year reflected the merger of Eastern America with and into Universal. Premiums written in

1991 reflected the reduction in the automobile single-interest line, offset to some degree by increased participation in the commercial multiple-peril and automobile double-interest lines of business.

Net premiums earned for 1993 totaled $48,243,000 compared with $29,552,000 for 1992 and $23,561,000 for 1991. The 63% increase in net premiums earned during 1993 compared with 1992 reflected the business generated from the Eastern America portfolio as well as a significant increase in the single-interest line of business during 1993. Net premiums earned for all three years were negatively affected by the high reinsurance costs for the commercial multiple-peril line associated with the ceding of a portion of the gross premium under the segment's reinsurance program. Due to the number of worldwide catastrophic events within the past few years, the cost of the segment's reinsurance program continued to substantially increase.

Investment income is generated primarily from the segment's investment in United States Treasury securities, due to their investment safety and favorable Puerto Rico tax treatment. Investment income totaled $7,741,000 for 1993 compared with $6,454,000 for 1992 and $5,994,000 for 1991. The segment, prior to the decline in interest rates, procured a constant yield from the purchase of United States Treasury securities with fixed rates. Even though interest rates on investment securities have remained low since 1991, the insurance segment's investment portfolio has reflected excellent market performance during 1992 and 1993. In addition, the 1993 investment income reflected the full year effect of the merger with Eastern America. The investment portfolio of Eastern America at the date of the merger totaled approximately $21 million. In addition, the insurance segment recognized investment gains of $1,164,000 in 1993, $1,478,000 in 1992 and $853,000 in 1991.

Losses, claims and settlement expenses for 1993 totaled $37,496,000 compared with $26,289,000 for 1992 and $18,103,000 for 1991. The 43% increase for 1993 compared with 1992 reflected the merger with Eastern America as well as the significant increase in business volume, particularly from the single-interest line. In addition, the 1992 year reflected an abnormal year for losses from the commercial multiple-peril line, which experienced high losses from specific events. The 1992 year also included a reserve of $2,500,000 recorded in Mariner, the Company's Bermuda reinsurance subsidiary, which participated in the writing of property and casualty lines of reinsurance from 1970 through 1990. During 1992, Mariner received certain delayed large loss advices, which resulted in the increase in its loss reserves. The 1990 year was the last year for participation in the reinsurance market. For the 1991 year, the insurance segment's loss experience was favorable, the result of a decrease in losses from the commercial multiple-peril and automobile single-interest lines.

Management continues to review the runoff of the reinsurance business previously written by Mariner with the intent of seeking an expedient withdrawal from this business and closure of Mariner's activities, including consideration of commutation of Mariner's book of business. A commutation would entail the transfer of liability from known and incurred but not reported losses to a second party in exchange for a portion of, or all of, Mariner's assets. As of December 31, 1993, the Company had net equity in Mariner of approximately $1,500,000.

Policy acquisition costs for 1993 totaled $11,085,000 compared with $8,649,000 for 1992 and $7,181,000 for 1991. Generally, policy acquisition costs for each year increased due to the higher commission rates associated with the property insurance lines. The results for the 1993 and 1992 year also reflected the merger with Eastern America.

As of December 31, 1993 and 1992, the Company owned 70% and 75%, respectively, of the voting common stock of Universal, with the balance owned by Eastern America Group. The Company owned 100% of the non-voting common and preferred stocks. Minority interest expense for the 1993 year totaled $1,623,000.

The Company's portion of the property and casualty insurance segment's pretax earnings totaled $4,539,000 for 1993, compared with $1,108,000 for 1992 and $4,891,000 for 1991.

FINANCIAL CONDITION, CAPITAL RESOURCES AND LIQUIDITY

In October, 1990, the Board of Directors approved the authorization to purchase 2,000,000 shares of common stock. Currently, approximately 1,700,000 shares remain under the repurchase authorization. The

Company is authorized to purchase the common stock on the American Stock Exchange and in private negotiated transactions. When repurchasing common shares, the Company is subject to price, trading volume and other market considerations. Shares repurchased may be used for reissuance upon the exercise of stock options and other purposes. The purchase of additional shares depends on numerous conditions, including the price of the common stock, capital investment opportunities and other factors. From 1988 through January, 1991, the Company purchased approximately 2,300,000 shares of common stock at an average price of $5.71 per share.

The Company and Dixie have separate revolving credit agreements with an established line of credit of $50,000,000 each. Proceeds under the credit agreements, which provide for interest rates, based at the Company's option, on the prime rate, Eurodollar rate or CD rates, can be used for general corporate purposes, the purchase of new or existing equipment or for business acquisitions. As of March 14, 1994, the Company and Dixie had $33,600,000 and $33,900,000, respectively, available for takedown under the credit agreements. The Company and Dixie entered into the separate credit agreements in April, 1993 providing for aggregate borrowings of up to $30,000,000 and $50,000,000, respectively. In August, 1993, the Company's line of credit was increased to $50,000,000.

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

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

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

Business Acquisitions and Developments

Following the Company's stated strategy of acquiring businesses to complement its existing operations, the Company has been actively engaged in the acquisition of, or merger with, companies during the 1991, 1992 and 1993 years.

In May, 1991, Brent Transportation purchased for $2,550,000 in cash all of the operating assets of International Barges, Inc. The assets consist of three cryogenic inland tank barges currently operating under a term contract transporting industrial anhydrous ammonia. The acquisition incorporates the handling of industrial anhydrous ammonia with Brent Transportation's established market position in the transporting of anhydrous ammonia for use in agriculture.

In July, 1991, Marine Systems purchased the operating assets of Steve Ewing's Diesel Service, Inc., a National City, California based company engaged in the repair and overhaul of marine diesel engines and related parts sales. The acquired assets, consisting of inventory and fixed assets, are operated under the name of Ewing Marine Systems, Inc. The acquisition expanded the diesel repair segment's markets to the West Coast and the Pacific Basin and enables the segment to offer nationwide service to its customers.

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

On April 2, 1992, OMR Transportation completed the purchase of Ole Man River for $25,575,000 in cash. Ole Man River, located in Vicksburg, Mississippi, was engaged in inland marine tank barge transportation of petroleum products along the Mississippi River System and the Gulf Intracoastal Waterway. The purchased properties included 24 owned and two leased tank barges, eight owned towboats, land and buildings. The Company has continued to use the assets of Ole Man River in the same business that Ole Man River conducted prior to the purchase. The asset purchase was funded by borrowings under the transportation segment's bank revolving credit agreement. Based on audited information, Ole Man River had total revenues for the years ended December 31, 1990 and 1991 of $14,676,000 and $15,550,000, respectively. Operations of the assets acquired from Ole Man River are included as part of the Company's operations effective April 2, 1992, in accordance with the purchase method of accounting.

On June 1, 1992, the Company completed the acquisition of Scott Chotin by means of a merger with and into a wholly owned subsidiary of the Company for an aggregate consideration of approximately $34,900,000. Pursuant to the Agreement and Plan of Merger, the Company issued 870,892 shares of common stock, valued at $12.625 per share, to certain Scott Chotin shareholders and paid the shareholders of Scott Chotin approximately $9,700,000 in cash in exchange for the working capital and all of the outstanding common stock of Scott Chotin, discharged existing debt of Scott Chotin of approximately $7,400,000 and paid to certain executives and shareholders of Scott Chotin $5,000,000 for agreements not to compete. In addition, the Company recorded a liability reserve for the issuance, over a three-year period after the closing, of up to 170,000 additional shares of the Company's stock contingent upon the resolution of certain potential liabilities resulting from operations of Scott Chotin prior to the merger. In June, 1993, the Company issued 22,500 shares under the contingent stock agreement. Scott Chotin, located in Mandeville, Louisiana, was engaged in inland marine tank barge transportation of industrial chemicals and asphalt along the Mississippi River System and the Gulf Intracoastal Waterway. Scott Chotin's inland fleet consisted of 29 owned tank barges, six of which operate in the asphalt trade, 10 owned dry cargo barges, eight owned towboats, land and buildings. The Company has continued to use the assets of Scott Chotin in the same business that Scott Chotin conducted prior to the merger. The cash portion of the merger was financed through existing cash balances, borrowings under a subsidiary of the Company's $20,000,000 acquisition line of credit, as well as a $16,000,000 bank term loan with a negative pledge of the assets. Based on audited information, Scott Chotin recorded total revenues for the years ended May 31, 1991 and 1992 of $20,894,000 and $18,817,000, respectively. Scott Chotin's operations are included as part of the Company's operations effective June 1, 1992, in accordance with the purchase method of accounting.

On September 25, 1992, the Company completed the acquisition of Eastern America, a property and casualty insurance company in Puerto Rico, by means of a merger of Eastern America with and into the Company's insurance subsidiary, Universal, with Universal being the surviving entity. Presently, the Company owns approximately 70% of the voting common stock of Universal, with the remaining approximately 30% owned by Eastern America Group, the former parent of Eastern America. Through options and redemption rights included in the merger transaction, Eastern America Group could become the owner of up to 100% of Universal's stock over a period of up to 12 years. Based on audited information, Eastern America reported total revenues of $11,951,000 and $13,544,000 for the years ended December 31, 1990 and 1991, respectively. To date, Universal has redeemed a total 44,933 shares of its common stock from the Company at a price of $8,000,000. In July, 1993, Universal redeemed 39,128 shares for $7,000,000 and in December, 1992, Universal redeemed 5,805 shares for $1,000,000. Eastern America's operations are included as part of the Company's operations effective September 25, 1992, in accordance with the purchase method of accounting.

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

On May 14, 1993, the Company completed the acquisition of AFRAM Lines by means of a merger with and into a wholly owned subsidiary of the Company, for an aggregate consideration of $16,725,000. In addition, the merger provides for an earnout provision not to exceed $3,000,000 in any one year and not to exceed a maximum of $10,000,000 over a four year period. The earnout provision will be recorded as incurred as an adjustment to the purchase price. As of December 31, 1993, a $2,250,000 earnout provision, which accrues from April 1 to March 31 of the following year, had been recorded. Under the terms of the merger, the Company issued 1,000,000 shares of its common stock in exchange for all of AFRAM Lines outstanding stock and paid certain executives and shareholders of AFRAM Lines agreements not to compete totaling $2,000,000. AFRAM Lines located in Houston, Texas, was engaged in the worldwide transportation of dry bulk, container and palletized cargos, primarily for Departments and Agencies of the United States Government. The Company has continued to use the assets of AFRAM Lines in the same business that AFRAM Lines conducted prior to the merger. AFRAM Lines fleet consisted of three U.S. flag container and break-bulk ships which specialize in the transportation of United States Government military and aid cargos. Based on audited information, AFRAM Lines recorded transportation revenues for the years ended June 30, 1992 and 1991 of $38,758,000 and $29,817,000, respectively. Unaudited historical transportation revenues for the year ended December 31, 1992 were $46,268,000. The merger, effective as of April 1, 1993, was accounted for in accordance with the purchase method of accounting. The financial results for the 1993 year include the net earnings from the operations from May 14, 1993, as the net earnings from April 1, 1993 to May 14, 1993, were recorded as a reduction of the purchase price.

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

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

On December 21, 1993, OMR Transportation completed the cash purchase of certain assets of Chotin Transportation. Chotin Transportation, located in Cincinnati, Ohio, was engaged in the inland marine transportation of refined products by tank barge primarily from the lower Mississippi River to the Ohio River under a long-term contract with a major oil company. The purchased properties included 50 single skin and three double skin inland tank barges and a transportation contract, which expires in the year 2000. The asset purchase was funded by borrowings under the transportation segment's bank revolving credit agreement.

Operations of the assets acquired from Chotin Transportation are included as part of the Company's operations effective December 21, 1993, in accordance with the purchase method of accounting.

In March, 1994, the Company through its subsidiary, Americas Marine, began all-water marine transportation services between Memphis, Tennessee and Mexico, Guatemala, Honduras and El Salvador. The new transportation service utilizes a chartered foreign flag river/ocean vessel which offers direct sailing between the locations. The new service provides exporters and importers in the north, central and mid-south states with a direct shipping alternative between the locations on a fourteen day round trip basis. The direct all-water liner service accepts 20 foot and 40 foot containers, including refrigerated and tank containers, as well as other cargo on a space available basis.

Capital Expenditures

The Company continued to enhance its existing operations through the acquisitions of existing equipment during the 1991, 1992 and 1993 years and construction of new equipment during the 1991 and 1992 years.

During 1991, six new 29,000 barrel capacity double skin inland tank barges, which were constructed under a contract entered into in May, 1990, were placed in service. Three of the barges were placed into service in July, one in August and two in September. The six barges cost approximately $8,000,000, including enhancements after delivery. In March, 1991, an option was exercised to purchase six additional 29,000 barrel capacity double skin inland tank barges at a total purchase price including enhancements after delivery, of approximately $8,000,000. The first barge was placed in service in November, 1991, followed by one barge each month through March, 1992. The remaining barge was placed in service in May, 1992.

Through a 50% partnership with EFC, one dry cargo barge and tug unit for use in the offshore market was purchased for approximately $5,500,000, with capitalized restorations and modifications to the barge and tug unit of approximately $7,500,000. The equipment was placed in service in May, 1991.

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

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

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

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

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

In addition to the new and existing transportation equipment mentioned above, during 1991, 1992 and 1993, the Company's transportation subsidiaries continued to add to their fleet through separate purchases of existing equipment. In 1991, two existing towboats and seven existing double skin inland tank barges were purchased for use in the industrial and agricultural chemical market. In 1992, four inland tank barges were purchased and renovated for use in the agricultural market and an inland towboat was purchased for use in the refined products market. In 1993, three existing double skin inland tank barges were purchased and renovated for use in the agricultural market and one inland towboat was purchased for use in the fleeting and shifting operation.

Liquidity

Within the past three years, the Company has generated significant cash flow from its operating segments to fund its capital expenditures, asset acquisitions, debt service and other operating requirements. During 1993, 1992 and 1991, the Company generated net cash provided by operating activities of $61,614,000, $38,372,000 and $26,498,000, respectively.

During each year, inflation has had a relatively minor effect on the financial results of the Company. The marine transportation segment has long-term contracts which generally contain cost escalation clauses whereby certain costs, including fuel can be passed through to its customers, while the segment's short-term, or spot business, is based principally on current prices. In addition, the marine transportation assets acquired and accounted for using the purchase method of accounting were adjusted to a fair market value and, therefore, the cumulative long-term effect on inflation was reduced. The repair portion of the diesel repair segment is based on prevailing current market rates. For the property and casualty insurance segment, 97% of its investments were classified as available-for-sale or short-term investments, which consists primarily of United States Governmental instruments.

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

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The response to this item is submitted as a separate section of this report (see Item 14, page 60).

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

On October 20, 1992, the Company engaged the accounting firm of KPMG Peat Marwick to serve as the principal independent public accountant. The services of the accounting firm of Deloitte & Touche, who previously served as the Company's independent public accountant, were terminated effective October 20, 1992, except for the Company's subsidiary, Universal, which continues to be audited by Deloitte & Touche. The engagement of KPMG Peat Marwick to serve as the principal independent public accountant and the termination of Deloitte & Touche were approved by unanimous consent of the Company's Board of Directors upon the recommendation by the Company's Audit Committee.

With respect to the audit for the year ended December 31, 1991 and the unaudited period to October 20, 1992, there have been no disagreements with Deloitte & Touche on any matters of accounting principles or practices, financial statement disclosure, or accounting scope or procedure. The report of Deloitte & Touche on the financial statements for the year ended December 31, 1991 contained no adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles.

PART III

ITEMS 10 THROUGH 13.

The information for these items has been omitted inasmuch as the registrant will file a definitive proxy statement with the Commission pursuant to the Regulation 14A within 120 days of the close of the fiscal year ended December 31, 1993, except for the information regarding executive officers which is provided in a separate item caption, "Executive Officers of the Registrant," and is included as an unnumbered item following Item 4 in Part I of this Form 10-K.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of
Kirby Corporation

We have audited the accompanying consolidated statements of earnings, stockholders' equity and cash flows of Kirby Corporation and its subsidiaries for the year ended December 31, 1991. Our audit also included the financial statement schedules listed in Part IV, Item 14, for the year ended December 31, 1991. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on such financial statements and financial statement schedules based on our audit.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations, changes in stockholders' equity and cash flows of Kirby Corporation and its subsidiaries for the year ended December 31, 1991 in conformity with generally accepted accounting principles. Also, in our opinion, such financial statement schedules, when considered in relation to the consolidated financial statements for the year ended December 31, 1991, taken as a whole, present fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE

Houston, Texas
March 2, 1992, except for Note 2
as to which the date is
March 18, 1992

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Kirby Corporation:

We have audited the accompanying consolidated balance sheets of Kirby Corporation and consolidated subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of earnings, stockholders' equity and cash flows for the years then ended. In connection with our audits of the consolidated financial statements, we have also audited the related financial statement schedules. These consolidated financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The financial statements and financial statement schedules of Kirby Corporation and consolidated subsidiaries as of and for the year ended December 31, 1991 were audited by other auditors whose report thereon dated March 2, 1992, except for Note 2 to which the date is March 18, 1992, expressed an unqualified opinion on those statements. We did not audit the consolidated financial statements of Universal Insurance Company and its subsidiaries, a 70 percent owned subsidiary, which statements reflect total assets constituting 33 percent and 32 percent and total revenues constituting 14 percent and 16 percent in 1993 and 1992, respectively, of the related consolidated totals. Those statements and the amounts included in the related 1993 and 1992 financial statement schedules were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Universal Insurance Company and its subsidiaries, is based solely on the report of the other auditors.

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

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kirby Corporation and subsidiaries as of December 31, 1993 and 1992, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. Also, in our opinion, based on our audits and the report of the other auditors, the related financial statement schedules, when considered in relation to the 1993 and 1992 basic consolidated financial statements taken as a whole, present fairly, in all material respects the information set forth therein.

As discussed in note 3 to the consolidated financial statements, the Company changed its method of accounting for investments in equity securities in 1993 to adopt the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities." As discussed in note 5 to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 113, "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts" in 1993.

As discussed in note 7 to the consolidated financial statements, the Company changed its method of accounting for income taxes in 1992 to adopt the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." As discussed in note 10 to the consolidated financial statements, the Company adopted the provisions of the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions" in 1992.

KPMG PEAT MARWICK

Houston, Texas
February 21, 1994

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

BALANCE SHEETS
DECEMBER 31, 1992 AND 1993

ASSETS

	1992	1993
	($ IN THOUSANDS)	
Marine Transportation, Diesel Repair and Other		
Current assets:		
Cash and invested cash	$ 2,187	1,999
Accounts and notes receivable, net of allowance for doubtful accounts	35,104	50,722
Inventory -- finished goods, at lower of average cost or market	7,690	7,531
Prepaid expenses	4,245	7,393
Deferred taxes	505	2,768
Total current assets	49,731	70,413
Property and equipment, at cost	338,594	406,675
Less allowance for depreciation	102,672	125,459
	235,922	281,216
Excess cost of consolidated subsidiaries	4,230	7,429
Noncompete agreements, net of accumulated amortization of $7,298 ($4,700 in 1992)	6,350	5,752
Sundry	5,526	13,575
Total assets -- marine transportation, diesel repair and other	301,759	378,385
Insurance		
Investments:		
Fixed maturities:		
Available-for-sale securities	--	102,175
Trading account securities	45,693	--
Investment account securities	57,183	--
Short-term investments	12,962	25,128
	115,838	127,303
Cash and invested cash	5,113	12,937
Accrued investment income	2,382	1,998
Accounts and notes receivable, net of allowance for doubtful accounts	10,938	12,195
Reinsurance receivable on paid losses	2,805	15,186
Prepaid reinsurance premiums	--	5,773
Deferred policy acquisition costs	5,912	7,279
Property and equipment, at cost, net of allowance for depreciation	1,673	2,197
Total assets -- insurance	144,661	184,868
	$446,420	563,253

See accompanying notes to financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

BALANCE SHEETS
DECEMBER 31, 1992 AND 1993

LIABILITIES AND STOCKHOLDERS' EQUITY

	1992	1993
	($ IN THOUSANDS)	
Marine Transportation, Diesel Repair and Other		
Current liabilities:		
Current portion of long-term debt	$ 10,962	10,962
Accounts payable	11,428	11,767
Federal income taxes payable	486	--
Accrued liabilities:		
Interest	1,192	166
Insurance premiums and claims	4,709	6,181
Bonus, pension and profit-sharing plans	6,846	10,491
Taxes, other than on income	1,355	3,052
Other	3,183	8,008
Deferred revenues	3,172	5,637
Total current liabilities	43,333	56,264
Long-term debt, less current portion	147,960	109,597
Deferred taxes	27,005	39,735
Other long-term liabilities	7,349	8,913
Total liabilities -- marine transportation, diesel repair and other	225,647	214,509
Insurance		
Losses, claims and settlement expenses	35,588	49,930
Unearned premiums	42,209	61,558
Reinsurance premiums payable	3,762	5,377
Deferred Puerto Rico taxes	2,457	3,549
Other liabilities	4,781	4,576
Minority interest in consolidated insurance subsidiary	9,150	12,005
Total liabilities -- insurance	97,947	136,995
Contingencies and Commitments	--	--
Stockholders' Equity:		
Preferred stock, $1.00 par value per share. Authorized 20,000,000 shares	--	--
Common stock, $.10 par value per share. Authorized 60,000,000 shares, issued 30,759,000 shares (25,242,000 in 1992)	2,524	3,076
Additional paid-in capital	93,670	156,340
Unrealized net gains in value of long-term investments	1,211	4,440
Retained earnings	39,170	61,339
	136,575	225,195
Less cost of 2,555,000 shares in treasury (2,613,000 in 1992)	13,749	13,446
	122,826	211,749
	$446,420	563,253

See accompanying notes to financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENTS OF EARNINGS
FOR THE YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993

	1991	1992	1993
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Revenues:			
Transportation	$117,003	190,214	283,747
Diesel repair	34,288	35,753	31,952
Net premiums earned	23,561	29,552	48,243
Commissions earned on reinsurance	4,387	5,108	4,632
Investment income	6,874	6,795	7,910
Gain on disposition of assets	1,412	427	355
Realized gain on investments	853	1,478	1,164
Other	655	176	401
	189,033	269,503	378,404
Costs and expenses:			
Cost of sales and operating expenses (except as shown below)	96,339	143,330	204,721
Losses, claims and settlement expenses	18,103	26,289	37,496
Policy acquisition costs	7,181	8,649	11,085
Selling, general and administrative	23,140	32,805	40,162
Taxes, other than on income	5,498	8,867	11,475
Depreciation and amortization	14,959	21,423	28,102
Minority interest expense	--	--	1,623
	165,220	241,363	334,664
Operating income	23,813	28,140	43,740
Interest expense	5,965	9,411	8,416
Earnings before taxes on income	17,848	18,729	35,324
Provision (benefit) for taxes on income:			
United States	4,550	5,151	11,136
Puerto Rico	--	(20)	1,359
	4,550	5,131	12,495
Earnings before cumulative effect of accounting changes	13,298	13,598	22,829
Cumulative effect on prior years of accounting changes:			
Postretirement health care benefits, net of applicable income taxes of $1,163	--	(2,258)	--
Income taxes	--	(10,659)	--
Net earnings	$ 13,298	681	22,829
Earnings (loss) per share of common stock:			
Primary:			
Earnings before cumulative effect of accounting changes	$ .61	.60	.86
Cumulative effect on prior years of accounting changes	--	(.57)	--
Net earnings	$ .61	.03	.86
Fully diluted net earnings -- 1991 only	$ .59		

See accompanying notes to financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993

	1991	1992	1993
Common stock:			
Balance at beginning of year	$ 2,437	2,437	2,524
Par value of common stock issued in acquisition of marine transportation companies	--	87	102
Par value of common stock issued in conversion of 7 1/4% Subordinated Convertible Debentures	--	--	450
Balance at end of year	$ 2,437	2,524	3,076
Additional paid-in capital:			
Balance at beginning of year	$ 82,755	82,762	93,670
Excess of par value of cost of common stock issued in acquisition of marine transportation companies	--	10,908	14,859
Excess of par value of cost of common stock issued in conversion of 7 1/4% Subordinated Convertible Debentures and related cost of conversion	--	--	47,624
Excess of cost of treasury stock sold over proceeds received upon exercise of employees' stock options	7	--	(27)
Tax benefit of exercise of employee stock options	--	--	214
Balance at end of year	$ 82,762	93,670	156,340
Unrealized net gains (losses) in value of investments:			
Balance at beginning of year	$ 149	1,830	1,211
Net increase (decrease) in valuation of investments during the year, net of minority interest for 1993	1,681	(619)	3,229
Balance at end of year	$ 1,830	1,211	4,440
Retained earnings:			
Balance at beginning of year	$ 25,191	38,489	39,170
Net earnings for the year	13,298	681	22,829
Unfunded pension obligation	--	--	(660)
Balance at end of year	$ 38,489	39,170	61,339
Treasury stock:			
Balance at beginning of year	$(13,419)	(13,892)	(13,749)
Purchase of treasury stock	(475)	--	--
Cost of treasury stock sold upon exercise of employees' stock options	2	143	303
Balance at end of year	$(13,892)	(13,749)	(13,446)

See accompanying notes to financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993

	1991	1992	1993
Cash flows from operating activities:			
Earnings before cumulative effect of accounting changes	$ 13,298	13,598	22,829
Adjustments to reconcile earnings to net cash provided by operating activities:			
Depreciation and amortization	14,959	21,423	28,102
Provision for doubtful accounts	62	414	271
Realized gain on investments	(853)	(1,478)	(1,164)
Increase in deferred taxes	2,600	1,895	5,207
Gain on disposition of assets	(1,412)	(427)	(355)
Deferred scheduled maintenance costs	--	--	2,516
Minority interest and earnings of unconsolidated subsidiary	(34)	(38)	1,592
Increase (decrease) in cash flows resulting from changes in:			
Marine Transportation, Diesel Repair and Other assets and liabilities:			
Accounts and notes receivable	(2,048)	(6,803)	(12,833)
Inventory	(508)	(2,288)	158
Other assets	--	(3,454)	(3,046)
Accounts payable	1,510	1,195	(2,624)
Accrued and other liabilities	1,540	3,745	6,255
Insurance assets and liabilities:			
Reinsurance receivable on paid losses	271	1,346	(18,154)
Deferred policy acquisition costs	(446)	(1,106)	(1,368)
Losses, claims and settlement expenses	(2,223)	4,692	14,342
Unearned premiums	802	7,322	19,349
Reinsurance premiums payable	(40)	(1,156)	1,616
Receivables and accrued income	(1,730)	739	(873)
Other liabilities	750	(1,247)	(206)
Net cash provided by operating activities	26,498	38,372	61,614
Cash flow from investing activities:			
Proceeds from sale and maturities of investments	27,916	8,730	12,097
Purchase of investments	(17,066)	(21,544)	(5,772)
Net decrease (increase) in investments	(13,817)	13,589	(10,683)
Capital expenditures	(33,607)	(32,747)	(22,320)
Purchase of assets of marine and diesel repair companies:			
Property and equipment, net of assumed liabilities	(2,644)	(76,279)	(34,617)
Intangible assets	(1,050)	(8,668)	(7,138)
Proceeds from disposition of assets	2,105	839	1,275
Cash received upon mergers	--	3,110	1,733
Other	9	(13)	(468)
Net cash used in investing activities	(38,154)	(112,983)	(65,893)
Cash flow from financing activities:			
Borrowings on bank revolving credit loan	15,294	99,025	124,164
Payments on bank revolving credit loan	(2,694)	(90,125)	(101,564)
Increase in long-term debt	--	84,000	--
Payments under long-term debt	(1,240)	(14,680)	(10,962)
Proceeds from exercise of stock options	--	143	277
Purchase of treasury stock	(475)	--	--
Net cash provided by financing activities	10,885	78,363	11,915
Increase (decrease) in cash and invested cash	(771)	3,752	7,636
Cash and invested cash, beginning of year	4,319	3,548	7,300
Cash and invested cash, end of year	$ 3,548	7,300	14,936
Supplemental disclosures of cash flow information:			
Cash paid during the year:			
Interest	$ 5,873	10,192	9,442
Income taxes	$ 3,250	2,750	5,500
Noncash investing and financing activity:			
Assumption of liabilities in connection with mergers with and purchase of assets of marine and diesel repair companies	$ 915	38,225	11,743
Issuance of stock in connection with purchase of marine transportation companies	$ --	10,995	14,725
Assets and liabilities charged to equity	$ --	--	(2,136)
Issuance of stock in connection with conversion of 7 1/4% convertible debentures	$ --	--	50,000

See accompanying notes to financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS

Principles of Consolidation. The consolidated financial statements include the accounts of Kirby Corporation and its subsidiaries ("the Company"). The assets and liabilities for the insurance operations have not been classified as current or noncurrent, in accordance with insurance practice. The Company's equity in certain partnerships is reflected in the accounts at its pro rata share of the assets, liabilities, revenues and expenses of the partnerships. The purchase price of certain subsidiaries exceeded the equity in net assets of the respective companies at dates of acquisition. The excess is being amortized over 10 to 25 year periods.

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

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

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

Diesel Repair -- Repair of diesel engines, reduction gear repair and sale of related parts and accessories, primarily for customers in the marine industry and beginning in 1994, for customers in the shortline and industrial railroad industry.

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

General Accounting Policies:

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

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

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

Concentrations of Credit Risk. Financial instruments which potentially subject the Company to concentrations of credit risk are primarily trade accounts receivables. The Company's marine transportation customers include the major oil refineries. The diesel repair customers are offshore well service companies, inland and offshore marine transportation companies and the United States Government. The insurance segment customers include agents and customers who reside in Puerto Rico. In addition, credit risk exists through the placement of certificates of deposits with local financial institutions by the insurance segment.

Marine Transportation, Diesel Repair and Other Accounting Policies:

Property, Maintenance and Repairs. Property is recorded at cost. Improvements and betterments are capitalized as incurred. When property items are retired, sold, or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts with any gain or loss on the disposition included in operating income. Maintenance and repairs are charged to operating expenses as incurred on an annual basis.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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

Taxes on Income. The Company follows the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In 1991, the provision for deferred income taxes represents the tax effect of differences in the timing of income and expense recognition for tax and financial reporting purposes.

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

Insurance Accounting Policies:

Investments. Fixed maturity investments held as of December 31, 1993 are primarily classified as available-for-sale securities and are reported at fair market value, with unrealized gains and losses reported in the accompanying balance sheet as unrealized net gains in value of investments. For 1992, the investment in fixed maturities consisted of an investment and a trading account. Investment account securities were recorded at cost, adjusted for the amortization of premiums and accretion of discounts and trading account securities were recorded at market value. The difference between the market value and the amortized cost of trading securities was presented in the accompanying balance sheets as unrealized net gains in value of investments.

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

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

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

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

Unearned Premiums. Unearned premiums are deferred and amortized following the daily pro rata method over the terms of the policies in 1993 (monthly pro rata method in prior years), except for automobile physical damage single-interest policies, which are amortized to income following the sum-of-the-years method.

Guarantee Fund Assessment. The Company's Puerto Rican property and casualty insurance subsidiary is a member of the Puerto Rico Insurance Guaranty Association and is required to participate in losses payable

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OPERATIONS -- (CONTINUED)
to policyholders under risks underwritten by insolvent associated members. Losses are estimated based on its share and accrued on a current basis.

Changes In Accounting Principles:

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

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

The FASB issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which establishes a new accounting principle for the cost of retiree health care and other postretirement benefits. Effective January 1, 1992, the Company adopted SFAS No. 106, the effects of which are more fully described in Note 10, Retirement Plans.

The FASB issued SFAS No. 109, "Accounting for Income Taxes," which requires a change from the deferred method of accounting for income taxes to the asset and liability method of accounting for income taxes. Effective January 1, 1992, the Company adopted SFAS No. 109, the effects of which are more fully described in Note 7, Taxes on Income.

(2) ACQUISITIONS

1992 YEAR:

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

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

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(2) ACQUISITIONS -- (CONTINUED)
River are included as part of the Company's operations effective April 2, 1992, in accordance with the purchase method of accounting.

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

On September 25, 1992, the Company completed the acquisition of Eastern America Insurance Company ("Eastern America"), a property and casualty insurance company in Puerto Rico, by means of a merger of Eastern America with and into the Company's insurance subsidiary, Universal Insurance Company ("Universal"), with Universal being the surviving entity. Presently, the Company owns approximately 70% of the voting common stock of Universal, with the remaining approximately 30% owned by Eastern America Financial Group, Inc. ("Eastern America Group"), the former parent of Eastern America. Through options and redemption rights included in the merger transaction, Eastern America Group could become the owner of up to 100% of Universal's stock over a period of up to 12 years. To date, Universal has redeemed a total 44,933 shares of their common stock from the Company at a price of $8,000,000. In July, 1993, Universal redeemed 39,128 shares for $7,000,000 and in December, 1992, Universal redeemed 5,805 shares for $1,000,000. Eastern America's operations are included as part of the Company's operations effective September 25, 1992, in accordance with the purchase method of accounting.

1993 YEAR:

On March 3, 1993, a subsidiary of the Company completed the purchase of certain assets of TPT ("TPT"), a marine transportation division of Ashland Oil, Inc., for $24,400,000 in cash. TPT, located in Freedom, Pennsylvania, was engaged in the inland marine transportation of industrial chemicals and lube oils by tank barges predominantly from the Gulf Intracoastal Waterway to customers primarily on the upper Ohio River. The purchased properties included 61 owned and six leased double skin inland tank barges, four owned and one leased single skin inland tank barges and five owned inland towboats. The Company has continued to use the assets of TPT in the same business that TPT conducted prior to the purchase. The asset purchase was funded by borrowings under the transportation segment's bank revolving credit agreement. Based on unaudited information, the acquired assets of TPT had total revenues for the year ended September 30, 1992 of

(2) ACQUISITIONS -- (CONTINUED)

$17,000,000. Operations of the assets acquired from TPT are included as part of the Company's operations effective March 3, 1993, in accordance with the purchase method of accounting.

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

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

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(2) ACQUISITIONS -- (CONTINUED)

The following unaudited pro forma financial information for the year ended December 31, 1991 is based on adjusted historical financial statements of the Company, Sabine, Ole Man River, Scott Chotin and Eastern America. The unaudited pro forma financial information for the year ended December 31, 1992 is based on adjusted historical financial statements of the Company, Sabine, Ole Man River, Scott Chotin, Eastern America and AFRAM Lines. The unaudited pro forma financial information for the year ended December 31, 1993 is based on adjusted historical financial statements of the Company and AFRAM Lines. The financial information assumes the acquisitions and mergers were completed as of the beginning of the periods indicated. The pro forma financial information is not necessarily indicative of the results of operations that would have been achieved had the asset purchases and mergers been consummated as of the periods indicated. In addition, the pro forma information is not necessarily indicative of the results of operations that may be obtained in the future.

	FOR THE YEARS ENDED DECEMBER 31,		
	1991	1992	1993
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Revenues	$299,659	349,266	395,491
Earnings before taxes on income	$ 29,026	26,931	38,999
Earnings before cumulative effect of accounting changes	$ 20,985	19,096	25,191
Earnings per common share before cumulative effect of accounting changes:			
Primary	$ .92	.81	.93
Fully diluted	$ .86	.81	.93

(3) INVESTMENTS

With the adoption of SFAS No. 115 effective December 31, 1993 that established new criteria for the accounting and reporting of investments in debt and equity securities that have readily determinable fair value, management revaluated its investment strategy in accordance with the new provisions. Under the provisions of SFAS No. 115, investments are to be classified under one of three categories.

Management determined that substantially all debt and equity securities held at December 31, 1993 qualify as available-for-sale securities. The adoption of SFAS No. 115 increased the carrying value of investment account securities by approximately $4,100,000 and stockholders' equity by $3,075,000, net of applicable deferred income taxes. SFAS No. 115 precludes restatement of prior year financial statements.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(3) INVESTMENTS -- (CONTINUED)

A summary of the insurance subsidiaries' investments as of December 31, 1992 is as follows (in thousands):

TYPE OF INVESTMENT	AMORTIZED COST	QUOTED MARKET VALUE	GROSS UNREALIZED LOSSES	GROSS UNREALIZED GAINS	AMOUNT AT WHICH SHOWN ON THE BALANCE SHEET
Fixed maturities:					
Trading account:					
United States Treasury bills	$ 44,078	45,693	--	1,615	45,693
Investment account:					
Bonds and notes:					
United States Government and government agencies and authorities	55,594	57,789	133	2,329	55,594
States, municipalities and political subdivisions	1,285	1,359	--	74	1,285
All other	304	308	1	5	304
Total investment account	57,183	59,456	134	2,408	57,183
Short-term investments	12,962	12,962	--	--	12,962
Total investments	$ 114,223	118,111	134	4,023	115,838

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

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

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(3) INVESTMENTS -- (CONTINUED)

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

INVESTMENTS MATURING WITHIN	AMORTIZED COST	MARKET VALUE
One year	$ 3,295	3,320
One to five years	36,807	39,489
Five to ten years	16,451	17,712
Ten years and over	38,059	41,654
	$ 94,612	102,175

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

Investment income for the years ended December 31, 1991, 1992 and 1993 is summarized as follows (in thousands):

	1991	1992	1993
Available-for-sale securities	$ --	--	7,175
Trading account securities	2,175	2,602	--
Investment account securities	2,972	3,272	--
Short-term investments	1,727	921	735
	$6,874	6,795	7,910

Realized net gains on investments for the years ended December 31, 1991, 1992 and 1993 are summarized as follows (in thousands):

	1991	1992	1993
Available-for-sale securities	$ --	--	1,164
Trading account securities	(82)	437	--
Investment account securities	935	1,041	--
	$ 853	1,478	1,164

Changes in unrealized net gains (losses) in value of investments for the years ended December 31, 1991, 1992 and 1993 are summarized as follows (in thousands):

	1991	1992	1993
Available-for-sale securities	$ --	--	5,948
Trading account securities	1,660	(775)	--
Investment account securities	581	--	--
	2,241	(775)	5,948
Less deferred income taxes	560	(156)	1,487
	1,681	(619)	4,461
Minority interest portion	--	--	1,232
	$1,681	(619)	3,229

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(4) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment and the related allowance for depreciation at December 31, 1992 and 1993 (in thousands):

	1992	1993
Property and equipment:		
Marine Transportation, Diesel Repair and Other:		
Marine transportation equipment	$326,011	387,494
Land, buildings and equipment	12,583	19,181
	338,594	406,675
Insurance:		
Land, buildings and equipment	2,467	3,320
	$341,061	409,995
Allowance for depreciation:		
Marine Transportation, Diesel Repair and Other:		
Marine transportation equipment	$ 98,646	119,832
Land, buildings and equipment	4,026	5,627
	102,672	125,459
Insurance:		
Land, buildings and equipment	794	1,123
	$103,466	126,582

(5) INSURANCE DISCLOSURE

The financial results of the Company's insurance subsidiaries, Universal, a property and casualty insurance subsidiary located in Puerto Rico, and Mariner, a wholly owned subsidiary located in Bermuda, are consolidated with the Company's other operations.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(5) INSURANCE DISCLOSURE -- (CONTINUED)

As of December 31, 1992 and 1993, the Company owned 75% and 70% of Universal's voting common stock and 100% of Universal's non-voting common and preferred stocks, respectively (see Note 2). Condensed combined statements of earnings of the insurance subsidiaries which are reflected in the consolidated financial statements are as follows (in thousands):

	FOR THE YEARS ENDED DECEMBER 31,		
	1991	1992	1993
Revenues:			
Premiums written	$36,481	52,830	80,993
Reinsurance assumed	$ 1,068	327	27
Net premiums earned	$23,561	29,552	48,243
Investment income	5,994	6,454	7,741
Commissions earned on reinsurance	4,387	5,108	4,632
Realized gains on investments	853	1,478	1,164
Other	(82)	(72)	(169)
	34,713	42,520	61,611
Costs and expenses:			
Losses, claims and settlement expenses	18,103	26,289	37,496
Policy acquisition costs	7,181	8,649	11,085
General and administrative and other expenses	4,538	6,474	6,868
Minority interest expense	--	--	1,623
	29,822	41,412	57,072
Earnings before taxes on income	4,891	1,108	4,539
Benefit for taxes on income	--	1,034	391
Earnings before cumulative effect of accounting change	4,891	2,142	4,930
Cumulative effect on prior years of accounting change for income taxes	--	(157)	--
Net earnings	$ 4,891	1,985	4,930

Policy acquisition costs deferred and amortized against earnings during the years ended December 31, 1991, 1992 and 1993 are summarized as follows (in thousands):

	1991	1992	1993
Balance, beginning of year	$ 3,039	3,485	5,912
Amount deferred during year	7,627	9,756	12,452
Amount acquired upon merger	--	1,320	--
Amount amortized against earnings during year	(7,181)	(8,649)	(11,085)
Balance, end of year	$ 3,485	5,912	7,279

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

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(5) INSURANCE DISCLOSURE -- (CONTINUED)

The insurance subsidiary participated in the international reinsurance market by assuming participations in risks originally undertaken by other underwriters. Effective January 1, 1991, the insurance subsidiary ceased accepting participations in the international reinsurance market. During 1992, the Company's Bermudian reinsurance subsidiary received certain delayed and certain timely large loss advises, the receipt of which caused the Company to increase the reinsurance subsidiary's loss reserves by $2,500,000 to cover both known and unknown losses.

The Company is currently pursuing strategies to withdraw from the runoff of Mariner's reinsurance business at the earliest possible date. Such strategies include the possible commutation of Mariner's open book of reinsurance business in exchange for a portion of, or all of, Mariner's assets. As of December 31, 1993, the Company had net equity in Mariner of approximately $1,500,000.

Net earnings and stockholders' equity of only the Company's Puerto Rican property and casualty insurance subsidiary as determined in accordance with Puerto Rican statutory accounting practices and generally accepted accounting principles for the years ended December 31, 1991, 1992 and 1993 are as follows (in thousands):

	1991	1992	1993
Statutory accounting practice:			
Net earnings	$ 4,255	4,809	7,099
Stockholders' equity	$35,534	46,943	47,011
Generally accepted accounting principles:			
Net earnings	$ 4,870	3,958	6,553
Stockholders' equity	$42,838	54,341	58,354

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

(6) LONG-TERM DEBT

Long-term debt at December 31, 1992 and 1993 consisted of the following (in thousands):

	1992	1993
Long-term debt:		
7 1/4% convertible subordinated debentures, due October 1, 2014	$ 50,000	--
Revolving credit loans, due May 1, 1994	21,500	--
Revolving credit loans, due June 30, 1996	--	44,100
Bank term loan, $667,000 due quarterly through December 31, 1996, remaining balance of $5,333,000 due March 6, 1997	16,000	13,333
Bank term loan, $571,000 due quarterly through March 31, 1997, remaining balance of $5,144,000 due June 1, 1997	14,857	12,571
8.22% senior notes, $5,000,000 due annually through June 30, 2002	50,000	45,000
7.18% nonrecourse debt, $505,000 due semiannually through February 1, 1999	6,565	5,555
	$158,922	120,559

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

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

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

1994	$10,962
1995	10,962
1996	55,062
1997	17,058
1998	6,060

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

On April 23, 1993, the Company and the Company's principal marine transportation subsidiary, entered into two separate revolving credit agreements (the "Credit Agreements") with Texas Commerce Bank National Association ("TCB"), as agent bank, providing for aggregate borrowings of up to $30,000,000 and $50,000,000, respectively, maturing on June 30, 1996. On August 12, 1993, the Company amended its Credit Agreement with TCB and increased the Company's provision for aggregate borrowings from $30,000,000 to $50,000,000. The Credit Agreements are unsecured; however, the Company's Credit Agreement contains a negative pledge with respect to the capital stock of certain subsidiaries of the Company and the marine transportation subsidiary's Credit Agreement contains a negative pledge with respect to certain scheduled assets. In addition, the Credit Agreements provide for the grant to TCB of a first priority lien on the capital stock or assets, as applicable, subject to the negative pledge, generally in the event of the occurrence and continuation of a default. Interest on the Credit Agreements, subject to an applicable margin ratio and type of loan, is floating prime rate or, at the Company and the marine transportation subsidiary's option, rates based on an Eurodollar interbank rate or certificate of deposit rate. Proceeds under the Credit Agreements may be used for general corporate purposes, the purchase of existing or new equipment or for possible business acquisitions. The Credit Agreements contain covenants that require the maintenance of certain financial ratios and certain other covenants that are substantially similar to the covenants contained in the marine transportation subsidiary's prior $60,000,000 revolving credit agreement, which was terminated in connection with the new Credit Agreements. These covenants cover, among other things, the disposal of capital stock of subsidiaries and assets outside the ordinary course of business. The Credit Agreements also contain usual and customary events of default. The Company and the marine transportation subsidiary were in compliance with the matters as of December 31, 1993. At December 31, 1993, the Company and the marine transportation subsidiary had $32,000,000 and $23,900,000 respectively, available for takedown under the Credit Agreements.

On March 6, 1992, the Company entered into a $18,000,000 credit agreement with TCB which matures on March 6, 1997. The purchase of Sabine, on March 13, 1992, was financed with the $18,000,000 credit agreement, existing cash balances, and borrowings under the marine transportation subsidiary's credit agreement. The $18,000,000 credit agreement has a negative pledge of the assets acquired from Sabine. Principal payments of $667,000 are due quarterly up through December 31, 1996. Interest on the credit agreement, subject to an applicable margin ratio and type of loan, is floating prime rate, or at the Company's

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(6) LONG-TERM DEBT -- (CONTINUED)
option, rates based on a Eurodollar interbank rate or certificate of deposit rates. The remaining principal balance of $5,333,000 is fully due and payable on March 6, 1997, together with any unpaid interest accrued thereon. At December 31, 1993, $13,333,000 was outstanding under the loan agreement and the weighted average interest rate was 4.32%.

On May 28, 1992, the Company entered into a $16,000,000 credit agreement with TCB which matures on June 1, 1997. The purchase of Scott Chotin, on June 1, 1992, was financed with the $16,000,000 credit agreement, existing cash balances, and borrowings under a $20,000,000 acquisition credit facility with TCB. The credit agreement has a negative pledge of the assets acquired from Scott Chotin. Principal payments of $571,000 are due quarterly up through March 31, 1997. Interest on the credit agreement, subject to an applicable margin ratio and type of loan, is floating prime rate, or at the Company's option, rates based on an Eurodollar interbank rate or certificate of deposit rates. The remaining principal balance of $5,143,000 is fully due and payable on June 1, 1997, together with any unpaid interest accrued thereon. At December 31, 1993, $12,571,000 was outstanding under the loan agreement and the weighted average interest rate was 4.57%.

On August 13, 1992, the Company's transportation segment sold $50,000,000 of 8.22% senior notes due June 30, 2002, in a private placement. Proceeds from these notes were used to retire the $20,000,000 acquisition credit facility with TCB and the retirement of two $5,000,000, 10% subordinated promissory notes originally issued as part of the purchase of the assets of a marine transportation company on May 23, 1989, with the balance of the proceeds used to reduce the amount outstanding under the marine transportation subsidiary's credit agreement with TCB. Principal payments of $5,000,000, plus interest, are due annually through June 30, 2002. At December 31, 1993, $45,000,000 was outstanding under the senior notes.

The Company is of the opinion that the terms of the outstanding debt represents the fair value of such debt as of December 31, 1993.

(7) TAXES ON INCOME

Earnings before taxes on income and details of the provision (benefit) for taxes on income for United States and Puerto Rico operations for the years ended December 31, 1991, 1992 and 1993 are as follows (in thousands):

	1991	1992	1993
Earnings before taxes on income:			
United States	$12,939	14,635	30,785
Foreign	4,909	4,094	4,539
	$17,848	18,729	35,324
Provision (benefit) for taxes on income:			
United States:			
Current	$ 1,950	3,236	6,216
Deferred	2,600	1,915	4,387
State and Municipal	--	--	533
	4,550	5,151	11,136
Puerto Rico:			
Current	--	--	1,754
Deferred	--	(20)	(395)
	--	(20)	1,359
	$ 4,550	5,131	12,495

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(7) TAXES ON INCOME -- (CONTINUED)

For the years ended December 31, 1992 and 1993, taxes on income were accounted for under the asset and liability method required by SFAS No. 109. The cumulative effect on prior years of the adoption of SFAS No. 109 decreased net earnings by $10,659,000, or $.47 per share, and is reported separately in the statement of earnings for the year ended December 31, 1992. In addition to the impact of the cumulative effect on prior years, the effect of the adoption of SFAS No. 109 decreased the net earnings for the 1992 year by $916,000, or $.04 per share. Prior year financial statements were not restated.

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

The Company's effective income tax rate for United States federal income taxes varied from the statutory tax rate for the years ended December 31, 1991, 1992 and 1993 due to the following:

	1991	1992	1993
United States income tax statutory rate	34.0%	34.0%	35.0%
Foreign earnings	1.9	--	--
Credit for foreign withholding tax paid	--	--	(4.9)
Other	(.7)	1.1	(.1)
	35.2%	35.1%	30.0%

The Company's effective income tax rate for Puerto Rico income taxes varied from the statutory tax rate for the years ended December 31, 1991, 1992 and 1993 due to the following:

	1991	1992	1993
Puerto Rico income tax statutory rate	42.0%	42.0%	42.0%
Tax-exempt interest on certain investments	(39.0)	(42.0)	(48.4)%
Utilization of capital loss carryforwards	(3.3)	--	--
Other	.3	(.5)	1.7
	--%	(.5)%	(4.7)%

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

	1992	1993
Tax depreciation over financial depreciation	$ 2,677	5,616
Tax leases	541	--
Financial gain on disposals different from tax	(887)	(41)
Utilization of tax net operating loss carryforwards	1,265	(1,044)
Utilization of tax credits	1,076	1,841
Alternative minimum taxes	(2,897)	(200)
Self insurance reserves	--	(1,221)
Other	140	(564)
	$ 1,915	4,387

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(7) TAXES ON INCOME -- (CONTINUED)

For the year ended December 31, 1991, the deferred income tax provision results from the timing differences in the recognition of income and expense for tax and financial reporting purposes. The sources and tax effect of the timing differences related to the United States operations for the year ended December 31, 1991 is as follows (in thousands):

Tax depreciation over financial depreciation	$1,762
Amortization	(129)
Tax leases	267
Allowance for uncollectible accounts	398
Other	302
	$2,600

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

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

	1992	1993
Current deferred tax assets:		
Compensated absences, principally due to accrual for financial reporting purposes	$ 440	410
Self-insurance reserves	--	1,983
Other	65	375
	$ 505	2,768
Non-current deferred tax liabilities:		
Deferred tax assets:		
Tax credit carryforwards	$ 2,206	365
Alternative minimum tax credit carryforwards	7,197	7,397
Postretirement health care benefits	1,410	1,590
Dual consolidated net operating loss	--	1,044
Other	482	767
	11,295	11,163
Less valuation allowance	488	--
	10,807	11,163
Deferred tax liabilities:		
Property and equipment, principally due to differences in depreciation and basis	(22,571)	(35,577)
Undistributed earnings from foreign subsidiaries	(15,241)	(15,321)
	(37,812)	(50,898)
	$(27,005)	(39,735)

As of December 31, 1993, there was no valuation allowance.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(7) TAXES ON INCOME -- (CONTINUED)

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

	1992
Income tax benefits that would be reported in the statement of earnings	$441
Other	47
	$488

At December 31, 1993, the Company has alternative minimum tax credit carryforwards of approximately $7,397,000 which are available to reduce future federal regular income taxes, if any, over an indefinite period.

(8) LEASES

The Company and its subsidiaries currently lease various facilities and equipment under a number of cancelable and noncancelable operating leases. Total rental expense for the years ended December 31, 1991, 1992 and 1993 follows (in thousands):

	1991	1992	1993
Rental expense	$1,043	3,014	3,519
Sublease rental	92	93	90
Net rental expense	$ 951	2,921	3,429

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

	LAND BUILDINGS AND EQUIPMENT
1994	$1,298
1995	1,013
1996	833
1997	653
1998	160
Thereafter	9
	$3,966

(9) STOCK OPTION PLANS

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

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(9) STOCK OPTION PLANS -- (CONTINUED)

Changes in options outstanding under the employee plans described above for the 1991, 1992 and 1993 years are summarized as follows:

	INCENTIVE STOCK OPTIONS		NON-QUALIFIED OR NONINCENTIVE STOCK OPTIONS		
	OUTSTANDING	EXERCISABLE	OUTSTANDING	EXERCISABLE	OPTION PRICE RANGE PER SHARE
Outstanding December 31, 1990	59,362	56,862	539,744	215,744	$ 2.88 - $29.63
Granted	--	--	--	--	
Became exercisable	--	2,500	--	106,500	$ 3.69 - $ 8.19
Exercised	(18,181)	(18,181)	(1,150)	(1,150)	$ 6.56 - $ 8.19
Canceled or expired	(3,000)	(3,000)	--	--	$29.63
Outstanding December 31, 1991	38,181	38,181	538,594	321,094	$ 2.88 - $14.95
Granted	--	--	151,000	--	$12.94 - $13.88
Became exercisable	--	--	--	106,500	$ 3.69 - $ 8.19
Exercised	--	--	(33,404)	(33,404)	$ 2.88 - $ 9.29
Canceled or expired	--	--	(17,821)	(4,071)	$ 6.56 - $14.95
Outstanding December 31, 1992	38,181	38,181	638,369	390,119	$ 2.89 - $13.88
Granted	--	--	368,000	--	$12.84 - $18.19
Became exercisable	--	--	--	106,500	$ 5.68 - $13.88
Exercised	(10,000)	(10,000)	(47,750)	(47,750)	$ 2.89 - $13.88
Canceled or expired	--	--	(14,750)	(2,000)	$ 8.19 - $12.94
Outstanding December 31, 1993	28,181	28,181	943,869	446,869	$ 2.88 - $18.19

At December 31, 1993, 94,714 shares were available for future grants under the employee plans and 478,014 shares under the employee plans were issued with limited stock appreciation rights.

The 1989 Director Stock Option Plan provides for the issuance of options to purchase up to 150,000 shares of common stock to the Company's directors, who are not employees of the Company. Stock options totaling 60,000 shares were granted to non-employee directors during the year ended December 31, 1989, at an option price of $7.5625 per share, and remain outstanding as of December 31, 1991, 1992 and 1993. During the year ended December 31, 1993, an additional 10,000 shares were granted at an option price of $18.625 per share and remain outstanding as of December 31, 1993.

In July, 1993, the Board of Directors of the Company adopted, subject to stockholder approval at the 1994 Annual Meeting of Stockholders, the granting of 25,000 shares of non-qualified stock options to Robert G. Stone, Jr. at an option price of $18.625. Such price represents the fair market value of the Company's common stock on the date of grant. The grant serves as an incentive to retain the optionee as Chairman of the Board of the Company or as a member of the Board of Directors of the Company.

In January, 1994, the Board of Directors of the Company adopted, subject to stockholder approval at the 1994 Annual Meeting of Stockholders, the 1994 Employee Stock Option Plan, providing for the issuance of options to key employees of the Company to purchase up to 1,000,000 shares of common stock. No options have been granted under the 1994 Employee Plan.

In January, 1994, the Board of Directors of the Company adopted, subject to stockholders approval at the 1994 Annual Meeting of Stockholders, the 1994 Nonemployee Director Stock Option Plan, providing for the issuance of options to Directors of the Company, including Advisory Directors, to purchase up to 100,000 shares of common stock. The 1994 Nonemployee Director Stock Option Plan is intended as an incentive to

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(9) STOCK OPTION PLANS -- (CONTINUED)
attract and retain qualified, independent Directors. To date, 12,000 shares have been granted under the 1994 Director Plan, subject to shareholder approval at the 1994 Annual Meeting of Stockholders.

Also, in January, 1994, the Board of Directors of the Company adopted, subject to stockholder approval at the 1994 Annual Meeting of Stockholders, an amendment to the 1989 Director Stock Option Plan. Such amendment would reduce the number of stock options automatically granted to future directors from 10,000 shares of the Company's common stock to 5,000 shares of the Company's common stock.

(10) RETIREMENT PLANS

The transportation subsidiaries sponsor defined benefit plans for certain ocean-going personnel. The plan benefits are based on an employee's years of service. The plans' assets primarily consist of fixed income securities and corporate stocks. Funding of the plans is based on actuarial computations that are designed to satisfy minimum funding requirements of applicable regulations and to achieve adequate funding of projected benefit obligations.

Net periodic pension cost of the defined benefit plans as determined by using the projected unit credit actuarial method was $174,000, $908,000 and $1,080,000 in 1991, 1992 and 1993, respectively. The components of net periodic pension cost are as follows (in thousands):

	1991	1992	1993
Service cost -- benefits earned during the year	$ 154	707	794
Interest cost	125	528	638
Actual return on plan assets	(237)	(179)	(343)
Net amortization and deferrals	149	(39)	29
Less partnerships' allocation	(17)	(39)	(38)
Less amount allocated to prior employer	--	(70)	--
Net periodic pension cost	$ 174	908	1,080

The funding status of the plans as of December 31, 1992 and 1993 was as follows (in thousands):

	1992	1993
Actuarial present value of benefit obligations:		
Vested	$ 5,370	7,529
Non-vested	539	787
Accumulated benefit obligation	5,909	8,316
Impact of future salary increases	827	1,047
Projected benefit obligation	6,736	9,363
Plan assets at fair value	4,566	6,172
Plan assets in excess of (less than) projected benefit obligation	(2,170)	(3,191)
Unrecognized transition obligation	136	142
Unrecognized prior service cost	1,558	1,407
Unrecognized net loss	133	1,630
Additional minimum liability	(1,129)	(2,132)
Prepaid (accrued) pension cost	$(1,472)	(2,144)

(Table continued on following page)

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(10) RETIREMENT PLANS -- (CONTINUED)

	1992	1993
Actuarial assumptions:		
Discount rate	8.5%	7.25%
Return on assets	9.25%	9.25%
Salary increase rate	5%	4%

The Company, transportation subsidiaries and the diesel repair subsidiary sponsor defined contribution plans for all shore-based employees and certain ocean-going personnel. Maximum contributions to these plans equal the lesser of 15% of the aggregate compensation paid to all participating employees, or up to 20% of each subsidiary's earnings before federal income tax after certain adjustments for each fiscal year. The aggregate contributions to the plans were approximately $1,948,000, $2,124,000 and $1,484,000 in 1991, 1992 and 1993, respectively.

The insurance subsidiary sponsors a qualified, non-contributory profit-sharing plan which provides retirement benefits to eligible employees. Voluntary contributions to the plan equal no less than 1% of the annual participant's compensation, as defined, plus a portion of the administration expenses of the plan during the first 10 years. The insurance subsidiary's contributions to the plan were approximately $227,000, $231,000 and $269,000 in 1991, 1992 and 1993, respectively.

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

As discussed in Note 1, the Company adopted SFAS No. 106 effective January 1, 1992. The cumulative effect on prior years of the adoption of SFAS No. 106 decreased net earnings by $2,258,000, net of applicable income taxes of $1,163,000, or $.10 per share, and is reported separately in the statement of earnings for the year ended December 31, 1992. In addition to the impact of the cumulative effect on prior years, the effect of the adoption of SFAS No. 106 decreased the net earnings for the 1992 year by $355,000, net of applicable income taxes of $183,000 or $.02 per share. Prior year financial statements were not restated.

The following table presents the plan's funded status reconciled with amounts recognized in the Company's consolidated balance sheet at December 31, 1993 (in thousands):

Accumulated postretirement benefit obligation:	
Retirees	$ 788
Fully eligible active plan participants	627
Other active plan participants	3,219
Partnership's allocation	(151)
Unrecognized gains	60
Accrued postretirement benefit cost included in other long-term liabilities	$4,543
Net periodic postretirement benefit cost for 1993 includes the following components:	
Service cost	$ 289
Interest cost	320
Less partnerships' allocation	(15)
Net periodic postretirement benefit cost	$ 594

The Company's unfunded defined benefit health care plan, which provides limited postretirement medical benefits, limits cost increases in the Company's contribution to 4% per year. For measurement purposes, a 4% annual rate of increase in the per capita cost of covered benefits (i.e., health care cost trend

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(10) RETIREMENT PLANS -- (CONTINUED)
rate) was assumed for future periods. Accordingly, health care cost trend rate assumption would have no effect on the amounts reported.

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.25% at December 31, 1993.

SFAS No. 112, "Employers' Accounting for Postemployment Benefits," issued in November, 1992, which is required to be applied in the first quarter of 1994, is not expected to have a material effect on the Company's financial statements.

(11) EARNINGS PER SHARE OF COMMON STOCK

Primary earnings per share of common stock for the year ended December 31, 1991, 1992 and 1993 were based on the weighted average number of common stock and common stock equivalent shares outstanding of 21,952,000, 22,607,000 and 26,527,000 respectively.

Fully diluted earnings per share of common stock for the year ended December 31, 1991 assume the conversion of the 7 1/4% debentures (see Note 6) and the exercise of stock options using the treasury stock method. Net earnings for the computation were increased by the interest expense, net of federal income taxes, on the debentures. The weighted average number of shares used in the computation of fully diluted earnings per common share for 1991 was 26,454,000.

(12) QUARTERLY RESULTS (UNAUDITED)

The unaudited quarterly results for the year ended December 31, 1992 are as follows (in thousands, except per share amounts):

	THREE MONTHS ENDED			
	MARCH 31, 1992	JUNE 30, 1992	SEPTEMBER 30, 1992	DECEMBER 31, 1992
Revenues	$ 49,156	69,314	73,181	77,851
Costs and expenses	43,943	60,847	63,235	73,338
Operating income	5,213	8,467	9,946	4,513
Interest expense	1,614	2,329	2,756	2,712
Earnings before taxes on income	3,599	6,138	7,190	1,801
Provisions for taxes on income	662	1,781	2,225	461
Earnings before cumulative effect of accounting changes	2,937	4,357	4,965	1,340
Cumulative effect on prior years of accounting changes	(12,917)	--	--	--
Net earnings (loss)	$ (9,980)	4,357	4,965	1,340
Earnings (loss) per share of common stock:				
Primary:				
Earnings before cumulative effect of accounting changes	$ .13	.20	.22	.06
Cumulative effect on prior years of accounting changes	(.57)	--	--	--
Net earnings (loss)	$ (.44)	.20	.22	.06

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(12) QUARTERLY RESULTS (UNAUDITED) -- (CONTINUED)

The unaudited quarterly results for the year ended December 31, 1992 have been restated for the effect of the adoption of SFAS No. 106, more fully described in Note 10 and the adoption of SFAS No. 109, more fully described in Note 7. The adoption of SFAS No. 106 and SFAS No. 109,, effective January 1, 1992, reduced the net earnings (loss) before the cumulative effect of the accounting changes for the four quarters of 1992 as follows (in thousands, except per share amounts):

	THREE MONTHS ENDED			
	MARCH 31, 1992	JUNE 30, 1992	SEPTEMBER 30, 1992	DECEMBER 31, 1992
SFAS No. 106:				
Earnings (loss) before taxes on income	$ (79)	(148)	(158)	(153)
Provision for taxes on income	27	50	54	52
Earnings (loss) before cumulative effect of accounting changes	$ (52)	(98)	(104)	(101)
SFAS No. 109:				
Earnings (loss) before cumulative effect of accounting changes	$ 11	(15)	(78)	(834)
Earnings (loss) per share of common stock:				
Earnings (loss) before cumulative effect of accounting changes:				
SFAS No. 106	$ --	--	(.01)	(.01)
SFAS No. 109	$ --	--	--	(.04)

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

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

(13) CONTINGENCIES AND COMMITMENTS

The Company's Puerto Rican insurance subsidiary has appealed to the Supreme Court of Puerto Rico, a July 5, 1989 Superior Court judgment of approximately $1,100,000, plus interest of approximately $1,935,000 as of December 31, 1993, resulting from a civil suit claiming damages. The Supreme Court of Puerto Rico decided during 1992 to review the case. Management is of the opinion, based on consultation with its legal counsel, that the judgment will be reversed or at least substantially reduced, however, reserves have been established for the entire amount of the judgment plus accrued interest.

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(13) CONTINGENCIES AND COMMITMENTS -- (CONTINUED)

There are various other suits and claims against the Company, none of which in the opinion of management will have a material effect on the Company.

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

(14) INDUSTRY SEGMENT DATA

The Company conducts operations in three industry segments as follows:

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

Diesel Repair -- Repair of diesel engines, reduction gear repair and sale of related parts and accessories, primarily for customers in the marine industry and beginning in 1994, for customers in the shortline and industrial railroad industry.

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

The following table sets forth by industry segment the combined gross revenues, operating profits (before general corporate expenses, interest expense and income taxes), identifiable assets (including goodwill), depreciation and amortization and capital expenditures attributable to the continuing principle activities of the Company for the years ended December 31, 1991, 1992 and 1993 (in thousands):

	1991	1992	1993
Gross revenues from unaffiliated customers:			
Transportation	$118,573	191,007	284,761
Diesel repair	34,386	35,889	32,025
Insurance	34,713	42,520	61,611
	187,672	269,416	378,397
General corporate revenues	1,361	87	7
Consolidated revenues	$189,033	269,503	378,404
Operating profits:			
Transportation	$ 17,689	28,034	42,208
Diesel repair	2,482	2,561	1,904
Insurance	4,891	1,108	4,539
	25,062	31,703	48,651
General corporate expenses, net	(1,249)	(3,563)	(4,911)
Interest expense	(5,965)	(9,411)	(8,416)
Earnings before taxes on income	$ 17,848	18,729	35,324

(Table continued on following page)

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

(14) INDUSTRY SEGMENT DATA -- (CONTINUED)

	1991	1992	1993
Identifiable assets:			
Transportation	$150,477	275,616	344,488
Diesel repair	15,353	18,897	20,259
Insurance	106,401	145,246	184,868
	272,231	439,759	549,615
Investment in unconsolidated affiliate	134	146	177
General corporate assets	13,637	6,515	13,461
Consolidated assets	$286,002	446,420	563,253
Depreciation and amortization:			
Transportation	$ 14,239	20,332	26,331
Diesel repair	373	565	658
Insurance	260	277	395
	$ 14,872	21,174	27,384
Capital expenditures and business acquisitions:			
Transportation	$ 35,769	123,700	71,236
Diesel repair	1,192	944	1,229
Insurance	202	630	1,086
	$ 37,163	125,274	73,551

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

PART IV

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

(a) 1. Financial Statements:

Included in Part III of this report:

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

Report of Deloitte and Touche, Independent Public Accountants, on the financial statements of Kirby Corporation and Consolidated Subsidiaries for the year ended December 31, 1991.

Balance Sheets, December 31, 1992 and 1993.

Statements of Earnings, for the years ended December 31, 1991, 1992 and 1993

Statements of Stockholders' Equity, for the years ended December 31, 1991, 1992 and 1993

Statements of Cash Flows, for the years ended December 31, 1991, 1992 and 1993

Notes to Financial Statements, for the years ended December 31, 1991, 1992 and 1993

(a) 2. Financial Statement Schedules:

Included in Part IV of this report:

V	-- Plant, Property and Equipment, for the years ended December 31, 1991, 1992 and 1993
VI	-- Accumulated Depletion, Depreciation and Amortization of Plant, Property and Equipment, for the years ended December 31, 1991, 1992 and 1993
X	-- Supplementary Income Statement Information, for the years ended December 31, 1991, 1992 and 1993
V	-- Supplemental Insurance Information, for the years ended December 31, 1991, 1992 and 1993
VI	-- Reinsurance, for the years ended December 31, 1991, 1992 and 1993

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

(a) 3. Exhibits

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
3.1	-- Restated Articles of Incorporation of Kirby Exploration Company, Inc. (the "Company"), as amended (incorporated by reference to Exhibit 3.1 of the Registrant's 1989 Registration Statement on Form S-3 (Reg. No. 33-30832)).
3.2	-- Certificate of Amendment of Restated Articles of Incorporation of the Company filed with the Secretary of State of Nevada April 30, 1990 (incorporated by reference to Exhibit 3.2 of the Registrant's Annual report on Form 10-K for the year ended December 31, 1990).
3.3	-- Bylaws of the Company, as amended (incorporated by reference to Exhibit 3.2 of the Registrant's 1989 Registration Statement on Form S-3 (Reg. No. 33-30832)).
3.4	-- Amendment to Bylaws of the Company effective April 24, 1990 (incorporated by reference to Exhibit 3.4 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990).
10.1+	-- 1976 Stock Option Plan of Kirby Exploration Company, as amended, and forms of option agreements provided for thereunder and related documents (incorporated by reference to Exhibit 10.1 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1981).

EXHIBIT NO.		DESCRIPTION OF EXHIBIT
10.2+	--	1982 Stock Option Plan for Kirby Exploration Company, and forms of option agreements provided for thereunder and related documents (incorporated by reference to Exhibit 10.5 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1982).
10.3+	--	Amendment to 1982 Stock Option Plan for Kirby Exploration Company (incorporated by reference to Exhibit 10.5 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1986).
10.4	--	Indemnification Agreement, dated April 29, 1986, between the Company and each of its Directors and certain key employees (incorporated by reference to Exhibit 10.11 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1986).
10.5+	--	1989 Employee Stock Option Plan for the Company, as amended (incorporated by reference to Exhibit 10.11 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1989).
10.6+	--	1989 Director Stock Option Plan for the Company, as amended (incorporated by reference to Exhibit 10.12 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1989).
10.7	--	Loan Agreement, dated as of July 31, 1990, by and between Dixie Carriers, Inc. and Texas Commerce Bank National Association (incorporated by reference to Exhibit 10.10 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1990).
10.8	--	Loan Agreement between Dixie Fuels Limited and NCNB Leasing Corporation, dated as of February 4, 1992 (incorporated by reference to Exhibit 10.10 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).
10.9	--	Agreement of Purchase and Sale, dated January 24, 1992, by and among Sabine Transportation Company, Kirby Corporation, Sabine Towing & Transportation Co., Inc. and Sequa Corporation, as amended (incorporated by reference to Exhibit 10.11 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).
10.10	--	Credit Agreement, dated as of March 6, 1992, among Sabine Transportation Company, Kirby Corporation, Texas Commerce Bank National Association and The First National Bank of Boston (incorporated by reference to Exhibit 10.12 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).
10.11	--	Agreement of Purchase and Sale, dated March 12, 1992, by and between Ole Man River Towing, Inc. and related entities, OMR Transportation Company and Dixie Carriers, Inc. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K dated as of April 10, 1992).
10.12	--	Credit Agreement, dated as of March 18, 1992, among Dixie Carriers, Inc., Kirby Corporation and Texas Commerce Bank National Association (incorporated by reference to Exhibit 10.13 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).
10.13	--	Agreement and Plan of Merger, dated April 15, 1992, among Kirby Corporation, Chotin Carriers, Inc., Scott Chotin, Inc. and Certain Shareholders of Scott Chotin, Inc. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K dated as of June 11, 1992).

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
10.14	-- Credit Agreement, dated as of May 28, 1992, among Chotin Carriers, Inc., Kirby Corporation, Texas Commerce Bank National Association and The First National Bank of Boston (incorporated by reference to Exhibit 2.2 of the Registrant's Current Report on Form 8K dated as of June 11, 1992).
10.15	-- Note Purchase Agreement, dated as of August 12, 1992, among Dixie Carriers, Inc., The Variable Annuity Life Insurance Company, Provident Mutual Life and Annuity Company of America, among other (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1992).
10.16	-- Asset Sale and Purchase Agreement, dated January 22, 1993, by and among Ashland Oil, Inc., TPT Transportation Company and Dixie Carriers, Inc. (incorporated by reference to Exhibit 10.18 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992).
10.17	-- Deferred Compensation Agreement dated August 12, 1985 between Dixie Carriers, Inc., and J.H. Pyne (incorporated by reference to Exhibit 10.19 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992).
10.18	-- Agreement and Plan of Merger, dated April 1, 1993, among Kirby Corporation, AFRAM Carriers, Inc. and AFRAM Lines (USA) Co., Ltd. and the shareholders of AFRAM Lines (USA) Co., Ltd. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K dated May 3, 1993).
10.19	-- Credit Agreement, dated April 23, 1993, among Kirby Corporation, the Banks named therein, and Texas Commerce Bank National Association as Agent and Fund Administrator (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993).
10.20	-- Credit Agreement, dated April 23, 1993, among Dixie Carriers, Inc., the Banks named therein, and Texas Commerce Bank National Association, as Agent and Fund Administrator (incorporated by reference to Exhibit 10.02 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993).
10.21*+	-- 1994 Employee Stock Option Plan for Kirby Corporation.
10.22*+	-- 1994 Nonemployee Director Stock Option Plan for Kirby Corporation.
10.23*+	-- 1993 Stock Option of Kirby Corporation for Robert G. Stone, Jr.
10.24*+	-- Amendment to 1989 Director Stock Option Plan for Kirby Exploration Company, Inc.
21.1*	-- Principal Subsidiaries of the Registrant.
23.1*	-- Consent of Deloitte & Touche.
23.2*	-- Consent of KPMG Peat Marwick.
28.1*	-- Independent Auditors' Report of Deloitte & Touche.

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* Filed herewith

+ Management contract, compensatory plan or arrangement

SCHEDULE V

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

PLANT, PROPERTY AND EQUIPMENT
FOR THE YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993

CLASSIFICATION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS AT COST	RETIREMENTS	OTHER CHANGES ADD (DEDUCT)	BALANCE AT END OF PERIOD
For the year ended December 31, 1991:					
Transportation, Diesel Repair and Other:					
Marine transportation equipment..................	$173,660,708	34,949,481	3,377,143		205,233,046
Land, buildings and equipment..................	5,302,687	2,014,394	40,402		7,276,679
	178,963,395	36,963,875	3,417,545	--	212,509,725
Insurance:					
Equipment....................	1,733,378	201,950	19,352		1,915,976
	$180,696,773	37,165,825	3,436,897	--	214,425,701
For the year ended December 31, 1992:					
Transportation, Diesel Repair and Other:					
Marine transportation equipment..................	$205,233,046	121,722,409	654,943	(289,288)	326,011,224
Land, buildings and equipment..................	7,276,679	5,184,042	166,802	289,288	12,583,207
	212,509,725	126,906,451	821,745	--	338,594,431
Insurance:					
Equipment....................	1,915,976	630,469	203,932	124,267	2,466,780
	$214,425,701	127,536,920	1,025,677	124,267	341,061,211
For the year ended December 31, 1993:					
Transportation, Diesel Repair and Other:					
Marine transportation equipment..................	$326,011,224	63,357,279	2,022,649	148,438	387,494,292
Land, buildings and equipment..................	12,583,207	6,796,068	198,559	--	19,180,716
	338,594,431	70,153,347	2,221,208	148,438	406,675,008
Insurance:					
Equipment....................	2,466,780	1,085,855	232,913	--	3,319,722
	$341,061,211	71,239,202	2,454,121	148,438	409,994,730

SCHEDULE VI

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

ACCUMULATED DEPLETION, DEPRECIATION AND AMORTIZATION OF PLANT, PROPERTY AND EQUIPMENT
FOR THE YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO EXPENSES	RETIREMENTS	OTHER CHANGES ADD (DEDUCT)	BALANCE AT END OF PERIOD
For the year ended December 31, 1991:					
Transportation, Diesel Repair and Other:					
Marine transportation equipment....................	$71,842,254	12,308,071	2,697,005	(26,208)	81,427,112
Land, buildings and equipment....................	1,968,741	744,448	28,256	26,208	2,711,141
	73,810,995	13,052,519	2,725,261	--	84,138,253
Insurance:					
Equipment......................	448,527	241,562	19,352	--	670,737
	$74,259,522	13,294,081	2,744,613	--	84,808,990
For the year ended December 31, 1992:					
Transportation, Diesel Repair and Other:					
Marine transportation equipment....................	$81,427,112	17,856,393	348,731	(289,288)	98,645,486
Land, buildings and equipment....................	2,711,141	1,154,346	128,294	289,288	4,026,481
	84,138,253	19,010,739	477,025	--	102,671,967
Insurance:					
Equipment......................	670,737	258,965	136,091	--	793,611
	$84,808,990	19,269,704	613,116	--	103,465,578
For the year ended December 31, 1993:					
Transportation, Diesel Repair and Other:					
Marine transportation equipment....................	$98,645,486	22,399,327	1,300,266	148,438	119,892,985
Land, buildings and equipment....................	4,026,481	1,709,736	169,876	--	5,566,341
	102,671,967	24,109,063	1,470,142	148,438	125,459,326
Insurance:					
Equipment......................	793,611	393,508	63,812	--	1,123,307
	$103,465,578	24,502,571	1,533,954	148,438	126,582,633

SCHEDULE X

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

SUPPLEMENTARY INCOME STATEMENT INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993

		CHARGED TO COSTS AND EXPENSES		
	ITEM	1991	1992	1993
1.	Maintenance and repairs	$11,217,347	20,508,459	24,213,505
2.	Depreciation and amortization of intangible assets, pre-operating costs and similar deferrals	1,564,854	2,153,642	3,599,928
3.	Taxes, other than payroll and income taxes	2,583,771	3,949,209	5,707,662

SCHEDULE V

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

SUPPLEMENTAL INSURANCE INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993

SEGMENT	DEFERRED POLICY ACQUISITION COSTS	FUTURE POLICY BENEFITS, LOSSES, CLAIMS AND LOSS EXPENSE	UNEARNED PREMIUMS	OTHER POLICY CLAIMS AND BENEFITS	PREMIUM REVENUE	NET INVESTMENT INCOME(1)	BENEFITS, CLAIMS, LOSSES AND SETTLEMENT EXPENSES	AMORTIZATION OF DEFERRED POLICY ACQUISITION COSTS	OTHER OPERATING EXPENSES(2)	PREMIUMS WRITTEN
Insurance:										
December 31, 1991....	$3,484,872	21,342,796	27,935,649	--	23,560,720	5,993,799	18,103,129	7,181,257	4,519,637	24,362,283
December 31, 1992....	$5,911,428	35,587,938	42,209,108	--	29,552,387	6,453,850	26,289,141	8,648,507	6,475,497	36,874,702
December 31, 1993....	$7,279,291	46,740,836	61,558,357	--	47,874,013	7,550,114	37,119,811	11,084,959	6,853,834	61,450,445

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

	FOR THE YEARS ENDED DECEMBER 31,		
	1991	1992	1993
Net investment income as stated above -- Insurance segment................	$5,993,799	6,453,850	7,550,114
Investment income -- Marine transportation segment, diesel repair segment and parent company..	880,774	341,399	360,069
	$6,874,573	6,795,249	7,910,183

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

SCHEDULE VI

KIRBY CORPORATION AND CONSOLIDATED SUBSIDIARIES

REINSURANCE
FOR THE YEARS ENDED DECEMBER 31, 1991, 1992 AND 1993

	GROSS AMOUNT	CODED TO OTHER COMPANIES	ASSUMED FROM OTHER COMPANIES	NET AMOUNT	PERCENTAGE OF AMOUNT ASSUMED TO NET
December 31, 1991:					
Life insurance in force....	$ --	--	--	--	--
Premiums:					
Life insurance..........	$				
Accident and health insurance............					
Property and liability insurance............	36,480,715	13,186,223	1,067,791	24,362,283	4.38%
Total premiums.....	$36,480,715	13,186,223	1,067,791	24,362,283*	4.38%
December 31, 1992:					
Life insurance in force....	$ --	--	--	--	--
Premiums:					
Life insurance..........	$				
Accident and health insurance............					
Property and liability insurance............	52,830,321	16,282,557	326,938	36,874,702	.89%
Total premiums.....	$52,830,321	16,282,557	326,938	36,874,702*	.89%
December 31, 1993:					
Life insurance in force....	$ --	--	--	--	--
Premiums:					
Life insurance..........	$				
Accident and health insurance............					
Property and liability insurance............	80,623,816	19,200,056	26,685	61,450,445	.04%
Total premiums.....	$80,623,816	19,200,056	26,685	61,450,445	.04%

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

	FOR THE YEARS ENDED DECEMBER 31,		
	1991	1992	1993
Total premiums..............................	$24,362,283	36,874,702	61,450,445
Increase in unearned premiums...............	(801,563)	(7,322,315)	(13,576,432)
Net premiums earned..............	$23,560,720	29,552,387	47,874,013

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KIRBY CORPORATION
(Registrant)

By: BRIAN K. HARRINGTON
Brian K. Harrington
Senior Vice President

Dated: March 14, 1994

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

SIGNATURE	CAPACITY	DATE
ROBERT G. STONE, JR. Robert G. Stone, Jr.	Chairman of the Board and Director of the Company	March 14, 1994
GEORGE A. PETERKIN, JR. George A. Peterkin, Jr.	President, Director of the Company and Principal Executive Officer	March 14, 1994
J. H. PYNE J. H. Pyn	Executive Vice President and Director of the Company	March 14, 1994
BRIAN K. HARRINGTON Brian K. Harrington	Senior Vice President, Treasurer, Assistant Secretary of the Company and Principal Financial Officer	March 14, 1994
G. STEPHEN HOLCOMB G. Stephen Holcomb	Vice President, Controller, Assistant Treasurer, Assistant Secretary of the Company and Principal Accounting Officer	March 14, 1994
P. T. Bee	Director of the Company	March , 1994
GEORGE F. CLEMENTS, JR. George F. Clements, Jr.	Director of the Company	March 14, 1994
J. PETER KLEIFGEN J. Peter Kleifgen	Director of the Company	March 14, 1994
WILLIAM M. LAMONT, JR. William M. Lamont, Jr.	Director of the Company	March 14, 1994
C. W. Murchison, III	Director of the Company	March , 1994
J. VIRGIL WAGGONER J. Virgil Waggoner	Director of the Company	March 14, 1994

1994 EMPLOYEE STOCK OPTION PLAN
FOR
KIRBY CORPORATION

Section 1. Purpose. The purpose of this 1994 Employee Stock Option Plan for Kirby Corporation 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 encouragement of stock ownership in the Company by such persons.

Section 2. Definitions. As used herein, the following terms shall have the meaning indicated:

(a) "Act" shall mean the Securities Exchange Act of 1934, as amended.

(b) "Board" shall mean the Board of Directors of the Company.

(c) "Business Day" shall mean (i) if the Shares trade on a national exchange, any day that the national exchange on which the Shares trade is open or (ii) if the Shares do not trade on a national exchange, any day that commercial banks in the City of New York are open.

(d) "Commission" shall mean the Securities and Exchange Commission.

(e) "Committee" shall mean the Compensation Committee of the Board or other committee, if any, appointed by the Board pursuant to Section 14 hereof.

(f) "Company" shall mean Kirby Corporation, a Nevada corporation.

(g) "Date of Grant" shall mean the date on which the Committee takes formal action to grant an Option to an Eligible Person, provided it is followed, as soon as reasonably possible, by written notice to the Eligible Person of the grant.

(h) "Director" shall mean a member of the Board.

(i) "Disinterested Person" shall mean a person who, at the time he or she acts on the granting of any Option is not eligible, and within one year prior thereto has not been eligible, to receive Shares, stock options or stock appreciation rights under (i) this Plan or (ii) any other plan of the Company or any of its affiliates in which administrators of such plan use discretion in granting stock, stock options, stock appreciation rights or any other rights to such person. Persons who are eligible to receive stock options under the 1989 Director Stock Option Plan of Kirby Exploration Company, Inc. or the 1994 Director Stock Option Plan of Kirby Corporation, are deemed "Disinterested Persons" for purposes of this Plan.

(j) "Eligible Person(s)" shall mean those persons who are Employees or members of the Board of Directors of any Subsidiary, but excluding Directors who are not Employees.

(k) "Employee(s)" shall mean those persons who are employees of the Company or who are employees of any Subsidiary.

(l) "Fair Market Value" shall mean:

(i) If Shares are listed on a national securities exchange at the date of determining the Fair Market Value,

(A) The mean of the high and low sales price on such exchange on the date of reference as reported in any newspaper of general circulation, or

(B) If the Shares shall not have traded on such exchange on such date, the mean of the high and low sales price on such exchange on the next day prior thereto on which the Shares were so traded as reported in any newspaper of general circulation; or

(ii) If Shares shall not be listed as provided in Subsection 2(l)(i), a value determined by any fair and reasonable means prescribed by the Committee.

(m) "Incentive Stock Option" shall mean an option that is an incentive stock option as defined in Section 422 of the Internal Revenue Code.

(n) "Internal Revenue Code" or "Code" shall mean the Internal Revenue Code of 1986, as it now exists or may be amended from time to time.

(o) "Nonqualified Stock Option" or "Nonincentive Stock Option" shall mean an option that is not an incentive stock option as defined in Section 422 of the Internal Revenue Code.

(p) "Option" (when capitalized) shall mean any option granted under this Plan.

(q) "Optionee" shall mean a person to whom an Option is granted or any successor to the rights of such Option under this Plan by reason of the death of such person.

(r) "Plan" shall mean this 1994 Employee Stock Option Plan for Kirby Corporation.

(s) "Share(s)" shall mean a share or shares of the Common Stock , par value ten cents ($0.10) per share, of the Company.

(t) "Subsidiary" shall mean 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 3. Shares and Options.

(a) The Committee may grant to Eligible Persons from time to time Options to purchase an aggregate of up to one million (1,000,000) Shares from Shares held in the Company's treasury or from authorized and unissued Shares. If any Option granted under the Plan shall terminate, expire, or be canceled or surrendered as to any Shares, new Options may thereafter be granted covering such Shares. An Option granted hereunder shall be either an Incentive Stock Option or a Nonqualified Stock Option as determined by the Committee at the Date of Grant of such Option and shall clearly state whether it is an Incentive Stock Option or a Nonqualified Stock Option. Incentive Stock Options may only be granted to persons who are employees of the Company or a Subsidiary.

(b) The aggregate Fair Market Value (determined at the Date of Grant of the Option) of the Shares with respect to which any Incentive Stock Option is 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 and subsidiary of the Company (as defined in Section 425 of the Code) shall not exceed $100,000.

Section 4. Conditions for Grant of Options.

(a) Each Option shall be evidenced by an option agreement that may contain any term deemed necessary or desirable by the Committee, provided such terms are not inconsistent with this Plan or any applicable law. Optionees shall be those persons selected by the Committee from Eligible Persons. Any person who files with the Committee, in a form satisfactory to the Committee, a written waiver of eligibility to receive any Option under this Plan shall not be eligible to receive any Option under this Plan for the duration of such waiver.

(b) In granting Options, the Committee shall take into consideration the contribution the person has made or may make to the success of the Company or its Subsidiaries and such other factors as the Committee shall determine. The Committee shall also have the authority to consult with and receive recommendations from officers and other personnel of the Company and its Subsidiaries with regard to these matters. The Committee may from time to time in granting Options under the Plan prescribe such other terms and conditions concerning such Options as it deems appropriate, including, without limitation, relating an Option to achievement of specific goals established by the Committee or the continued employment of the Optionee for a specified period of time, provided that such terms and conditions are not more favorable to an Optionee than those expressly permitted herein.

(c) The Committee in its sole discretion shall determine in each case whether periods of military or government service shall constitute a continuation of employment for the purposes of this Plan or any Option.

Section 5. Exercise Price. The exercise price per Share of any Option shall be any price determined by the Committee; provided, however, that the exercise price for any Incentive Stock Option shall not be less than one hundred percent (100%) of the Fair Market Value per Share on the Date of Grant.

Section 6. Exercise of Options. 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, (ii) full payment of the aggregate exercise price of the Shares as to which the Option is exercised has been made, and (iii) arrangements that are satisfactory to the Committee in its sole discretion have been made for the Optionee's payment to the Company of the amount, if any, that the Committee determines to be necessary for the Company or Subsidiary employing the Optionee to withhold in accordance with applicable federal or state income tax withholding requirements. Unless further limited by the Committee in 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 (but with Shares only if permitted by an Option agreement or otherwise permitted by the Committee in its sole discretion at the time of exercise and provided that if the Optionee acquired such stock to be surrendered directly or indirectly from the Company, he shall have owned such stock for six months prior to using such stock to exercise an Option) or by a combination of the above. 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 7. Exercisability of Options.

(a) Any Option shall become exercisable in such amounts and at such intervals as the Committee shall provide in any Option, except as otherwise provided in this Section 7; provided in each case that the Option has not expired on the date of exercise.

(b) The expiration date of an Option shall be determined by the Committee at the Date of Grant, but in no event shall an Option be exercisable after the expiration of ten (10) years from the Date of Grant.

(c) An Option shall not be exercisable prior to the six-month anniversary of its Date of Grant.

(d) The Committee may in its sole discretion accelerate the date on which any Option may be exercised.

(e) On the date thirty (30) days prior to any occurrence described in Subsections (7)(e)(i), (ii) or (iii), but only where such anticipated occurrence actually takes place, notwithstanding the exercise schedule in an Option, each Option shall immediately become exercisable in full where there (i) is any transaction (which shall include a series of transactions occurring within 60 days or occurring pursuant to a plan) that has the result that shareholders of the Company immediately before such transaction cease to own at least 51% of (x) the voting stock of the Company or (y) of any entity that results from the participation of the Company in a reorganization, consolidation, merger, liquidation or any other form of corporate transaction; (ii) is a merger, consolidation, reorganization, liquidation or dissolution in which the Company does not survive; (iii) is a sale, lease, exchange or other disposition of all or substantially all the property and assets of the Company.

(f) Notwithstanding any provisions hereof to the contrary, if any Option is accelerated under Subsection 7(d) or (e), the portion of such Option that may be exercised to acquire Shares that the Optionee would not be entitled to acquire but for such acceleration (the "Acceleration Shares"), is limited to that number of Acceleration Shares that can be acquired without causing the Optionee to have an "excess parachute payment" as determined under Section 280G of the Internal Revenue Code, determined by taking into account all of the Optionee's "parachute payments" determined under Section 280G of the Code. If as a result of this Subsection 7(f), the Optionee may not acquire all of the Acceleration Shares, then the Acceleration Shares that the Optionee may acquire shall be the last shares that the Optionee would have been entitled to acquire had this Option not been accelerated.

Section 8. Termination of Option Period.

(a) Unless otherwise provided in any Option, the unexercised portion of an Option shall automatically and without notice terminate and become null and void at the time of the earliest to occur of the following:

(i) except as provided in Subsection 8(a)(iii), thirty (30) days after the date that Optionee ceases to be employed by the Company or a Subsidiary regardless of the reason therefor other than as a result of such termination by reason of (x) death, (y) mental or physical disability of Optionee as determined by a medical doctor satisfactory to the Committee or (z) termination of Optionee's employment with the Company or a Subsidiary for cause;

(ii) except as provided in Subsection 8(a)(iii), one (1) year after the date on which the Optionee suffers a mental or physical disability as determined by a medical doctor satisfactory to the Committee;

(iii) (y) one (1) year after the date that Optionee ceases to be employed by the Company by reason of death of the Optionee, or (z) six (6) months after the date on which the Optionee shall die, if the Optionee's death shall occur during the thirty-day period described in Subsection 8(a)(i) or the one-year period described in Subsection 8(a)(ii);

(iv) the date that Optionee ceases to be employed by the Company or a Subsidiary as a result of a termination for cause;

(v) with respect to Options held by a person who is a member of the Board of Directors of a Subsidiary who is not also an Employee, thirty (30) days after the date that Optionee ceases to be a member of such Board of Directors; provided that if Optionee ceases to be a member of such Board of Directors because of the death of the Optionee, or if Optionee shall die within thirty (30) days after the date that Optionee ceases to be a member of such Board of Directors, such Option shall terminate one (1) year after the date on which Optionee shall cease to be a member of such Board of Directors; and

(vi) the tenth (10th) anniversary of the Date of Grant of the Option.

(b) If provided in an Option, the Committee in its sole discretion may, by giving written notice (a "Cancellation Notice") cancel, effective upon the date of the consummation of any of the transactions described in Subsection 7(e), all or any portion of such Option that remains unexercised on such date. Such Cancellation Notice shall be given a reasonable period of time (but not less than 15 days) prior to the proposed date of such cancellation, and may be given either before or after shareholder approval of such transaction.

Section 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-up, 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, 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 outstanding Options, 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) The Committee may change the terms of Options outstanding under this Plan, with respect to the exercise price or the number of Shares subject to the Options, or both, when, in the Committee's sole discretion, such adjustments become appropriate by reason of any corporate transaction.

(c) 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 Shares reserved for issuance under the Plan or the number of or exercise price of Shares then subject to outstanding Options granted under the Plan.

(d) 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 (1) any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business; (2) any merger or consolidation of the Company; (3) any issue by the Company of debt securities, or preferred or preference stock that would rank above the Shares subject to outstanding Options; (4) the dissolution or liquidation of the Company; (5) any sale, transfer or assignment of all or any part of the assets or business of the Company; or (6) any other corporate act or proceeding, whether of a similar character or otherwise.

Section 10. Transferability of Options. Each Option shall provide that such Option shall not be transferrable 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 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 an Option unless and until certificates representing such Shares shall have been issued and delivered to such person. As a condition of any transfer of the certificate for 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, the agreement evidencing the Option or any law or regulation including, but not limited to, the following:

(i) A representation, warranty or agreement by the Optionee to the Company at the time any Option is exercised that he or she is acquiring the Shares to be issued to him or her for investment and not with a view to, or for sale in connection with, the distribution of any such Shares;

and

(ii) A representation, warranty or agreement to be bound by any legends that are, in the opinion of the Committee, necessary or appropriate to comply with the provisions of any securities laws deemed by the Committee to be applicable to the issuance of the Shares and are endorsed upon the Share certificates.

Section 12. Options for 10% Shareholder. Notwithstanding any other provisions of the Plan to the contrary, an Incentive Stock Option shall not be granted to any person owning directly (or indirectly through attribution under Section 425(d) of the Code) at the Date of Grant, stock possessing more than 10% of the total combined voting power of all classes of stock of the Company (or of its parent or subsidiary [as defined in Section 425 of the Internal Revenue Code] at the Date of Grant) unless the exercise price of such Incentive Stock Option is at least 110% of the Fair Market Value of the Shares subject to such Incentive Stock Option on the Date of Grant, and the period during which the Incentive Stock Option may be exercised does not exceed five (5) years from the Date of Grant.

Section 13. Nonqualified Stock Options. Nonqualified Stock Options may be granted hereunder and shall be subject to all terms and provisions hereof except that each such Nonqualified Stock Option (i) must be clearly designated as a Nonqualified Stock Option; (ii) may be granted for Shares in excess of the limits contained in Subsection 3(b) of this Plan; and (iii) shall not be subject to Section 12 of this Plan. If both Incentive Stock Options and Nonqualified Stock Options are granted to an Optionee, the right to exercise, to the full extent thereof, Options of either type shall not be contingent in whole or in part upon the exercise of, or failure to exercise, Options of the other type. Persons who are members of the Board of Directors of a Subsidiary who are not also Employees shall only be eligible to receive Nonqualified Stock Options.

Section 14. Administration of the Plan.

(a) The Plan shall be administered by the Compensation Committee of the Board or other committee thereof as appointed by the Board (herein called the "Committee") consisting of not less than three (3) members of the Board all of whom are Disinterested Persons. Any member of the Committee may be removed at any time, with or without cause, by resolution of the Board and any vacancy occurring in the membership of the Committee may be filled by appointment by the Board.

(b) The Committee, from time to time, may adopt rules and regulations for carrying out the purposes of the Plan. The determinations and the interpretation and construction of any provision of the Plan by the Committee shall be final and conclusive.

(c) Any and all decisions or determinations of the Committee shall be made either (i) by a majority vote of the members of the Committee at a meeting or (ii) without a meeting by the written approval of a majority of the members of the Committee.

(d) Subject to the express provisions of this Plan, the Committee shall have the authority, in its sole and absolute discretion (i) to adopt, amend, and rescind administrative and interpretive rules and regulations relating to this Plan or any Option; (ii) to construe the terms of this Plan or any Option; (iii) as provided in Subsection 9(a), upon certain events to make appropriate adjustments to the exercise price and number of Shares subject to this Plan and Option; and (iv) to make all other determinations and perform all other acts necessary or advisable for administering this Plan, including the delegation of such ministerial acts and responsibilities as the Committee deems appropriate. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Plan or any Option in the manner and to the extent it shall deem expedient to carry it into effect, and it shall be the sole and final judge of such expediency. The Committee shall have full discretion to make all determinations on the matters referred to in this Subsection 14(d), and such determinations shall be final, binding and conclusive.

Section 15. Government Regulations.

This Plan, Options and the obligations of the Company to sell and deliver Shares under any Options, shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

Section 16. Miscellaneous.

(a) The proceeds received by the Company from the sale of Shares pursuant to an Option shall be used for general corporate purposes.

(b) The grant of an Option shall be in addition to any other compensation paid to the Optionee or other stock option plans of the Company or other benefits with respect to Optionee's position with the Company or its Subsidiaries. The grant of an Option shall not confer upon the Optionee the right to continue as an Employee, or interfere in any way with the rights of the Company to terminate his or her status as an Employee.

(c) Neither the members of the Board nor any member of the Committee shall be liable for any act, omission, or determination taken or made in good faith with respect to this Plan or any Option, and members of the Board and the Committee shall, in addition to all other rights of indemnification and reimbursement, be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage, or expense (including attorneys' fees, the costs of settling any suit, provided such settlement is approved by independent legal counsel selected by the Company, and amounts paid in satisfaction of a judgment, except a judgment based on a finding of bad faith) arising from such claim, loss, damage, or expense to the full extent permitted by law and under any directors' and officers' liability or similar insurance coverage that may from time to time be in effect.

(d) Any issuance or transfer of Shares to an Optionee, or to his legal representative, heir, legatee, or distributee, in accordance with the provisions of this Plan or the applicable Option, shall, to the extent thereof, be in full satisfaction of all claims of such persons under the Plan. The Committee may require any Optionee, legal representative, heir, legatee or distributee as a condition precedent to such payment or issuance or transfer of Shares, to execute a release and receipt for such payment or issuance or transfer of Shares in such form as it shall determine.

(e) Neither the Committee nor the Company guarantees Shares from loss or depreciation.

(f) All expenses incident to the administration, termination, or protection of this Plan or any Option, including, but not limited to, legal and accounting fees, shall be paid by the Company; provided, however, the Company may recover any and all damages, fees, expenses and costs arising out of any actions taken by the Company to enforce its rights under this Plan or any Option.

(g) Records of the Company shall be conclusive for all purposes under this Plan or any Option, unless determined by the Committee to be incorrect.

(h) The Company shall, upon request or as may be specifically required under this Plan or any Option, furnish or cause to be furnished all of the information or documentation that is necessary or required by the Committee to perform its duties and functions under this Plan or any Option.

(i) The Company assumes no liability to any Optionee or his legal representatives, heirs, legatees or distributees for any act of, or failure to act on the part of, the Committee.

(j) Any action required of the Company relating or the Committee to this Plan or any Option shall be by resolution of its Board, the Committee or by a person authorized to act by resolution of the Board or the Committee.

(k) If any provision of this Plan or any Option is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions of this Plan or any Option, but such provision shall be fully severable, and the Plan or Option, as applicable, shall be construed and enforced as if the illegal or invalid provision had never been included in the Plan or Option, as applicable.

(l) Whenever any notice is required or permitted under this Plan or any Option, such notice must be in writing and personally delivered or sent by mail or delivery by a nationally recognized courier service. Any notice required or permitted to be delivered under this Plan or any Option shall be deemed to be delivered on the date on which it is personally delivered, or, if mailed, whether actually received or not, on the third Business Day after it is deposited in the United States mail, certified or registered, postage prepaid, addressed to the person who is to receive it at the address that such person has previously specified by written notice delivered in accordance with this Subsection 16(l) or, if by courier, seventy-two (72) hours after it is sent, addressed as described in this Subsection 16(l). The Company or the Optionee may change, at any time and from time to time, by written notice to the other, the address that it or he had previously specified for receiving notices. Until changed in accordance with this Plan or any Option, the Company and the Optionee shall specify as its and his address for receiving notices the address set forth in the Option pertaining to the Shares to which such notice relates.

(m) Any person entitled to notice under this Plan may waive such notice.

(n) This Plan or any Option shall be binding upon the respective Optionee, his legal representatives, heirs, legatees and distributees upon the Company, its successors, and assigns, and upon the Board, the Committee and its successors.

(o) The titles and headings of Sections are included for convenience of reference only and are not to be considered in construction of this Plan's provisions.

(p) All questions arising with respect to the provisions of this Plan shall be determined by application of the laws of the State of Texas except to the extent Texas law is preempted by federal law or Nevada corporate law that is controlling. The obligation of the Company to sell and deliver Shares under this Plan is subject to applicable laws and to the approval of any governmental authority required in connection with the authorization, issuance, sale, or delivery of such Shares.

(q) Words used in the masculine shall apply to the feminine where applicable, and wherever the context of this Option dictates, the plural shall be read as the singular and the singular as the plural.

Section 17. Amendment and Discontinuation of the Plan. The Committee may from time to time amend, suspend or terminate the Plan or any Option; provided, however, that, except to the extent provided in Section 9, no such amendment may, without approval by the stockholders of the Company, (a) increase the number of Shares reserved for Options or change the class of employees eligible to receive Options, (b) permit the granting of Options that expire beyond the maximum 10-year period described in Subsection 7(b), or (c) extend the termination date of the Plan as set forth in Section 18; and provided, further, that, except to the extent provided in Section 8, no amendment or suspension of the Plan or any Option issued hereunder shall, except as specifically permitted in any Option, substantially impair any Option previously granted to any Optionee without the consent of such Optionee.

Section 18. Effective Date and Termination Date. The effective date of the Plan is the date set forth below, on which the date the Board adopted this Plan; provided, however, if the Plan is not approved by the stockholders of the Company within twelve (12) months after the effective date then, in such event, the Plan and all Options granted pursuant to the Plan shall be null and void. The Plan shall terminate on the tenth anniversary of the effective date.

ADOPTED BY THE BOARD: January 18, 1994
EFFECTIVE DATE: January 18, 1994
RATIFIED BY THE STOCKHOLDERS: April , 1994

Executed to evidence the 1994 Employee Stock Option Plan of Kirby Corporation adopted by the Board on January 18, 1994 and the Stockholders on April , 1994.

KIRBY CORPORATION

By: /s/ G. STEPHEN HOLCOMB
G. Stephen Holcomb, Assistant Secretary

1994 NONEMPLOYEE DIRECTOR STOCK OPTION PLAN
FOR
KIRBY CORPORATION

Section 1. Purpose.

This 1994 Nonemployee Director Stock Option Plan of Kirby Corporation is intended as an incentive to attract and retain as independent directors on the Board of Directors of Kirby Corporation, a Nevada corporation (the "Company"), persons of training, experience and ability, to encourage the sense of proprietorship of such persons, and to stimulate the active interest of such persons in the development and financial success of the Company for the benefit of the stockholders of the Company.

Section 2. Definitions.

As used herein, the following terms shall have the meaning indicated:

(a) "Advisory Director" shall mean any person designated as an Advisory Director by the Board of Directors as provided in the Company's Bylaws.

(b) "Agreement" shall mean the agreement between the Company and the Optionee that evidences the Option.

(c) "Business Day" shall mean (i) if the Common Stock trades on a national exchange, any day that the national exchange on which the Common Stock trades is open or (ii) if the Common Stock does not trade on a national exchange, any day that commercial banks in the City of New York are open.

(d) "Board" shall mean the Board of Directors of the Company.

(e) "Committee" shall mean the committee designated in Section 5 to administer this Plan.

(f) "Common Stock" shall mean the Common Stock, par value ten cents ($0.10) per share, of the Company.

(g) "Date of Grant" shall mean the date on which an Option is granted to an Eligible Person pursuant to Section 7(b) hereof.

(h) "Director" shall mean a member of the Board.

(i) "Effective Date" shall mean the date this Plan is approved by the Board of Directors.

(j) "Eligible Person(s)" shall mean those persons who are Directors or Advisory Directors of the Company and are not Employees.

(k) "Employee(s)" shall mean those persons who are employees of the Company or who are employees of any Subsidiary.

(l) "ERISA" shall mean the Employee Retirement Income Security Act and the rules thereunder, as they now exist or may be amended from time to time.

(m) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(n) "Fair Market Value" shall mean:

(i) If Shares are listed on a national securities exchange at the date of determining the Fair Market Value,

(A) The mean of the high and low sales price on such exchange on the Date of Grant as reported in any newspaper of general circulation, or

(B) If the Shares shall not have traded on such exchange on such date, the mean of the high and low sales price on such exchange on the next day prior thereto on which the Shares were so traded as reported in any newspaper of general circulation; or

(ii) If Shares shall not be listed as provided in Subsection 2(n)(i), a value determined by any fair and reasonable means prescribed by the Committee.

(o) "Internal Revenue Code" or "Code" shall mean the Internal Revenue Code of 1986 as it now exists or may be amended from time to time and the rules thereunder.

(p) "Nonqualified Stock Option" shall mean a stock option that is not an incentive stock option as defined in Section 422 of the Internal Revenue Code.

(q) "Option" (when capitalized) shall mean any stock option granted under this Plan.

(r) "Optionee" shall mean a person to whom an Option is granted under this Plan or any person who succeeds to the rights of such person under this Plan by reason of the death of such person.

(s) "Plan" shall mean this 1994 Nonemployee Director Stock Option Plan of Kirby Corporation.

(t) "Share(s)" shall mean a share or shares of the Common Stock.

(u) "Subsidiary" shall mean 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 3. Total Aggregate Shares.

Subject to adjustments provided in Section 14 hereof, a total of One Hundred Thousand (100,000) Shares shall be subject to the Plan. The Shares subject to the Plan shall consist of unissued Shares or previously issued Shares reacquired and held by the Company and such number of Shares shall be and hereby is reserved for sale for such purpose. Any of such Shares that may remain unsold and that are not subject to outstanding Options at the termination of the Plan shall cease to be reserved for the purpose of the Plan, but until termination of the Plan, the Company shall at all times reserve a sufficient number of Shares to meet the requirements of the Plan. Should any Option expire or be canceled prior to its exercise in full, the Shares theretofore subject to such Option may again be the subject of an Option under the Plan.

Section 4. Rule 16b-3 Plan and Shareholder Approval.

The Company intends for this Plan to comply with the requirements of Rule 16b-3 promulgated by the Securities and Exchange Commission pursuant to the Exchange Act. Accordingly, this Plan and any Options shall terminate and become null and void unless this Plan is approved by the stockholders of the Company within one (1) year after the Effective Date at a meeting of stockholders of the Company at which a quorum is present by stockholders of the Company owning a majority of the issued and outstanding shares of Common Stock represented at such meeting.

Section 5. Administration of the Plan.

(a) The Plan shall be administered by the Compensation Committee of the Board or other committee thereof as appointed by the Board (the "Committee") consisting of not less than three members of the Board.

(b) Subject to the express provisions of this Plan, the Committee shall have the authority, in its sole and absolute discretion (i) to adopt, amend, and rescind administrative and interpretive rules and regulations relating to the Plan; (ii) to determine the terms and provisions of the respective Agreements (which need not be identical); provided, however, such terms and provisions shall not be inconsistent with this Plan, including the extent to which the transferability of Shares issued upon the exercise of Options is restricted; (iii) to construe the terms of any Agreement and the Plan; (iv) as provided in Subsection 14(a), upon certain events to make appropriate adjustments to the exercise price and number of Shares subject to outstanding Options, the number of Shares reserved under the Plan and the number of Shares subject to Options granted subsequently; and (v) to make all other determinations and perform all other acts necessary or advisable for administering the Plan, including the delegation of such ministerial acts and responsibilities as the Committee deems appropriate. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Agreement in the manner and to the extent it shall deem expedient to carry it into effect, and it shall be the sole and final judge of such expediency. The Committee shall have full discretion to make all determinations on the matters referred to in this Subsection 5(b), and such determinations shall be final, binding and conclusive.

Section 6. Type of Options.

All Options granted under the Plan shall be Nonqualified Stock Options.

Section 7. Automatic Grant of Options.

(a) Options shall be granted only to Eligible Persons. Each Option shall be evidenced by an Agreement, which shall contain such terms as the Committee deems advisable and that are not inconsistent with this Plan or applicable laws.

(b) Options shall automatically be granted to each Eligible Person as follows:

(i) on the Effective Date, each Eligible Person shall be granted an Option to purchase 1,500 Shares; and

(ii) on the first Business Day immediately following the date of each Annual Meeting of Stockholders of the Company occurring subsequent to the Effective Date, each Eligible Person shall be granted an Option to purchase an additional 1,500 Shares.

(c) Except for the automatic grants of Options under Subsection 7(b), no Options shall otherwise be granted hereunder, and the Board or the Committee shall not have any discretion with respect to the grant of Options within the meaning of Rule 16b-3 promulgated under the Exchange Act, or any successor rule.

(d) Any person who files with the Committee, in a form satisfactory to the Committee, a written waiver of eligibility to receive any Option under this Plan shall not be eligible to receive any Option under this Plan for the duration of such waiver.

Section 8. Exercise Price.

The exercise or option price of each Share issuable upon exercise of an Option shall be the Fair Market Value of such Share on the Date of Grant.

Section 9. Vesting Schedule.

(a) Shares subject to an Option shall vest in accordance with Subsection 9(b) and (d) hereof.

(b) Option Shares subject to an Option shall fully vest on the six-month anniversary of the Date of Grant.

(c) Notwithstanding the foregoing, Shares subject to an Option shall vest as to all Shares then subject to the Option upon the occurrence of any of the following events:

(i) a transaction (or series of transactions occurring within a 60-day period or pursuant to a plan approved by the Board or stockholders of the Company) occurs that has the result that stockholders of the Company immediately before such transaction cease to own directly or indirectly at least 51% of the voting stock of the Company or of any entity that results from the participation of the Company in a reorganization, consolidation, merger, liquidation or any other form of corporate transaction;

(ii) all or substantially all of the assets of the Company shall be sold or otherwise disposed of, except that an Option shall not vest as to all Shares then subject to such Option if, after such sale or disposition: (i) the stockholders of the Company immediately prior to such transaction continue to own at least 51% of the voting stock of the entities that acquired 50% or more in value of the assets of the

Company so sold or conveyed; and, (ii) the acquiring entity agrees to assume the obligations of the Company under this Plan and the respective Agreements; or,

(iii) the occurrence of a merger, consolidation or other reorganization of the Company under the terms of which the surviving entity does not assume the obligations of the Company under this Plan and the respective Agreements.

Section 10. Exercise of Options.

(a) An Option shall not be exercisable prior to the vesting of such Option. After the six-month anniversary of the Date of Grant of an Option, such Option may be exercised at any time and from time to time during the term of such Option, in whole or in part, with respect to Shares that have vested in accordance with Section 9 hereof. If any Optionee exercises an Option prior to stockholder approval of this Plan as provided in Section 19 hereof, the Optionee must tender the exercise price at the time of exercise and the Company shall hold the exercise price and the Shares to be issued pursuant to such exercise until the stockholders approve the Plan. If the Plan is approved by the stockholders, the Company shall issue and deliver the Shares as to which the Option has been exercised. If the Plan is not approved by the stockholders, the Company shall return the exercise price to the Optionee and no Shares will be issued.

(b) Options may be exercised: (i) during the Optionee's lifetime, solely by the Optionee; or (ii) after the Optionee's death, by the personal representative of the Optionee's estate or the person or persons entitled thereto under his will or under the laws of descent and distribution.

(c) An Option shall be deemed exercised when: (i) the Company has received written notice of such exercise delivered to the Company in accordance with the notice provisions of the applicable Agreement; (ii) full payment of the aggregate exercise price of the Shares as to which the Option is exercised has been tendered to the Company; and (iii) arrangements that are satisfactory to the Board in its sole discretion have been made for the Optionee's payment to the Company of the amount, if any, that the Company determines to be necessary for the Company to withhold in accordance with the applicable federal or state income tax withholding requirements.

(d) The exercise price of any Shares purchased shall be paid (i) solely in cash, by certified or cashier's check, by money order or by personal check, or (ii) at the option of the Optionee, in Common Stock theretofore owned by such Optionee (or by a combination of the above); provided, however, that if the Optionee acquired such stock to be surrendered directly or indirectly from the Company, he shall have owned such stock for six months prior to using such stock to exercise an Option. For purposes of determining the amount, if any, of the exercise price satisfied by payment in Common Stock, such Common Stock shall be valued at its Fair Market Value on the date of exercise. Any Common Stock delivered in satisfaction of all or a portion of the exercise price shall be appropriately endorsed for transfer and assignment to the Company.

(e) The Optionee shall not be, nor have any of the rights or privileges of, a stockholder of the Company with respect to any Shares purchasable upon the exercise of any part of an Option unless and until certificates representing such Shares shall have been issued by the Company to the Optionee.

Section 11. Termination of Option Period.

(a) The unexercised portion of an Option shall automatically and without notice terminate and become null and void and be forfeited upon the earliest to occur of the following:

(i) except as provided in Subsection 11(a)(ii), if the Optionee's position as a Director of the Company terminates for any reason, one year after the date the Optionee ceases to be a Director.

(ii) one (1) year after the date on which the Optionee shall die, if the Optionee's death shall occur during the one-year period described in Subsection 11(a)(i); or

(iii) ten (10) years after the Date of Grant of such Option.

(b) The Committee in its sole discretion may, by giving written notice to an Optionee ("Cancellation Notice"), cancel, effective upon the date of the consummation of any corporate transaction described in Section 9(d) hereof, any portion of an Option that remains unexercised on such date. Such cancellation notice shall be given to Optionee at least ten (10) days prior to the date of cancellation.

Section 12. Terms of Option.

Each Option granted under this Plan shall have a term of ten (10) years from the Date of Grant of such Option.

Section 13. Assignability of Options.

No Option shall be assignable or otherwise transferable, except by will or the laws of descent and distribution.

Section 14. Adjustments.

(a) If at any time there shall be an 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-up, combination or exchange of Shares, then appropriate proportional adjustment shall be made in the number of Shares (and with respect to outstanding Options, the exercise price per Share): (i) subject to outstanding Options; (ii) reserved under the Plan; and (iii) subject to Options granted subsequently. In the event of a dispute concerning such adjustment, the Committee has full discretion to determine the resolution of such dispute. Such determination shall be final, binding and conclusive.

(b) In the event of a merger, consolidation or other reorganization of the Company under the terms of which the Company is not the surviving corporation, but the surviving corporation elects to assume an Option, the respective Agreement and this Plan, the Optionee shall be entitled to receive, upon the exercise of such Option, with respect to each Share issuable upon exercise of such Option, the number of shares of stock of the surviving corporation (or equity interest in any other entity) and any other notes, evidences of indebtedness or other property that Optionee would have received in connection with such merger, consolidation or other reorganization had he exercised the Option with respect to such Share immediately prior to such merger, consolidation or other reorganization.

(c) 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.

(d) 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 issuance 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 15. Purchase for Investment.

As a condition of any issuance of a stock certificate for Shares upon the exercise of an Option, the Committee may obtain such agreements or undertakings, if any, as it may deem necessary or advisable to assure compliance with any provision of this Plan or any law or regulation, including, but not limited to, the following:

(a) a representation and warranty by the Optionee to the Company at the time his Option is exercised that he is acquiring the Shares to be issued to him 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 legends 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 and are endorsed upon the certificates representing the Shares.

Section 16. Amendment, Modification, Suspension or Discontinuance of this Plan.

For the purpose of complying with changes in the Code or ERISA, the Committee may amend, modify, suspend or terminate the Plan at any time. For the purpose of meeting or addressing any other changes in legal requirements or any other purpose, the Committee may amend, modify, suspend or terminate the Plan only once every six months. Subject to changes in law or other legal requirements, including any change in the provisions of Rule 16b-3 that would permit otherwise, the Plan may not be amended without the consent of the holders of a majority of the shares of Common Stock represented at a meeting at which a quorum is present to: (i) increase the aggregate number of shares of Common Stock that may be issued under the Plan (except for adjustments pursuant to Section 14 of the Plan); (ii) increase materially the benefits accruing to Optionees under the Plan; or, (iii) modify materially the requirements as to eligibility for participation in the Plan.

Section 17. Governmental Regulations.

This Plan, and the granting of Options and the exercise of Options hereunder and the obligation of the Company to sell and deliver Shares under such Options shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

Section 18. Miscellaneous.

(a) The proceeds received by the Company from the sale of Shares pursuant to Options shall be used for general corporate purposes.

(b) The Options granted to Directors under this Plan shall be in addition to regular director's fees, stock options granted pursuant to the Company's 1989 Director Stock Option Plan or other stock option plans of the Company or other benefits with respect to the Director's position with the Company or its Subsidiaries. Nothing contained in the Plan, or in any Agreement, shall confer upon any Optionee the right to continue as a director of the Corporation, or interfere in any way with the rights to terminate his status as a director.

(c) Neither the members of the Board nor any member of the Committee shall be liable for any act, omission, or determination taken or made in good faith with respect to the Plan or any Option granted under it, and members of the Board and the Committee shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage, or expense (including attorneys' fees, the costs of settling any suit (provided such settlement is approved by independent legal counsel selected by the Company) and amounts paid in satisfaction of a judgment, except a judgment based on a finding of bad faith) arising from such claim, loss, damage, or expense to the full extent permitted by law and under any directors' and officers' liability or similar insurance coverage that may from time to time be in effect.

(d) Any payment of cash or any issuance or transfer of Shares to the Optionee, or to his legal representative, heir, legatee, distributee or permitted assign, in accordance with the provisions of the Plan, shall, to the extent thereof, be in full satisfaction of all claims of such persons under the Plan. The Committee may require any Optionee, legal representative, heir, legatee, distributee or permitted assign, as a condition precedent to such payment or issuance or transfer of Shares, to execute a release and receipt for such payment or issuance or transfer of Shares in such form as it shall determine.

(e) Neither the Committee nor the Company guarantees Shares from loss or depreciation.

(f) All expenses incident to the administration, termination, or protection of the Plan, including, but not limited to, legal and accounting fees, shall be paid by the Company; provided, however, the Company may recover any and all damages, fees, expenses and costs arising out of any actions taken by the Company to enforce its rights under the Plan.

(g) Records of the Company shall be conclusive for all purposes under the Plan, unless determined by the Committee to be incorrect.

(h) The Company shall, upon request or as may be specifically required under the Plan, furnish or cause to be furnished all of the information or documentation that is necessary or required by the Committee to perform its duties and functions under the Plan.

(i) The Company assumes no liability to the Optionee or his legal representatives, heirs, legatees, distributees or permitted assigns for any act of, or failure to act on the part of, the Committee.

(j) Any action required of the Company relating to the Plan shall be by resolution of its Board, the Committee or by a person authorized to act by resolution of the Board or the Committee.

(k) If any provision of this Plan is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions of the Plan, but such provision shall be fully severable, and the Plan shall be construed and enforced as if the illegal or invalid provision had never been included in the Plan.

(l) Whenever any notice is required or permitted under the Plan or any Option, such notice must be in writing and personally delivered or sent by mail or next day delivery by a nationally recognized courier service. Any notice required or permitted to be delivered under this Plan or any Option shall be deemed to be delivered on the date on which it is personally delivered, or, if mailed, whether actually received or not, on the third Business Day after it is deposited in the United States mail, certified or registered, postage prepaid, addressed to the person who is to receive it at the address which such person has previously specified by written notice delivered in accordance with this Subsection 18(l) or, if by courier, twenty-four (24) hours after it is sent, addressed as described in this Subsection 18(l). The Company or an Optionee may change, at any time and from time to time, by written notice to the other, the address which it or he had previously specified for receiving notices. Until changed in accordance with the Plan or any Option, the Company and each Optionee shall specify as its and his address for receiving notices the address set forth in the Option pertaining to the Shares to which such notice relates.

(m) Any person entitled to notice under the Plan may waive such notice.

(n) The Plan or any Option shall be binding upon the respective Optionee, his legal representatives, heirs, legatees, distributees and permitted assigns, upon the Corporation, its successors, and assigns, and upon the Board, the Committee and its successors.

(o) The titles and headings of Sections are included for convenience of reference only and are not to be considered in construction of the Plan's provisions.

(p) All questions arising with respect to the provisions of the Plan shall be determined by application of the laws of the State of Texas except to the extent Texas law is preempted by federal law or Nevada corporate law that is controlling. Questions arising with respect to the provisions of an Agreement that are matters of contract law shall be governed by the laws of the state specified in the Agreement, except to the extent preempted by federal law and except to the extent that Nevada corporate law conflicts with the contract law of such state, in which event Nevada corporate law shall govern. The obligation of the Company to sell and deliver Shares under the Plan is subject to applicable laws and to the approval of any governmental authority required in connection with the authorization, issuance, sale, or delivery of such Shares.

(q) Words used in the masculine shall apply to the feminine where applicable, and wherever the context of this Plan dictates, the plural shall be read as the singular and the singular as the plural.

Section 19. Effective Date and Termination Date.

The Effective Date of the Plan is January 18, 1994, the date on which the Board adopted this Plan, but is subject to the approval of the Plan by at least a majority of the votes cast by the stockholders of the Company at the next meeting of stockholders at which a quorum is present. All grants made under the Plan prior to such approval shall be effective when made, but shall be conditioned upon and subject to such approval of the Plan. This Plan shall terminate on the tenth (10th) anniversary of the Effective Date.

ADOPTED BY THE BOARD OF DIRECTORS:	January 18, 1994
APPROVED BY THE STOCKHOLDERS:	April 19, 1994

KIRBY CORPORATION

By: /s/ G. STEPHEN HOLCOMB

G. Stephen Holcomb,
Assistant Secretary

1993 NONQUALIFIED STOCK OPTION OF KIRBY CORPORATION FOR ROBERT G. STONE, JR. DATED JULY 20, 1993

Section 1. Purpose.

On July 20, 1993, the Board of Directors of Kirby Corporation, a Nevada corporation (the "Company"), adopted resolutions granting Robert G. Stone, Jr. ("Optionee") Nonqualified Stock Options to purchase 25,000 shares of Common Stock on the terms and conditions herein provided as an incentive to retain the Optionee as Chairman of the Board of the Company or as a member of the Board of Directors of the Company.

Section 2. Definitions.

As used herein, the following terms shall have the meaning indicated:

(a) "Board" shall mean the Board of Directors of the Company.

(b) "Business Day" shall mean (i) if the Common Stock trades on a national exchange, any day that the national exchange on which the Common Stock trades is open or (ii) if the Common Stock does not trade on a national exchange, any day that commercial banks in the City of New York are open.

(c) "Committee" shall mean the committee designated in Section 16 to administer this Plan.

(d) "Common Stock" shall mean the Company's common stock, $0.10 par value per share.

(e) "Date of Grant" shall be the Effective Date.

(f) "Effective Date" shall mean the date first written above, which is the date this Option is approved by the Board.

(g) "ERISA" shall mean the Employee Retirement Income Security Act, as amended.

(h) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(i) "Fair Market Value" shall mean:

(i) If Shares are listed on a national securities exchange at the date of determining the Fair Market Value,

(A) The mean of the high and low sales price on such exchange on the Date of Grant as reported in any newspaper of general circulation, or

(B) If the Shares shall not have traded on such exchange on such date, the mean of the high and low sales price on such exchange on the next day prior thereto on which the Shares were so traded as reported in any newspaper of general circulation; or

(ii) If Shares shall not be listed as provided in Subsection 2(h)(i), a value determined by any fair and reasonable means prescribed by the Committee.

(j) "Internal Revenue Code" or "Code" shall mean the Internal Revenue Code of 1986, as it now exists or may be amended from time to time.

(k) "Nonqualified Stock Option" shall mean a stock option that is not an incentive stock option as defined in Section 422 of the Internal Revenue Code.

(l) "Option" (when capitalized) shall mean this Nonqualified Stock Option exercisable for 25,000 shares of Common Stock granted to Robert G. Stone, Jr., which is deemed to be a Plan pursuant to Rule 16b-3 under the Exchange Act.

(m) "Option Period" shall mean the period commencing on the date hereof and ending on July 20, 2003, or such earlier dates as the Option may terminate under Section 9 hereof.

(n) "Optionee" shall mean Robert G. Stone, Jr.

(o) "Share(s)" shall mean a share or shares of the Common Stock.

(p) "Subsidiary" shall mean 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 3. Grant of Option.

The Company hereby grants to the Optionee on the date hereof an option to purchase 25,000 shares of Common Stock on the terms and conditions herein provided.

Section 4. Rule 16b-3 Plan and Stockholder Approval.

The Company intends for this Option to comply with the requirements of Rule 16b-3 promulgated by the Securities and Exchange Commission pursuant to the Exchange Act. Accordingly, this Option shall terminate and become null and void unless this Option is approved by the stockholders of the Company within one (1) year after the Effective Date at a meeting of stockholders of the Company at which a quorum is present by stockholders of the Company owning a majority of the issued and outstanding shares of Common Stock represented at such meeting.

Section 5. Exercise Price.

The exercise price per share of Common Stock subject to this Option is $18.625, which price was the mean of the high and low sales price of Common Stock on the American Stock Exchange on July 20, 1993 as reported by The Wall Street Journal, Southwest Edition.

Section 6. Vesting Schedule.

(a) The Option to purchase Shares of Common Stock shall vest 20% of the total number of Shares initially subject to such Option (as such number may be adjusted pursuant to Section 11) on January 20, 1994 and 20% on the date of the annual stockholders meeting beginning in 1994, if following such meeting the Optionee is a member of the Board.

(b) Notwithstanding the foregoing, the Option shall vest as to all Shares then subject to this Option upon the occurrence of any of the following events:

(1) a transaction (or series of transactions occurring within a 60-day period or pursuant to a plan approved by the Board or the shareholders of the Company) occurs which has the result that stockholders of the Company immediately before such transaction cease to own directly or indirectly at least 51% of the voting stock of the Company or of any entity which results from the participation of the Company, in a reorganization, consolidation, merger, liquidation or any other form of corporate transaction;

(2) all or substantially all of the assets of the Company shall be sold or otherwise disposed of except that this Option shall not vest as to all Shares then subject to this Option if after such sale or disposition (i) the stockholders of the Company immediately prior to such transaction continue to own at least 51% of the voting stock of the entities which acquired 50% or more in value of the assets of the Company so sold or conveyed and (ii) the acquiring entity agrees to assume the obligations of the Company under this Agreement; or

(3) the occurrence of a merger, consolidation or other reorganization of the Company under the terms of which the surviving entity does not assume the obligations of the Company under this Agreement.

Section 7. Type of Option.

The Option granted hereunder shall be a Nonqualified Stock Option.

Section 8. Exercise of the Option.

(a) This Option shall not be exercisable prior to January 20, 1994. After January 20, 1994, this Option may be exercised at any time and from time to time during the Option Period, in whole or in part, with respect to Shares that have vested in accordance with Section 6 hereof. If the Optionee exercises this Option prior to stockholder approval of this Plan as provided in Section 4 hereof, the Optionee must tender the exercise price at the time of exercise and the Company shall hold the exercise price and the Shares to be issued pursuant to such exercise until the stockholders approve the Plan. If the Plan is approved by the stockholders, the Company shall issue and deliver the Shares as to which the Option has been exercised. If the Plan is not approved by the stockholders, the Company shall return the exercise price to the Optionee and no Shares will be issued.

(b) This Option may be exercised (i) during the Optionee's lifetime, solely by the Optionee or (ii) after the Optionee's death, by the personal representative of the Optionee's estate or the person or persons entitled thereto under his will or under the laws of descent and distribution.

(c) This Option shall be deemed exercised when (i) the Company has received written notice of such exercise delivered to the Company in accordance with the terms of Subsection 17(l) hereof, (ii) full payment of the aggregate exercise price of the Shares as to which the Option is exercised has been tendered to the Company, and (iii) arrangements that are satisfactory to the Committee in its sole discretion have been made for the Optionee's payment to the Company of the amount, if any, that the Company determines to be necessary for the Company to withhold in accordance with applicable federal or state income tax withholding requirements.

(d) The exercise price of any Shares purchased shall be paid (i) solely in cash, by certified or cashier's check, by money order or by personal check or (ii) at the option of the Optionee, in Common Stock theretofore owned by such Optionee (or by a combination of the above); provided, however, that if the Optionee acquired such stock to be surrendered directly or indirectly from the Company, he shall have owned such stock for six months prior to using such stock to exercise this Option. For purposes of determining the amount, if any, of the exercise price satisfied by payment in Common Stock, such Common Stock shall be valued at its Fair Market Value on the date of exercise. Any Common Stock delivered in satisfaction of all or a portion of the exercise price shall be appropriately endorsed for transfer and assignment to the Company.

(e) The Optionee shall not be, nor have any of the rights or privileges of, a stockholder of the Company with respect to any Shares purchasable upon the exercise of any part of this Option unless and until certificates representing such Shares shall have been issued by the Company to the Optionee.

Section 9. Termination of Option Period.

(a) The unexercised portion of this Option shall automatically and without notice terminate and become null and void upon the earliest to occur of the following:

(i) one (1) year after the death of the Optionee; or

(ii) July 20, 2003.

(b) The Committee in its sole discretion may, by giving written notice to the Optionee ("Cancellation Notice"), cancel, effective upon the date of the consummation of any corporate transaction described in Subsection 6(b) hereof, any portion of this Option which remains unexercised on such date. Such cancellation notice shall be given to Optionee at least ten (10) days prior to the date of cancellation.

Section 10. Assignability.

This Option is not assignable or otherwise transferable except by will or the laws of descent and distribution.

Section 11. Adjustments.

(a) If at any time while any unexercised portion of this Option is outstanding there shall be an 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-up, combination or exchange of Shares, then appropriate adjustment shall be made in the number of Shares and the exercise price per Share subject to such outstanding portion of this 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 under the terms of which the Company is not the surviving corporation, but the surviving corporation elects to assume this Option, the Optionee shall be entitled to receive, upon the exercise of this Option, with respect to each Share (i) the number of shares of stock of the surviving corporation (or equity interest in any other entity) and (ii) any other notes, evidences of indebtedness or other property, that Optionee would have received in connection with such merger, consolidation or other reorganization had he executed the Option with respect to such Share immediately prior to such merger, consolidation or other reorganization.

(c) 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 this Option.

(d) Without limiting the generality of the foregoing, the existence of this Option 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 this Option; (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 12. Purchase for Investment.

As a condition of any issuance of a stock certificate for 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 this Option or any law or regulation, including, but not limited to, the following:

(a) a representation and warranty by the Optionee to the Company, at the time this Option is exercised, that he is acquiring the Shares to be issued to him 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 legends 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 and are endorsed upon the certificates representing the Shares.

Section 13. Amendment, Modification, Suspension or Discontinuance of this Plan.

For the purpose of complying with changes in the Code or ERISA, the Committee may amend, modify, suspend or terminate the Option any time without the consent of the Optionee and for the purpose of meeting or addressing any other changes in legal requirements or any other purpose, the Committee may amend, modify, suspend or terminate the Option only once every six months; provided that no such amendment, modification, suspension or termination shall materially impair the Option without the consent of the Optionee.

Section 14. Government Regulations.

This Option, and the obligation of the Company to sell and deliver Shares under this Option, shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

Section 15. Withholding.

Prior to the issuance of any Shares to Optionee under this Option, Optionee shall pay to the Company in a form satisfactory to the Company the amount (if any) which the Company reasonably determines to be necessary for the employer of the Optionee to withhold in accordance with applicable federal or state tax withholding requirements.

Section 16. Administration of the Plan.

(a) This Option shall be administered by the Committee. The Committee shall be the Compensation Committee of the Board excluding Optionee (if he is a member of the Compensation Committee); provided, however, that for purposes of this Option, the Committee shall consist of not less than two individuals; provided further, however, that if no Compensation Committee is appointed, the Board (if a majority of which and a majority of the Directors acting on any matter are Disinterested Persons) shall administer the Option and in such case all references to the Committee shall be deemed to be references to the Board. The Committee shall have all of the powers of the Board with respect to the Option.

(b) The Committee, from time to time, may adopt rules and regulations for carrying out the purposes of the Option. The determinations and the interpretation and construction of any provision of the Option by the Committee shall be final and conclusive.

(c) Any and all decisions or determinations of the Committee shall be made either (i) by a majority vote of the members of the Committee at a meeting, or (ii) without a meeting by the written approval of a majority of the members of the Committee.

(d) Subject to the express provisions of this Option, the Committee shall have the authority, in its sole and absolute discretion (i) to adopt, amend, and rescind administrative and interpretive rules and regulations relating to this Option; (ii) to construe the terms of this Option; (iii) as provided in Subsection 11, upon certain events to make appropriate adjustments to the exercise price and number of Shares subject to this Option; and (iv) to make all other determinations and perform all other acts necessary or advisable for administering this Option, including the delegation of such ministerial acts and responsibilities as the Committee deems appropriate. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Option in the manner and to the extent it shall deem expedient to carry it into effect, and it shall be the sole and final judge of such expediency. The Committee shall have full discretion to make all determinations on the matters referred to in this Subsection 16(d), and such determinations shall be final, binding and conclusive.

Section 17. Miscellaneous.

(a) The proceeds received by the Company from the sale of Shares pursuant to this Option shall be used for general corporate purposes.

(b) This Option shall be in addition to regular director's fees paid to the Optionee and stock options granted to the Optionee pursuant to the Company's 1989 Director Stock Option Plan or other stock option plans of the Company or other benefits with respect to Optionee's position with the Company or its Subsidiaries. Nothing contained in this Option shall confer upon the Optionee the right to continue as a director or Chairman of the Board of the Company, or interfere in any way with the rights of the Company to terminate his status as a director or Chairman of the Board.

(c) Neither the members of the Board nor any member of the Committee shall be liable for any act, omission, or determination taken or made in good faith with respect to this Option, and members of the Board and the Committee shall, in addition to all other rights of indemnification and reimbursement, be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage, or expense (including attorneys' fees, the costs of settling any suit, provided such settlement is approved by independent legal counsel selected by the Company, and amounts paid in satisfaction of a judgment, except a judgment based on a finding of bad faith) arising from such claim, loss, damage, or expense to the full extent permitted by law and under any directors' and officers' liability or similar insurance coverage that may from time to time be in effect.

(d) Any payment of cash or any issuance or transfer of Shares to the Optionee, or to his legal representative, heir, legatee, or distributee, in accordance with the provisions of this Option, shall, to the extent thereof, be in full satisfaction of all claims of such persons under the Plan. The Committee may require any Optionee, legal representative, heir, legatee or distributee as a condition precedent to such payment or issuance or transfer of Shares, to execute a release and receipt for such payment or issuance or transfer of Shares in such form as it shall determine.

(e) Neither the Committee nor the Company guarantees Shares from loss or depreciation.

(f) All expenses incident to the administration, termination, or protection of this Option, including, but not limited to, legal and accounting fees, shall be paid by the Company; provided, however, the Company may recover any and all damages, fees, expenses and costs arising out of any actions taken by the Company to enforce its rights under this Option.

(g) Records of the Company shall be conclusive for all purposes under this Option, unless determined by the Committee to be incorrect.

(h) The Company shall, upon request or as may be specifically required under this Option, furnish or cause to be furnished all of the information or documentation that is necessary or required by the Committee to perform its duties and functions under this Option.

(i) The Company assumes no liability to the Optionee or his legal representatives, heirs, legatees, distributees or permitted assigns for any act of, or failure to act on the part of, the Committee.

(j) Any action required of the Company relating to this Option shall be by resolution of its Board, the Committee or by a person authorized to act by resolution of the Board or the Committee.

(k) If any provision of this Option is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions of this Option, but such provision shall be fully severable, and this Option shall be construed and enforced as if the illegal or invalid provision had never been included in this Option.

(l) Whenever any notice is required or permitted under this Option, such notice must be in writing and personally delivered or sent by mail or delivery by a nationally recognized courier service. Any notice required or permitted to be delivered under this Option shall be deemed to be delivered on the date on which it is personally delivered, or, if mailed, whether actually received or not, on the third Business Day after it is deposited in the United States mail, certified or registered, postage prepaid, addressed to the person who is to receive it at the address which such person has previously specified by written notice delivered in accordance with this Subsection 17(l) or, if by courier, seventy-two (72) hours after it is sent, addressed as described in this Subsection 17(l). The Company or the Optionee may change, at any time and from time to time, by written notice to the other, the address which it or he had previously specified for receiving notices. Until changed in accordance with this Option, the Company and the Optionee shall specify as its and his address for receiving notices the address set forth in this Option pertaining to the Shares to which such notice relates.

(m) Any person entitled to notice under this Option may waive such notice.

(n) This Option shall be binding upon the Optionee, his legal representatives, heirs, legatees and distributees upon the Company, its successors, and assigns, and upon the Board, the Committee and its successors.

(o) The titles and headings of Sections are included for convenience of reference only and are not to be considered in construction of the Option's provisions.

(p) All questions arising with respect to the provisions of this Option shall be determined by application of the laws of the State of Texas except to the extent Texas law is preempted by federal law or Nevada corporate law that is controlling. The obligation of the Company to sell and deliver Shares under this Option is subject to applicable laws and to the approval of any governmental authority required in connection with the authorization, issuance, sale, or delivery of such Shares.

(q) Words used in the masculine shall apply to the feminine where applicable, and wherever the context of this Option dictates, the plural shall be read as the singular and the singular as the plural.

ADOPTED BY THE BOARD OF DIRECTORS: July 20, 1993
APPROVED BY THE STOCKHOLDERS: April , 1994

Address: 1775 St. James Place Suite 300 Houston, Texas 77056	KIRBY CORPORATION By /s/ GEORGE A. PETERKIN, JR. -- George A. Peterkin, Jr., President
Address: 39th Floor, Chrysler Bldg. 405 Lexington Avenue New York, NY 1017	By /s/ ROBERT G. STONE, JR. -- Robert G. Stone, Jr., Optionee

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AMENDMENT NO. 1
TO THE
1989 DIRECTOR STOCK OPTION PLAN
FOR
KIRBY EXPLORATION COMPANY, INC.
(NOW KIRBY CORPORATION)

The Board of Directors of Kirby Corporation, formerly Kirby Exploration Company, Inc. (the "Company"), amends prospectively as of January 18, 1994 the 1989 Director Stock Option Plan for Kirby Exploration Company, Inc., now Kirby Corporation (the "Plan") in the following respect only:

First: The designation and name of the Plan is hereby amended and changed to: 1989 Director Stock Option Plan for Kirby Corporation.

Second: Section 4(c)(i) of the Plan is hereby amended and restated in its entirely as follows:

(i) Each Eligible Person who is elected a Director (not previously being a Director) shall be granted an Option for FIVE THOUSAND (5,000) Shares on the date of such Eligible Person's election as a Director, such date being the Date of Grant for such Option; and

Third: The foregoing amendment to the Plan be effective prospectively only as of January 18, 1994 and that any stock options granted under the Plan prior to January 18, 1994 shall be governed by the Plan as it existed prior to the foregoing amendment.

Fourth: The foregoing amendment, along with the prospective nature of the foregoing amendment, be submitted for approval to the Company's stockholders at the 1994 Annual Meeting of Stockholders or at some other meeting of stockholders.

Fifth: If the stockholders of the Company do not approve the foregoing amendment within one (1) year after January 18, 1994, the foregoing amendment shall be null and void and any stock options granted subsequent January 18, 1994 shall be increased to such amount as if such grants had occurred pursuant to the Plan as it existed prior to January 18, 1994.

The Board of Directors of the Company approved the foregoing amendment on January 18, 1994 and the stockholders of the Company approved the foregoing amendment on April 19, 1994.

KIRBY CORPORATION

By: /s/ G. STEPHEN HOLCOMB

G. Stephen Holcomb,
Assistant Secretary

EXHIBIT 21.1

KIRBY CORPORATION
PRINCIPAL SUBSIDIARIES OF THE REGISTRANT

	PLACE OF INCORPORATION
KIRBY CORPORATION -- PARENT AND REGISTRANT	Nevada
SUBSIDIARIES OF THE PARENT AND REGISTRANT	
Dixie Carriers, Inc.(1)	Delaware
General Energy Corporation(1)	Delaware
Kirby Exploration Company of Texas(1)	Delaware
Kirby Terminals, Inc.(1)	Texas
Sabine Transportation Company(1)	Delaware
Chotin Carriers, Inc.(1)	Delaware
Kirby Pioneer, Inc.(1)	Delaware
AFRAM Carriers, Inc.(1)	Delaware
Rail Systems, Inc.(1)	Delaware
Americas Marine Express, Inc.(1)	Delaware
Universal Insurance Company(1)	Puerto Rico
Mariner Reinsurance Company Limited(1)	Bermuda
Oceanic Insurance Limited(3)	Bermuda
CONTROLLED CORPORATIONS	
Dixie Bulk Transport, Inc. (subsidiary of Dixie Carriers, Inc.)(1)	Delaware
Western Towing Company (subsidiary of Dixie Carriers, Inc.)(1)	Texas
Marine Systems, Inc. (subsidiary of Dixie Carriers, Inc.)(1)	Louisiana
Bolivar Terminal Company, Inc. (subsidiary of Dixie Carriers, Inc.)(2)	Texas
Dixie Marine, Inc. (subsidiary of Dixie Carriers, Inc.)(1)	Delaware
Brent Transportation Corporation (subsidiary of Dixie Carriers, Inc.)(1)	Delaware
Dixie Security Corporation (subsidiary of Dixie Carriers, Inc.)(1)	Texas
OMR Transportation Company (subsidiary of Dixie Carriers, Inc.)	Delaware
TPT Transportation Company (subsidiary of Dixie Carriers, Inc.)(1)	Delaware
Richport Insurance Company (subsidiary of Universal Insurance Company)(1)	Puerto Rico
Richport Bermuda Company, Ltd. (subsidiary of Universal Insurance Company)(1)	Bermuda

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(1) Included in the consolidated financial statements.

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

(3) Incorporated in 1994.

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 2-67954, No. 2-84789 and No. 33-68140 of Kirby Corporation on Form S-8 of our reports dated March 2, 1992, except for Note 2 as to which the date is March 18, 1992, (Kirby Corporation and subsidiaries) and February 28, 1994 (Universal Insurance Company and subsidiaries) appearing in this Annual Report on Form 10-K of Kirby Corporation for the year ended December 31, 1993.

DELOITTE & TOUCHE

Houston, Texas
March 14, 1994

EXHIBIT 23.2

INDEPENDENT AUDITORS' CONSENT

We consent to incorporation by reference in the Registration Statements (No. 33-62116) on Form S-3 and (No. 33-68140), (No. 2-67954), (No. 2-84789) on Form S-8 of Kirby Corporation and consolidated subsidiaries of our report dated February 21, 1994, relating to the consolidated balance sheet of Kirby Corporation and consolidated subsidiaries as of December 31, 1993, and the related consolidated statements of earnings, stockholders' equity, cash flows and related schedules for the year then ended, which report appears in the December 31, 1993 Annual Report on Form 10-K of Kirby Corporation and consolidated subsidiaries.

KPMG PEAT MARWICK

Houston, Texas
March 14, 1994

EXHIBIT 28.1

INDEPENDENT AUDITORS' REPORT

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

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

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Universal Insurance Company and its subsidiaries at December 31, 1992 and 1993, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. Also, in our opinion such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for income taxes effective January 1, 1992, for reissuance of short duration and long duration contracts effective January 1, 1993 and for the carrying value of its investments effective December 31, 1993, to conform with new accounting standards.

DELOITTE & TOUCHE

San Juan, Puerto Rico
February 28, 1994