KIRBY CORP
Form DEF 14A
March 05, 2009

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

Kirby Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

KIRBY CORPORATION

Notice of 2009

Annual Meeting of Stockholders

and

Proxy Statement

Meeting Date: April 28, 2009

YOUR VOTE IS IMPORTANT

PLEASE PROMPTLY MARK, DATE, SIGN AND RETURN YOUR PROXY CARD IN THE ENCLOSED ENVELOPE

Table of Contents

KIRBY CORPORATION

55 Waugh Drive, Suite 1000
P. O. Box 1745
Houston, Texas 77251-1745

March 5, 2009

Dear Fellow Stockholders:

On behalf of the Board of Directors, we cordially invite you to attend the 2009 Annual Meeting of Stockholders of Kirby Corporation to be held on Tuesday, April 28, 2009, at 10:00 a.m. (CDT). The meeting will be held at 55 Waugh Drive, 8th Floor, Houston, Texas 77007. We look forward to personally greeting those stockholders who will be able to attend the meeting.

This booklet contains the notice of the Annual Meeting and the Proxy Statement, which contains information about the formal items of business to be conducted at the meeting, Kirby s Board of Directors and its committees and certain executive officers. This year you are being asked to elect three Class II directors and ratify the Audit Committee s selection of KPMG LLP as Kirby s independent registered public accounting firm for 2009.

In addition to the formal items of business to be brought before the Annual Meeting, there will be a report on our Company s operations, followed by a question and answer period.

Your vote is important. Please ensure that your shares will be represented at the meeting by completing, signing and returning your proxy card in the envelope provided whether or not you plan to attend personally.

Thank you for your continued support and interest in Kirby Corporation.

Sincerely,

C. Berdon Lawrence
Chairman of the Board

Joseph H. Pyne
President and Chief Executive Officer

TABLE OF CONTENTS

Table of Contents

KIRBY CORPORATION
55 Waugh Drive, Suite 1000
P. O. Box 1745
Houston, Texas 77251-1745

NOTICE OF 2009 ANNUAL MEETING OF STOCKHOLDERS

Date:	Tuesday, April 28, 2009
Time:	10:00 a.m. CDT
Place:	55 Waugh Drive 8th Floor Houston, Texas 77007

Items of business to be voted on at the Kirby Corporation 2009 Annual Meeting of Stockholders are as follows:

1. Election of three Class II directors;

2. Ratification of the Audit Committee s selection of KPMG LLP as Kirby Corporation s independent registered public accounting firm for 2009; and

3. Consideration of any other business that properly comes before the meeting.

You have the right to receive this notice and vote at the Annual Meeting if you were a stockholder of record at the close of business on March 2, 2009. Please remember that your shares cannot be voted unless you sign and return the enclosed proxy card, vote in person at the Annual Meeting, or make other arrangements to vote your shares.

We have enclosed a copy of Kirby Corporation s 2008 Annual Report to stockholders with this notice and Proxy Statement.

For the Board of Directors,

Thomas G. Adler
Secretary

March 5, 2009

KIRBY CORPORATION

PROXY STATEMENT

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors (the Board) of Kirby Corporation (the Company) to be voted at the Annual Meeting of Stockholders to be held at 55 Waugh Drive, 8th Floor, Houston, Texas, on April 28, 2009, at 10:00 a.m. (CDT).

Whenever we refer in this Proxy Statement to the Annual Meeting, we are also referring to any meeting that results from an adjournment or postponement of the Annual Meeting. The Notice of Annual Meeting, this Proxy Statement, the proxy card and the Company s Annual Report, which includes the Annual Report on Form 10-K for 2008, are being mailed to stockholders on or about March 9, 2009.

SOLICITATION OF PROXIES

The Proxy Card

Your shares will be voted as specified on the enclosed proxy card. If a proxy is signed without choices specified, those shares will be voted for the election of the Class II directors named in this Proxy Statement, for the ratification of the Audit Committee s selection of KPMG LLP as the Company s independent registered public accounting firm for 2009 and at the discretion of the proxies on other matters.

You are encouraged to complete, sign and return the proxy card even if you expect to attend the meeting. If you sign a proxy card and deliver it to us, but then want to change your vote, you may revoke your proxy at any time prior to the Annual Meeting by sending us a written revocation or a new proxy, or by attending the Annual Meeting and voting your shares in person.

Cost of Soliciting Proxies

The cost of soliciting proxies will be paid by the Company. The Company has retained Georgeson, Inc. to solicit proxies at an estimated cost of $5,000, plus out-of-pocket expenses. Employees of the Company may also solicit proxies, for which the expense would be nominal and borne by the Company. Solicitation may be by mail, facsimile, electronic mail, telephone or personal interview.

VOTING

Stockholders Entitled to Vote

Stockholders of record at the close of business on March 2, 2009 will be entitled to notice of, and to vote at, the Annual Meeting. As of the close of business on March 2, 2009, the Company had 53,772,885 outstanding shares of common stock. Each share of common stock is entitled to one vote on each matter to come before the meeting.

Quorum and Votes Necessary to Adopt Proposals

In order to transact business at the Annual Meeting, a quorum consisting of a majority of all outstanding shares entitled to vote must be present. Abstentions and proxies returned by brokerage firms for which no voting instructions have been received from their principals will be counted for the purpose of determining whether a quorum is present. Once a share is represented for any purpose at the Annual Meeting, it will be deemed present for quorum purposes for the entirety of the meeting. A majority of the votes cast (not counting abstentions and broker nonvotes) is required for the election of directors. A majority of the outstanding shares entitled to vote that are represented at the meeting in person or by proxy is required for the ratification of the selection of KPMG LLP as the Company s independent registered public accounting firm for 2009 and any other matters that may be presented at the meeting.

Table of Contents

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON APRIL 28, 2009

This Proxy Statement and the Company s 2008 Annual Report, which includes the Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC), are available electronically at www.edocumentview.com/kex.

The following proposals will be considered at the meeting:

Item 1	Election of three Class II directors
Item 2	Ratification of the selection of KPMG LLP as the Company s independent registered public accounting firm for 2009

The Board of Directors of the Company unanimously recommends that you vote FOR each of the proposals.

ELECTION OF DIRECTORS (ITEM 1)

The Bylaws of the Company provide that the Board shall consist of not fewer than three nor more than fifteen members and that, within those limits, the number of directors shall be determined by the Board. The Bylaws further provide that the Board shall be divided into three classes, with the classes being as nearly equal in number as possible and with one class being elected each year for a three-year term. The size of the Board is currently set at ten. Three Class II directors are to be elected at the 2009 Annual Meeting to serve until the Annual Meeting of Stockholders in 2012.

Each nominee named below is currently serving as a director and each has consented to serve for the new term if elected. If any nominee becomes unable to serve as a director, an event currently not anticipated, the persons named as proxies in the enclosed proxy card intend to vote for a nominee selected by the present Board to fill the vacancy.

Nominees for Election

The Board of Directors of the Company unanimously recommends that you vote FOR the election of each of the following nominees for election as a director.

Nominees for Election as Class II directors to serve until the Annual Meeting of Stockholders in 2012

Bob G. Gower	Director since 1998
Houston, Texas	Age 71

Mr. Gower is a private investor. He served as President and Chief Executive Officer of Carbon Nanotechnologies, Inc., a technology leader in small-diameter carbon nanotubes, until 2007. Mr. Gower serves as Chairman of the Audit Committee, is a member of the Executive Committee and Compensation Committee, and has been chosen by the non-management directors to serve as the presiding director at executive sessions of the non-management directors.

Monte J. Miller	Director since 2006
Durango, Colorado	Age 65

Mr. Miller is a consultant and private investor. He served as Executive Vice President, Chemicals, of Flint Hills Resources, LP (Flint Hills), a company engaged in crude oil refining, transportation and marketing, and the production of petrochemicals, from 2003 to 2006. From 1999 to 2003, he was Senior Vice President of Koch Chemical Company, a predecessor company of Flint Hills. Mr. Miller serves as a member of the Compensation Committee.

Joseph H. Pyne	Director since 1988
Houston, Texas	Age 61

Mr. Pyne is the President and Chief Executive Officer of the Company. He serves as a member of the Executive Committee.

Directors Continuing in Office

The following persons are directors of the Company who will continue in office.

Continuing Class III directors, serving until the Annual Meeting of Stockholders in 2010

C. Sean Day	Director since 1996
Greenwich, Connecticut	Age 59

Mr. Day is Chairman of Teekay Corporation, a foreign flag tank vessel owner and operator. He serves as Chairman of the Governance Committee and is a member of the Compensation Committee. He is also Chairman of Teekay GP L.L.C., the general partner of Teekay LNG Partners L.P., Chairman of Teekay Offshore GP L.L.C., the general partner of Teekay Offshore Partners L.P., Chairman of Teekay Tankers Ltd. and Chairman of Compass Diversified Holdings.

William M. Lamont, Jr.	Director since 1979
Dallas, Texas	Age 60

Mr. Lamont is a private investor. He serves as Chairman of the Compensation Committee and is a member of the Executive Committee and Governance Committee.

C. Berdon Lawrence	Director since 1999
Houston, Texas	Age 66

Mr. Lawrence has served as Chairman of the Board of the Company since 1999. He was the founder and former President of Hollywood Marine, Inc. (Hollywood), an inland tank barge company acquired by the Company in 1999. Mr. Lawrence serves as Chairman of the Executive Committee.

Continuing Class I directors, serving until the Annual Meeting of Stockholders in 2011

James R. Clark	Director since 2008
Fort Worth, Texas	Age 58

Mr. Clark served as President and Chief Operating Officer of Baker Hughes Incorporated (Baker Hughes) from 2004 until his retirement in January 2008. From 2003 to 2004, he served as Vice President, Marketing and Technology of Baker Hughes, and from 2001 to 2003, he served as President of Baker Petrolite Corporation, a subsidiary of Baker Hughes. He serves as a member of the Governance Committee. Mr. Clark is also a director of Teekay Corporation and ENSCO International Incorporated.

David L. Lemmon	Director since 2006
Las Vegas, Nevada	Age 66

Mr. Lemmon is a private investor. He served as President and Chief Executive Officer of Colonial Pipeline Company, an interstate common carrier of refined liquid petroleum products, from 1997 to 2006. He serves as a member of the Audit Committee. Mr. Lemmon is also a director of Teekay Offshore GP L.L.C., the general partner of Teekay Offshore Partners L.P., and Deltic Timber Corporation.

George A. Peterkin, Jr.	Director since 1973
Houston, Texas	Age 81

Mr. Peterkin is a private investor. He has served as Chairman Emeritus of the Board of the Company since 1999 and served as Chairman of the Board of the Company from 1995 to 1999. He served as President of the Company from 1973 to 1995 and serves as a member of the Audit Committee and Executive Committee.

Table of Contents

Richard R. Stewart	Director since 2008
Houston, Texas	Age 59

Mr. Stewart served as President and Chief Executive Officer of GE Aero Energy, a division of GE Energy, and as an officer of General Electric Company, from 1998 until his retirement in December 2006. From 1972 to 1998, Mr. Stewart served in various positions at Stewart & Stevenson Services, Inc., including Group President and member of the Board of Directors. He serves as a member of the Audit Committee. Mr. Stewart is also a director of Eagle Materials Inc.

Except as noted, each of the nominees for director and each of the continuing directors has been engaged in his principal occupation for more than the past five years.

THE BOARD OF DIRECTORS

The Company s business is managed under the direction of the Board, which is responsible for broad corporate policy and for monitoring the effectiveness of Company management. Members of the Board are kept informed about the Company s businesses by participating in meetings of the Board and its committees, through operating and financial reports made at Board and committee meetings by Company management, through various reports and documents sent to the directors for their review and by visiting Company facilities.

Director Independence

The New York Stock Exchange (NYSE) listing standards require listed companies to have at least a majority of independent directors. For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with the Company.

The Board has determined that the following incumbent directors have no relationship with the Company except as directors and stockholders and are independent within the meaning of the NYSE corporate governance rules:

James R. Clark	David L. Lemmon
C. Sean Day	Monte J. Miller
Bob G. Gower	George A. Peterkin, Jr.
William M. Lamont, Jr.	Richard R. Stewart

In addition, the Board previously determined that two relationships between the Company and Walter E. Johnson, a director of the Company until April 2008, were not material and that Mr. Johnson was also independent. The two relationships, described under Transactions with Related Persons, are Mr. Johnson s ownership of a 25% interest in a limited partnership that owns one of 914 barges operated by the Company and Mr. Johnson s position as Chairman of the Board of Amegy Bank, N.A. (Amegy Bank), which has a 6% participation in the Company s revolving credit facility. The Board determined that distributions to Mr. Johnson from the barge partnership were not material to him and that Mr. Johnson s interest in the partnership was not taken into account by the Company in making decisions with respect to the deployment of its barge fleet. The Board also considered that Amegy Bank has the smallest participation of the banks in the Company s revolving credit facility and that the annual payments of interest and fees from the Company to Amegy Bank were not material to either company.

Board Committees

The Board has established four standing committees, including the Audit Committee, the Compensation Committee and the Governance Committee, each of which is briefly described below. The fourth committee, the Executive Committee, may exercise all of the power and authority of the Board in the management of the business and affairs of the Company when the Board is not in session, except the power or authority to fill vacancies in the membership of the Board, to amend the Bylaws of the Company and to fill vacancies in the membership of the Executive Committee.

Table of Contents

Audit Committee

All of the members of the Audit Committee are independent, as that term is defined in applicable SEC and NYSE rules. In addition, the Board has determined that all of the members of the Audit Committee are audit committee financial experts, as that term is defined in SEC rules. The Audit Committee operates under a written charter adopted by the Board. A copy of the charter is available on the Company s web site at www.kirbycorp.com in the Investor Relations section under Corporate Governance.

Principal Functions	Members
Monitor the Company s financial reporting, accounting procedures and systems of internal control	Bob G. Gower (Chairman)
Select the independent auditors for the Company	David L. Lemmon
Review the Company s audited annual and unaudited quarterly financial statements with management and the independent auditors	George A. Peterkin, Jr.
Monitor the independence and performance of the Company s independent auditors and internal audit function	Richard R. Stewart
Monitor the Company s compliance with legal and regulatory requirements	

Compensation Committee

All of the members of the Compensation Committee are independent, as that term is defined in NYSE rules. In addition, all of the members of the Committee are Non-Employee Directors and outside directors as defined in relevant federal securities and tax regulations. The Compensation Committee operates under a written charter adopted by the Board. A copy of the charter is available on the Company s web site at www.kirbycorp.com in the Investor Relations section under Corporate Governance.

Principal Functions	Members
Determine the compensation of executive officers of the Company	William M. Lamont, Jr. (Chairman)
Administer the Company s annual incentive bonus program	C. Sean Day
Administer the Company s stock option, restricted stock and incentive plans and grant stock options, restricted stock and performance awards under such plans	Bob G. Gower
	Monte J. Miller

Governance Committee

All of the members of the Governance Committee are independent, as that term is defined in NYSE rules. The Committee operates under a written charter adopted by the Board. A copy of the charter is available on the Company s web site at www.kirbycorp.com in the Investor Relations section under Corporate Governance.

Principal Functions	Members
Perform the function of a nominating committee in recommending candidates for election to the Board	C. Sean Day (Chairman)
Review all related party transactions	James R. Clark
	William M. Lamont, Jr.

Oversee the operation and effectiveness of the Board

The Governance Committee will consider director candidates recommended by stockholders. Recommendations may be sent to the Chairman of the Governance Committee, Kirby Corporation, 55 Waugh Drive, Suite 1000, Houston, Texas 77007, accompanied by biographical information for evaluation. The Board of the Company has approved Criteria for the Selection of Directors which the Governance Committee will consider in evaluating director candidates. The criteria address compliance with SEC and NYSE requirements relating to the composition of the Board and its committees, as well as character, integrity, experience, understanding of the Company s business and willingness to commit sufficient time to the Company s business. The criteria are available on the Company s web site at www.kirbycorp.com in the Investor Relations section under Corporate Governance. In addition to the criteria, the Governance Committee and the Board will consider diversity in business experience, professional expertise, gender and ethnic background in evaluating potential nominees for director.

Table of Contents

When there is a vacancy on the Board (i.e., in cases other than the nomination of an existing director for reelection), the Board and the Governance Committee have considered candidates identified by executive search firms, candidates recommended by stockholders and candidates recommended by other directors. The Governance Committee will continue to consider candidates from any of those sources when future vacancies occur. The Governance Committee does not evaluate a candidate differently based on whether or not the candidate is recommended by a stockholder.

Attendance at Meetings

It is the Company s policy that directors are expected to attend Board meetings and meetings of committees on which they serve and are expected to attend the Annual Meeting of Stockholders of the Company. During 2008, the Board met seven times, the Audit Committee met eight times, the Compensation Committee met seven times and the Governance Committee met four times. Each incumbent director attended at least 80% of the aggregate number of meetings of the Board and committees on which he served. All directors attended the 2008 Annual Meeting of Stockholders of the Company.

Director Compensation

Directors who are employees of the Company receive no additional compensation for their services on the Board or Board committees. Compensation of nonemployee directors is determined by the full Board, which may consider recommendations of the Compensation Committee. Past practice has been to review director compensation when the Board believes that an adjustment may be necessary in order to remain competitive with director compensation of similar companies. Management of the Company periodically collects published survey information on director compensation for purposes of comparison.

Each nonemployee director receives an annual fee of $24,000, a fee of $1,250 for each Board meeting and a fee of $3,000 for each Committee meeting attended. A director may elect to receive the annual fee in cash, stock options or restricted stock. The Compensation and Governance Committee Chairmen receive an additional $10,000 retainer per year, the Audit Committee Chairman receives an additional $15,000 retainer per year and the presiding director at executive sessions of the non-management directors receives an additional $5,000 retainer per year. Directors are reimbursed for reasonable expenses incurred in attending meetings.

In addition to the fees provided to the directors described above, the Company has a nonemployee director stock option plan under which nonemployee directors are granted stock options and restricted stock awards. The Company s 2000 Nonemployee Director Stock Option Plan (the 2000 Director Plan) provides for the automatic grant to nonemployee directors of stock options for 10,000 shares of common stock on the date of first election as a director and stock options for 6,000 shares and 1,000 shares of restricted stock immediately after each annual meeting of stockholders. In addition, the 2000 Director Plan provides for the issuance of stock options or restricted stock in lieu of cash for all or part of the annual director fee. A director who elects to receive options in lieu of the annual cash fee will be granted an option for a number of shares equal to (a) the amount of the fee for which the election is made divided by (b) the fair market value per share of the common stock on the date of grant multiplied by (c) 3. A director who elects to receive restricted stock in lieu of the annual cash fee will be issued a number of shares of restricted stock equal to (a) the amount of the fee for which the election is made divided by (b) the fair market value per share of the common stock on the date of grant multiplied by (c) 1.2. The exercise price for all options granted under the 2000 Director Plan is the fair market value per share of the Company s common stock on the date of grant. The options granted on first election as a director vest immediately. The options granted and restricted stock issued immediately after each annual meeting of stockholders vest six months after the date of grant or issuance. Options granted and restricted stock issued in lieu of cash director fees vest in equal quarterly increments during the year to which they relate. The options generally remain exercisable for ten years after the date of grant.

In 2008, the Board established stock ownership guidelines for officers and directors of the Company. The guidelines were effective January 1, 2009 and nonemployee directors must be in compliance within five years after the adoption of the guidelines or five years after first election as a director, whichever is later, but are expected to accumulate the required number of shares ratably over the applicable five-year period. Under the guidelines,

Table of Contents

nonemployee directors are required to own common stock of the Company having a value equal to four times the annual cash director fee. The Governance Committee of the Board will monitor compliance with the guidelines and may recommend modifications or exceptions to the Board.

The following table summarizes the cash and equity compensation for nonemployee directors for the year ended December 31, 2008:

Director Compensation for 2008

Name	Fees Earned or Paid in Cash	Stock Awards(1)(2)	Option Awards(1)(2)	Total
James R. Clark	$ 32,000	$ 55,998	$ 357,600	$ 445,598
C. Sean Day	63,750	85,002	134,100	282,852
Bob G. Gower	76,750	63,204	155,862	295,816
Walter E. Johnson(3)	12,750			12,750
William M. Lamont, Jr.	78,750	55,998	134,100	268,848
David L. Lemmon	59,750	55,998	134,100	249,848
Monte J. Miller	32,750	85,002	134,100	251,852
George A. Peterkin, Jr.	35,750	85,002	134,100	254,852
Richard R. Stewart	35,000	55,998	357,600	448,598

(1) The amounts included in the Stock Awards and Option Awards columns represent the compensation cost recognized by the Company in 2008 related to restricted stock awards and stock option grants to directors, computed in accordance with Statement of Financial Accounting Standards No. 123R (SFAS No. 123R). For a discussion of valuation assumptions, see Note 7, Stock Award Plans, in the Company s consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2008.

(2) Each director was granted 1,000 shares of restricted stock on April 22, 2008 at a value of $56.00 per share. Each director was granted stock options for 6,000 shares on April 22, 2008 at an exercise price of $55.49 per share. Mr. Day, Mr. Miller and Mr. Peterkin were granted 519 shares of restricted stock on April 22, 2008 at a value of $56.00, as they elected to receive their annual director fee in the form of restricted stock awards. Mr. Gower was granted stock options for 1,298 shares on April 22, 2008 at an exercise price of $55.49 per share as he elected to receive his annual director fee in the form of stock options. The following table shows the aggregate number of shares of restricted stock and stock options outstanding for each director as of December 31, 2008, as well as the grant date fair value of restricted stock and stock option grants made during 2008:

Name	Aggregate Shares of Restricted Stock Outstanding as of December 31, 2008	Aggregate Stock Options Outstanding as of December 31, 2008	Grant Date Fair Value of Restricted Stock and Stock Options Awarded during 2008

James R. Clark		16,000	$	413,598
C. Sean Day	130	73,068		219,162
Bob G. Gower		19,298		219,108
Walter E. Johnson(3)		12,000		
William M. Lamont, Jr.		54,000		190,098
David L. Lemmon		28,000		190,098
Monte J. Miller	130	29,988		219,162
George A. Peterkin, Jr.	130	61,218		219,162
Richard R. Stewart		16,000		413,598

(3) Mr. Johnson retired from the Board on April 22, 2008.

TRANSACTIONS WITH RELATED PERSONS

The Board has adopted a written policy on transactions with related persons that provides that certain transactions involving the Company and any of its directors, executive officers or major stockholders or members of

Table of Contents

their immediate families, including all transactions that would be required to be disclosed as transactions with related persons in the Company s Proxy Statement, are subject to approval in advance by the Governance Committee, except that a member of the Committee will not participate in the review of a transaction in which that member has an interest. The Committee has the discretion to approve any transaction which it determines is in, or not inconsistent with, the best interests of the Company and its stockholders. If for any reason a transaction with a related person has not previously been approved, the Committee will review the transaction within a reasonable period of time and either ratify the transaction or recommend other actions, including modification, rescission or termination, taking into consideration the Company s contractual obligations. If a transaction is ongoing or consists of a series of similar transactions, the Committee will review the transaction at least annually and either ratify the continuation of the transaction or recommend other actions, including modification, rescission or termination, taking into consideration the Company s contractual obligations. The policy provides certain exceptions, including compensation approved by the Board or its Compensation Committee.

During 2008, the Company and its subsidiaries paid L3 Partners, LLC (L3P), a company owned by C. Berdon Lawrence, the Chairman of the Board of the Company, $260,000 for air transportation services provided by L3P. Such services were in the ordinary course of business of the Company and L3P. The Company anticipates that similar services will be rendered in 2009.

The Company is a 50% member of The Hollywood Camp, L.L.C. (The Hollywood Camp), a company that owns and operates a hunting and fishing facility used by the Company and L3P, which is also a 50% member. The Company uses The Hollywood Camp primarily for customer entertainment. L3P acts as manager of The Hollywood Camp. The Hollywood Camp allocates lease and lodging expenses to the owners based on their usage of the facilities. During 2008, the Company paid $2,129,000 to The Hollywood Camp for its share of facility expenses. The Company anticipates that similar costs will be incurred in 2009.

During 2008, the Company and its subsidiaries paid 55 Waugh, LP, a partnership owned 60% by Mr. Lawrence and his family, $1,432,000 for the rental of office space in a building owned by 55 Waugh, LP. The Company s headquarters are located in the building under a lease that was signed in 2005, prior to the purchase of the building by 55 Waugh, LP, and expires at the end of 2015. The aggregate amount of rent due from January 1, 2008 to the end of the lease term on December 31, 2015 is approximately $9,938,000.

Mark C. Lawrence, the son of Mr. Lawrence, was the Vice President and General Manager of the Logistics Management Division of Kirby Inland Marine, LP until his resignation on February 15, 2008. In 2008, Mark Lawrence earned direct compensation of $116,410 and received $9,992 for an automobile allowance, group life insurance, accrued and unused vacation pay and contributions under the Company s employee benefit plans. In 2008, Mark Lawrence received $21,592 from the Company for the 2007 contribution under its profit sharing plan. He also received income in 2008 of $55,965 from the vesting of restricted stock.

Walter E. Johnson, a director of the Company until April 22, 2008, is a 25% limited partner in a limited partnership that owns one barge operated by a subsidiary of the Company, which owns the other 75% interest in the partnership. The partnership was entered into on October 1, 1974. In 2008, Mr. Johnson received $45,000 in distributions from the partnership. The distributions were proportionate to his interest in the partnership and were made in the ordinary course of business of the partnership.

Mr. Johnson is Chairman of the Board of Amegy Bank, which has a 6% participation in the Company s revolving credit facility. The Company had borrowings of $46,000,000 outstanding under the revolving credit facility as of December 31, 2008, of which Amegy Bank s participation was $2,760,000. The revolving credit facility includes a $25,000,000 commitment which may be used for standby letters of credit and, as of December 31, 2008, outstanding letters of credit were $1,294,000, of which Amegy Bank s participation was $78,000. Amegy Bank was paid $170,000 in interest and fees in 2008 related to its participation in the revolving credit facility. Amegy Bank is one of eight lenders under the revolving credit facility, which was consummated in the ordinary course of business of the Company.

The husband of Amy D. Husted, Vice President Legal of the Company, is a partner in the law firm of Strasburger