

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (date of earliest event reported)

DECEMBER 18, 2002

Halliburton Company
(Exact name of registrant as specified in its charter)

State or other jurisdiction of incorporation	Commission File Number	IRS Employer Identification Number
Delaware	1-3492	No. 75-2677995

4100 Clinton Drive
Houston, Texas 77020-6299
(Address of principal executive offices)

Registrant's telephone number,
including area code - 713-676-3011

INFORMATION TO BE INCLUDED IN REPORT

Item 9. Regulation FD Disclosure

On December 18, 2002 registrant issued a press release entitled "Halliburton Reaches Agreement in Principle to Achieve Global Settlement of Asbestos Claims."

The text of the press release is as follows:

Halliburton Reaches Agreement in Principle
To Achieve Global Settlement of Asbestos Claims

- Plan covers all present and future asbestos claims, fully and permanently resolving all personal injury asbestos liability.
- Plan provides that Halliburton will retain 100% ownership of DII, KBR and all other subsidiaries.
- Plan preserves rights of customers, employees, vendors and financial creditors -existing contracts and obligations will be honored and creditors will be paid in full under terms of their agreements.
- Up to \$2.775 billion in cash, 59.5 million Halliburton shares and notes with a net present value expected to be less than \$100 million will be paid for the benefit of present and future asbestos and certain other personal injury claimants only upon receiving final and non-appealable court confirmation of the plan.
- DII and KBR will retain rights to the first \$2.3 billion of any insurance proceeds.
- Agreement to be implemented through pre-packaged Chapter 11 filing for DII and KBR, and certain of their subsidiaries.
- Halliburton Company, Halliburton Energy Services, Inc., Landmark Graphics Corporation, KBR's U.S. government operations business and most other Halliburton subsidiaries will not be included in the filing.
- Filing will not occur until Halliburton obtains financing commitments; company is working with leading Wall Street banks and advisors in this regard.
- Leverage ratios expected to compare favorably to peers and in line with investment grade companies.
- Final agreement and completion are subject to resolution of numerous issues, including financing, Halliburton board approval and final court approval.

Houston, Texas -December 18, 2002 - Halliburton (NYSE: HAL) announced today that it has reached an agreement in principle that, when consummated, will

result in a global settlement of all personal injury asbestos and certain other personal injury claims against the company. The settlement was reached with attorneys representing substantially more than the required 75% percent of the known present asbestos claimants needed to achieve resolution on all of the cases. The agreement covers all pending and future personal injury asbestos claims against Halliburton Company and its subsidiaries.

Under the proposed agreement, the settlement will be implemented through a pre-packaged Chapter 11 filing (the "plan") of DII Industries, LLC (DII), (formerly Dresser Industries, Inc.), and Kellogg Brown & Root, Inc. (KBR), (both are subsidiaries of Halliburton Company), as well as certain other DII and KBR subsidiaries with U.S. operations. KBR's U.S. government operations business and KBR's entities with no U.S. operations will be excluded from the plan. Halliburton Company, Halliburton Energy Services, Inc., Landmark Graphics Corporation and most other Halliburton subsidiaries will also be excluded from the plan.

"This agreement in principle represents good news for our shareholders, customers, vendors, employees, and everyone else with whom we do business," said Dave Lesar, chairman, president and chief executive officer of Halliburton. "If this transaction is completed, it will resolve a major issue that has been clouding our future. Not only have we taken care to responsibly provide for those affected by asbestos, this settlement will allow us to concentrate all our efforts on increasing shareholder value, and our total focus can return to Halliburton's core businesses. While I am pleased with the progress on the settlement we have made, I must caution that there is much work to be done."

The agreement in principle with asbestos claimants is subject to, among other things, a definitive agreement covering additional details, acceptances of holders of asbestos claims to a plan of reorganization, financing the settlement on terms acceptable to Halliburton, board approval, and court approval.

The company is working with leading Wall Street banks and advisors to obtain financing commitments. When completed, it is expected that the company's leverage ratios will compare favorably to peers and in line with investment grade companies. The company will also be communicating with holders of DII and Baroid Corporation bonds with the expectation that the bonds will not be in default as a result of the plan.

"The agreement will allow Halliburton and KBR to remain financially strong and maintain their competitive position," Mr. Lesar said. "The plan provides for resolution of all asbestos and certain other personal injury claims. Other creditors will be paid in full under terms of their agreements. There will be no employee layoffs resulting from the plan and all salaries and benefits, including retirement benefits, will remain unchanged. Finally, the plan should have no effect on any of KBR's present or future projects. In other words, outside of the global asbestos settlement, it will be business as usual while the plan is implemented."

Mr. Lesar said that the court-supervised reorganization process is the only means of fully and permanently resolving all asbestos liability by establishing a 524(g) trust to address potential future claims. The company expects that the plan filing will take place late in the first quarter of 2003 and should be concluded 90 days following the filing.

After final and non-appealable court approval, up to \$2.775 billion in cash, 59.5 million shares of Halliburton stock and notes in amounts to be determined, but with a net present value expected to be less than \$100 million, will be paid to a trust for the benefit of the present and future asbestos and certain other personal injury claimants. Of the \$2.775 billion, \$450 million will be due in four years on a subordinated basis if not paid sooner pursuant to a final and non-appealable court approved plan. DII and KBR will retain the rights to the first \$2.3 billion of any insurance proceeds and the trust will have the rights to proceeds in excess of \$2.3 billion, but not exceeding a total of \$700 million. If successfully implemented, the settlement will resolve all

asbestos liabilities of Halliburton and its subsidiaries for all present claims, and all future claims will be channeled to the settlement trust.

Halliburton Company has 82,000 employees at more than 400 locations worldwide and \$13 billion in revenue in 2001. Founded in 1919, Halliburton is one of the world's largest providers of products and services to the petroleum and energy industries. The company serves its customers with a broad range of products and services through its Energy Services Group and Engineering and Construction Group business segments. The company's World Wide Web site can be accessed at www.halliburton.com.

Item 9. Additional Exhibits

Exhibits. The following exhibits are furnished as part of Item 9.

Exhibit 99.1	-	Agreement Summary
Exhibit 99.2	-	Frequently Asked Questions
Exhibit 99.3	-	Supplier/Subcontractor Letter
Exhibit 99.4	-	Customer Letter
Exhibit 99.5	-	Asbestos Primer
Exhibit 99.6	-	Chapter 11 Primer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HALLIBURTON COMPANY

Date: December 19, 2002

By: /s/ Margaret E. Carriere

Margaret E. Carriere
Vice President and Secretary

INDEX TO EXHIBITS

Exhibit No.	Description
99.1	Agreement Summary
99.2	Frequently Asked Questions
99.3	Supplier/Subcontractor Letter
99.4	Customer Letter
99.5	Asbestos Primer
99.6	Chapter 11 Primer

Agreement Summary

- - Agreement in principle on global settlement of all outstanding personal injury asbestos claims with attorneys representing substantially more than the required 75 percent of known present asbestos claimants.
- - If successfully implemented, the settlement would resolve all liability of Halliburton and its subsidiaries for all present and future personal injury asbestos claims, which claims would be channeled to a settlement trust.
- - Settlement would be implemented through a pre-packaged Chapter 11 filing by DII Industries, LLC (DII) and Kellogg Brown & Root, Inc. (KBR), as well as certain of their other subsidiaries with U.S. operations. The filing should take place late in the first quarter of 2003.
- - KBR Services, Inc., which includes the U.S. government operations business, and KBR's entities with no U.S. operations, will be excluded from the Chapter 11 filing. Halliburton Company, Halliburton Energy Services, Landmark Graphics and most other Halliburton subsidiaries will also be excluded from the filing.
- - The agreement is subject to (among other things) entering into a definitive agreement covering additional details, acceptances of holders of asbestos claims to a plan of reorganization, financing the cost of the settlement on terms acceptable to Halliburton, final approval by Halliburton, DII, and KBR, and court approval.
- - Under the plan of reorganization, the ownership of DII, KBR and the other filing subsidiaries will not change - they will continue to be wholly-owned direct or indirect subsidiaries of Halliburton.
- - After final and non-appealable court approval, up to \$2.775 billion in cash, 59.5 million shares of Halliburton stock and notes with a net present value expected to be less than \$100 million will be paid to a trust for the benefit of present and future asbestos claimants and certain other personal injury claimants. Of the \$2.775 billion, \$450 million will be due in 4 years on a subordinated basis if not paid sooner pursuant to a final and non-appealable court approved plan. DII and KBR will retain the rights to the first \$2.3 billion of any insurance proceeds and the trust will have the rights to proceeds in excess of \$2.3 billion, but not exceeding a total of \$700 million. DII and KBR will retain the rights to any insurance proceeds in excess of \$3 billion.

FREQUENTLY ASKED QUESTIONS

General

1. You say that this is "good news" for all Halliburton constituents--why is that?

If this settlement is implemented, it will provide a permanent resolution to a difficult and complicated problem. It removes significant uncertainty regarding the company's future, and it also allows us to concentrate our resources on serving our customers and further growing the business. It is an agreement that addresses both current and future personal injury asbestos claims against the company. Halliburton and all of its subsidiaries, including KBR and DII, will remain strong and healthy, with good growth prospects. And, implementation of the plan should mean that there would be NO negative effects on our customers, suppliers, subcontractors, lenders, bondholders, or employees. It's a definite win for the people who care about Halliburton.

2. Is it true that you plan to implement the asbestos settlement through a Chapter 11 bankruptcy filing for certain Halliburton companies?

Yes. We expect to use a pre-packaged Chapter 11 filing for DII and KBR to implement the asbestos settlement. A pre-packaged filing means that we are bringing to the court a settlement that has pre-agreement with the asbestos claimants. This should expedite the plan's approval and remove many uncertainties.

3. Why did the Company choose the Chapter 11 process?

The Chapter 11 process and the oversight of a bankruptcy court is the only means available today to fully and permanently resolve all personal injury asbestos liability, including potential future claims.

4. In Europe and many other countries when a company is "bankrupt," it means that it is going out of business. What is different here?

This is a U.S. operations issue only. We will not be commencing any proceedings under local law in Europe or any country other than the U.S. The European bankruptcy laws, as in many countries, are very different from the laws in the U.S. Chapter 11 has been created so that a filing company can restructure its debt (or in our case resolve its asbestos liability) and remain in business. It is not a liquidation; it is a reorganization. Neither Halliburton, KBR nor any business unit of Halliburton is going out of business.

5. Which subsidiaries are included in the filing?

DII Industries, LLC (DII) and Kellogg Brown & Root, Inc. (KBR), as well as certain other subsidiaries of those entities with U.S. operations.

KBR Services, Inc., which includes the U.S. government operations business, and KBR's entities with no U.S. operations, will be excluded from the Chapter 11 filing. Halliburton, Halliburton Energy Services, Landmark Graphics and most other Halliburton subsidiaries will also be excluded from the filing.

6. What is DII Industries and how is it related to KBR?

DII Industries, LLC is the former Dresser Industries, Inc. This is the company that Halliburton acquired in 1998. In the current corporate structure, Halliburton Company owns 100% of DII Industries. DII Industries, in turn, owns 100% of Kellogg Brown & Root, Inc., the principal U.S. operating entity of KBR.

7. Why won't any other Halliburton Company subsidiaries file for Chapter 11?

Only those entities that have asbestos liabilities will file for the pre-packaged Chapter 11. Under the proposed agreement with attorneys for the asbestos plaintiffs, the settlement would be implemented through a pre-packaged Chapter 11 filing of DII Industries, LLC, KBR and certain other subsidiaries of DII and KBR with U.S. operations.

8. Why is KBR's government operations business not part of the filing?

The government work, although historically part of Brown & Root, was never associated with any of the activities surrounding the asbestos claims.

9. Will Halliburton have to give up equity or lose control of any of the filing subsidiaries?

Up to 59.5 million shares, or approximately 12%, of Halliburton stock will be used for the settlement. However, under the plan, Halliburton would retain 100 percent ownership of KBR and all other filing subsidiaries (subject to pledges of certain Halliburton debtor subsidiaries as collateral of loans as required by the U.S. bankruptcy code).

10. Does the Chapter 11 filing mean that Halliburton and/or any of its subsidiaries are going out of business?

No. Halliburton and all of its subsidiaries, including DII and KBR, are expected to remain financially strong and continue to have significant competitive advantages. The Chapter 11 petitions are being filed for the sole purpose of facilitating a global settlement of Halliburton's personal injury asbestos litigation claims. In other words, outside of the global asbestos settlement, it will be business as usual.

11. When will the Pre-packaged Chapter 11 be filed?

We anticipate that the pre-packaged Chapter 11 filing for DII and KBR will take place late in the first quarter of 2003.

12. How long will DII and KBR remain in Chapter 11?

It is impossible to predict exactly how long the reorganization will take. Our goal is to have DII and KBR emerge from Chapter 11 as quickly as possible, with a comprehensive and final resolution to our asbestos liability. One of the key advantages of a pre-packaged Chapter 11 filing is that it typically is a much quicker process. It is possible that the process could be completed this summer.

13. In the past Halliburton chose to litigate claims that it thought were weak or spurious. Why isn't the Company litigating the asbestos claims?

The legal environment has totally changed, and therefore the company had to address this issue in a new way. In addition, until now, the global settlement was not an option for us. Now that it is, we believe we should do this because the price of the transaction is less than the discount in our stock price. We changed our approach because we believe it is the right thing to do and in the best interest of our shareholders.

14. Since the Republicans have now taken over the Congress, shouldn't you wait to see if you get some legislation that is helpful to companies with asbestos issues?

It's impossible to predict what Congress may or may not do. All we can do is make the best decisions for the company based on what we know now. Bottom line, this settlement for us is a "bird in the hand". It is the right decision at the right time because it removes the uncertainty about our future.

15. Doesn't this settlement encourage more lawsuits against Halliburton Company and its subsidiaries?

No. All future claims will be channeled to the trust.

16. Will the settlement resolve all of Halliburton's personal injury asbestos claims?

If the plan is implemented, YES. There are a number of hurdles yet to clear, including entering into a definitive agreement covering additional details, acceptances of holders of asbestos claims to a plan of reorganization, financing the cost of the settlement on terms acceptable to Halliburton, final approval by Halliburton, DII, and KBR, and court approval. We are optimistic.

17. What is required for the deal to go through?

There are a number of key issues that must be resolved even before we file the case with the bankruptcy court, including:

- Acceptance by at least 75% of the holders of asbestos claims to a plan of reorganization
- Financing the cost of the settlement on terms acceptable to Halliburton
- Final approval by the boards of Halliburton Company, DII and KBR
- Court approval and final confirmation.

18. How do you reach agreement to settle future claims?

First, the court, the present claimants and the debtor must agree on selecting an independent expert who represents future claimants. The future representative must then propose a solution to meet the needs of the future claimants. The debtor, the present claimants and the court must approve this solution. The plaintiffs' attorneys and we have jointly agreed to select Professor Eric D. Green as the future claims representative. This selection is subject to court approval. Professor Green is a professor of law at Boston University and an expert in this field. He received his J.D. degree magna cum laude from Harvard Law School, and is a recognized international leader in alternative dispute resolution. He served as the future representative in the Fuller Austin Chapter 11 proceeding and currently is the future representative in the Babcock & Wilcox Chapter 11 proceeding. Further, Professor Green, the present claimants and the debtor have agreed on the terms necessary to meet the needs of future claimants, as defined in our 12/18/02 press release. This too will be subject to court approval.

19. What are the chances the deal will succeed?

We've worked hard on this. We've reached agreement with attorneys for substantially more than the required 75% of known present claimants and with the proposed representative of future claims. If we implement this agreement, creditors would be paid in full on normal terms, customers will continue to be served, and employees wouldn't see any change. So we believe it ought to succeed, on its merits. However, until a number of issues are resolved and we obtain final court approval, nothing is certain.

20. What will happen if the deal doesn't happen?

We won't speculate about what happens if the deal doesn't go through, because we are focused on trying to make it happen. We expect that this deal will work. So do the current claimants and the future claimants' representative as we've said. This agreement is fair for everyone involved, and our collective energies are focused on making it happen.

21. Would Halliburton Company itself file for Chapter 11?

No. Neither Halliburton Company nor its Halliburton Energy Services (HES) business unit will be involved in the Chapter 11 filing. It will involve KBR and DII - the parts of our business with substantially all the asbestos liabilities.

However, even in those business units that do file, it will be "business as usual" for all our customers, employees, and vendors. In fact, business should be more normal than it has been in a long time. As we said, this is a unique Chapter 11 filing - it makes things better for every constituency, rather than worse.

23. What will happen to equity investors?

We believe this Chapter 11 is very good news for our investors, if we succeed in implementing it. Uncertainty over the asbestos issue has weighed heavily on Halliburton's share price for some time. This restructuring would resolve that uncertainty and at a price that we believe is less than the discount in our stock price. Therefore, this is good news for our shareholders.

23. How does this settlement benefit your shareholders?

If it is implemented, it would permanently resolve the personal injury asbestos liability for the company. This is the only way to fully cleanse the company under current U.S. law. There has been a significant discount in our stock price because of our asbestos liability. We believe the proposed global settlement is on terms significantly below the discount in our stock price. We owe it to our shareholders to remove that weight from our share price, which we are attempting to do with this agreement in principle.

24. Who is running the Company? Will management remain in place?

There is no change to Halliburton or KBR's management team contemplated now or in the pre-pack plan. Dave Lesar continues as Chairman, President and Chief Executive Officer of Halliburton and his management team will remain in place.

25. What impact will today's announcement have on employees?

There should be no impact on employees. There will be no employee layoffs resulting from the filing and all salaries and benefits, including retirement benefits, will remain untouched and unchanged. Halliburton, DII and KBR are expected to remain financially strong and continue to have significant competitive advantages. The Chapter 11 petition is being filed for the sole purpose of facilitating a global settlement of Halliburton's asbestos litigation claims. In other words, outside of the global asbestos settlement, it will be business as usual.

26. Will there be any employee layoffs as a result of the filing?

There will be no employee layoffs as a result of the filing. Employment levels will continue to be a function of business conditions, as they have in the past.

27. Are you closing any operations?

No. Halliburton and its subsidiaries intend to continue to grow their businesses.

28. How will the filing affect day-to-day operations?

The only people affected on a day-to-day basis are the attorneys and our other employees who are solely dedicated to resolving this matter. All of our operations will continue in the normal course of business, without interruption. It's business-as-usual: daily operations will continue, plants and facilities will remain open and transactions which occur in the normal course of business will go on as before.

29. Will you continue to pursue new business?

Absolutely. We have excellent employees, a strong asset base, a premiere position in the industry and a long track record of success. Consequently, we intend to pursue business that meets our Company's strategic criteria.

30. Why are you reorganizing the company at the same time you plan to file for Chapter 11?

These are really two separate and important events for the company. The restructuring was begun months before the global asbestos settlement was contemplated. We undertook it to save costs and to run our businesses more efficiently. In fact, we are reducing costs by an estimated \$200 million annually through the new business organization. Of course, once we started down the road toward a global settlement, we were careful to take that into account in all the steps we undertook in our restructuring.

Supplier/Subcontractor-specific

31. What impact will today's announcement have on KBR's suppliers or subcontractors?

It's business as usual. The filing will have no effect on KBR's suppliers or these subcontractors. The plan calls for us to honor in full all pre- and post-petition obligations, purchase orders, agreements and subcontracts in accordance with the terms of those agreements. Outside of the global asbestos settlement, it will be normal day to day operations.

32. What impact will today's announcement have on ESG, HES and Landmark suppliers or subcontractors?

None. They are not part of this filing so it will be business as usual for them as well.

33. Would payments to suppliers and subcontractors be impacted in any way?

Our suppliers and subcontractors will be paid in the normal course of business within the terms of their agreements with the company. It will be business as usual.

34. Will you attempt to negotiate new terms with suppliers when you have petitioned for reorganization under Chapter 11?

No. KBR as well as all Halliburton entities will continue to provide goods and services just as before the filing, on the same terms and conditions.

35. Will suppliers and subcontractors have a new contact?

No. Our suppliers and subcontractors will continue to communicate with their current representative.

36. What can suppliers and subcontractors expect in the future? Will you maintain the same level of quality as you have in the past?

Absolutely. In fact, our global settlement of the asbestos claims and reorganization will allow us to improve and enhance customer service and serve our constituents better than before.

37. Will your suppliers and subcontractors continue to supply you with the goods and services necessary to run the business?

Of course. This is good news for everyone: vendors, suppliers, employees, etc. All of these companies are in very strong financial condition and have a strong future.

Customer-specific

38. What impact will today's announcement have on customers?

The filing should have no effect on our customers. Outside of the global asbestos settlement, it will be business as usual.

The plan calls for us to honor all pre- and post-petition obligations, commitments and contracts. The Chapter 11 filing should have no effect on any of our present or future projects.

It is important to realize that Halliburton and all of its subsidiaries, including the filing subsidiaries, remain financially strong and continue to have significant competitive advantages. The settlement of our asbestos claims will not only remove a significant financial cloud from over the company's head, but also allow management to concentrate all of its resources on further growing the business. Therefore, we expect that all the Halliburton companies will emerge stronger and better positioned to serve and add value to our customers.

39. Will customers have a new contact?

No. Our customers will continue their working relationship with their current representative.

40. Will you continue to pursue new business?

Yes. We have excellent employees, a strong asset base, a premier position in the industry and a long track record of success. Consequently, we intend to pursue business that meets our Company's strategic criteria.

Exhibit 99.3
Supplier/Subcontractor Letter

December 18, 2002

Dear Valued Supplier / Subcontractor,

Because of your valued relationship with Halliburton, through [insert BU name], I want you to hear from me personally about an important and positive action our Company is taking to resolve its asbestos claims.

Today, Halliburton announced that it has reached an agreement in principle with attorneys representing substantially more than the 75% of current known asbestos claimants required in order to reach a global settlement of all current and future asbestos claims against the Company. This agreement hopefully will result in a global settlement of all outstanding asbestos claims. If this transaction is ultimately completed, it will resolve all of our current and future personal injury asbestos-related claims.

This is good news for Halliburton as well as our suppliers and subcontractors. The agreement in principle, if implemented, provides a permanent and final resolution of this issue, and it will allow us to concentrate on providing services to our customers as well as further growing our core businesses.

Under the proposed agreement, the settlement would be implemented through a pre-packaged Chapter 11 filing of our U.S. entity, Kellogg Brown & Root, Inc., and certain other subsidiaries with U.S. operations. A pre-packaged filing means that we are bringing to the court a settlement that has been pre-agreed with the asbestos claimants and the potential futures representative. That should expedite the plan's approval because it removes many of the uncertainties that have hampered other bankruptcies. We expect the filing to take place late in the first quarter of 2003.

KBR Services, Inc., which comprises the U.S. government operations business, and KBR's entities with no U.S. operations, will be excluded from the Chapter 11 filing. Halliburton, Halliburton Energy Services, Landmark Graphics and most other Halliburton subsidiaries will also be excluded from the filing.

It is important that you understand that none of KBR and the Halliburton companies are going out of business, and this filing will have no effect on any of our present or future projects. Our Company remains financially strong and the plan provides that all our purchase orders, agreements and subcontracts will be honored in full. In other words, outside of the global asbestos settlement, it will be business as usual.

Enclosed is a copy of today's announcement for your information. If at any time you have any questions, please contact your local Halliburton office or call 713-753-7004. You may also visit our website at www.halliburton.com which has a number of explanatory documents related to the subject.

Sincerely,

[BU Rep Name]
[Insert Title]

December 18, 2002

Dear Valued Customer,

Because of your valued relationship with Halliburton, through [BU Name], I want you to hear from me personally about an important and positive action our Company is taking to resolve its asbestos claims.

Today, Halliburton announced that it has reached an agreement in principle with attorneys representing substantially more than the 75% of current known asbestos plaintiffs claimants in order to reach a global settlement of all current and future asbestos claims against the Company. This agreement hopefully will result in a global settlement of all outstanding asbestos claims. If this transaction is ultimately completed, it will resolve all of our current and future personal injury asbestos-related claims.

This is good news for Halliburton as well as our customers. The agreement in principle, if implemented, provides a permanent and final resolution of this issue, and it will allow us to concentrate on providing services to our customers as well as further growing our core businesses.

Under the proposed agreement, the settlement would be implemented through a pre-packaged Chapter 11 filing of our U.S. entity, Kellogg Brown & Root, Inc., and certain other subsidiaries with U.S. operations. A pre-packaged filing means that we are bringing to the court a settlement that has been pre-agreed with the asbestos claimants and the potential futures representative. That should expedite the plan's approval because it removes many of the uncertainties that have hampered other bankruptcies. We expect the filing to take place late in the first quarter of 2003.

KBR Services, Inc., which comprises the U.S. government operations business, and KBR's entities with no U.S. operations, will be excluded from the Chapter 11 filing. Halliburton, Halliburton Energy Services, Landmark Graphics and most other Halliburton subsidiaries will also be excluded from the filing.

I want to emphasize that the plan provides that all our obligations, commitments and contracts will be honored in full, and the filing will have no effect on any of our present or future contracts. KBR and all of the Halliburton companies remain financially strong, and we look forward to continuing to deliver the cost-effective results you have always counted on in the past.

Drawing on our worldwide team of 82,000 employees, our global resources in energy services, engineering, construction, operations and maintenance, and our project execution strength, we look forward to putting this asbestos matter behind us and focusing on our mission -- bringing together the best people and technology and delivering the right solutions for our customers.

Enclosed is a copy of today's announcement for your information. If at any time you have any questions, please feel free to contact your local Halliburton representative or contact me directly or you may visit our website at www.halliburton.com which has a number of explanatory documents related to the subject.

Sincerely,

[BU Rep Name]
[Insert title]

Asbestos Primer

Asbestos-related litigation has been a fact of life in American courts for three decades. Asbestos mining concerns and companies that made products out of asbestos fibers were the first defendants, and the plaintiffs were those who had worked at those companies.

But a series of court rulings over the years created a legal framework that permitted the expansion of the defendant list to hundreds of companies whose products contained asbestos and allowed the number of plaintiffs to climb to more than 500,000.

Asbestos is a fibrous mineral once widely used as insulation and a fire retardant. Few people today need worry about exposure to asbestos fibers, but it has been estimated that as many as 25 million workers were exposed to asbestos-containing products on the job until asbestos was phased out in the 1970s.

Prolonged exposure to high levels of asbestos dust can cause asbestosis (a fibrous scarring of the lung), which can be life-threatening, and mesothelioma, a usually fatal cancer of the lining of the chest wall.

Most of those exposed will not get sick. But since these diseases don't show up for 20 to 40 years after exposure, there is no way to know whether someone exposed years ago will get sick years from now. Scientists estimate that mesothelioma, the most serious illness caused by asbestos, will continue through 2050.

Today, by some estimates more than 6,000 American corporations have been named as asbestos defendants and the courts, overwhelmed with asbestos cases, have attempted to stem the tide by aggregating hundreds and even thousands of claims into a single case.

It has been estimated that the ultimate number of plaintiffs will reach 2.5 million or more and that asbestos litigation will continue for another 50 years.

The litigation has had a profound impact on virtually every manufacturing sector of the economy, prompting many in Congress to call for a legislative remedy. But past attempts at asbestos-related tort reform have failed.

Many legal experts say the U.S. is in the midst of an asbestos litigation crisis as a result of certain key court rulings. Courts have ruled that:

- - claimants who allege a significant injury need not prove direct exposure to a specific product as long as they can show an asbestos-containing product was used at a past work site.
- - workers who are not sick can sue if they can show they were heavily exposed to asbestos. About half of heavily exposed workers develop scarring of the lung tissue, although they are not physically impaired, not sick, and may never get sick. In fact, those with no scarring are as likely to get sick.
- - if a worker was exposed to a number of asbestos-containing products made by various companies at various work sites, all the companies can be sued. Any one company that has the ability to pay can be held liable for 100 percent of the damages.
- - companies that never made asbestos-containing products can be held liable if they bought other companies that made asbestos-containing products in the past. Under this "successor liability" the parent company is liable not only to extent of the assets of the company acquired, but to the extent of the assets of the parent as well.

"Thus," wrote Lester Brickman, professor at the Benjamin N. Cardozo School of Law, in a recent essay, "the successor companies were held liable, not only for the acts they did not commit, but also for the consequences of the acts of their acquired companies that they were not aware of at the time of the acquisitions, and indeed, of which they could not have been aware."

Over the last 25 years, over 300,000 asbestos cases against numerous companies have been tried or settled, and \$20 billion has been paid to asbestos claimants. Nevertheless, asbestos filings have skyrocketed in the last 5 years. About 90,000 new asbestos cases were filed in 2001.

Most suits are filed by plaintiffs who said they once worked where products containing asbestos had been present. As many as 90 percent of new asbestos

claims involve non-malignant conditions. In most cases, these conditions do not cause breathing impairment.

Today, asbestos defendants are a cross section of American industry, including automobile manufacturers, dealers, and repair shops; oil and chemical companies; railroads; ship operators; construction and maintenance contractors; manufacturers of industrial boilers and refractory products; gasket and packing manufacturers; and installers and distributors.

Given the current legal framework supporting asbestos cases, many large companies are finding that the most efficient and equitable approach to their asbestos-related litigation is to negotiate a global settlement with the plaintiffs' attorneys that ends their exposure to asbestos litigation now and in the future.

Several such settlements have been accomplished under the supervision of a federal bankruptcy court.

Chapter 11 Primer

Chapter 11 is the portion of the United States Bankruptcy Code (or bankruptcy law) that contains the provisions for court-supervised reorganization of debtor companies. Under the asbestos settlement plan negotiated with plaintiffs, DII Industries (formerly Dresser Industries Inc) and Kellogg Brown & Root would become "debtor companies" in a Chapter 11 filing, along with certain of their other subsidiaries with U.S. operations.

Chapter 11 is an effective tool for a company with asbestos-related liabilities to cleanse itself of those liabilities. By implementing a company's agreement with asbestos plaintiffs (through their attorneys) through a court-supervised process, a company can make the agreement effective not only for all existing asbestos claims but also for any future claims that might be brought against it. Under U.S. law, Chapter 11 is the only means to deal effectively with "future" claims.

In a successful implementation of an asbestos settlement under Chapter 11, most aspects of the company's business do not have to change:

- The company and its subsidiaries do not go out of business.
- Nothing necessarily changes at any business units, whether they are in Chapter 11 proceedings or not, from an operational standpoint.
- No facilities need to close and no jobs need to be eliminated as a result of a Chapter 11 filing.
- No pension or benefits programs will be reduced or eliminated.
- No employees have their salaries cut, or promotion opportunities restricted.
- No vendors are delayed in payment from normal terms.
- No creditors are delayed in payment from normal schedule.
- No business units outside the U.S. are affected in any way.
- The company does not have to renegotiate contracts as a result of the Chapter 11 filing.

Under U.S. law, there is no way to deal with "future" asbestos claims (those that might be filed in the future) other than going through a Chapter 11 process and having a U.S. Court oversee the process.

A "Prepackaged" Chapter 11 Filing

A "pre-packaged Chapter 11" filing differs from a typical Chapter 11 case. In a "normal" Chapter 11 filing, a company works together with its creditors, after the filing, to develop a Plan of Reorganization that would be presented to the Court sometime following the filing. In a "prepackaged" filing, the company ("debtor") has already obtained agreement from all the affected creditor groups on the Plan. The Plan of Reorganization is then filed along with other petitions given to the court when the case is first filed.

Pre-packaged filings differ significantly from other Chapter 11 filings. The outcome is much more certain, because all affected parties have agreed in advance to the Plan of Reorganization. Also, pre-packaged Chapter 11 filings typically move through the court system in a matter of a few months, rather than a year or two - or even more - with a normal Chapter 11 filing.

Features of the 524(g) Trust

The settlement of all asbestos claims including "future claims" is done through a special mechanism known as a 524(g) trust. A 524 (g) trust is designed specifically for resolving asbestos liabilities. In a 524 (g) proceeding, the bankruptcy court appoints a representative for future claimants, which assists in effectuating a settlement that resolves and discharges future claims. Present claims also addressed. Upon completion of the bankruptcy proceeding, a permanent injunction is issued by a U.S. federal district court in favor of the debtors and parties affiliated with the debtors. The injunction, when final and non-appealable, cannot be revoked.

International Business Aspects

The Chapter 11 process in the U.S. is unlike anything in the bankruptcy laws in most countries. In most parts of the world, bankruptcy (also sometimes known as "Administration") means that the business is failing, and that it almost certainly will be liquidated. That is not the case with Chapter 11 proceedings in the U.S. Chapter 11 is a tool to enable a financial restructuring of a company. If a company's business is generally sound, it normally emerges

successfully from Chapter 11. In the U.S., because there has never been any comprehensive legislation passed that addresses the nation-wide asbestos issue, Chapter 11 has become the only means for companies to deal with asbestos liability.