FORM 10-Q

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

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
For the quarterly period ended September 30, 2003

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 Number 1-3492

HALLIBURTON COMPANY

(a Delaware Corporation)
75-2677995

5 HOUSTON CENTER
1401 MCKINNEY, SUITE 2400
HOUSTON, TEXAS 77010
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

TELEPHONE NUMBER - AREA CODE (713) 759-2600

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
----- -----

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).

Yes X No
----- -----

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, par value $2.50 per share:
Outstanding at October 24, 2003 - 438,063,997

HALLIBURTON COMPANY

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HALLIBURTON COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(Millions of dollars and shares except per share data)

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
REVENUES:				
Services	$ 3,661	$ 2,510	$ 9,396	$ 7,789
Product sales	474	455	1,398	1,372
Equity in earnings of unconsolidated affiliates	13	17	13	63
Total revenues	$ 4,148	$ 2,982	$ 10,807	$ 9,224
OPERATING COSTS AND EXPENSES:				
Cost of services	$ 3,436	$ 2,287	$ 8,940	$ 7,892
Cost of sales	429	398	1,258	1,214
General and administrative	80	89	241	239
(Gain) loss on sale of business assets, net	(1)	17	(49)	(30)
Total operating costs and expenses	$ 3,944	$ 2,791	$ 10,390	$ 9,315
OPERATING INCOME (LOSS)	204	191	417	(91)
Interest expense	(33)	(29)	(85)	(91)
Interest income	7	8	22	24
Foreign currency gains (losses), net	(17)	1	(4)	(12)
Other, net	--	--	2	2

--- INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, MINORITY INTEREST, AND CHANGE IN ACCOUNTING PRINCIPLE, NET 161 171 352 (168) Provision for income taxes (63) (72) (142) (31) Minority interest in net income of subsidiaries, net of tax (6) (5) (17) (15) -------- -------- ---- ---- -------- INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE CHANGE IN ACCOUNTING PRINCIPLE, NET 92 94 193 (214) Loss from discontinued operations, net of tax (provision) benefit of $(3), $0, $27 and $34 (34) -- (58) (168) Cumulative effect of change in accounting principle, net of tax benefit of $5 -- -- (8) -- -------- ---- ---- -------- -------- NET INCOME (LOSS) $ 58 $ 94 $ 127 $ (382) ======== ======== ======== ======== BASIC INCOME (LOSS) PER SHARE: Income (loss) from continuing operations before change in accounting principle, net $ 0.21 $ 0.22 $ 0.44 $ (0.49) Loss from discontinued operations, net (0.08) -- (0.13) (0.39) Cumulative effect of change in accounting principle, net -- -- (0.02) -- ----- ------- - -------- -- ------ Net income (loss) $ 0.13 $ 0.22 $ 0.29 $

(0.88)
========
========
========
========
DILUTED INCOME (LOSS) PER SHARE:
Income (loss) from continuing operations before change in accounting principle, net $ 0.21 $ 0.22 $ 0.44 $ (0.49)
Loss from discontinued operations, net (0.08) -- (0.13) (0.39)
Cumulative effect of change in accounting principle, net -- -- (0.02) -- ---------- -------- -------- --------
Net income (loss) $ 0.13 $ 0.22 $ 0.29 $ (0.88)
========
========
========
========
Cash dividends per share $ 0.125 $ 0.125 $ 0.375 $ 0.375
Basic weighted average common shares outstanding 435 432 434 432
Diluted weighted average common shares outstanding 437 434 436 432

See notes to quarterly condensed consolidated financial statements.

HALLIBURTON COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(Millions of dollars and shares except per share data)

	September 30 2003	December 31 2002
ASSETS		
CURRENT ASSETS:		
Cash and equivalents	$ 1,222	$ 1,107
Receivables:		
Notes and accounts receivable, net	3,004	2,533
Unbilled work on uncompleted contracts	996	724
- Total receivables	4,000	3,257
Inventories	731	734
Current deferred income taxes	244	200
Other current assets	422	262
TOTAL CURRENT ASSETS	6,619	5,560
Property, plant and equipment, net of accumulated depreciation of $3,477 and $3,323	2,504	2,629
Equity in and advances to related companies	446	413
Goodwill, net	669	723
Noncurrent deferred income taxes	636	607
Insurance for asbestos and silica related liabilities	2,061	2,059
Other assets, net	841	853
- TOTAL ASSETS	$ 13,776	$ 12,844
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Short-term notes		

payable $ 23 $ 49 Current maturities of long-term debt 21 295 Accounts payable 979 1,077 Accrued employee compensation and benefits 346 370 Advanced billings on uncompleted contracts 731 641 Deferred revenues 72 100 Income taxes payable 146 148 Estimated loss on uncompleted contracts 242 82 Other current liabilities 534 510 ---------- - TOTAL CURRENT LIABILITIES 3,094 3,272 Long-term debt 2,368 1,181 Employee compensation and benefits 708 756 Asbestos and silica related liabilities 3,387 3,425 Other liabilities 552 581 Minority interest in consolidated subsidiaries 90 71 ---------- TOTAL LIABILITIES 10,199 9,286 ---------- ----- SHAREHOLDERS' EQUITY: Common shares, par value $2.50 per share - authorized 600 shares, issued 457 and 456 shares 1,141 1,141 Paid-in capital in excess of par value 270 293 Deferred compensation (68) (75) Accumulated other comprehensive income (258) (281) Retained earnings 3,073 3,110 ---------- ----- 4,158 4,188 Less

19 and 20 shares of treasury stock, at cost	581	630
TOTAL SHAREHOLDERS' EQUITY	3,577	3,558
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 13,776	$ 12,844

See notes to quarterly condensed consolidated financial statements.

HALLIBURTON COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(Millions of dollars)

	Nine Months Ended September 30	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 127	$ (382)
Adjustments to reconcile net income (loss) to net cash from operations:		
Loss from discontinued operations, net	58	168
Depreciation, depletion and amortization	384	402
Provision (benefit) for deferred income taxes	(73)	3
Distributions from (advances to) related companies, net of equity in (earnings) losses	11	8
Change in accounting principle, net	8	--
Gain on sale of assets, net	(53)	(33)
Asbestos and silica related liabilities, net	(38)	460
Other non-cash items	(12)	53
Other changes, net of non-cash items:		
Receivables and unbilled work on uncompleted contracts	(608)	492
Sale (reduction) of receivables in securitization program	(180)	200
Inventories	(28)	16
Accounts payable	(101)	54
Other working capital, net	(8)	(361)
Other operating activities	(22)	(80)
Total cash		

flows from operating activities (535) 1,000 - ------ ------ - CASH FLOWS FROM INVESTING ACTIVITIES: Capital expenditures (371) (564) Sales of property, plant and equipment 82 217 Dispositions (acquisitions) of businesses, net of cash disposed (acquired) 222 132 Proceeds from sale of securities 57 -- Investments - restricted cash (23) (192) Other investing activities (32) (10) --- ---- ------- Total cash flows from investing activities (65) (417) -- ----- ------- CASH FLOWS FROM FINANCING ACTIVITIES: Proceeds from long-term borrowings, net of offering costs 1,177 - - Payments on long-term borrowings (290) (79) Borrowings (repayments) of short-term debt, net (27) (22) Payments of dividends to shareholders (164) (164) Other financing activities 6 (7) ------- - ------ Total cash flows from financing activities 702 (272) --- ---- ------- Effect of exchange rate changes on cash 13 (15) ------- ----- -- Increase in cash and equivalents 115 296 Cash and equivalents at beginning of period 1,107 290 --- ---- ------- CASH AND

EQUIVALENTS AT END OF PERIOD	$ 1,222
	$ 586
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:	
Cash payments during the period for:	
Interest	$ 86
	$ 90
Income taxes	$ 143
	$ 163

See notes to quarterly condensed consolidated financial statements.

NOTE 1. MANAGEMENT REPRESENTATIONS

Our accounting policies are in accordance with generally accepted accounting principles in the United States of America. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect:

- the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements; and
- the reported amounts of revenues and expenses during the reporting period.

Ultimate results could differ from those estimates.

The accompanying unaudited condensed consolidated financial statements were prepared using generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Regulation S-X. Accordingly, these financial statements do not include all information or footnotes required by generally accepted accounting principles for complete financial statements and should be read together with our 2002 Annual Report on Form 10-K, as adjusted by our Form 8-K filed on October 28, 2003. Certain prior period amounts have been reclassified to be consistent with the current presentation.

In our opinion, the condensed consolidated financial statements included here contain all adjustments necessary to present fairly our financial position as of September 30, 2003, the results of our operations for the three and nine months ended September 30, 2003 and 2002 and our cash flows for the nine months ended September 30, 2003 and 2002. Such adjustments are of a normal recurring nature. The results of operations for the nine months ended September 30, 2003 and 2002 may not be indicative of results for the full year.

NOTE 2. BUSINESS SEGMENT INFORMATION

During the second quarter of 2003, we restructured our Energy Services Group into four divisions, which is the basis for the four segments we now report within the Energy Services Group. We grouped product lines in order to better align ourselves with how our customers procure our services, and to capture new business and achieve better integration, including joint research and development of new products and technologies and other synergies. Our Engineering and Construction Group (known as KBR) segment remains unchanged.

All prior period segment results have been restated to reflect these changes. Our five business segments are organized around how we manage the business. These segments are:

- Drilling and Formation Evaluation;
- Fluids;
- Production Optimization;
- Landmark and Other Energy Services; and
- Engineering and Construction Group.

DRILLING AND FORMATION EVALUATION. The Drilling and Formation Evaluation segment is primarily involved in drilling and evaluating the formations related to bore-hole construction and initial oil and gas formation evaluation. The products and services in this segment incorporate integrated technologies, which offer synergies related to drilling activities and data gathering. The segment consists of drilling services, including directional drilling and measurement-while-drilling/logging-while-drilling; logging services; and drill bits. Included in this business segment are Sperry-Sun, logging and perforating and Security DBS. Also included is our Mono Pumps business, of which we disposed in the first quarter of 2003.

FLUIDS. The Fluids segment focuses on fluid management and technologies to assist in the drilling and construction of oil and gas wells. Drilling fluids are used to provide for well control, drilling efficiency, and as a means of removing wellbore cuttings. Cementing services provide zonal isolation to prevent fluid movement between formations, ensure a bond to provide support for the casing, and provide wellbore reliability. Our Baroid and cementing product lines, along with our equity method investment in Enventure Global Technology, LLC, an expandable casing joint venture, are included in this segment.

PRODUCTION OPTIMIZATION. The Production Optimization segment primarily tests, measures and provides means to manage and/or improve well production once a well is drilled and, in some cases, after it has been producing. This segment consists of:

- production enhancement services (including fracturing, acidizing, coiled tubing, hydraulic workover, sand control, and pipeline and process services);
- completion products and services (including well completion equipment, slickline and safety systems);
- tools and testing services (including underbalanced applications, tubular conveyed perforating and testing services); and
- subsea operations conducted in our 50% owned company, Subsea 7, Inc.

LANDMARK AND OTHER ENERGY SERVICES. This segment represents integrated exploration and production software information systems, consulting services, real-time operations, smartwells, and other integrated solutions. Included in this business segment are Landmark Graphics, integrated solutions, Real Time Operations and our equity method investment in WellDynamics B.V., an intelligent well completions joint venture. Also included are Wellstream, Bredero-Shaw and European Marine Contractors Ltd., all of which have been sold.

ENGINEERING AND CONSTRUCTION GROUP. The Engineering and Construction Group provides engineering, procurement, construction, project management, and facilities operation and maintenance for oil and gas and other industrial and governmental customers. Our Engineering and Construction Group offers:

- onshore engineering and construction activities, including engineering and construction of liquefied natural gas, ammonia and crude oil refineries and natural gas plants;
- offshore deepwater engineering and marine technology and worldwide construction capabilities;
- government operations, construction, maintenance and logistics activities for government facilities and installations;
- plant operations, maintenance and start-up services for both upstream and downstream oil, gas and petrochemical facilities as well as operations, maintenance and logistics services for the power, commercial and industrial markets; and
- civil engineering, consulting and project management services.

The tables below present revenues and operating income (loss) by business segment on a comparable basis.

	Three Months Ended September 30		Nine Months Ended September 30	
	Millions of dollars			
	2003	2002	2003	2002
REVENUES:				
Drilling and Formation Evaluation	$ 433	$ 408	$ 1,226	$ 1,220
Fluids	510	449	1,508	1,352
Production Optimization	730	655	2,052	1,901
Landmark and Other Energy Services	132	165	410	649
Total Energy Services Group	1,805			

1,677 5,196 5,122 ----- --- ------- - -------- -------- Engineering and Construction Group 2,343 1,305 5,611 4,102 ----- --- ------- - -------- -------- Total $ 4,148 $ 2,982 $ 10,807 $ 9,224 ======== ======== ======== ======== OPERATING INCOME (LOSS): Drilling and Formation Evaluation $ 45 $ 35 $ 160 $ 115 Fluids 55 54 178 154 Production Optimization 122 103 305 292 Landmark and Other Energy Services (52) 8 (58) (122) ----- --- ------- - -------- -------- Total Energy Services Group 170 200 585 439 -------- -- ------ ---- ---- ------ -- Engineering and Construction Group 49 12 (118) (496) General Corporate (15) (21) (50) (34) - ------- --- ----- ----- --- ------- - Total $ 204 $ 191 $ 417 $ (91) ======== ======== ======== ========

Intersegment revenues are immaterial.

Total revenues include $1.1 billion, or 27% of total consolidated revenues, for the third quarter 2003, and $1.8 billion, or 16%, of total consolidated revenues, for the nine months ended September 30, 2003 from the United States Government. Revenues from the United States Government during 2002 represented less than 10% of total consolidated revenues.

NOTE 3. DISPOSITIONS

HALLIBURTON MEASUREMENT SYSTEMS. In May 2003, we sold certain assets of Halliburton Measurement Systems, which provides flow measurement and sampling systems, to NuFlo Technologies, Inc. for approximately $33 million in cash, subject to post-closing adjustments. The pretax gain on the sale of Halliburton Measurement Systems assets was $24 million ($14 million after tax, or $0.03 per diluted share) and is included in our Production Optimization segment.

WELLSTREAM. In March 2003, we sold the assets relating to our Wellstream business, a global provider of flexible pipe products, systems and solutions, to Candover Partners Ltd. for $136 million in cash. The assets sold included manufacturing plants in Newcastle on the Tyne, United Kingdom, and Panama City, Florida, as well as certain assets and contracts in Brazil. The transaction resulted in a pretax loss of $15 million ($12 million after tax, or $0.03 per diluted share), which is included in our Landmark and Other Energy Services segment. Included in the pretax loss is the write-off of the cumulative translation adjustment related to Wellstream of approximately $9 million. The cumulative translation adjustment could not be tax benefited and therefore the effective tax benefit for this loss on disposition was only 20%.

MONO PUMPS. In January 2003, we sold our Mono Pumps business to National Oilwell, Inc. The sale price of approximately $88 million was paid with $23 million in cash and 3.2 million shares of National Oilwell common stock, which were valued at $65 million on January 15, 2003. We recorded a pretax gain of $36 million ($21 million after tax, or $0.05 per diluted share) on the sale, which is included in our Drilling and Formation Evaluation segment. Included in the pretax gain is the write-off of the cumulative translation adjustment related to Mono Pumps of approximately $5 million. The cumulative translation adjustment could not be tax benefited and therefore the effective tax rate for this disposition was 42%. In February 2003, we sold 2.5 million of our 3.2 million shares of the National Oilwell common stock for $52 million, which resulted in a gain of $2 million pretax, or $1 million after tax, that was recorded in "Other, net".

SUBSEA 7 FORMATION. In May 2002, we contributed substantially all of our Halliburton Subsea assets, with a book value of approximately $82 million, to a newly formed company, Subsea 7, Inc. The contributed assets were recorded by the new company at a fair value of approximately $94 million. The $12 million difference is being amortized over ten years representing the average remaining useful life of the assets contributed. We own 50% of Subsea 7, Inc. and account for this investment using the equity method in our Production Optimization segment. The remaining 50% is owned by DSND Subsea ASA.

BREDERO-SHAW. In the second quarter of 2002, we incurred an impairment charge of $61 million ($0.14 per diluted share) related to our then-pending sale of Bredero-Shaw. On September 30, 2002, we sold our 50% interest in the Bredero-Shaw joint venture to our partner ShawCor Ltd. The sale price of $149 million was comprised of $53 million in cash, a short-term note of $25 million and 7.7 million of ShawCor Class A Subordinate shares. Consequently, we recorded a 2002 third quarter pretax loss on the sale of $18 million, or $0.04 per diluted share, which is reflected in our Landmark and Other Energy Services segment. Included in this loss was $15 million of cumulative translation adjustment loss which was realized upon the disposition of our investment in Bredero-Shaw. During the 2002 fourth quarter, we recorded in "Other, net" a $9 million pretax loss on the sale of ShawCor shares.

EUROPEAN MARINE CONTRACTORS LTD. In January 2002, we sold our 50% interest in European Marine Contractors Ltd., an unconsolidated joint venture reported within our Landmark and Other Energy Services segment, to our joint venture partner, Saipem. At the date of sale, we received $115 million in cash and a contingent payment option valued at $16 million, resulting in a pretax gain of $108 million, or $0.15 per diluted share after tax. The

contingent payment option was based on a formula linked to performance of the Oil Service Index. In February 2002, we exercised our option and received an additional $19 million and recorded a pretax gain of $3 million, or $0.01 per diluted share after tax, in "Other, net" in the statement of operations as a result of the increase in value of this option.

NOTE 4. DISCONTINUED OPERATIONS

During the nine months ended September 30, 2003, we recorded a pretax loss from discontinued operations of $85 million that included the following:

- approximately $55 million in professional and other fees associated with due diligence, preparation, printing and distribution costs of the disclosure statement and other aspects of the proposed settlement for asbestos and silica liabilities;
- a $30 million second quarter 2003 charge for the debtor-in-possession financing provided to Harbison-Walker in connection with their Chapter 11 bankruptcy proceeding, which was funded on July 31, 2003 and is expected to be forgiven by us on the earlier of the effective date of a plan of reorganization for DII Industries or the effective date of a plan of reorganization for Harbison-Walker acceptable to DII Industries;
- a $10 million allowance recorded in the third quarter 2003 for an estimated portion of uncollectible amounts related to the insurance receivables purchased from Harbison-Walker in connection with their Chapter 11 bankruptcy proceeding; and
- a $10 million release in the second quarter 2003 of environmental and legal accruals that were no longer required related to indemnities associated with our 2001 disposition of Dresser Equipment Group.

During the second quarter of 2002, in connection with our asbestos econometric study, we recorded a pretax expense of $153 million to discontinued operations for existing and future asbestos claims and defense costs related to disposed businesses, net of anticipated insurance recoveries. See Note 11. We also recorded a pretax expense of $6 million associated with the Harbison-Walker bankruptcy filing.

During the first quarter of 2002, we recorded a pretax expense to discontinued operations of $3 million for asbestos claims and defense costs related to disposed businesses, net of anticipated insurance recoveries for asbestos claims. We also recorded pretax expense for a $40 million payment associated with the Harbison-Walker bankruptcy filing.

NOTE 5. INCOME (LOSS) PER SHARE

Millions of dollars and shares except per share data	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Income (loss) from continuing operations before change in accounting principle, net	$ 92	$ 94	$ 193	$ (214)
Basic weighted average common shares outstanding				

435 432
434 432
Effect of common stock equivalents
2 2 2 -- -
---- -----
----- ----
-- Diluted weighted average common shares outstanding
437 434
436 432
=====
=====
=====
======
Income (loss) per common share from continuing operations before change in accounting principle, net: Basic
$0.21
$0.22
$0.44
$(0.49)
=====
=====
=====
======
Diluted
$0.21
$0.22
$0.44
$(0.49)
=====
=====
=====
======

Basic income (loss) per common share is based on the weighted average number of common shares outstanding during the period. Diluted income (loss) per common share includes additional common shares that would have been outstanding if potential common shares with a dilutive effect had been issued. Excluded from the computation of diluted income (loss) per common share are options to purchase 16 million shares of common stock

which were outstanding during the three months ended September 30, 2003 and 15 million shares during the nine months ended September 30, 2003. These options were outstanding during the applicable period, but were excluded because the option exercise price was greater than the average market price of the common shares. The shares issuable upon conversion of the 3.125% convertible senior notes due 2023 (see Note 15) were not included in the computation of diluted income (loss) per common share since the conditions for conversion had not been met as of September 30, 2003.

For the nine months ended September 30, 2002, we used the basic weighted average shares in the calculation of diluted loss per common share, as the effect of the common stock equivalents (which totaled two million shares for this period) would be anti-dilutive based upon the net loss from continuing operations.

NOTE 6. COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) adjustments to net income include the following:

Three Months Ended September 30	Nine Months Ended September 30
- Millions of dollars	
2003	2002	2003	2002
Net income (loss)	$ 58	$ 94	$ 127	$(382)
Cumulative translation adjustment	1	9	13	44
Realization of losses included in net income	-	-	15	15	-
Net cumulative translation adjustment	1	24	28	59
Pension liability adjustments	--	--	(7)	--
Unrealized gains (losses) on investments and derivatives	1	(2)	2	(2)
Total comprehensive income (loss)	$ 60	$ 116	$ 150	$(325)

Accumulated other comprehensive income consisted of the following:

September 30 December 31 Millions of dollars	2003	2002
Cumulative translation		

adjustments $ (93) $ (121) Pension liability adjustments (164) (157) Unrealized losses on investments and derivatives (1) (3) ---- ---- ------- - Total accumulated other comprehensive income $ (258) $ (281) ======== ========

NOTE 7. RESTRICTED CASH

At September 30, 2003 we had restricted cash of $213 million. Restricted cash consists of:

- $108 million deposit that collateralizes a bond for a patent infringement judgment included in "Other current assets" (See Note 12);
- $78 million as collateral for potential future insurance claim reimbursements included in "Other assets, net"; and
- $27 million primarily related to cash collateral agreements for outstanding letters of credit for various projects included in "Other assets, net".

At December 31, 2002 we had restricted cash of $190 million.

NOTE 8. RECEIVABLE SECURITIZATION PROGRAM

On April 15, 2002, we entered into an agreement to sell accounts receivable to a bankruptcy-remote limited-purpose funding subsidiary. Under the terms of the agreement, new receivables are added on a continuous basis to the pool of receivables, and collections reduce previously sold accounts receivable. This funding subsidiary sells an undivided ownership interest in this pool of receivables to entities managed by unaffiliated financial institutions under another agreement. Sales to the funding subsidiary have been structured as "true sales" under applicable bankruptcy laws. While the funding subsidiary is wholly-owned by us, its assets are not available to pay any creditors of ours or of our subsidiaries or affiliates, until such time as the agreement with the unaffiliated companies is terminated following sufficient collections to liquidate all outstanding undivided ownership interests. The undivided ownership interest in the pool of receivables sold to the unaffiliated companies, therefore, is reflected

as a reduction of accounts receivable in our consolidated balance sheets. The funding subsidiary retains the interest in the pool of receivables that are not sold to the unaffiliated companies and is fully consolidated and reported in our financial statements.

The amount of undivided interests which can be sold under the program varies based on the amount of eligible Energy Services Group receivables in the pool at any given time and other factors. The funding subsidiary initially sold a $200 million undivided ownership interest to the unaffiliated companies, and could from time to time sell additional undivided ownership interests. In July 2003, however, the balance outstanding under this facility was reduced to zero. The total amount outstanding under this facility continued to be zero as of September 30, 2003.

NOTE 9. INVENTORIES

Inventories are stated at the lower of cost or market. We manufacture in the United States certain finished products and parts inventories for drill bits, completion products and bulk materials that are recorded using the last-in, first-out method and totaled $43 million at September 30, 2003 and December 31, 2002. If the average cost method had been used, total inventories would have been $18 million higher than reported at September 30, 2003 and $17 million higher than reported at December 31, 2002.

Over 90% of remaining inventory is recorded on the average cost method, with the remainder on the first-in, first-out method.

Inventories at September 30, 2003 and December 31, 2002 are composed of the following:

Millions of dollars	September 30 2003	December 31 2002
Finished products and parts	$ 509	$ 545
Raw materials and supplies	180	141
Work in process	42	48
Total	$ 731	$ 734

NOTE 10. LONG-TERM CONSTRUCTION CONTRACTS AND UNAPPROVED CLAIMS

Revenues from engineering and construction contracts are reported on the percentage of completion method of accounting using measurements of progress toward completion appropriate for the work performed. Progress is generally based upon physical progress, man-hours or costs incurred based upon the appropriate method for the type of job.

Billing practices for engineering and construction projects are governed by the contract terms of each project based upon costs incurred, achievement of milestones or pre-agreed schedules. Billings do not necessarily correlate with revenues recognized under the percentage of completion method of accounting. Billings in excess of recognized revenues are recorded in "Advanced billings on uncompleted contracts". When billings are less than recognized revenues, the difference is recorded in "Unbilled work on uncompleted contracts". With the exception of claims and change orders which are in the process of being negotiated with customers, unbilled work is usually billed during normal billing processes following achievement of the contractual requirements.

Recording of profits and losses on long-term contracts requires an estimate of the total profit or loss over the life of each contract. This estimate requires consideration of contract revenue, change orders and claims, reduced by costs incurred and estimated costs to complete. Anticipated losses on contracts are recorded in full in the period they become evident. Except where we, because of uncertainties in the estimation of costs on a limited number of projects, deem it prudent to defer income recognition, we do not delay income

recognition until projects have reached a specified percentage of completion. We have not done so during the periods presented, although we followed such a practice for some offshore projects prior to the periods presented herein. Otherwise, profits are recorded from the commencement date of the contract based upon the total estimated contract profit multiplied by the current percentage complete for the contract.

When calculating the amount of total profit or loss on a long-term contract, we include unapproved claims as revenue when the collection is deemed probable based upon the four criteria for recognizing unapproved claims under the American Institute of Certified Public Accountants Statement of Position 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts" (SOP 81-1). Including unapproved claims in this

calculation increases the operating income (or reduces the operating loss) that would otherwise be recorded without consideration of the probable unapproved claims. Unapproved claims are recorded to the extent of costs incurred and include no profit element. In substantially all cases, the probable unapproved claims included in determining contract profit or loss are less than the actual claim that will be or has been presented to the customer.

When recording the revenue and the associated unbilled receivable for unapproved claims, we only accrue an amount up to the costs incurred related to probable unapproved claims. The difference between the probable unapproved claims included in determining contract profit or loss and the probable unapproved claims recorded in "Unbilled work on uncompleted contracts" relates to forecasted costs which have not yet been incurred. The amounts included in determining the profit or loss on contracts, and the amounts booked to "Unbilled work on uncompleted contracts" for each period are as follows:

Millions of dollars	September 30 2003	December 31 2002
Probable unapproved claims (included in determining contract profit or loss)	$ 310	$ 279
Unapproved claims in unbilled work on uncompleted contracts	$ 282	$ 210

Our claims at September 30, 2003 are included in the table above. These claims relate to seven contracts, most of which are complete or substantially complete. We are actively engaged in claims negotiation with the customers. The largest claim relates to the Barracuda-Caratinga contract which was approximately 78% complete at September 30, 2003. The probable unapproved claims included in determining this contract's loss were $182 million at September 30, 2003 and at December 31, 2002. As most of the claim elements for this contract will likely not be settled within one year, related amounts in unbilled work on uncompleted contracts of $157 million at September 30, 2003 and $115 million at December 31, 2002 included in the table above have been recorded to long-term unbilled work on uncompleted contracts which is included in "Other assets, net" on the balance sheet. All other claims included in the table above have been recorded to "Unbilled work on uncompleted contracts" included in the "Total receivables" amount on the balance sheet.

A summary of unapproved claims activity for the three and nine months ended September 30, 2003 is as follows:

	Total Probable Unapproved Claims	Probable Unapproved Claims Unbilled Work	Three Months Ended	Nine Months Ended	Three Months Ended	Nine Months Ended

Millions of dollars	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2003
	2003	2003	2003	2003
Beginning balance	$ 335	$ 279	$ 285	$ 210
Additions	--	63	--	61
Costs incurred during period	--	--	23	43
Other	(25)	(32)	(26)	(32)
Ending balance	$ 310	$ 310	$ 282	$ 282

In addition, our unconsolidated related companies include probable unapproved claims as revenue to determine the amount of profit or loss for their contracts. Our "Equity in earnings of unconsolidated affiliates" includes our equity percentage of unapproved claims related to unconsolidated projects totaling $12 million at September 30, 2003 and $9 million at December 31, 2002.

NOTE 11. COMMITMENTS AND CONTINGENCIES - ASBESTOS AND SILICA

ASBESTOS LITIGATION. Several of our subsidiaries, particularly DII Industries, LLC (DII Industries) and Kellogg Brown & Root, Inc. (Kellogg Brown & Root), are defendants in a large number of asbestos-related lawsuits. The plaintiffs allege injury as a result of exposure to asbestos in products manufactured or sold by former divisions of DII Industries or in materials used in construction or maintenance projects of Kellogg Brown & Root.

These claims are in three general categories:

- refractory claims;
- other DII Industries claims; and
- construction claims.

REFRACTORY CLAIMS. Asbestos was used in a small number of products manufactured or sold by Harbison-Walker Refractories Company, which DII Industries acquired in 1967. The Harbison-Walker operations were conducted as a division of DII Industries (then named Dresser Industries, Inc.) until those operations were transferred to another then-existing subsidiary of DII Industries in preparation for a spin-off. Harbison-Walker was spun off by DII Industries in July 1992. At that time, Harbison-Walker assumed liability for asbestos claims filed after the spin-off and it agreed to defend and indemnify DII Industries from liability for those claims, although DII Industries continues to have direct liability to tort claimants for all post spin-off refractory asbestos claims. DII Industries retained responsibility for all asbestos claims pending as of the date of the spin-off. The agreement governing the spin-off provided that Harbison-Walker would have the right to access DII Industries historic insurance coverage for the asbestos-related liabilities that Harbison-Walker assumed in the spin-off. After the spin-off, DII Industries and Harbison-Walker jointly negotiated and entered into coverage-in-place agreements with a number of insurance companies that had issued historic general liability insurance policies which both DII Industries and Harbison-Walker had the right to access for, among other things, bodily injury occurring between 1963 and 1985. These coverage-in-place agreements provide for the payment of defense costs, settlements and court judgments paid to resolve refractory asbestos claims.

As Harbison-Walker's financial condition worsened in late 2000 and 2001, Harbison-Walker began agreeing to pay more in settlement of the post spin-off refractory claims than it historically had paid. These increased settlement amounts led to Harbison-Walker making greater demands on the shared insurance asset. By July 2001, DII Industries determined that the demands that Harbison-Walker was making on the shared insurance policies were not acceptable to DII Industries and that Harbison-Walker probably would not be able to fulfill its indemnification obligation to DII Industries. Accordingly, DII Industries took up the defense of unsettled post spin-off refractory claims that name it as a defendant in order to prevent Harbison-Walker from unnecessarily eroding the insurance coverage both companies access for these claims.

As of September 30, 2003, there were approximately 6,000 open and unresolved pre-spin-off refractory claims against DII Industries. In addition, there were approximately 154,000 post spin-off claims that name DII Industries as a defendant.

OTHER DII INDUSTRIES CLAIMS. As of September 30, 2003, there were approximately 189,000 open and unresolved claims alleging injuries from asbestos used in other products formerly manufactured by DII Industries or its predecessors. Most of these claims involve gaskets and packing materials used in pumps and other industrial products.

CONSTRUCTION CLAIMS. Our Engineering and Construction Group includes engineering and construction businesses formerly operated by The M.W. Kellogg Company and Brown & Root, Inc., now combined as Kellogg Brown & Root. As of September 30, 2003, there were approximately 86,000 open and unresolved claims alleging injuries from asbestos in materials used in construction and maintenance projects, most of which were conducted by Brown & Root, Inc. Approximately 7,000 of these claims are asserted against The M.W. Kellogg Company. We believe that Kellogg Brown & Root has a good defense to these claims, and a prior owner of The M.W. Kellogg Company provides Kellogg Brown & Root a contractual indemnification for claims against The M.W. Kellogg Company.

HARBISON-WALKER CHAPTER 11 BANKRUPTCY. On February 14, 2002, Harbison-Walker filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court in Pittsburgh, Pennsylvania. In its initial bankruptcy-related filings, Harbison-Walker said that it would seek to utilize Sections 524(g) and 105 of the Bankruptcy Code to propose and seek confirmation of a plan of reorganization that would provide for distributions for all legitimate, pending and future asbestos claims asserted directly against Harbison-Walker or asserted against DII Industries for which Harbison-Walker is required to indemnify and defend DII Industries.

Harbison-Walker's failure to fulfill its indemnity obligations, and its erosion of insurance coverage shared with DII Industries, required DII Industries to assist Harbison-Walker in its bankruptcy proceeding in order to protect the shared insurance from dissipation. On February 14, 2002, in accordance with the terms of a letter agreement, DII Industries paid $40 million to Harbison-Walker's United States parent holding company, RHI Refractories Holding Company. This payment was charged to discontinued operations in our financial statements in the first quarter of 2002. At the time that Harbison-Walker filed its bankruptcy, DII Industries agreed to provide up to $35 million of debtor-in-possession financing to Harbison-Walker during the pendency of the Chapter 11 proceeding if certain conditions were met, of which $5 million was advanced and expensed during the first quarter of 2002. We funded the remaining $30 million on July 31, 2003. We recorded a pretax charge of $30 million in "Loss from discontinued operations" in our condensed consolidated statements of operations for the second quarter 2003, as the debtor-in-possession financing is expected to be forgiven on the earlier of the effective date of a plan of reorganization for DII Industries or the effective date of a plan of reorganization for Harbison-Walker acceptable to DII Industries.

The terms of the letter agreement also require DII Industries to pay to RHI Refractories an additional $35 million if a plan of reorganization is proposed in the Harbison-Walker bankruptcy proceedings, and an additional $85 million if a plan is confirmed in the Harbison-Walker bankruptcy proceedings, in each case acceptable to DII Industries in its sole discretion. The letter agreement provides that a plan acceptable to DII Industries must include an injunction channeling to a Section 524(g)/105 trust all present and future asbestos claims against DII Industries arising out of the Harbison-Walker business or other DII Industries' businesses that share insurance with Harbison-Walker.

Harbison-Walker filed a proposed plan of reorganization on July 31, 2003. However, the proposed plan does not provide for a Section 524(g)/105 injunction for the benefit of DII Industries and other DII Industries businesses that share insurance with Harbison-Walker, and DII Industries has not consented to the plan. Although possible, at this time we do not believe it likely that Harbison-Walker will propose or will be able to confirm a plan of reorganization in its bankruptcy proceeding that is acceptable to DII Industries within the meaning of the letter agreement with RHI Refractories.

In general, in order for a Harbison-Walker plan of reorganization involving a Section 524(g)/105 trust to be confirmed, the plan would need, among other things, to be structured to provide substantially similar treatment to current and future asbestos claimants and the creation of the trust would require the approval of 75% of those asbestos claimant creditors of Harbison-Walker voting on the plan. A plan also would be subject to completion of negotiations of material terms and definitive plan documentation with the asbestos claimants committee, a futures representative for asbestos claimants in the Harbison-Walker bankruptcy cases and DII Industries. There can be no assurance that any plan proposed by Harbison-Walker would be structured to meet the requirements for obtaining an injunction or that Harbison-Walker could obtain the necessary approval.

As an alternative, DII Industries has entered into a definitive settlement agreement with Harbison-Walker which would resolve substantially all of the issues between them. This agreement is subject to court approval in Harbison-Walker's bankruptcy case. If approved by the court in Harbison-Walker's bankruptcy case, this agreement would provide for:

- channeling of asbestos and silica personal injury claims against Harbison-Walker and certain of its affiliates to the trusts created in the Chapter 11 cases being contemplated for DII Industries and Kellogg Brown & Root;
- release by Harbison-Walker and its affiliates of any rights in insurance shared with DII Industries on occurrence of the effective date of the plan of reorganization for DII Industries;
- release by DII Industries of any right to be indemnified by Harbison-Walker for asbestos or silica personal injury claims;
- forgiveness by DII Industries of all of Harbison-Walker's obligations under the debtor-in-possession financing provided by DII Industries on the earlier of the effective date of a plan of reorganization for DII Industries or the effective date of a plan of reorganization for Harbison-Walker acceptable to DII Industries;

- purchase by DII Industries of Harbison-Walker's outstanding insurance receivables for an amount of approximately $50 million on the earliest of the effective date of a plan of reorganization for DII Industries, the effective date of a plan of reorganization for Harbison-Walker acceptable to DII Industries or December 31, 2003. We recorded a $10 million allowance in the third quarter of 2003 for an estimated portion of uncollectible amounts related to the insurance receivables;
- guarantee of the insurance receivable purchase price by Halliburton on a subordinated basis; and
- negotiation between the parties on a mutually-agreeable structure for resolving other products or tort claims.

We do not believe it probable that DII Industries will be obligated to make either of the additional $35 million or $85 million payments to RHI Refractories described above because the plan of reorganization filed by Harbison-Walker on July 31, 2003 in its bankruptcy proceeding would not, if confirmed, create a Section 524(g) and/or 105 channeling injunction in favor of DII Industries and because the plan of reorganization filed by Harbison-Walker is not acceptable to DII Industries within the meaning of the February 14, 2002 letter agreement. RHI A.G., the ultimate corporate parent of RHI Refractories, has indicated that it believes otherwise, and has announced an intent to take legal action against us to recover $35 million they believe is presently owing. On August 8, 2003, we filed a declaratory judgment lawsuit against RHI Refractories in the District Court of Harris County, Texas, 80th Judicial District seeking a declaration from the court that we do not owe RHI Refractories any money pursuant to the letter agreement. On September 12, 2003 RHI Refractories filed a related lawsuit against Halliburton Company and DII Industries in the Court of Common Pleas of Alleghany County, Pennsylvania.

In July 2003, we also reached agreement with Harbison-Walker and the asbestos creditors committee in the Harbison-Walker bankruptcy to consensually extend the period of the stay contained in the bankruptcy court's temporary restraining order until September 30, 2003. The court's temporary restraining order, which was originally entered on February 14, 2002, stayed more than 200,000 pending asbestos claims against DII Industries. The stay expired by its terms on September 30, 2003. Discovery on the claims was stayed until November 1, 2003. Trials on any of the claims that had previously been stayed may commence as early as January 1, 2004. Notwithstanding expiration of the stay, asbestos and silica claims against DII Industries will automatically be stayed if a Chapter 11 filing is made by DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations.

ASBESTOS INSURANCE COVERAGE. DII Industries has substantial insurance for reimbursement for portions of the costs incurred defending asbestos and silica claims, as well as amounts paid to settle claims and court judgments. This coverage is provided by a large number of insurance policies written by dozens of insurance companies. The insurance companies wrote the coverage over a period of more than 30 years for DII Industries, its predecessors or its subsidiaries and their predecessors. Large amounts of this coverage are now subject to coverage-in-place agreements that resolve issues concerning amounts and terms of coverage. Coverage-in-place agreements are settlement agreements between policyholders and the insurers specifying the terms and conditions under which coverage will be applied as claims are presented for payment. These agreements in an asbestos claims context govern such things as what events will be deemed to trigger coverage, how liability for a claim will be allocated among insurers and what procedures the policyholder must follow in order to obligate the insurer to pay claims. The amount of insurance available to DII Industries and its subsidiaries depends on the nature and time of the alleged exposure to asbestos or silica, the specific subsidiary against which an asbestos or silica claim is asserted and other factors.

REFRACTORY CLAIMS INSURANCE. DII Industries has approximately $2.1 billion in aggregate limits of insurance coverage for refractory asbestos and silica claims, of which over one-half is with Equitas or other London-based insurance companies. Most of this insurance is shared with Harbison-Walker. Many of the issues relating to the majority of this coverage have been resolved by coverage-in-place agreements with dozens of companies, including Equitas and other London-based insurance companies. Beginning in 2001 however, Equitas and other London-based companies have attempted to impose new restrictive documentation requirements on DII Industries and other insured. Equitas and the other London-based companies have stated that the new requirements are part of an effort to limit payment of settlements to claimants who are truly impaired by exposure to asbestos and can identify the product or premises that caused their exposure.

On March 21, 2002, Harbison-Walker filed a lawsuit in the United States Bankruptcy Court for the Western District of Pennsylvania in its Chapter 11 bankruptcy proceeding. This lawsuit is substantially similar to DII Industries lawsuit filed in Texas State Court in 2001 and seeks, among other relief, a determination as to the rights of DII Industries and Harbison-Walker to the shared general liability insurance. The lawsuit also seeks damages against specific insurers for breach of contract and bad faith, and a declaratory judgment concerning the insurers' obligations under the shared insurance. Although DII Industries is also a defendant in this lawsuit, it has asserted its own claim to coverage under the shared insurance and is cooperating with Harbison-Walker to secure both companies' rights to the shared insurance. The parties to the lawsuit have been engaged in non-binding mediation due to an order from the Bankruptcy Court. Given the early stages of these negotiations, DII Industries cannot predict whether a negotiated resolution of this dispute will occur or, if such a resolution does occur, the precise terms of such a resolution.

Prior to the Harbison-Walker bankruptcy, on August 7, 2001, DII Industries filed a lawsuit in Dallas County, Texas, against a number of these insurance companies asserting DII Industries rights under an existing coverage-in-place agreement and under insurance policies not yet subject to coverage-in-place agreements. The coverage-in-place agreements allow DII Industries to enter into settlements for small amounts without requiring claimants to produce detailed documentation to support their claims, when DII Industries believes the settlements are an effective claims management strategy. DII Industries believes that the new documentation requirements are inconsistent with the current coverage-in-place agreements and are unenforceable. The insurance companies that DII Industries has sued have not refused to pay larger claim settlements where documentation is obtained or where court judgments are entered.

On May 10, 2002, the London-based insuring entities and companies removed DII Industries' Dallas County State Court Action to the United States District Court for the Northern District of Texas alleging that federal court jurisdiction existed over the case because it is related to the Harbison-Walker bankruptcy. DII Industries has filed an opposition to that removal and has asked the federal court to remand the case back to the Dallas County state court. On June 12, 2002, the London-based insuring entities and companies filed a motion to transfer the case to the federal court in Pittsburgh, Pennsylvania. DII Industries has filed an opposition to that motion to transfer. The federal court in Dallas has yet to rule on any of these motions. Regardless of the outcome of these motions, because of the similar insurance coverage lawsuit filed by Harbison-Walker in its bankruptcy proceeding, it is unlikely that DII Industries' case will proceed simultaneously with the insurance coverage case filed by Harbison-Walker in its bankruptcy.

OTHER DII INDUSTRIES CLAIMS INSURANCE. DII Industries has substantial insurance to cover other non-refractory asbestos claims. Two coverage-in-place agreements cover DII Industries for companies or operations that DII Industries either acquired or operated prior to November 1, 1957. Other insurance coverage is provided by a number of different policies that DII Industries acquired rights to access when it acquired businesses from other companies. Three coverage-in-place agreements provide reimbursement for asbestos claims made against DII Industries' former Worthington Pump division. There is also other substantial insurance coverage with approximately $2.0 billion in aggregate limits that has not yet been reduced to coverage-in-place agreements.

On August 28, 2001, DII Industries filed a lawsuit in the 192nd Judicial District of the District Court for Dallas County, Texas against specific London-based insuring entities that issued insurance policies that provide coverage to DII Industries for asbestos-related liabilities arising out of the historical operations of Worthington Corporation or its successors. This lawsuit raises essentially the same issue as to the documentation requirements as the August 7, 2001 Harbison-Walker lawsuit filed in the same court. The London-based insuring entities filed a motion in that case seeking to compel the parties to binding arbitration. The trial court denied that motion and the London-based insuring entities appealed that decision to the state appellate court. The state appellate court denied the appeal and, most recently, the London-based insuring entities have removed the case from the state court to the federal court. DII Industries was successful in remanding the case back to the state court.

A significant portion of the insurance coverage applicable to Worthington claims is alleged by Federal-Mogul Products, Inc. to be shared with it. In 2001, Federal-Mogul Products, Inc. and a large number of its affiliated companies filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court in Wilmington, Delaware.

In response to Federal-Mogul's allegations, on December 7, 2001, DII Industries filed a lawsuit in the Delaware Bankruptcy Court asserting its rights to insurance coverage under historic general liability policies issued to Studebaker-Worthington, Inc. and its successor for asbestos-related liabilities arising from, among other operations, Worthington's and its successors' historic operations. This lawsuit also seeks a judicial declaration concerning the competing rights of DII Industries and Federal-Mogul, if any, to this insurance coverage. DII Industries recently filed a third amended complaint in that lawsuit and the parties are engaged in the discovery process and summary judgment briefing. The parties to this litigation, including Federal-Mogul, have agreed to mediate this dispute. Unlike the Harbison-Walker insurance coverage litigation, in which the litigation is stayed while the mediation proceeds, the insurance coverage litigation concerning the Worthington-related asbestos liabilities has not been stayed and such litigation is proceeding simultaneously with the mediation.

At the same time, DII Industries filed its insurance coverage action in the Federal-Mogul bankruptcy, DII Industries also filed a second lawsuit in which it has filed a motion for preliminary injunction seeking a stay of all Worthington asbestos-related lawsuits against DII Industries that are scheduled for trial within the six months following the filing of the motion. The stay that DII Industries seeks, if granted, would remain in place until the competing rights of DII Industries and Federal-Mogul to the allegedly shared insurance are resolved. The Court has yet to schedule a hearing on DII Industries' motion for preliminary injunction. Notwithstanding what the Court rules on the stay, all Worthington asbestos-related lawsuits against DII Industries will automatically be stayed if a Chapter 11 filing is made by DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations.

A number of insurers who have agreed to coverage-in-place agreements with DII Industries have suspended payment under the shared Worthington policies until the Federal-Mogul Bankruptcy Court resolves the insurance issues. Consequently, the effect of the Federal-Mogul bankruptcy on DII Industries rights to access this shared insurance is uncertain.

CONSTRUCTION CLAIMS INSURANCE. Nearly all of our construction asbestos claims relate to Brown & Root, Inc. operations before the 1980s. Our primary insurance coverage for these claims was written by Highlands Insurance Company (Highlands) during the time it was one of our subsidiaries. Highlands was spun off to our shareholders in 1996. On April 5, 2000, Highlands filed a lawsuit against us in the Delaware Chancery Court. Highlands asserted that the insurance it wrote for Brown & Root, Inc. that covered construction asbestos claims was terminated by agreements between Halliburton and Highlands at the time of the 1996 spin-off. In March 2001, the Chancery Court ruled that a termination did occur and that Highlands was not obligated to provide coverage for Brown & Root, Inc.'s asbestos claims. This decision was affirmed by the Delaware Supreme Court on March 13, 2002. As a result of this ruling, we wrote off approximately $35 million in accounts receivable for amounts paid for claims and defense costs and $45 million of accrued receivables in relation to estimated insurance recoveries claims settlements from Highlands in the first quarter 2002. In addition, we dismissed the April 24, 2000 lawsuit we filed against Highlands in Harris County, Texas.

As a consequence of the Delaware Supreme Court's decision, Kellogg Brown & Root no longer has primary insurance coverage from Highlands for asbestos claims. However, Kellogg Brown & Root has significant excess insurance coverage. The amount of this excess coverage that will reimburse us for an asbestos claim depends on a variety of factors. On March 20, 2002, Kellogg Brown & Root filed a lawsuit in the 172nd Judicial District of the District Court of Jefferson County, Texas, against Kellogg Brown & Root's historic insurers that issued these excess insurance policies. In the lawsuit, Kellogg Brown & Root seeks to establish the specific terms under which it can seek reimbursement for costs it incurs in settling and defending asbestos claims from its historic construction operations. On January 6, 2003, this lawsuit was transferred to the 11th Judicial District of the District Court of Harris County, Texas, and the parties are engaged in the discovery process. Until this lawsuit is resolved, the scope of the excess insurance will remain uncertain, and as such we have not assumed any recoveries from excess insurance coverage. We do not expect the excess insurers will reimburse us for asbestos claims until this lawsuit is resolved.

SIGNIFICANT ASBESTOS JUDGMENTS ON APPEAL. During 2001, there were several adverse judgments in trial court proceedings that are in various stages of the appeal process. All of these judgments concern asbestos claims involving Harbison-Walker refractory products. Each of these lawsuits is included in the proposed asbestos and silica settlement.

On November 29, 2001, the Texas District Court in Orange, Texas, entered judgments against Dresser Industries, Inc. (now DII Industries) on a $65 million jury verdict rendered in September 2001 in favor of five plaintiffs. The $65 million amount includes $15 million of a $30 million judgment against DII Industries and another defendant. DII Industries is jointly and severally liable for the other $15 million of the $30 million judgment, in addition to the $65 million if the other defendant does not pay its share of this judgment. Based upon what we believe to be controlling precedent, which would hold that the judgment entered is void, we believe that the likelihood of the judgment being affirmed in the face of DII Industries' appeal is remote. As a result, we have not accrued any amounts for this judgment. However, a favorable outcome from the appeal is not assured.

On November 29, 2001, the same District Court in Orange, Texas, entered three additional judgments against Dresser Industries, Inc. (now DII Industries) in the aggregate amount of $35.7 million in favor of 100 other asbestos plaintiffs. These judgments relate to an alleged breach of purported settlement agreements signed early in 2001 by a New Orleans lawyer hired by Harbison-Walker, which had been defending DII Industries pursuant to the agreement by which Harbison-Walker was spun off by DII Industries in 1992. These settlement agreements expressly bind Harbison-Walker Refractories Company as the obligated party, not DII Industries, which is not a party to the agreements. For that reason, and based upon what we believe to be controlling precedent, which would hold that the judgment entered is void, we believe that the likelihood of the judgment being affirmed in the face of DII Industries' appeal is remote. As a result, we have not accrued any amounts for this judgment. However, a favorable outcome from the appeal is not assured.

On December 5, 2001, a jury in the Circuit Court for Baltimore County, Maryland, returned verdicts against Dresser Industries, Inc. (now DII Industries) and other defendants following a trial involving refractory asbestos claims. Each of the five plaintiffs alleges exposure to Harbison-Walker products. DII Industries portion of the verdicts was approximately $30 million, which we fully accrued in 2002. DII Industries intends to appeal the judgment to the Maryland Supreme Court. While we believe we have a valid basis for appeal and intend to vigorously pursue our appeal, any favorable outcome from that appeal is not assured.

On October 25, 2001, in the Circuit Court of Holmes County, Mississippi, a jury verdict of $150 million was rendered in favor of six plaintiffs against Dresser Industries, Inc. (now DII Industries) and two other companies. DII Industries share of the verdict was $21.3 million which we fully accrued in 2002. The award was for compensatory damages. The jury did not award any punitive damages. The trial court has entered judgment on the verdict. While we believe we have a valid basis for appeal and intend to vigorously pursue our appeal, any favorable outcome from that appeal is not assured.

ASBESTOS CLAIMS HISTORY. Since 1976, approximately 671,000 asbestos claims have been filed against us. Almost all of these claims have been made in separate lawsuits in which we are named as a defendant along with a number of other defendants, often exceeding 100 unaffiliated defendant companies in total. The approximate number of open claims pending against us is as follows:

Period Ending	Total Open Claims
September 30, 2003	435,000
June 30, 2003	425,000
March 31, 2003	389,000
December 31, 2002	347,000
September 30, 2002	328,000
June 30, 2002	312,000
March 31, 2002	292,000
December 31, 2001	274,000

During the third quarter of 2003, we received approximately 10,000 new claims and we closed approximately 380 claims. We believe that in many cases, single claimants are filing claims against multiple Halliburton entities, and we

believe that the actual number of additional claimants is about half of the number of new claims. If and when we confirm duplicate claims, we will adjust our data accordingly. We believe of the 435,000 open claims as of September 30, 2003, these represent claims made by approximately 345,000 separate claimants.

The total open claims include post spin-off Harbison-Walker refractory related claims that name DII Industries as a defendant. All such claims have been factored into the calculation of our asbestos liability. The approximate number of post spin-off Harbison-Walker claims included in total open claims pending against us is as follows:

Period Ending	Post Spin-off Harbison-Walker Claims -
September 30, 2003	154,000
June 30, 2003	153,000
March 31, 2003	152,000
December 31, 2002	142,000
September 30, 2002	142,000
June 30, 2002	139,000
March 31, 2002	133,000
December 31, 2001	125,000

We manage asbestos claims to achieve settlements of valid claims for reasonable amounts. When reasonable settlement is not possible, we contest claims in court. Since 1976, we have closed approximately 236,000 claims through settlements and court proceedings at a total cost of approximately $220 million. We have received or expect to receive from our insurers all but approximately $107 million of this cost, resulting in an average net cost per closed claim of about $451.

ASBESTOS STUDY AND THE VALUATION OF UNRESOLVED CURRENT AND FUTURE ASBESTOS CLAIMS.

Asbestos Study. In late 2001, DII Industries retained Dr. Francine F. Rabinovitz of Hamilton, Rabinovitz & Alschuler, Inc. to estimate the probable number and value, including defense costs, of unresolved current and future asbestos and silica-related bodily injury claims asserted against DII Industries and its subsidiaries. Dr. Rabinovitz is a nationally renowned expert in conducting such analyses, has been involved in a number of asbestos-related and other toxic tort-related valuations of current and future liabilities, has served as the expert for three representatives of future claimants in asbestos related bankruptcies and has had her valuation methodologies accepted by numerous courts. Further, the methodology utilized by Dr. Rabinovitz is the same methodology that is utilized by the expert who is routinely retained by the asbestos claimants committee in asbestos-related bankruptcies. Dr. Rabinovitz estimated the probable number and value of unresolved current and future asbestos and silica-related bodily injury claims asserted against DII Industries and its subsidiaries over a 50 year period. The report took approximately seven months to complete.

Methodology. The methodology utilized by Dr. Rabinovitz to project DII Industries and its subsidiaries' asbestos- and silica-related liabilities and defense costs relied upon and included:

- an analysis of DII Industries, Kellogg Brown & Root's and Harbison-Walker Refractories Company's historical asbestos and silica settlements and defense costs to develop average settlement values and average defense costs for specific asbestos- and silica-related diseases and for the specific business operation or entity allegedly responsible for the asbestos- and silica-related diseases;
- an analysis of DII Industries, Kellogg Brown & Root's and Harbison-Walker Refractories Company's pending inventory of asbestos- and silica-related claims by specific diseases and by the specific business operation or entity allegedly responsible for the disease;
- an analysis of the claims filing history for asbestos- and silica-related claims against DII Industries, Kellogg Brown & Root and Harbison-Walker Refractories Company for the approximate

two-year period from January 2000 to May 31, 2002, and for the approximate five-year period from January 1997 to May 31, 2002 by specific disease and by business operation or entity allegedly responsible for the disease;

- an analysis of the population likely to have been exposed or claim exposure to products manufactured by DII Industries, its predecessors and Harbison-Walker or to Brown & Root construction and renovation projects; and

- epidemiological studies to estimate the number of people who might allege exposure to products manufactured by DII Industries, its predecessors and Harbison-Walker or to Brown & Root construction and renovation projects who would be likely to develop asbestos- and silica-related diseases. Dr. Rabinovitz's estimates are based on historical data supplied by DII Industries, Kellogg Brown & Root and Harbison-Walker and publicly available studies, including annual surveys by the National Institutes of Health concerning the incidence of mesothelioma deaths.

In her estimates, Dr. Rabinovitz relied on the source data provided by our management; she did not independently verify the accuracy of the source data. The source data provided by us was based on our 24-year history in gathering claimant information and defending and settling asbestos and silica claims.

In her analysis, Dr. Rabinovitz projected that the elevated and historically unprecedented rate of claim filings of the last several years (particularly in 2000 and 2001), especially as expressed by the ratio of nonmalignant claim filings to malignant claim filings, would continue into the future for five more years. After that, Dr. Rabinovitz projected that the ratio of nonmalignant claim filings to malignant claim filings will gradually decrease for a 10 year period ultimately returning to the historical claiming rate and claiming ratio. In making her calculation, Dr. Rabinovitz alternatively assumed a somewhat lower rate of claim filings, based on an average of the last five years of claims experience, would continue into the future for five more years and decrease thereafter.

Other important assumptions utilized in Dr. Rabinovitz's estimates, which we relied upon in making our accrual are:

- there will be no legislative or other systemic changes to the tort system;
- that we will continue to aggressively defend against asbestos and silica claims made against us;
- an inflation rate of 3% annually for settlement payments and an inflation rate of 4% annually for defense costs; and
- we would receive no relief from our asbestos obligation due to actions taken in the Harbison-Walker bankruptcy.

Range of Liabilities. Based upon her analysis, Dr. Rabinovitz estimated total, undiscounted asbestos and silica liabilities, including defense costs, of DII Industries, Kellogg Brown & Root and some of their current and former subsidiaries. Through 2052, Dr. Rabinovitz estimated the current and future total undiscounted liability for personal injury asbestos and silica claims, including defense costs, would be a range between $2.2 billion and $3.5 billion (which includes payments related to the claims as of June 30, 2002 pending at that time). The lower end of the range is calculated by using an average of the last five years of asbestos claims experience and the upper end of the range is calculated using the more recent two-year elevated rate of asbestos claim filings in projecting the rate of future claims.

2nd Quarter 2002 Accrual. Based on that estimate, in the second quarter of 2002, we accrued asbestos and silica claims liability and defense costs for both known outstanding and future refractory, other DII Industries, and construction asbestos and silica claims using the low end of the range of Dr. Rabinovitz's study, or approximately $2.2 billion. In establishing our liability for asbestos, we included all post spin-off claims against Harbison-Walker that name DII Industries as a defendant. Our accruals were based on an estimate of personal injury asbestos claims through 2052 based on the average claims experience of the last five years. At the end of the second quarter of 2002, we did not believe that any point in the expert's range was better than any other point, and accordingly, based our accrual on the low end of the range.

AGREEMENT REGARDING PROPOSED ASBESTOS AND SILICA SETTLEMENT. In December 2002, we reached an agreement in principle that, if and when consummated, would result in a settlement of asbestos and silica personal injury claims against our subsidiaries DII Industries and Kellogg Brown & Root and their current and former subsidiaries with United States operations. Subsequently, DII Industries and Kellogg Brown & Root entered into definitive written agreements finalizing the terms of the agreements in principle with attorneys representing more than 90% of the current asbestos and silica claimants.

The definitive agreements provide that:

- up to $2.775 billion in cash, 59.5 million Halliburton shares (valued at $1.4 billion using the stock price at September 30, 2003 of $24.25) and notes with a net present value of less than $100 million will be paid to one or more trusts for the benefit of current and future asbestos and silica personal injury claimants upon receiving final and non-appealable court confirmation of a plan of reorganization;

- DII Industries and Kellogg Brown & Root will retain rights to the first $2.3 billion of any insurance proceeds with any proceeds received between $2.3 billion and $3 billion going to the trust;
- the agreement is to be implemented through a pre-packaged filing under Chapter 11 of the United States Bankruptcy Code for DII Industries, Kellogg Brown & Root and some of the subsidiaries with United States operations; and
- the funding of the settlement amounts would occur upon receiving final and non-appealable court confirmation of a plan of reorganization for DII Industries and Kellogg Brown & Root and some of their subsidiaries with United States operations in the Chapter 11 proceeding.

Among the prerequisites for concluding the proposed settlement are:

- completion of our review of the current claims to establish that the claimed injuries resulted from exposure to products of DII Industries, Kellogg Brown & Root or their subsidiaries or former businesses or subsidiaries (Product ID due diligence);
- completion of our medical review of the injuries alleged to have been sustained by plaintiffs to establish a medical basis for payment of settlement amounts;
- continued availability of financing, in addition to the proceeds of our recent offerings of $1.2 billion principal amount of convertible senior notes and $1.05 billion principal amount of senior notes, for the proposed settlement on terms acceptable to us to fund the cash amounts to be paid in the settlement;
- obtaining approval of a plan of reorganization from at least the required 75% of known present asbestos claimants and from a majority of known present silica claimants in order to complete the plan of reorganization;
- Halliburton board approval; and
- obtaining final and non-appealable bankruptcy court approval and federal district court confirmation of the plan of reorganization.

Many of these prerequisites are subject to matters and uncertainties beyond our control. There can be no assurance that we will be able to satisfy the prerequisites for completion of the settlement. If we were unable to complete the proposed settlement, we would be required to resolve current and future asbestos claims in the tort system or, in the case of Harbison-Walker claims, possibly through the Harbison-Walker bankruptcy proceedings.

Disclosure Statement and Plan of Reorganization. In September 2003, DII Industries, Kellogg Brown & Root and other affected Halliburton subsidiaries began the solicitation process in connection with the planned asbestos and silica settlement. A disclosure statement, which incorporates and describes the Chapter 11 plan of reorganization and trust distribution procedures, has been mailed to asbestos and silica claimants for the purpose of soliciting votes to approve the plan of reorganization prior to filing a Chapter 11 proceeding.

As a result of an increase in the estimated number of current asbestos claims, our estimate of the aggregate value of all claims before due diligence considerations is $3.085 billion. In early November 2003, we reached an agreement in principle to limit the cash required to settle pending asbestos and silica claimants currently subject to definitive agreements to $2.775 billion. Under the agreement in principle, if at the completion of medical due diligence for current claims, the cash amounts provided under the current settlement agreements is greater than $2.775 billion, the total cash payment to each claimant would be reduced pro rata so that the aggregate of payments would not exceed $2.775 billion.

DII Industries, Kellogg Brown & Root and our other affected subsidiaries are preparing a supplement to the disclosure statement mailed in late September for circulation to known current claimants for the purpose of soliciting acceptances of a revised plan of reorganization that incorporates the revised terms to effect the agreement in principle. The additional time needed to solicit acceptances to the revised plan of reorganization will likely delay any Chapter 11 filing until sometime in December, assuming that the necessary acceptances are promptly received and the remaining product identification due diligence is timely provided. The agreement in principle is conditioned on a Chapter 11 filing on or before December 31, 2003.

The terms of this revised settlement still must be approved by 75% of known present asbestos claimants. Despite reaching the agreement in principle, there can be no assurance that such approval will be obtained, that all members of the asbestos claimants committee and other lawyers representing affected claimants will support the revised settlement or that claimants represented by members of the asbestos claimants committee and other affected claimants will vote in favor of the revised plan of reorganization.

Our agreement in principle reached in early November 2003 provides that of the cash amount included as part of the proposed settlement, two-thirds of approximately $486 million, or $326 million, of the $2.775 billion cash amount would be paid on the earlier of (a) five days prior to the anticipated Chapter 11 filing by the affected Halliburton subsidiaries and (b) December 31, 2003, so long as product identification due diligence information on those claims has been timely provided and we believe that a satisfactory number of claimants have provided acceptances to the proposed plan of reorganization prior to time for payment. Subject to proration, the remaining one-third of these claims will be guaranteed by Halliburton and paid on the earlier of (x) six months after a Chapter 11 filing and (y) the date on which the order confirming the proposed plan of reorganization becomes final and non-appealable.

We are continuing our due diligence review of current asbestos claims to be included in the proposed settlement. We have received in excess of 80% of the necessary files related to medical evidence and we have reviewed substantially all of the information provided. Product ID due diligence has not moved as rapidly as the medical due diligence. However, we continue to review medical and product ID information, and although there are no guarantees, we expect as the time for filing approaches, the interests of the claimants in consummating the settlement will result in us receiving the information necessary to proceed. The representatives of the current claimants have agreed to accelerate their submission of remaining medical and product identification due diligence information.

The settlement agreements with attorneys representing current asbestos claimants grant the attorneys a right to terminate their definitive agreement on ten days' notice. While no right to terminate any settlement agreement has been exercised to date, there can be no assurance that claimants' attorneys will not exercise their right to terminate the settlement agreements.

Legislative proposals for asbestos reform are pending in the United States Congress. While Halliburton's management intends to recommend to its Board that Halliburton pursue the proposed settlement in lieu of possible legislation, in determining whether to approve the proposed settlement and proceed with the Chapter 11 filing of DII Industries and Kellogg Brown & Root and some of their subsidiaries with United States operations, the Halliburton Board of Directors will take into account the then-current status of these legislative initiatives.

4th Quarter 2002 increase in accrual. As a result of the proposed settlement, in the fourth quarter of 2002, we re-evaluated our accruals for known outstanding and future asbestos claims. Although we have reached an agreement with respect to a proposed settlement, we do not believe the settlement is "probable" under Statement of Financial Standards ("SFAS") No. 5 at the current time.

Because we do not believe the settlement is currently probable as defined by SFAS No. 5, we have continued to establish our accruals in accordance with the analysis performed by Dr. Rabinovitz. However, as a result of the settlement and the payment amounts contemplated thereby, we believed it appropriate to adjust our accrual to use the upper end of the range of probable and reasonably estimable liabilities for current and future asbestos liabilities contained in Dr. Rabinovitz's study, which estimated liabilities through 2052 and assumed the more recent two-year elevated rate of claim filings in projecting the rate of future claims.

As a result, in the fourth quarter of 2002, we determined that the best estimate of the probable loss is the $3.5 billion estimate in Dr. Rabinovitz's study, and accordingly, we increased our accrual for probable and reasonably estimable liabilities for current and future asbestos and silica claims to $3.4 billion.

INSURANCE. In 2002, we retained Peterson Consulting, a nationally-recognized consultant in asbestos liability and insurance, to work with us to project the amount of insurance recoveries probable in light of the projected current and future liabilities accrued by us. Using Dr. Rabinovitz's projection of liabilities through 2052 using the two-year elevated rate of asbestos claim filings, Peterson Consulting assisted us in conducting an analysis to determine the amount of insurance that we estimate is probable that we will recover in relation to the projected claims and defense costs. In conducting this analysis, Peterson Consulting:

- reviewed DII Industries historical course of dealings with its insurance companies concerning the payment of asbestos-related claims, including DII Industries 15 year litigation and settlement history;

- reviewed our insurance coverage policy database containing information on key policy terms as provided by outside counsel;
- reviewed the terms of DII Industries prior and current coverage-in-place settlement agreements;
- reviewed the status of DII Industries and Kellogg Brown & Root's current insurance-related lawsuits and the various legal positions of the parties in those lawsuits in relation to the developed and developing case law and the historic positions taken by insurers in the earlier filed and settled lawsuits;
- engaged in discussions with our counsel; and
- analyzed publicly-available information concerning the ability of the DII Industries insurers to meet their obligations.

Based on review, analyses and discussions, Peterson Consulting assisted us in making judgments concerning insurance coverage that we believe are reasonable and consistent with our historical course of dealings with our insurers and the relevant case law to determine the probable insurance recoveries for asbestos liabilities. This analysis factored in the probable effects of self-insurance features, such as self-insured retentions, policy exclusions, liability caps and the financial status of applicable insurers, and various judicial determinations relevant to the applicable insurance programs. The analysis of Peterson Consulting is based on its best judgment and information provided by us.

Probable insurance recoveries. Based on our analysis of the probable insurance recoveries, in the second quarter of 2002, we recorded a receivable of $1.6 billion for probable insurance recoveries.

In connection with our adjustment of our accrual for asbestos liability and defense costs in the fourth quarter of 2002, Peterson Consulting assisted us in re-evaluating our receivable for insurance recoveries deemed probable through 2052, assuming $3.5 billion of liabilities for current and future asbestos claims using the same factors cited above through 2052. Based on Peterson Consulting analysis of the probable insurance recoveries, we increased our insurance receivable to $2.1 billion as of the fourth quarter of 2002. The insurance receivable recorded by us does not assume any recovery from insolvent carriers and assumes that those carriers which are currently solvent will continue to be solvent throughout the period of the applicable recoveries in the projections. However, there can be no assurance that these assumptions will be correct. These insurance receivables do not exhaust the applicable insurance coverage for asbestos-related liabilities.

ACCOUNTING SUMMARY. The current accrual of $3.4 billion for probable and reasonably estimable liabilities for current and future asbestos and silica claims and the $2.1 billion in insurance receivables are included in noncurrent assets and liabilities due to the extended time periods involved to settle claims. In the second quarter of 2002, we recorded a pretax charge of $483 million ($391 million after tax), and, in the fourth quarter of 2002, we recorded a pretax charge of $799 million ($675 million after tax).

In the fourth quarter of 2002, we recorded pretax charges of $232 million ($212 million after tax) for claims related to Brown & Root construction and renovation projects under the Engineering and Construction Group segment. The balance of $567 million ($463 million after tax) related to claims associated with businesses no longer owned by us and was recorded as discontinued operations. The low effective tax rate on the asbestos charge is due to the recording of a valuation allowance against the United States Federal deferred tax asset associated with the accrual as the deferred tax asset may not be fully realizable based upon future taxable income projections.

The total estimated claims through 2052, including the 435,000 current open claims, are approximately one million. A summary of our accrual for all claims and corresponding insurance recoveries is as follows:

Millions of dollars	September 30, 2003	December 31, 2002
Gross liability - beginning balance	$ 3,425	$ 737
Accrued liability	--	2,820
Payments on claims	(38)	(132)
Gross liability - ending balance	$ 3,387	$ 3,425
Estimated insurance recoveries:		
Highlands Insurance Company - beginning balance	$ --	$ (45)
Write-off of recoveries	--	45
Highlands Insurance Company - ending balance	$ --	$ --
Other insurance carriers - beginning balance	$(2,059)	$ (567)
Accrued insurance recoveries	--	(1,530)
Insurance billings	(2)	38
Other insurance carriers - ending balance	$(2,061)	$(2,059)
Total estimated insurance recoveries	$(2,061)	$(2,059)
Net liability for asbestos		

claims	$
1,326	$
1,366	

Accounts receivable for billings to insurance companies for payments made on asbestos claims were $41 million at September 30, 2003 and $44 million at December 31, 2002. The $44 million at December 31, 2002 excludes $35 million in accounts receivable written off at the conclusion of the Highlands litigation.

Possible additional accruals. When and if the currently proposed settlement becomes probable under Statement of Financial Accounting Standards No. 5, we would increase our accrual for probable and reasonably estimable liabilities for current and future asbestos claims up to approximately $4.4 billion, reflecting the amount in cash and notes we would pay to fund the settlement combined with the value of 59.5 million shares of Halliburton common stock, a value of $1.4 billion, using the stock price at September 30, 2003 of $24.25. As a result we would expect to record an additional pretax charge of approximately $1 billion. The tax benefit from this charge will be relatively small, as we will set up a valuation allowance for much of the loss carryforward. In addition, we may enter into agreements with all or some of our insurance carriers to negotiate an overall accelerated payment of anticipated insurance proceeds. If this were to happen, we would expect to adjust our insurance receivables based upon those agreements.

CONTINUING REVIEW. Projecting future events is subject to many uncertainties that could cause the asbestos- and silica-related liabilities and insurance recoveries to be higher or lower than those projected and booked such as:

- the number of future asbestos- and silica-related lawsuits to be filed against DII Industries and Kellogg Brown & Root;
- the average cost to resolve such future lawsuits;
- coverage issues among layers of insurers issuing different policies to different policyholders over extended periods of time;
- the impact on the amount of insurance recoverable in light of the Harbison-Walker and Federal-Mogul bankruptcies; and
- the continuing solvency of various insurance companies.

Given the inherent uncertainty in making future projections, we plan to have the projections of current and future asbestos and silica claims periodically reexamined, and we will update them if needed based on our experience and other relevant factors such as changes in the tort system, the resolution of the bankruptcies of various asbestos defendants and the probability of our settlement of all claims becoming effective. Similarly, we will re-evaluate our projections concerning our probable insurance recoveries in light of any updates to Dr. Rabinovitz's projections, developments in DII Industries and Kellogg Brown & Root's various lawsuits against its insurance companies and other developments that may impact the probable insurance.

NOTE 12. COMMITMENTS AND CONTINGENCIES - EXCLUDING ASBESTOS AND SILICA

BARRACUDA-CARATINGA PROJECT. In June 2000, KBR entered into a contract with the project owner, Barracuda & Caratinga Leasing Company B.V., to develop the Barracuda and Caratinga crude oil fields, which are located off the coast of Brazil. The construction manager and owner's representative is Petroleo Brasilero SA (Petrobras), the Brazilian national oil company. When completed, the project will consist of two converted supertankers which will be used as floating production, storage and offloading units, or FPSOs, 32 hydrocarbon production wells, 22 water injection wells and all sub-sea flow lines, umbilicals and risers necessary to connect the underwater wells to the FPSOs.

KBR's performance under the contract is secured by:

- performance letters of credit, which together have an available credit of approximately $266 million as of September 30, 2003 and which represent approximately 10% of the contract amount, as amended to date by change orders;
- retainage letters of credit, which together have available credit of approximately $152 million as of September 30, 2003 and which will increase in order to continue to represent 10% of the cumulative cash amounts paid to KBR; and
- a guarantee of KBR's performance of the agreement by Halliburton Company in favor of the project owner.

In the event that KBR is alleged to be in default under the contract, the project owner may assert a right to draw upon the letters of credit. If the letters of credit were to be drawn, KBR would be required to fund the amount of the draw to the issuing banks. To the extent KBR cannot fund the amount of the draw, Halliburton would be required to do so, which could have a material adverse effect on Halliburton's financial condition and results of operations. The master letter of credit facility described in the Liquidity and Capital Resources section of Management's Discussion and Analysis of Financial Condition and Results of Operations, provided it becomes effective, will override the reimbursement or cash collateral requirements for the period specified in that agreement.

In addition, the proposed Chapter 11 pre-packaged bankruptcy filing by KBR in connection with the proposed settlement of its asbestos claims would constitute an event of default under the contract that would allow the owner (with the approval of the lenders financing the project) to assert a right to draw the letters of credit unless waivers are obtained. The proposed Chapter 11 filing would also constitute an event of default under the owner's loan agreements with the lenders that would allow the lenders to cease funding the project. We believe that it is unlikely that the owner will make a draw on the letters of credit as a result of the proposed Chapter 11 filing. We also believe it is unlikely that the lenders will exercise any right to cease funding the project given the current status of the project and the fact that a failure to pay KBR may allow KBR to cease work on the project without Petrobras having a readily available substitute contractor. However, there can be no assurance that the lenders will continue to fund the project or that the owner will not require funding of the letters of credit by KBR.

In the event that KBR was determined after an arbitration proceeding to have been in default under the contract with Petrobras, and if the project was not completed by KBR as a result of such default (i.e., KBR's services are terminated as a result of such default), the project owner may seek direct damages (including completion costs in excess of the contract price and interest on borrowed funds, but excluding consequential damages) against KBR for up to $500 million plus the return of up to $300 million in advance payments previously received by KBR to the extent they have not been repaid. The original contract terms require repayment of the $300 million in advance payments by crediting the last $350 million of our invoices to Petrobras related to the contract by that amount.

In addition to the amounts described above, KBR may have to pay liquidated damages if the project is delayed beyond the original contract completion date. KBR expects that the project will likely be completed at least 16 months later than the original contract completion date. Although KBR believes that the project's delay is due primarily to the actions of the project owner, in the event that any portion of the delay is determined to be attributable to KBR and any phase of the project is completed after the milestone dates specified in the contract, KBR could be required to pay liquidated damages. These damages would be calculated on an escalating basis of approximately $1 million per day of delay caused by KBR, subject to a total cap on liquidated damages of 10% of the final contract amount (yielding a cap of approximately $266 million as of September 30, 2003).

Finally, we may be required to pay additional value added taxes ("VAT") related to the Barracuda-Caratinga project of up to $293 million that may be due or become due on the project. We believe that we are entitled under applicable law to collect VAT tax on the value of the project from Petrobras upon turn over of the project to the project owner, and that we will be entitled to a credit for VAT taxes we have paid. Petrobras and the project owner are contesting the reimbursability of up to $227 million of these potential VAT taxes. In addition, KBR is of the view that virtually all of the VAT tax chargeable to the project is the result of a change in tax law after the contract was signed. The contract provides that Kellogg Brown & Root is responsible for taxes in effect on the contract date, but will be reimbursed for increased costs due to changes in the tax laws that occur after the date of the contract. The parties agree that certain changes in the tax laws occurred after the date of the contract, but do not agree on how much of the increase in taxes was due to that change or which party is responsible for ultimately paying these taxes. While Kellogg Brown & Root does not agree, up to $144 million in VAT taxes may already be due on the project. Up to approximately $100 million of VAT taxes may be due in stages from November 2003 through April 2004, with the balance due in stages later in 2004. Depending on when the VAT taxes are deemed due and when they are paid, penalties and interest on the taxes of between $40-$100 million may also be due, the reimbursability of which the project owner may also contest.

As of September 30, 2003, the project was approximately 78% complete and KBR had recorded a pretax loss of $345 million related to the project. The probable unapproved claims included in determining the loss on the project were $182 million as of September 30, 2003. The claims for the project most likely will not be settled within one year. Accordingly, based upon the costs incurred on the claims, probable unapproved claims of $157 million at September 30, 2003 have been recorded to long-term unbilled work on uncompleted contracts. Those amounts are included in "Other assets, net" on the balance sheet. KBR has asserted claims for compensation substantially in excess of $182 million. The project owner, through its project manager, Petrobras, has denied responsibility for all such claims. Petrobras has, however, issued formal change orders worth approximately $61 million which are separate from the $182 million in probable unapproved claims.

In June 2003, Halliburton, KBR and Petrobras, on behalf of the project owner, entered into a non-binding heads of agreement that would resolve some of the disputed issues between the parties, subject to final agreement and lender approval. The original completion date for the Barracuda project was December 2003 and the original completion date for the Caratinga project was April 2004. Under the heads of agreement, the project owner would grant an extension of time to the original completion dates and other milestone dates that averages approximately 12 months, delay any attempt to assess the original liquidated damages against KBR for project delays beyond 12 months and up to 18 months, delay any drawing of letters of credit with respect to such liquidated damages and delay the return of any of the $300 million in advance payments until after arbitration. The heads of agreement also provides for a separate liquidated damages calculation of $450,000 per day for each of the Barracuda and the Caratinga vessels if delayed beyond 18 months from the original schedule (subject to the total cap on liquidated damages of 10% of the final contract amount). The heads of agreement does not delay the drawing of letters of credit for these liquidated damages. The extension of the original completion dates and other milestones would significantly reduce the likelihood of KBR incurring liquidated damages on the project. Nevertheless, KBR continues to have exposure for substantial liquidated damages for delays in the completion of the project.

Under the heads of agreement, the project owner has agreed to pay $69 million of KBR's disputed claims (which are included in the $182 million of probable unapproved claims as of September 30, 2003) and to arbitrate additional claims. The maximum recovery from the claims to be arbitrated would be capped at $375 million. The heads of agreement also allows the project owner or Petrobras to arbitrate additional claims against KBR, not including liquidated damages, the maximum recovery from which would be capped at $380 million. KBR believes the claims made to date by the project owner are based on a delay in project completion. KBR's contract with the project owner excludes consequential damages and, as indicated above, provides for liquidated damages in the event of delay in completion of the project. While there can be no assurance that the arbitrator will agree, KBR believes if it is determined that KBR is liable for delays, the project owner would be entitled to liquidated damages in amounts up to those referred to above and not to an additional $380 million.

The finalization of the heads of agreement is subject to project lender approval. The parties have been in negotiations with the lenders and based on these negotiations have agreed to certain modifications to the original terms of the heads of agreement to conform to the lenders' requirements. They have agreed that the $300 million in advance payments would be due on the earliest of December 7, 2004, the completion of any arbitration or the resolution of all claims between the project owner and KBR. Likewise, the project owner's obligation to defer drawing letters of credit with respect to liquidated damages for the delays between 12 and 18 months would extend only until December 7, 2004. The negotiations with the lenders have been completed and the final agreements have been sent to the lenders for their approval and signature. We are also awaiting signature from Petrobras on the final agreement. While we believe the lenders have an incentive to approve the final agreement and complete the financing of the project, and the parties have agreed to the modifications described above to secure the lenders' approval, there is no assurance that the lenders will approve the final agreement. If the lenders do not sign the final agreements, Petrobras may be forced to secure other funding to complete the project. There is no assurance that Petrobras will pursue or will be able to secure such funding. Absent completion of the final agreement, KBR could be subject to additional liquidated damages and other claims, be subject to the letters of credit being drawn and be required to return the $300 million in advance payments.

The project owner has procured project finance funding obligations from various lenders to finance the payments due to KBR under the contract. The project owner currently has no other committed source of funding on which we can necessarily rely other than the project finance funding for the project. If the lenders cease to fund the project, the project owner may not have the ability to continue to pay KBR for its services. The original loan documents provide that the lenders are not obligated to continue to fund the project if the project has been delayed for more than six months. In November 2002, the lenders agreed to extend the six-month period to 12 months. Other provisions in the loan documents may provide for additional time extensions. However, delays beyond 12 months may require lender consent in order to obtain additional funding. While we believe the lenders have an incentive to complete the financing of the project, there is no assurance that they would do so. If the lenders did not consent to extensions of time or otherwise ceased funding the project, we believe that Petrobras would provide for or secure other funding to complete the project, although there is no assurance that it would do so. To date, the lenders have made funds available, and the project owner has continued to disburse funds to KBR as payment for its work on the project even though the project completion has been delayed.

In addition, although the project financing includes borrowing capacity in excess of the original contract amount, only $250 million of this additional borrowing capacity is reserved for increases in the contract amount payable to KBR and its subcontractors. Under the loan documents, the availability date for loan draws expires December 1, 2003. As a condition to approving the heads of agreement, the lenders will require the project owner to draw all remaining available funds prior to December 1, 2003, and to escrow the funds for the exclusive use of paying project costs. No funds may be paid to Petrobras or its subsidiary (which is funding the drilling costs of the project) until all amounts due to KBR, including amounts due for the claims, are liquidated and paid. While this potentially increases the funds available for payment to KBR, KBR is not party to the arrangement between the lenders and the project owner and can give no assurance that there will be adequate funding to cover current or future KBR claims and change orders.

SECURITIES AND EXCHANGE COMMISSION ("SEC") INVESTIGATION AND FORTUNE 500 REVIEW. In late May 2002, we received a letter from the Fort Worth District Office of the Securities and Exchange Commission stating that it was initiating a preliminary inquiry into some of our accounting practices. In mid-December 2002, we were notified by the SEC that a formal order of investigation had been issued. Since that time, the SEC has issued subpoenas calling for the production of documents and requiring the appearance of a number of witnesses to testify regarding those accounting practices, which relate to the recording of revenues associated with cost overruns and unapproved claims on long-term engineering and construction projects. Throughout the informal inquiry and during the pendency of the formal investigation, we have provided approximately 300,000 documents to the SEC. We believe that the production of documents is now complete and that all current and former Company employees have completed their testimony to the Commission. To our knowledge, the SEC's investigation has focused on the compliance with generally accepted accounting principles of our recording of revenues associated with cost overruns and unapproved claims for long-term engineering and construction projects, and the disclosure of our accrual practices. Accrual of revenue from unapproved claims is an accepted and widely followed accounting

practice for companies in the engineering and construction business. Although we accrued revenue related to unapproved claims in 1998, we first made disclosures regarding the accruals in our 1999 Annual Report on Form 10-K. We believe we properly applied the required methodology of SOP 81-1, and satisfied the relevant criteria for accruing this revenue, although the SEC may conclude otherwise.

In December 2001, the SEC's Division of Corporation Finance announced that it would review the annual reports of all Fortune 500 companies that file periodic reports with the SEC. We received the SEC's initial comments in letter form in September 2002 and responded in October 2002. Since then, we have received and responded to several follow-up sets of comments.

SECURITIES AND RELATED LITIGATION. On June 3, 2002, a class action lawsuit was filed against us in the United States District Court for the Northern District of Texas on behalf of purchasers of our common stock alleging violations of the federal securities laws. After that date, approximately twenty similar class actions were filed against us in that or other federal district courts. Several of those lawsuits also named as defendants Arthur Andersen, LLP ("Arthur Andersen"), our independent accountants for the period covered by the lawsuits, and several of our present or former officers and directors. Those lawsuits allege that we violated federal securities laws in failing to disclose a change in the manner in which we accounted for revenues associated with unapproved claims on long-term engineering and construction contracts, and that we overstated revenue by accruing the unapproved claims. One such action was subsequently dismissed voluntarily, without prejudice, upon motion by the filing plaintiff. The federal securities fraud class actions have all been transferred to the United States District Court for the Northern District of Texas and consolidated before the Honorable Judge David Godbey. The amended consolidated class action complaint in that case, styled Richard Moore v. Halliburton, was filed and served upon us on or about April 11, 2003. In early May 2003, we announced that we had entered into a written memorandum of understanding setting forth the terms upon which the consolidated cases would be settled. The memorandum of understanding calls for Halliburton to pay $6 million, which is to be funded by insurance proceeds. After that announcement, one of the lead plaintiffs announced that it was dissatisfied with the lead plaintiffs' counsel's handling of settlement negotiations and what the dissident plaintiff regarded as inadequate communications by the lead plaintiffs' counsel. The dissident plaintiff subsequently filed a motion for an order to show cause why the lead plaintiffs' counsel should not be held to have breached his fiduciary duties to the class and be replaced as lead plaintiffs' counsel. That motion was denied. It is unclear whether this dispute within the ranks of the lead plaintiffs will have any impact upon the process of approval of the settlement and whether the dissident plaintiff will object to the settlement at the time of the fairness hearing or opt out of the class action for settlement purposes. The process by which the parties will seek approval of the settlement is ongoing.

Another case, also filed in the United States District Court for the Northern District of Texas on behalf of three individuals, and based upon the same revenue recognition practices and accounting treatment that is the subject of the securities class actions, alleges only common law and statutory fraud in violation of Texas state law. We moved to dismiss that action on October 24, 2002, as required by the court's scheduling order, on the bases of lack of federal subject matter jurisdiction and failure to plead with the degree of particularity required by the rules of procedure. That motion has now been fully briefed and oral argument on it was held on July 29, 2003. The court granted our motion to dismiss without prejudice and the plaintiffs have filed a notice of appeal.

In addition to the securities class actions, one additional class action, alleging violations of the Employee Retirement Income Security Act of 1974 ("ERISA") in connection with the Company's Benefits Committee's purchase of our stock for the accounts of participants in our 401(k) retirement plan during the period we allegedly knew or should have known that our revenue was overstated as a result of the accrual of revenue in connection with unapproved claims, was filed and subsequently voluntarily dismissed.

In October 2002, a shareholder derivative action against present and former directors and our former CFO was filed in the District Court of Harris County, Texas alleging breach of fiduciary duty and corporate waste arising out of the same events and circumstances upon which the securities class actions are based. We moved to dismiss that action and, after hearings on that motion, the court dismissed the action.

On March 12, 2003, another shareholder derivative action arising out of the same events and circumstances was filed in the United States District Court for the Northern District of Texas against certain of our present and former officers and directors. Like the case filed in the state court in Harris County, we believe that this action is without merit and we intend to vigorously defend it. Settlement of this action is included in the memorandum of understanding in the consolidated actions discussed above.

Finally, on August 29, 2003, another class action securities fraud action was filed based upon the same change in our method of accounting for unapproved claims on long-term engineering and construction contracts as well as upon alleged wrongdoing in connection with the merger with Dresser Industries which was concluded in September 1998. We believe that the allegations in that action, Kimble v. Halliburton Company, et al., Civil Action No. 303 CV 1965 L, United States District Court, Northern District of Texas, Dallas Division, are without merit and we intend to vigorously defend against it.

As of the date of this filing, the $6 million settlement amount for the consolidated actions and the federal court derivative action was fully covered by the Company's directors' and officers' insurance carrier. As such, we have accrued a contingent liability for the $6 million settlement and a $6 million insurance receivable from the insurance carrier. We have not accrued a contingent liability as of September 30, 2003 for any other shareholder derivative action or class action lawsuit discussed above.

BJ SERVICES COMPANY PATENT LITIGATION. On April 12, 2002, a federal court jury in Houston, Texas, returned a verdict against Halliburton Energy Services, Inc. in a patent infringement lawsuit brought by BJ Services Company, or BJ. The lawsuit alleged that our Phoenix fracturing fluid infringed a patent issued to BJ in January 2000 for a method of well fracturing using a specific fracturing fluid. The jury awarded BJ approximately $98 million in damages, plus pre-judgment interest, and the court enjoined us from further use of our Phoenix fracturing fluid. The United States Court of Appeals for the Federal Circuit in Washington D.C. affirmed BJ Services' judgment against us in August 2003. Thereafter, we filed a petition for rehearing before the full federal circuit court. That petition was denied by order dated October 17, 2003. We presently intend to request that the United States Supreme Court review and reverse the judgment. In light of the trial court's decision in April 2002, a total of $102 million was accrued in the first quarter of 2002, which was comprised of the $98 million judgment and $4 million in pre-judgment interest costs. We do not expect the loss of the use of the Phoenix fracturing fluid to have a material adverse impact on our overall energy services business. We have alternative products to use in our fracturing operations and have not been using the Phoenix fracturing fluid since April 2002.

ANGLO-DUTCH (TENGE). On October 24, 2003, a jury in the 61st District Court of Harris County, Texas returned a verdict finding Halliburton Energy Services, Inc. liable to Anglo-Dutch (Tenge) L.L.C. and Anglo-Dutch Petroleum International, Inc. for breaching a confidentiality agreement related to an investment opportunity we considered in the late 1990s in an oil field in the former Soviet Republic of Kazakhstan. Damages awarded against Halliburton Energy Services amounted to $64 million. With the addition of the plaintiffs' legal fees and expenses, the total amount of the potential judgment is approximately $73.8 million. When and if the verdict is reduced to judgment, we will be required to post security in the amount of $25 million in the form of cash or a bond in order to postpone execution on the judgment until after all appeals have been exhausted. We intend to vigorously prosecute our appeals. A charge in the amount of $77 million, which includes provision for our own attorneys' fees and expenses, has been recorded in the third quarter related to this matter in our Landmark and Other Energy Services segment.

IMPROPER PAYMENTS REPORTED TO THE SECURITIES AND EXCHANGE COMMISSION. During the second quarter 2002, we reported to the SEC and disclosed in our first quarter 2002 Form 10-Q that one of our foreign subsidiaries operating in Nigeria made improper payments of approximately $2.4 million to entities owned by a Nigerian national who held himself out as a tax consultant when in fact he was an employee of a local tax authority. The payments were made to obtain favorable tax treatment and clearly violated our Code of Business Conduct and our internal control procedures. The payments were discovered during an audit of the foreign subsidiary. We have conducted an investigation assisted by outside legal counsel. Based on the findings of the investigation we have terminated several employees. None of our senior officers were involved. We are cooperating with the SEC in its review of the matter. We are taking further action to ensure that our foreign subsidiary pays all taxes owed in Nigeria, which may be as much as $5 million, which has been fully accrued. A preliminary assessment was issued

by the Nigerian Tax Authorities in June of 2003 for approximately $3 million. Payment of that assessment was made in the second quarter of 2003 and an additional $1 million was paid in the third quarter 2003. We are cooperating with the Nigerian Tax Authorities to determine the total amount due as quickly as possible.

ENVIRONMENTAL. We are subject to numerous environmental, legal and regulatory requirements related to our operations worldwide. In the United States, these laws and regulations include the Comprehensive Environmental Response, Compensation and Liability Act, the Resources Conservation and Recovery Act, the Clean Air Act, the Federal Water Pollution Control Act and the Toxic Substances Control Act, among others. In addition to the federal laws and regulations, states where we do business may have equivalent laws and regulations by which we must also abide. We evaluate and address the environmental impact of our operations by assessing and remediating contaminated properties in order to avoid future liabilities and comply with environmental, legal and regulatory requirements. On occasion, we are involved in specific environmental litigation and claims, including the remediation of properties we own or have operated as well as efforts to meet or correct compliance-related matters.

We do not expect costs related to these remediation requirements to have a material adverse effect on our consolidated financial position or our results of operations. Our accrued liabilities for environmental matters were $34 million as of September 30, 2003 and $48 million as of December 31, 2002. The liability covers numerous properties, and no individual property accounts for more than $5 million of the liability balance. In some instances, we have been named a potentially responsible party by a regulatory agency, but in each of those cases, we do not believe we have any material liability. We have subsidiaries that have been named as potentially responsible parties along with other third parties for nine federal and state superfund sites for which we have established liabilities. As of September 30, 2003, those nine sites accounted for approximately $7 million of our total $34 million liability.

LETTERS OF CREDIT. In the normal course of business, we have agreements with banks under which approximately $1.3 billion of letters of credit or bank guarantees were issued as of September 30, 2003, including $267 million which relate to our joint ventures' operations. Effective October 9, 2002, we amended an agreement with banks under which $266 million of letters of credit had been issued. The revised agreements include provisions that require us to maintain ratios of debt to total capital and of total earnings before interest, taxes, depreciation and amortization to interest expense. The definition of debt includes our asbestos liability. The definition of total earnings before interest, taxes, depreciation and amortization excludes any non-cash charges related to the proposed asbestos settlement through December 31, 2003.

If our debt ratings fall below investment grade, we would be in technical breach of a bank agreement covering another $42 million of letters of credit at September 30, 2003, which might entitle the bank to set-off rights. In addition, a $151 million letter of credit line, of which the entire amount has been issued, includes provisions that allow the bank to require cash collateralization for the full line if debt ratings fall below either the rating of BBB by Standard & Poor's or Baa2 by Moody's Investors' Services. These letters of credit and bank guarantees generally relate to our guaranteed performance or retention payments under our long-term contracts and self-insurance.

In the past, no significant claims have been made against letters of credit we have issued. We do not anticipate material losses to occur as a result of these financial instruments.

LIQUIDATED DAMAGES. Many of our engineering and construction contracts have milestone due dates that must be met or we may be subject to penalties for liquidated damages if claims are asserted and we were responsible for the delays. These generally relate to specified activities within a project by a set contractual date or achievement of a specified level of output or throughput of a plant we construct. Each contract defines the conditions under which a customer may make a claim for liquidated damages. In most instances, liquidated damages are not asserted by the customer but the potential to do so is used in negotiating claims and closing out the contract. We had not accrued a liability for $450 million at September 30, 2003 and $364 million at December 31, 2002 of possible liquidated damages as we consider the imposition of liquidated damages to be unlikely. We believe we have valid claims for schedule extensions against the customers which would eliminate our liability for liquidated damages. Of the total liquidated damages, $266 million at September 30, 2003 and $263 million at December 31, 2002 relate to unasserted liquidated damages for the Barracuda-Caratinga project.

OTHER. We are a party to various other legal proceedings. We expense the cost of legal fees related to these proceedings as incurred. We believe any liabilities we may have arising from these proceedings will not be material to our consolidated financial position or results of operations.

NOTE 13. ACCOUNTING FOR STOCK-BASED COMPENSATION

We have six stock-based employee compensation plans. We account for those plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. No cost for stock options granted is reflected in net income, as all options granted under our plans have an exercise price equal to the market value of the underlying common stock on the date of grant. In addition, no cost for the Employee Stock Purchase Plan is reflected in net income because it is not considered a compensatory plan.

The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. For the three and nine months ended September 30, 2003 and September 30, 2002, the weighted average assumptions used in valuing stock-based employee compensation and resulting fair values of options granted are as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2003	2002	2003	2002
Assumptions:				
Risk-free interest rate	3.07%	2.79%	3.07%	2.79%
Expected dividend yield	2.06%	3.87%	2.06%	3.87%
Expected life (in years)	5	5	5	5
Expected volatility	60.14%	62.12%	60.14%	62.12%
Weighted average fair value of options granted	$12.20	$ 5.65	$12.51	$ 6.82

The following table illustrates the effect on net income and income per share if we had applied the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation", to stock-based employee compensation.

	Three Months Ended September 30		Nine Months Ended September 30	
Millions of dollars except per share data	2003	2002	2003	2002
Net income (loss), as				

reported $ 58 $ 94 $ 127 $ (382) Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects (8) (6) (21) (18) ---------- ---------- ---------- ---------- --- Net income (loss), pro forma $ 50 $ 88 $ 106 $ (400) ======= ======= ======= ======= Basic income (loss) per share: As reported $ 0.13 $ 0.22 $ 0.29 $ (0.88) Pro forma $ 0.11 $ 0.21 $ 0.24 $ (0.91) Diluted income (loss) per share: As reported $ 0.13 $ 0.22 $ 0.29 $ (0.88) Pro forma $ 0.11 $ 0.21 $ 0.23 $ (0.91)

NOTE 14. CHANGE IN ACCOUNTING PRINCIPLE

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 143, "Accounting for Asset Retirement Obligations" which addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated assets' retirement costs. SFAS No. 143 requires that the fair value of a liability associated with an asset retirement be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The

associated retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently depreciated over the life of the asset. The new standard was effective for us beginning January 1, 2003, and the adoption of this standard resulted in a charge of $8 million after tax as a cumulative effect of a change in accounting principle. The asset retirement obligations primarily relate to the removal of leasehold improvements upon exiting certain lease arrangements and restoration of land associated with the mining of bentonite. The total liability recorded at adoption and at September 30, 2003 for asset retirement obligations and the related accretion and depreciation expense for all periods presented is immaterial to our consolidated financial position and results of operations.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). This interpretation requires that a liability be recorded in the guarantor's balance sheet upon issuance of a guarantee. In addition, FIN 45 requires disclosures about the guarantees that an entity has issued. The disclosure provisions of FIN 45 were effective for financial statements of interim and annual periods ended after December 15, 2002. We adopted the recognition provisions of FIN 45 as of January 1, 2003. The adoption of FIN 45 did not have a material effect on our consolidated financial position or results of operations.

The FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51" ("FIN 46"), in January 2003. FIN 46, requires the consolidation of entities in which a company absorbs a majority of another entity's expected losses, receives a majority of the other entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the other entity. Currently, entities are generally consolidated based upon a controlling financial interest through ownership of a majority voting interest in the entity. In October 2003, the FASB issued a FASB Staff Position which deferred the effective date of FIN 46 for variable interest entities that existed prior to February 1, 2003 (the original implementation date for these variable interest entities was July 1, 2003). Additionally, due to significant issues in applying and interpreting FIN 46, the FASB has announced that it is making certain modifications and will issue an exposure draft of those modifications in the fourth quarter of 2003. As a result, we will continue to evaluate the FASB's ongoing discussions and anticipated modifications of FIN 46 and plan to adopt FIN 46 effective December 31, 2003. In the second quarter of 2003, we initially identified the following variable interest entities:

- during 2001, we formed a joint venture in which we own a 50% equity interest with two other unrelated partners, each owning a 25% equity interest. The joint venture was formed to construct, operate and service certain assets for a third party and was funded with third party debt. The construction of the assets is expected to be completed in 2004, and the operating and service contract related to the assets will extend for 20 years beginning in 2003. The proceeds from the debt financing are being used to construct the assets and will be paid down with cash flows generated during the operation and service phase of the contract with the third party. As of September 30, 2003, the joint venture had total assets of $140 million and total liabilities of $142 million. Our aggregate exposure to loss as a result of our involvement with this joint venture is limited to our equity investment and subordinated debt of $10 million and any future losses related to the construction and operation of the assets. The joint venture is currently accounted for under the equity method of accounting in our engineering and construction business segment. In the second quarter of 2003, we disclosed that we were the primary beneficiary of the variable interest entity and that we would consolidate the entity as of July 1, 2003. However as a result of the delay in the effective date of FIN 46 and the future guidance and amendments related to this interpretation that are expected to be issued by the FASB in the near future, we will reevaluate our initial conclusions in the fourth quarter of 2003 to consider the effect that any such future guidance and amendments may have on our initial conclusions;

- during the second quarter of 2001, we formed a joint venture with an unrelated party in which we have a 50% equity interest and account for this investment using the equity method in our Landmark and Other Energy Services business segment. The joint venture was established for the further development and deployment of new technologies related to completions and well intervention products and services. We believe that the joint venture is a variable interest entity under FIN 46. However, we do not believe we are the primary beneficiary of the entity and will continue to apply the equity method of accounting. Our maximum exposure to loss as a result of

our involvement in the joint venture is $100 million as of September 30, 2003, which is the sum of our current investment and our share of the balance outstanding under the joint venture's revolving loan agreement with the equity partners. We are also at risk for our share of any future losses the joint venture may incur; and

- our Engineering and Construction Group is involved in three joint ventures formed to design, build, operate and maintain roadways for certain government agencies. We have a 25% ownership interest in these joint ventures and account for them under the equity method. These joint ventures are considered variable interest entities as they were initially formed with little equity contributed by the partners. The joint ventures have obtained financing through third parties which is not guaranteed by us. We do not believe we are the primary beneficiary of these joint ventures and will, therefore, continue to account for them using the equity method. As of September 30, 2003, these joint ventures had total assets of $1.2 billion and total liabilities of $1.2 billion. Our maximum exposure to loss is limited to our equity investments in and loans to the joint ventures (totaling $37 million at September 30, 2003) and our share of any future losses related to the construction, operation and maintenance of these roadways.

In May 2003, the Emerging Issues Task Force finalized its Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" (EITF 00-21). EITF 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. Specifically, this Issue addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. The provisions of this Issue do not override higher-level authoritative literature including, but not limited to SOP 81-1 and SOP 97-2, "Software Revenue Recognition." This Issue is effective for us for revenue arrangements entered into in reporting periods beginning after June 15, 2003. The impact of adopting this Issue in the third quarter of 2003 was immaterial, and the impact in future periods is expected to be immaterial with respect to our existing revenue arrangements and contracts. However, this Issue could impact how we recognize revenue on contracts that we enter into in the future.

NOTE 15. DEBT

CONVERTIBLE BONDS. In June 2003, we issued $1.2 billion of 3.125% convertible senior notes due July 15, 2023. The notes were offered and sold in accordance with the private placement rules (Rule 144A) under the Securities Act of 1933. The notes are our senior unsecured obligations ranking equally with all of our existing and future senior unsecured indebtedness. We will pay interest on the notes on January 15 and July 15 of each year.

The notes are convertible into our common stock under any of the following circumstances:

- during any calendar quarter (and only during such calendar quarter) if the last reported sale price of our common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous quarter is greater than or equal to 120% of the conversion price per share of our common stock on such last trading day;

- if the notes have been called for redemption;

- upon the occurrence of specified corporate transactions that are described in the indenture relating to the offering; or

- during any period in which the credit ratings assigned to the notes by both Moody's and Standard & Poor's are lower than Ba1 and BB+, respectively, or the notes are no longer rated by at least one of these rating services or their successors.

The initial conversion price is $37.65 per share and is subject to adjustment. Upon conversion, we will have the right to deliver, in lieu of shares of our common stock, cash or a combination of cash and common stock.

The notes are redeemable for cash at our option on or after July 15, 2008. Holders may require us to repurchase the notes for cash on July 15 of 2008, 2013 or 2018 or, prior to July 15, 2008, in the event of a fundamental change as defined in the indenture. In each case, we will pay a purchase price equal to 100% of the principal amount plus accrued and unpaid interest and additional amounts owed, if any.

On October 28, 2003, we filed a shelf registration statement with the SEC with respect to the notes and the common stock issuable upon conversion of the notes. If the registration statement fails to become effective before January 26, 2004, we may be required to pay additional amounts on the notes and the common stock issuable upon conversion of the notes.

EXCHANGE OFFER FOR DII INDUSTRIES DEBENTURES. The indenture governing $300 million aggregate principal amount of DII Industries' 7.60% debentures due 2096 contains a default provision that may be triggered by the anticipated Chapter 11 filing of DII Industries, Kellogg Brown & Root and some of their subsidiaries with U.S. operations absent a consent or other action. In October 2003, DII Industries commenced a consent solicitation in which it is requesting consents to amend the indenture governing its 7.60% debentures due 2096 to, among other things, eliminate the bankruptcy-related events of default and, in connection therewith, and Halliburton commenced an exchange offer in which it is offering to issue its new 7.6% debentures due 2096 in exchange for a like amount of outstanding 7.60% debentures due 2096 of DII Industries that are held by holders qualified to participate in the exchange offer. As of the date hereof, $300 million aggregate principal amount of DII Industries debentures are outstanding. In October 2003, DII Industries announced that it had received consents from holders of more than 95% of the principal amount of outstanding 7.60% debentures. These consents have been accepted and have become irrevocable. DII Industries has amended the indenture governing its 7.6% debentures and the amendments will take effect when the exchange offer is completed. Once the amendments become effective, DII Industries will make the consent payment of $2.50 per $1,000 principal amount to holders who tendered their consent prior to the October 24, 2003 consent deadline. One of the remaining conditions to the exchange offer and the effectiveness of the consent is that all prerequisites shall have been satisfied for concluding the proposed settlement of asbestos and silica claims of Halliburton's subsidiaries. Immediately prior to the closing of the exchange offer, Halliburton will become a co-obligor of the DII Industries debentures. Irrespective of the amount tendered in the exchange offer, $300 million of debentures bearing interest at a rate of 7.6% per annum will remain on Halliburton's consolidated balance sheet.

FLOATING AND FIXED RATE SENIOR NOTES. Also in October 2003, we completed an offering of $1.05 billion of floating and fixed rate unsecured senior notes. The floating rate notes, with an aggregate principal amount of $300 million, will mature on October 17, 2005 with an interest rate equal to three-month LIBOR (London interbank offered rates) plus 1.5% paid quarterly. The fixed rate notes, with an aggregate principal amount of $750 million, will mature on October 15, 2010 with an interest rate equal to 5 1/2 % paid semi-annually. The fixed rate notes were initially offered at a discount of 99.679%. A substantial portion of the net proceeds ($1.041 billion) are expected to be used to fund a portion of the cash required to be contributed to the trusts for the benefit of the asbestos and silica claimants. We have agreed to file a shelf registration statement with the SEC with respect to the notes as soon as practicable, but no later than 120 days following the date the notes were issued. If we fail to fulfill this obligation within the specified time period, we will pay additional amounts on the notes in an amount equal to 0.25% per annum for the first 90 days of the default period and an additional 0.25% thereafter, not to exceed 0.50% per annum.

NOTE 16. INCOME TAXES

Our effective tax rate for the third quarter 2003 was 39% as compared to 42% for the third quarter 2002. The effective tax rate of 42% for the third quarter 2002 was higher due to the impact of the loss on the sale of our interest in Bredero-Shaw. The Bredero-Shaw sale did not create a significant tax loss as the tax basis was substantially lower than the book basis. In addition, the tax loss created is a capital loss which would only free up foreign tax credits and future realization of those credits is uncertain. Therefore, no tax benefit was recorded for the loss.

In the first nine months of 2003, provision for income taxes was $142 million, resulting in an effective tax rate of 40.3%, versus $31 million in the first nine months of 2002. The first nine months of 2002 effective tax rate was low due to the exposure charges associated with our asbestos liability, as well as the tax impact of the Bredero-Shaw impairment and sale losses as described above. The asbestos accrual generated a United States Federal deferred tax asset which may not be fully realizable based upon future taxable income projections. As a result we recorded a partial valuation allowance.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In this section, we discuss the business environment, operating results and general financial condition of Halliburton Company and its subsidiaries. We explain:

- factors and risks that impact our business;
- why our revenues and operating income for the third quarter 2003 and nine months ended September 30, 2003 vary from the third quarter 2002 and nine months ended September 30, 2002;
- capital expenditures;
- factors that impacted our cash flows; and
- other items that materially affect our financial condition or earnings.

BUSINESS ENVIRONMENT

During the second quarter of 2003, we restructured our Energy Services Group into four divisions, which is the basis for the four segments we now report within the Energy Services Group. We grouped product lines in order to better align ourselves with how our customers procure our services, and to capture new business and achieve better integration, including joint research and development of new products and technologies and other synergies. The new segments mirror the way our chief executive officer (our chief operating decision maker) now regularly reviews the operating results, assesses performance and allocates resources. Our Engineering and Construction Group (known as KBR) segment remains unchanged.

All prior period segment results have been restated to reflect these changes.

Our five business segments are organized around how we manage the business. These segments are:

- Drilling and Formation Evaluation;
- Fluids;
- Production Optimization;
- Landmark and Other Energy Services; and
- Engineering and Construction Group.

We currently operate in over 100 countries throughout the world, providing a comprehensive range of discrete and integrated products and services to the energy industry and to other industrial and governmental customers. The majority of our consolidated revenues are derived from the sale of services and products, including engineering and construction activities, to major, national and independent oil and gas companies. These services and products are used throughout the energy industry from the earliest phases of exploration, development and production of oil and gas resources through refining, processing and marketing.

The industries we serve are highly competitive with many substantial competitors for each segment. Geographically, the United States represented 30% and the United Kingdom represented 10% of our total revenues in the first nine months of 2003. No other country accounted for more than 10% of our operations. Unsettled political conditions, social unrest, acts of terrorism, force majeure, war or other armed conflict, expropriation or other governmental actions, inflation, exchange controls or currency devaluation may result in increased business risk in any one country. We believe the geographic diversification of our business activities reduces the risk that loss of business in any one country would be material to our consolidated results of operations.

Activity levels within our five business segments are significantly impacted by the following:

- spending on upstream exploration, development and production programs by major, national and independent oil and gas companies;
- capital expenditures for downstream refining, processing, petrochemical, and marketing facilities by major, national and independent oil and gas companies; and
- government outsourcing and spending levels.

The state of the global economy also impacts our activity, which indirectly impacts oil and gas consumption, demand for petrochemical products and investment in infrastructure projects.

ENERGY SERVICES GROUP

Some of the more significant measures of current and future spending levels of oil and gas companies which drive worldwide exploration and production activity and investment are the following:

- oil and gas prices;
- the quality of exploration and production drilling prospects; and
- world economic conditions and the degree of global political stability.

In early 2002, a surplus in working gas in storage contributed to low prices and reduced drilling activities in the United States. Working gas in storage is the volume of gas in underground reservoirs above the level of base gas (cushion gas) intended as permanent inventory in a storage reservoir to maintain adequate pressure and deliverability rates throughout the winter withdrawal season. The reduced drilling, combined with an abnormally cold 2002/2003 winter season, drove the working gas in storage at January 31, 2003 to 1,521 billion cubic feet, commonly referred to as bcf, which was 287 bcf below the five year average.

This low level of working natural gas in storage in the United States has increased the demand for natural gas resulting in Henry Hub prices averaging above $5.00 per million cubic feet, commonly referred to as mcf, for the first nine months of 2003. For the third quarter 2003, natural gas prices at Henry Hub averaged $4.89 per mcf compared to $3.19 per mcf in the third quarter 2002. The level of natural gas storage continues to be a key driver of North American activity. As of October 10, 2003 there was 2,944 bcf in working gas in storage in the United States according to an Energy Information Administration estimate, which was 184 bcf lower than a year ago but very near the five year average of 2,952 bcf, which is a result of a low industrial demand for natural gas due to high price coupled with strong gas drilling.

Crude oil prices for West Texas Intermediate averaged $30.15 per barrel for the third quarter of 2003 compared to $28.23 per barrel for the third quarter 2002. Crude oil inventories in the United States have consistently remained below the lower end of the normal range despite a recent increase in imports, now averaging nearly 10 million barrels per day, which in turn has supported crude oil prices in the United States. Until commercial crude oil inventory deficits are eliminated and Iraqi oil production returns to normal, United States oil markets are expected to remain tight, which should help support prices at or near current levels.

The yearly average and quarterly average rig counts based on the Baker Hughes Incorporated rig count information are as follows:

Average Rig Counts	2002	2001
United States	831	1,155
Canada	266	342
International (excluding Canada)	732	745
Worldwide Total	1,829	2,242

Average Rig Counts	Third Quarter 2003	Second Quarter 2003	First Quarter 2003	Fourth Quarter 2002	Third Quarter 2002	Second Quarter 2002	Quarter Average
United States	1,088	1,028	901	847	853	806	
Canada	383	203	493	283	250	147	
International (excluding Canada)	782	765	744	753	718	725	
Worldwide Total	2,253	1,996	2,138	1,883	1,821	1,678	

Worldwide rig activity has increased since the third quarter of 2002 from an average of 1,821 rigs in the third quarter 2002 to an average of 2,253 rigs in the third quarter 2003. The increase in rig activity has been most pronounced in the United States, with a 28% increase, and Canada, with a 53% increase. United States rig counts went from 853 in the third quarter 2002 to 1,088 rigs in the third quarter 2003. The majority of this increase is related to onshore rigs drilling for natural gas as gas prices remained high and demand was high in order to replenish working gas in storage for the upcoming 2003/2004 heating season. The Canadian rig count decreased from 493 rigs in the first quarter 2003 to 383 rigs in the third quarter 2003. Canadian rig counts decreased as a result of the

normal spring break up and thaw season, but were 53% higher in the third quarter of 2003 as compared to the third quarter 2002. The international rig count increased 9% from 718 rigs in the third quarter 2002 to 782 rigs in the third quarter 2003. The majority of this increase was in Mexico, Venezuela and Argentina slightly offset by lower activity in Africa, primarily in Angola and Nigeria. We believe the increased drilling activity and rig counts since the second quarter of 2002 are due to the following factors:

- higher oil and gas prices;
- low oil inventories in the Organization for Economic Co-operation and Development consuming countries;
- low natural gas inventories in the United States for the upcoming winter season;
- cessation of armed conflict in Iraq;
- perception that the global economy is improving; and
- increased spending by our customers.

It is common practice in the United States oilfield services industry to sell services and products based on a price book and then apply discounts to the price book based upon a variety of factors. Discounts are typically applied to partially or substantially offset price book increases immediately following a price increase. Discounts normally decrease over time if the activity levels remain strong. During periods of reduced activity, discounts normally increase, reducing the net revenue for our products and services. Conversely, during periods of higher activity, discounts normally decline resulting in net revenue increasing for our products and services.

Decreased rig activity in the United States in 2002 as compared to 2001 caused the Energy Services Group to discount prices. Although rig activity in the United States has increased over the last twelve months, discounts have still not decreased, particularly in some of the western states. Price increases that we had implemented in 2000 and 2001 have mostly been eroded by additional discounts.

A price book increase in cementing, production enhancement, tools and testing, and logging and perforating was implemented in the United States effective August 15, 2003, which increased prices on average 5%. This did not have much of an impact on pricing in the third quarter of 2003 as the price increases were implemented late in the quarter and were partially offset by increased discounts.

ENGINEERING AND CONSTRUCTION GROUP

Our engineering and construction projects are longer term in nature than our energy services projects and are not as significantly impacted by short-term fluctuations in oil and gas prices. We believe that the global economic recovery is continuing, but its strength and sustainability are not assured. Based on the uncertain economic recovery, continuing excess capacity in petrochemical supplies and rising unemployment, customers have continued to delay project awards or reduce the scope of projects involving hydrocarbons and manufacturing until growth in consumer spending is evident. A number of large-scale gas and liquefied natural gas (LNG) development, offshore deepwater, government, and infrastructure projects are being awarded or actively considered. However, due to the inconsistent economic growth in certain areas of the world and the overall limited growth of the global economy, many customers continue to delay some of their capital commitments and international investments.

We see an emerging drive to monetize gas reserves in the Middle East, West Africa and parts of the Pacific Basin, combined with strong demand for gas and LNG in the United States, Japan, Korea, Taiwan, China, and India. The developments have led to numerous gas-to-liquids (GTL), LNG liquefaction and gas development projects in the three exporting regions, as well as onshore or floating regasification terminals and gas processing plants in the importing countries. With LNG set to play a larger role as a new supply source, the shift from fuel served by exclusively domestic resources to a market increasingly served with international resources heralds a change in the United States gas business. This will lead to an increasing internationalization of the natural gas industry, bringing with it the integration of North America into a growing world market.

We expect growth opportunities to exist for additional security and defense support to government agencies in the United States and other countries. Demand for these services is expected to grow as a result of the reconstruction efforts in Iraq and as governmental agencies seek to control costs and promote efficiencies by outsourcing these functions. We also expect growth due to new demands created by increased efforts to combat terrorism and enhance homeland security.

Engineering and construction contracts can be broadly categorized as fixed-price, sometimes referred to as lump sum, or cost reimbursable contracts. Some contracts can involve both fixed-price and cost reimbursable elements.

Fixed-price contracts are for a fixed sum to cover all costs and any profit element for a defined scope of work. Fixed-price contracts entail more risk to us as we must pre-determine both the quantities of work to be performed and the costs associated with executing the work. The risks to us arise, among other things, from:

- uncertainties in estimating the technical aspects and effort involved to accomplish the work within the contract schedule;
- labor availability and productivity; and
- supplier and subcontractor pricing and performance.

Fixed-price engineering, procurement and construction and fixed-price engineering, procurement, installation, and commissioning contracts involve even greater risks including:

- bidding a fixed-price and completion date before detailed engineering work has been performed;
- bidding a fixed-price and completion date before locking in price and delivery of significant procurement components (often items which are specifically designed and fabricated for the project);
- bidding a fixed-price and completion date before finalizing subcontractors' terms and conditions;
- subcontractors' individual performance and combined interdependencies of multiple subcontractors (the majority of all construction and installation work is performed by subcontractors);
- contracts covering long periods of time;
- contract values generally for large amounts; and
- contracts containing significant liquidated damages provisions.

Cost reimbursable contracts include contracts where the price is variable based upon actual costs incurred for time and materials, or for variable quantities of work priced at defined unit rates. Profit elements on cost reimbursable contracts may be based upon a percentage of costs incurred and/or a fixed amount. Cost reimbursable contracts are generally less risky, since the owner retains many of the risks. While fixed-price contracts involve greater risk, they also are potentially more profitable for the contractor, since the owners pay a premium to transfer many risks to the contractor.

After careful consideration, we have decided to no longer pursue fixed-price engineering, procurement, installation, and commissioning contracts for the offshore oil and gas industry. An important aspect of our 2002 reorganization was to look closely at each of our businesses to ensure that they are self-sufficient, including their use of capital and liquidity. In that process, we found that the engineering, procurement, installation, and commissioning offshore business was using a disproportionate share of our bonding and letter of credit capacity relative to its profit contribution. The risk/reward relationship in that business is no longer attractive to us. We provide a range of engineering, fabrication and project management services to the offshore industry, which we will continue to service through a variety of other contracting forms. We have seven fixed-price engineering, procurement, installation, and commissioning offshore projects underway, and we are fully committed to successful completion of these projects, all but two of which are substantially complete. The Belanak project is approximately 84% complete while the Barracuda-Caratinga project is approximately 78% complete. We plan to retain our offshore engineering and services capabilities.

The approximate percentages of revenues attributable to fixed-price and cost reimbursable engineering and construction segment contracts are as follows:

	Fixed-Price	Reimbursable
Third Quarter ended September 30, 2003	36%	64%
Year ended December 31, 2002	47%	53%

BACKLOG

Our backlog at September 30, 2003 was $10 billion, comprised of $9.8 billion for the Engineering and Construction Group and $258 million for the Energy Services Group. Our total backlog at December 31, 2002 was $10 billion.

ASBESTOS AND SILICA

In December 2002, we announced that we had reached an agreement in principle that, if and when consummated, would result in a settlement of asbestos and silica personal injury claims against our subsidiaries DII Industries and Kellogg Brown & Root and their current and former subsidiaries with United States operations. Subsequently, during 2003, DII Industries and Kellogg Brown & Root have entered into definitive written agreements finalizing the terms of the agreements in principle with attorneys representing more than 90% of the current asbestos and silica claimants. We revised our best estimate of our asbestos and silica liability based on information obtained while negotiating the agreement in principle, and adjusted our asbestos and silica liability to $3.4 billion as of December 31, 2002, recorded additional probable insurance recoveries resulting in total probable insurance recoveries of $2.1 billion as of December 31, 2002 and recorded a net pretax charge of $799 million ($675 million after tax) in the fourth quarter of 2002.

When and if the currently proposed settlement becomes probable under Statement of Financial Accounting Standards No. 5, we will increase our accrual for probable and reasonably estimable liabilities for current and future asbestos claims up to approximately $4.4 billion, reflecting the amount in cash and notes we will pay to fund the settlement combined with the value of 59.5 million shares of Halliburton common stock, a value of $1.4 billion, using the stock price at September 30, 2003 of $24.25. As a result, we would expect to record an additional pretax charge of approximately $1 billion. The tax benefit from this charge will be relatively small, as we will set up a valuation allowance for much of the loss carryforward. In addition, we may enter into agreements with all or some of our insurance carriers to negotiate an overall accelerated payment of anticipated insurance proceeds. If this happens, we expect to adjust our insurance receivables based upon those agreements.

RESULTS OF OPERATIONS IN 2003 COMPARED TO 2002

THIRD QUARTER OF 2003 COMPARED WITH THE THIRD QUARTER OF 2002

REVENUES Third Quarter	2003	2002	Increase (decrease)
Millions of dollars			
Drilling and Formation Evaluation	$ 433	$ 408	$ 25
Fluids	510	449	61
Production Optimization	730	655	75
Landmark and Other Energy Services	132	165	(33)
Total Energy Services Group	1,805	1,677	128
Engineering and Construction Group	2,343	1,305	1,038
Total revenues	$ 4,148	$ 2,982	$1,166

OPERATING INCOME Third Quarter	2003	2002	Increase (decrease)
Millions of dollars			
Drilling and Formation Evaluation	$ 45	$ 35	$ 10
Fluids	55	54	1
Production Optimization	122	103	19
Landmark and Other Energy Services	(52)	8	(60)
Total Energy Services Group	170	200	(30)
Engineering and Construction Group	49	12	37
General corporate	(15)	(21)	6
Total operating income	$ 204	$ 191	$ 13

Consolidated revenues in the third quarter of 2003 of $4.1 billion increased $1.2 billion compared to the third quarter of 2002. International revenues were 74% of total revenues for the third quarter of 2003 and 66% of total revenues for the third quarter of 2002. This increase was largely attributable to additional activity in KBR's government services projects, including work in the Middle East. Consolidated operating income of $204 million was $13 million higher in the third quarter of 2003 compared to the third quarter of 2002. During the third quarter of 2003, Iraq related work contributed approximately $900 million in consolidated revenues and $34 million in consolidated operating income, a 3.8% margin before corporate costs and taxes.

DRILLING AND FORMATION EVALUATION segment revenues for the third quarter of 2003 increased $25 million, or 6%, compared to the third quarter of 2002. Logging and perforating activities accounted for $20 million of the increase and sales of drill bits accounted for $8 million of the increase over the third quarter of 2002. Drilling services revenue decreased $3 million. The increases in the Drilling and Formation Evaluation segment were driven by increased rig counts in all geographic regions except for Europe/Africa, with United States rig counts increasing 28% and Canadian rig counts increasing 53%. The increase in United States rig counts occurred primarily with land based rigs, as activity in the Gulf of Mexico was significantly reduced by our customers. The lower results in Europe/Africa were primarily due to a reduction in logging and perforating activity in West Africa and non-recurring drill bit sales into Eastern Europe in the third quarter of 2002. Of the $20 million increase in logging and perforating revenue, $11 million resulted primarily from additional direct sales in Vietnam and improved performance on contracts in Indonesia. In addition to the increased rig counts in North America referred to above, drilling services benefited from additional direct sales in Russia and China. However, overall drilling services revenues dropped $3 million, as the sale of Mono Pumps in January 2003 negatively impacted year-over-year revenue comparison by $19 million. International revenues were 71% of segment revenues in the third quarter of 2003 compared to 73% in the third quarter of 2002.

Operating income for the third quarter of 2003 increased $10 million, or 29%, compared to the third quarter of 2002. Drilling services operating income was negatively impacted by $2 million due to the sale of Mono Pumps. Logging and perforating services operating income increased $15 million over the third quarter of 2002 with increases in all geographic regions. This was primarily due to increased rig counts, except in Europe/Africa where cost reductions as a result of redeployment of equipment and personnel attributed to the increase in operating income. The overall positive improvement in operating income for the segment was achieved despite project start-up expenses in directional drilling and logging-while-drilling services and facility consolidation expenses in drill bits.

FLUIDS segment revenues for the third quarter of 2003 increased $61 million, or 14%, compared to the third quarter of 2002. Cementing revenues increased $38 million, primarily in North America due to increased rig counts. In addition, cementing benefited from a 75% increase in Mexico revenues due to four additional drilling platforms with PEMEX. Revenues from the sale of drilling fluids increased $21 million and benefited from higher rig counts in Latin America and Middle East/Asia and price improvements on certain contracts in Europe/Africa. These increases were partially offset by a 17% decrease in revenues in North America as a result of higher non-productive days due to weather conditions and a loss of contracts in the Gulf of Mexico in 2003. International revenues were 56% of segment revenues in the third quarter of 2003 compared to 49% in the third quarter of 2002. Revenues increased $20 million in every geographic region, except North America where revenues remained flat.

Operating income for the third quarter of 2003 of $55 million essentially remained flat compared to the third quarter of 2002. Cementing operating margins increased nearly 2.5 percentage points to 17.8%, while operating income was negatively affected by the loss of drilling fluids contracts in the Gulf of Mexico, onshore United States pricing pressures and a $3 million inventory adjustment in Nigeria. In addition, the segment was negatively impacted by lower results from Enventure, our expandable casing joint venture.

PRODUCTION OPTIMIZATION segment revenues increased $75 million, or 11%, compared to the third quarter of 2002. The sale of Halliburton Measurement Systems during the second quarter of 2003 had a $9 million negative impact on segment revenue in the third quarter of 2003 compared to the third quarter of 2002. Production enhancement activities accounted for $60 million and sales of tools and testing services accounted for $17 million of the overall increase which was due to increased rig counts in North America and Latin America and higher volumes in Mexico with PEMEX. Completion products and services revenues increased $10 million in Middle East/Asia,

primarily due to direct sales of equipment to customers in China and Qatar, offset by decreased revenue in North America as a result of the sale of Halliburton Measurement Systems. International revenues were 56% of segment revenues in the third quarter of 2003 compared to 53% in the third quarter of 2002 as activity picked up in Mexico where the rig count has increased over 50% from the third quarter of 2002.

Operating income for the third quarter of 2003 increased $19 million, or 18%, compared to the third quarter of 2002. This increase was primarily driven by a $16 million increase in production enhancement services along with higher revenues from the sale of tools and testing services to PEMEX, increased utilization of well testing equipment in Brazil and improved margins in Europe/Africa. In North America, incremental margins on increased revenue in Canada were offset by pricing weakness and lower margin work in the United States.

LANDMARK AND OTHER ENERGY SERVICES segment revenues for the third quarter of 2003 decreased $33 million compared to third quarter of 2002. The reduction in revenue was driven by the sale of Wellstream during the first quarter of 2003, which impacted the year-over-year comparison by $20 million, and the winding down of a North Sea project. Revenues for Landmark Graphics were down $4 million compared to the third quarter of 2002 due to reduced data and application management sales. International revenues for the segment were 70% of total revenues in the third quarter of 2003 compared to 66% in the third quarter of 2002.

Operating income for the third quarter of 2003 decreased $60 million, to a loss of $52 million compared to income of $8 million in the third quarter of 2002. Operating income in the third quarter of 2003 included a $77 million charge related to the Anglo-Dutch lawsuit. Third quarter of 2002 included an $18 million loss on the sale of our 50% equity investment in the Bredero-Shaw joint venture. Although operating income for the segment decreased, our Landmark Graphics subsidiary posted its highest third quarter operating income and margins in its history.

ENGINEERING AND CONSTRUCTION GROUP revenues for the third quarter of 2003 increased $1 billion, or 80%, compared to the third quarter 2002. The improvement was substantially due to increased activity in Iraq related work for the United States and United Kingdom governments and a $138 million increase in revenues from other government projects. Additionally, KBR's revenue increased by $161 million due to progress on LNG and oil and gas projects in Nigeria and Algeria and hydrocarbon plants in North America and Europe. The increase in revenue is partially offset by lower revenues of $261 million on oil and gas projects in western Africa, Brazil and Asia Pacific, a United States government contract in the Balkans, and maintenance contracts in the United States and United Kingdom.

Operating income in the third quarter of 2003 increased $37 million compared to the third quarter of 2002. Operating income from government contracts increased from the third quarter of 2002, mainly related to government services activity in the Middle East for Iraq related work and a $9 million increase in income from other government projects. Additionally, income increased $26 million for LNG, oil and gas, and hydrocarbon projects due to improved project forecast and progress. Partially offsetting the income were losses totaling $27 million on hydrocarbon projects in Europe and the Middle East, offshore projects in Asia Pacific and lower income on oil and gas projects in Western Africa nearing completion.

GENERAL CORPORATE expenses for the third quarter of 2003 were $15 million compared to $21 million for the third quarter of 2002, or a decrease in costs of $6 million. The improved results reflect the $4 million in restructuring charges incurred in the third quarter of 2002.

NONOPERATING ITEMS

INTEREST EXPENSE of $33 million for the third quarter of 2003 increased $4 million compared to the third quarter of 2002. The increase was due to interest on the $1.2 billion in convertible notes issued at the end of the second quarter of 2003, net of interest on $150 million in medium term notes retired during the third quarter of 2003.

FOREIGN CURRENCY GAINS (LOSSES), NET were $17 million in the current year quarter compared to a gain of $1 million in the third quarter of 2002. The loss in the current year quarter was primarily related to the foreign exchange losses in the United Kingdom and Mexico.

PROVISION FOR INCOME TAXES of $63 million resulted in an effective tax rate of 39% in the third quarter of 2003, compared to 42% in the third quarter of 2002. The effective tax rate for the third quarter of 2002 was higher due to the impact of the loss on the sale of our interest in Bredero-Shaw. The Bredero-Shaw sale did not create a significant tax loss as the tax basis was substantially lower than the book basis. In addition, the tax loss created is a capital loss which would only free up foreign tax credits and future realization of those credits is uncertain. Therefore, no tax benefit was recorded for the loss.

LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX was $34 million, or $0.08 per diluted share, for the third quarter of 2003. This loss reflects a $10 million allowance for an estimated portion of uncollectible amounts related to the insurance receivables purchased from Harbison-Walker in connection with their Chapter 11 bankruptcy proceeding. In addition, the loss includes professional fees associated with the due diligence, printing and distribution cost of the disclosure statement and other aspects of the proposed settlement for asbestos and silica liabilities.

RESULTS OF OPERATIONS IN 2003 COMPARED TO 2002

FIRST NINE MONTHS OF 2003 COMPARED WITH THE FIRST NINE MONTHS OF 2002

REVENUES	First Nine Months		Increase
Millions of dollars	2003	2002	(decrease)
Drilling and Formation Evaluation	$ 1,226	$ 1,220	$ 6
Fluids	1,508	1,352	156
Production Optimization	2,052	1,901	151
Landmark and Other Energy Services	410	649	(239)
Total Energy Services Group	5,196	5,122	74
Engineering and Construction Group	5,611	4,102	1,509
Total revenues	$ 10,807	$ 9,224	$1,583

OPERATING INCOME	First Nine Months		Increase
Millions of dollars	2003	2002	(decrease)
Drilling and Formation Evaluation	$ 160	$ 115	$ 45
Fluids	178	154	24
Production Optimization	305	292	13
Landmark and Other Energy Services	(58)	(122)	64
Total Energy Services Group	585	439	146
Engineering and Construction Group	(118)	(496)	378
General corporate	(50)	(34)	(16)
Total operating income	$ 417	$ (91)	$ 508

Consolidated revenues in the first nine months of 2003 increased $1.6 billion, or 17%, compared to the first nine months of 2002. This increase was largely attributable to additional activity in KBR's government services projects, including work in the Middle East. International revenues were 70% of total revenues for the first nine months of 2003 and 67% of total revenues for the first nine months of 2002. Consolidated operating income increased $508 million in the first nine months of 2003 compared to the first nine months of 2002. During the first nine months of 2003, Iraq related work contributed approximately $1.3 billion in consolidated revenues and $46 million in consolidated operating income, a 3.5% margin before corporate costs and taxes.

DRILLING AND FORMATION EVALUATION segment revenues for the first nine months of 2003 increased $6 million compared to the first nine months of 2002. Drilling services revenue for the first nine months of 2003 was negatively impacted by $59 million due to the sale of Mono Pumps in January 2003. The remainder of drilling services revenue increased as contracts that were expiring in the United Kingdom were more than offset by new contracts, primarily in West Africa and Ecuador. Revenues from logging and perforating activities and sales of drill bits each increased $11 million. The increase in logging and perforating was primarily due to higher average year-

over-year rig counts in the United States and Canada, partially offset by lower sales in China and reduced activity in Venezuela. Drill bits revenues also benefited from the increased rig counts in the United States and Canada. International revenues were 72% of segment revenues in the first nine months of 2003 and 73% of total revenues in the first nine months of 2002.

Operating income for the segment increased $45 million, or 39%, for the first nine months of 2003 compared to the same period in 2002. Drilling services operating income for the first nine months of 2003 was negatively impacted by $7 million due to the sale of Mono Pumps. Operating income for 2003 also included a $36 million gain on the sale of Mono Pumps. Logging and perforating activities drove the remaining improvement in operating income, increasing $21 million, which was a result of increased rig counts internationally and lower discounts in the United States. The increase in logging and perforating was partially offset by a decrease of $5 million in drill bits sales due to lower activity in the Middle East, pricing pressures in the United States and facility consolidation expenses.

FLUIDS segment revenues increased by $156 million in the first nine months of 2003, an increase of 12% from the first nine months of 2002. Both drilling fluids and cementing activities benefited from higher land rig counts in the United States, with a $75 million increase from drilling fluids sales and a $78 million increase from cementing activities. Drilling fluids revenue benefited from higher rig counts in Latin America and Middle East/Asia and price improvements on certain contracts in Europe/Africa, while cementing revenues benefited from increased activity in Mexico due to four additional drilling platforms with PEMEX and increased rig counts in North America. International revenues were 55% of total revenues in the first nine months of 2003 compared to 51% in the first nine months of 2002. Geographically, the largest increase in revenues was in Middle East/Asia due to increased activity in the former Soviet Union, Caspian and Indonesia. In addition, Latin America revenues were slightly higher due to increased work in Mexico which was offset by lower activity in Venezuela.

Fluids segment operating income for the first nine months of 2003 increased $24 million, or 16%, from the first nine months of 2002. Operating income from drilling fluids sales increased $13 million and cementing services increased $16 million, partially offset by lower results of $5 million from Enventure over the same period in 2002. Cementing operating income primarily increased in Middle East/Asia due to cost reductions in Indonesia, collections on previously reserved receivables, certain start-up costs in 2002, and higher margin work. Drilling fluids benefited from higher sales of environmentally friendly fluids and improved contract terms, partially offset by contract losses in the Gulf of Mexico and United States pricing pressures in the third quarter of 2003. All regions showed improved segment operating income in the first nine months of 2003 compared to the first nine months of 2002 except North America.

PRODUCTION OPTIMIZATION segment revenues increased $151 million, or 8%, for the first nine months of 2003 from the first nine months of 2002. The sale of Halliburton Measurement Systems had a $15 million negative impact on segment revenues during the first nine months of 2003 compared to the same period in 2002. The increase in segment revenues was mainly attributable to production enhancement services, which increased $121 million, or 11%, over last year. Increased production enhancement services were driven by higher activity in the Middle East following the end of the war in Iraq and increased rig count in Mexico. In addition, sales of tools and testing services increased $28 million due primarily to increased rig counts in North America. International revenues were 55% of segment revenues in the first nine months of 2003 compared to 52% in the first nine months of 2002 as activity picked up in the Middle East following the end of the war in Iraq.

Production Optimization segment operating income for the first nine months of 2003 increased $13 million from the first nine months of 2002. Operating income included a $24 million gain on the sale of Halliburton Measurement Systems in the second quarter of 2003, offset by completion service contract delays in Indonesia and inventory write-downs. Inventory write-downs in production enhancement and tools and testing also negatively impacted operating margin.

LANDMARK AND OTHER ENERGY SERVICES segment revenues decreased $239 million, or 37%, for the first nine months of 2003, from the first nine months of 2002. Segment revenues decreased approximately $200 million due to the contribution of most of the assets of Halliburton Subsea to Subsea 7, Inc. which, beginning in May 2002, was reported on an equity basis in the Production Optimization segment. The sale of Wellstream in March 2003 and the sale of integrated solutions projects in August 2002 also contributed to the decrease by $163 million. Revenues for

Landmark Graphics were down $5 million due to weakness in information technology spending in the industry, partially offset by increased revenue from professional services. International revenues were 70% of segment revenues in the 2003 first nine months compared to 74% in the first nine months of 2002.

Segment operating loss was $58 million for the first nine months of 2003 compared to a loss of $122 million for the first nine months of 2002. Included in the first nine months of 2003 was a $15 million loss on the sale of Wellstream and a $77 million charge related to the October 2003 verdict in the Anglo-Dutch lawsuit. The significant items for operating income in the first nine months of 2002 included:

- $108 million gain on the sale of European Marine Contractors Ltd;
- $98 million charge for BJ Services patent infringement lawsuit accrual;
- $79 million loss on the impairment of our 50% equity investment in the Bredero-Shaw joint venture; and
- $47 million in expense related to restructuring charges.

Landmark Graphics operating income increased 50% and achieved its highest operating margins for the first nine months in its history.

ENGINEERING AND CONSTRUCTION GROUP revenues for the nine months ended September 30, 2003 of $5.6 billion were 37% higher than in the nine months ended September 30, 2002. The improvement was due to increased activity in Iraq related work for the United States and United Kingdom governments and a $167 million increase in revenues from other government projects. In addition, revenues increased $570 million due to activities on LNG and oil and gas projects in Nigeria, Algeria, and China, progress on hydrocarbon plants in North America, the Middle East, and Europe, and activities on offshore projects in Asia Pacific, the Gulf of Mexico, and the Caspian Sea. Partially offsetting the revenue increases are lower revenues of $527 million on LNG projects in Asia Pacific, oil and gas projects in western Africa for work nearing completion, a rail project in Australia, progress on the Barracuda-Caratinga project in Brazil, and maintenance contracts in the United States and United Kingdom.

Engineering and Construction Group operating loss in the first nine months of 2003 was $118 million compared to an operating loss of $496 million in the first nine months of 2002. Asbestos charges of $330 million, an $80 million write-off of billed and accrued receivables related to the Highlands Insurance Company litigation and $16 million of restructuring charges impacted the first nine months of 2002 compared to $3 million in asbestos charges in the first nine months of 2003. Operating income from government related activities improved for the first nine months of 2003, mainly related to operations in the Middle East for Iraq related work and a $21 million increase in income from other government projects. In addition, income from LNG and gas projects in Nigeria and Algeria increased $31 million over the first nine months of 2002 due to improved progress and cost estimates. The Barracuda-Caratinga project recognized a $228 million loss in the first nine months of 2003 compared to a loss of $119 million in the first nine months of 2002.

GENERAL CORPORATE expenses for the first nine months of 2003 were $50 million compared to $34 million for the first nine months of 2002. General corporate expenses in the first nine months of 2002 included a $28 million pretax gain for the value of stock received from the demutualization of an insurance provider offset by 2002 restructuring charges of $15 million. The higher 2003 expenses also relate to preparations for the certifications required under Section 404 of the Sarbanes-Oxley Act.

NONOPERATING ITEMS

INTEREST EXPENSE of $85 million for the first nine months of 2003 decreased $6 million compared to the first nine months of 2002. The decrease was due to $4 million in pre-judgment interest recorded in the 2002 second quarter related to the BJ Services patent infringement judgment, approximately $290 million of debt repayments in the first nine months of 2003, partially offset by the interest on the $1.2 billion convertible notes issued at the end of the second quarter 2003.

FOREIGN CURRENCY LOSSES, NET were $4 million in the current year compared to $12 million in the first nine months of last year. In the first nine months of 2002 the decrease in losses was due to large foreign exchange losses stemming from the economic crisis in Argentina.

PROVISION FOR INCOME TAXES of $142 million resulted in an effective tax rate of 40.3% in the first nine months of 2003, versus $31 million in the first nine months of 2002. The first nine months of 2002 effective tax rate was low due to the exposure charges associated with our asbestos liability and tax impact of the impairment and sale losses on Bredero-Shaw. The asbestos accrual generated a United States Federal deferred tax asset which may not be fully realizable based upon future taxable income projections. As a result we recorded a partial valuation allowance. The Bredero-Shaw sale did not create a significant tax loss as the tax basis was substantially lower than the book basis. In addition, the tax loss created is a capital loss which would only free up foreign tax credits and future realization of those credits is uncertain. Therefore, no tax benefit was recorded for the loss.

LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX was $58 million, or $0.13 per diluted share, for the first nine months of 2003 compared to $168 million, or $0.39 per diluted share, for 2002. The loss in the first nine months of 2003 was due to charges related to our July 2003 funding of $30 million for the debtor-in-possession financing to Harbison-Walker in connection with their Chapter 11 bankruptcy proceeding that is expected to be forgiven by Halliburton on the earlier of the effective date of a plan of reorganization for DII Industries or the effective date of a plan of reorganization for Harbison-Walker acceptable to DII Industries and a $10 million allowance for an estimated portion of uncollectible amounts related to the insurance receivables purchased from Harbison-Walker. In addition, discontinued operations included professional fees associated with the due diligence, printing and distribution cost of the disclosure statement and other aspects of the proposed settlement for asbestos liabilities, offset by a release of environmental and legal reserves related to indemnities that were part of our disposition of the Dresser Equipment Group and are no longer needed.

The loss in the first nine months of 2002 was due primarily to charges recorded for asbestos exposures. We also recorded pretax expense of $6 million associated with the Harbison-Walker bankruptcy filing.

CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET was an $8 million after-tax charge, or $0.02 per diluted share, related to our January 1, 2003 adoption of Financial Accounting Standards Board Statement No. 143, "Accounting for Asset Retirement Obligations".

LIQUIDITY AND CAPITAL RESOURCES

We ended the third quarter of 2003 with cash and equivalents of $1.2 billion, an increase of $115 million from the end of 2002.

CASH FLOWS FROM OPERATING ACTIVITIES used $535 million in the first nine months of 2003 compared to providing $1 billion in the first nine months of 2002. Working capital items, which include receivables, inventories, accounts payable and other working capital, net, used $745 million of cash in the first nine months of 2003 compared to providing $201 million in the same period of 2002. The major increases in working capital during the first nine months of 2003 included increased activity in the Middle East due to new work related to Iraq and the commencement of the Los Alamos contract by KBR. Our government services activities could continue to require significant amounts of working capital in the short term. In addition, we reduced the balance under our accounts receivable securitization facility by $180 million and made a $30 million payment to Harbison-Walker related to the debtor-in-possession financing. Included in changes to other operating activities for the first nine months of 2002 is a $40 million payment related to the Harbison-Walker bankruptcy filing.

CASH FLOWS FROM INVESTING ACTIVITIES used $65 million in the first nine months of 2003 and $417 million in the same period of 2002. Capital expenditures of $371 million in the first nine months of 2003 were about 34% lower than in the first nine months of 2002. We have emphasized increased capital discipline in 2003 and expect our full year capital spending to be approximately $575 million, down compared to 2002. Capital spending in the first nine months of 2003 continued to be mainly attributable to the Energy Services Group, primarily for directional and logging-while-drilling tools used in the Drilling and Formation Evaluation segment. In addition, in the first quarter of 2002, we invested $60 million in integrated solutions projects. Cash from dispositions of businesses in the first nine months of 2003 includes $136 million collected from the sale of Wellstream, $33 million collected from the sale of Halliburton Measurement Systems, and $23 million collected from the sale of Mono Pumps. Also included in cash from dispositions is $25 million collected on a note receivable that was received as a portion of the payment for Bredero-Shaw. Dispositions of businesses in the first nine months of 2002 included $134 million

collected from the sale of our European Marine Contractors, Ltd. joint venture and $15 million collected from the sale of Bredero-Shaw. The change in restricted cash for the first nine months of 2003 is primarily related to collateral for potential future insurance claim reimbursements. Included in the change in restricted cash for the first nine months of 2003 is a $108 million deposit that collateralized an appeal bond for a patent infringement judgment on appeal and $78 million as collateral for potential future insurance claim reimbursements. Also included in changes in restricted cash is $27 million primarily related to cash collateral agreements for letters of credit outstanding on several construction projects. Proceeds from the sale of securities in the first nine months of 2003 of $57 million primarily relate to the sale of 2.5 million shares of National Oilwell common stock that were received in the disposition of Mono Pumps.

CASH FLOWS FROM FINANCING ACTIVITIES provided $702 million in the first nine months of 2003. In the first nine months of 2002, financing activities used $272 million. Proceeds from long-term borrowings include $1.2 billion in proceeds from the issuance of convertible senior notes, net of $25 million of debt issuance costs. We also repaid $290 million of unsecured notes in the first nine months of 2003. Dividends to shareholders used $164 million of cash in the first nine months of 2003 and 2002.

CAPITAL RESOURCES from internally generated funds and access to capital markets are sufficient to fund our working capital requirements and investing activities. We will have to raise additional funding for the proposed asbestos and silica settlement described below. Our combined short-term notes payable and long-term debt was 40% of total capitalization at September 30, 2003 and 30% at December 31, 2002. At September 30, 2003, we had $213 million in restricted cash. See Note 7 to the financial statements. In addition, on April 15, 2002, we entered into an agreement to sell accounts receivable to provide additional liquidity. In the third quarter 2003, we reduced the balance on our accounts receivable securitization facility to zero. This facility remains available to us for future use. See Note 8 to the financial statements. Currently, we expect capital expenditures in 2003 to be about $575 million. We have not finalized our capital expenditures budget for 2004 or later periods.

PROPOSED ASBESTOS AND SILICA SETTLEMENT. In December 2002, we reached an agreement in principle that, if and when consummated, would result in a settlement of asbestos and silica personal injury claims against our subsidiaries DII Industries, Kellogg Brown & Root and their current and former subsidiaries with United States operations. Subsequently, during 2003, DII Industries and Kellogg Brown & Root entered into definitive written agreements finalizing the terms of the agreements in principle with attorneys representing more than 90% of the current asbestos and silica claimants.

The definitive agreements provide that:

- up to $2.775 billion in cash, 59.5 million Halliburton shares (valued at $1.4 billion using the stock price at September 30, 2003 of $24.25) and notes with a net present value of less than $100 million will be paid to one or more trusts for the benefit of current and future asbestos and silica personal injury claimants upon receiving final and non-appealable court confirmation of a plan of reorganization;

- DII Industries and Kellogg Brown & Root will retain rights to the first $2.3 billion of any insurance proceeds, with any proceeds received between $2.3 billion and $3 billion going to the trust;

- the agreement is to be implemented through a pre-packaged filing under Chapter 11 of the United States Bankruptcy Code for DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations; and

- the funding of the settlement amounts would occur upon receiving final and non-appealable court confirmation of a plan of reorganization for DII Industries and Kellogg Brown & Root and some of their subsidiaries with United States operations in the Chapter 11 proceeding.

Among the prerequisites for concluding the proposed settlement are:

- completion of our review of the current claims to establish that the claimed injuries resulted from exposure to products of DII Industries, Kellogg Brown & Root or their subsidiaries or former businesses or subsidiaries (Product ID due diligence);

- completion of our medical review of the injuries alleged to have been sustained by plaintiffs to establish a medical basis for payment of settlement amounts;

- continued availability of financing, in addition to the proceeds of our recent offerings of $1.2 billion principal amount of convertible senior notes and $1.05 billion principal amount of senior notes, for the proposed settlement on terms acceptable to us in order to allow us to fund the cash amounts to be paid in the settlement;

- obtaining approval of a plan of reorganization from at least the required 75% of known present asbestos claimants and from a majority of known present silica claimants in order to complete the plan of reorganization;

- Halliburton board approval; and

- obtaining final and non-appealable bankruptcy court approval and federal district court confirmation of the plan of reorganization.

Many of these prerequisites are subject to matters and uncertainties beyond our control. There can be no assurance that we will be able to satisfy the prerequisites for completion of the settlement. If we were unable to complete the proposed settlement, we would be required to resolve current and future asbestos claims in the tort system or, in the case of Harbison-Walker claims (see Note 11 to the financial statements), possibly through the Harbison-Walker bankruptcy proceedings.

Disclosure Statement and Plan of Reorganization. In September 2003, DII Industries, Kellogg Brown & Root and other affected Halliburton subsidiaries began the solicitation process in connection with the planned asbestos and silica settlement. A disclosure statement, which incorporates and describes the Chapter 11 plan of reorganization and trust distribution procedures, has been mailed to asbestos and silica claimants for the purpose of soliciting votes to approve the plan of reorganization prior to filing a Chapter 11 proceeding.

As a result of an increase in the estimated number of current asbestos claims, our estimate of the aggregate value of all claims before due diligence considerations is $3.085 billion. In early November, we reached an agreement in principle to limit the cash required to settle pending asbestos and silica claimants currently subject to definitive agreements to $2.775 billion. Under the agreement in principle, if at the completion of medical due diligence for current claims, the cash amounts provided under the current settlement agreements is greater than $2.775 billion, the total cash payment to each claimant would be reduced pro rata so that the aggregate of payments would not exceed $2.775 billion.

DII Industries, Kellogg Brown & Root and our other affected subsidiaries are preparing a supplement to the disclosure statement mailed in late September for circulation to known current claimants for the purpose of soliciting acceptances of a revised plan of reorganization that incorporates the revised terms to effect the agreement in principle. The additional time needed to solicit acceptances to the revised plan of reorganization will likely delay any Chapter 11 filing until sometime in December, assuming that the necessary acceptances are promptly received and the remaining product identification due diligence is timely provided. The agreement in principle is conditioned on a Chapter 11 filing on or before December 31, 2003.

The terms of this revised settlement still must be approved by 75% of known present asbestos claimants. Despite reaching the agreement in principle, there can be no assurance that such approval will be obtained, that all members of the asbestos claimants committee and other lawyers representing affected claimants will support the revised settlement or that claimants represented by members of the asbestos claimants committee and other affected claimants will vote in favor of the revised plan of reorganization.

We are continuing our due diligence review of current asbestos claims to be included in the proposed settlement. We have received in excess of 80% of the necessary files related to medical evidence and we have reviewed substantially all of the information provided. Product ID due diligence has not moved as rapidly as the medical due diligence. However, we continue to review medical and product ID information, and although there are no guarantees, we expect as the time for filing approaches, the interests of the claimants in consummating the settlement will result in us receiving the information necessary to proceed. The representatives of the current claimants have agreed to accelerate their submission of remaining medical and product identification due diligence information.

The settlement agreements with attorneys representing current asbestos claimants grant the attorneys a right to terminate their definitive agreement on ten days' notice. While no right to terminate any settlement agreement has been exercised to date, there can be no assurance that claimants' attorneys will not exercise their right to terminate the settlement agreements.

In July 2003, we also reached agreement with Harbison-Walker and the asbestos creditors committee in the Harbison-Walker bankruptcy to consensually extend the period of the stay contained in the bankruptcy court's temporary restraining order until September 30, 2003. The court's temporary restraining order, which was originally entered on February 14, 2002, stayed more than 200,000 pending asbestos claims against DII Industries. The stay expired by its terms on September 30, 2003. Discovery on the claims was stayed

until November 1, 2003. Trials on any of the claims that had previously been stayed may commence as early as January 1, 2004. Notwithstanding expiration of the stay, asbestos and silica claims against DII Industries will automatically be stayed upon a Chapter 11 filing of DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations.

Harbison-Walker filed a proposed plan of reorganization on July 31, 2003. However, the proposed plan does not provide for a Section 524(g)/105 injunction for the benefit of DII Industries and other DII Industries businesses that share insurance with Harbison-Walker, and DII Industries has not consented to the plan. Although possible, at this time we do not believe it likely that Harbison-Walker will propose or will be able to confirm a plan of reorganization in its bankruptcy proceeding that is acceptable to DII Industries within the meaning of the letter agreements with RHI Refractories.

As an alternative, DII Industries has entered into a settlement in principle with Harbison-Walker which would resolve substantially all of the issues between them. This agreement is subject to negotiation of definitive documentation and court approval in Harbison-Walker's bankruptcy case. If approved by the court in Harbison-Walker's bankruptcy case, this agreement would provide for:

- channeling of asbestos and silica personal injury claims against Harbison-Walker and certain of its affiliates to the trusts created in the Chapter 11 cases being contemplated for DII Industries and Kellogg Brown & Root;

- release by Harbison-Walker and its affiliates of any rights in insurance shared with DII Industries on occurrence of the effective date of plan of reorganization for DII Industries;

- release by DII Industries of any right to be indemnified by Harbison-Walker for asbestos or silica personal injury claims;

- forgiveness by DII Industries of all of Harbison-Walker's obligations under the debtor-in-possession financing provided by DII Industries on the earlier of the effective date of a plan of reorganization for DII Industries or the effective date of a plan of reorganization for Harbison-Walker acceptable to DII Industries;

- purchase by DII Industries of Harbison-Walker's outstanding insurance receivables for an amount of approximately $50 million on the earliest of the effective date of a plan of reorganization for DII Industries, the effective date of a plan of reorganization for Harbison-Walker acceptable to DII Industries or December 31, 2003. We recorded a $10 million allowance in the third quarter of 2003 for an estimated portion of uncollectible amounts related to the insurance receivables;

- guarantee of the insurance receivable purchase price by Halliburton on a subordinated basis; and

- negotiation between the parties on a mutually-agreeable structure for resolving other products or mass tort claims.

Our agreement in principle reached in early November 2003 provides that of the cash amount included as part of the proposed settlement, two-thirds of approximately $486 million, or $326 million, of the $2.775 billion cash amount would be paid on the earlier of (a) five days prior to the anticipated Chapter 11 filing by the affected Halliburton subsidiaries and (b) December 31, 2003, so long as product identification due diligence information on those claims has been timely provided and we believe that a satisfactory number of claimants have provided acceptances to the proposed plan of reorganization prior to time for payment. Subject to proration, the remaining one-third of these claims will be guaranteed by Halliburton and paid on the earlier of (x) six months after a Chapter 11 filing and (y) the date on which the order confirming the proposed plan of reorganization becomes final and non-appealable.

Legislative proposals for asbestos reform are pending in the United States Congress. While Halliburton's management intends to recommend to its Board that Halliburton pursue the proposed settlement in lieu of possible legislation, in determining whether to approve the proposed settlement and proceed with the Chapter 11 filing of DII Industries and Kellogg Brown & Root and some of their subsidiaries with United States operations, the Halliburton Board of Directors will take into account the then-current status of these legislative initiatives.

PROPOSED BANKRUPTCY OF DII INDUSTRIES, KELLOGG BROWN & ROOT AND SUBSIDIARIES. Under the terms of the proposed settlement, the settlement would be implemented through a pre-packaged Chapter 11 filing for DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations. Other than those debtors, none of the subsidiaries of Halliburton (including Halliburton Energy Services) or Halliburton itself will be

a debtor in the Chapter 11 proceedings. We anticipate that Halliburton, Halliburton Energy Services and each of the debtors' non-debtor affiliates will continue normal operations and continue to fulfill all of their respective obligations in the ordinary course as they become due.

As part of any proposed plan of reorganization, the debtors intend to seek approval of the bankruptcy court for debtor-in-possession financing to provide for operating needs and to provide additional liquidity during the pendency of the Chapter 11 proceeding. Halliburton intends, with the understanding of its lenders, to provide the debtor-in-possession financing to DII Industries and Kellogg Brown & Root. Arranging for debtor-in-possession financing is a condition precedent to the filing of any Chapter 11 proceeding.

Any plan of reorganization will provide that all of the debtors' obligations under letters of credit, surety bonds, corporate guaranties and indemnity agreements (except for agreements relating to asbestos claims or silica claims) will be unimpaired. In addition, the Bankruptcy Code allows a debtor to assume most executory contracts without regard to bankruptcy default provisions, and it is the intention of DII Industries, Kellogg Brown & Root and the other filing entities to assume and continue to perform all such executory contracts. Representatives of DII Industries, Kellogg Brown & Root and their subsidiaries have advised their customers of this intention.

After filing any Chapter 11 proceeding, the debtors would seek an order of the bankruptcy court scheduling a hearing to consider confirmation of the plan of reorganization. In order to be confirmed, the Bankruptcy Code requires that impaired classes of creditors vote to accept the plan of reorganization submitted by the debtors. In order to carry a class, approval of over one-half in number and at least two-thirds in amount are required. In addition, to obtain an injunction under Section 524(g) of the Bankruptcy Code, at least 75% of voting current asbestos claimants must vote to accept the plan of reorganization. In addition to obtaining the required votes, the requirements for a bankruptcy court to approve a plan of reorganization include, among other judicial findings, that:

- the plan of reorganization complies with applicable provisions of the Bankruptcy Code;
- the debtors have complied with the applicable provisions of the Bankruptcy Code;
- the trust will value and pay similar present and future claims in substantially the same manner;
- the plan of reorganization has been proposed in good faith and not by any means forbidden by law; and
- any payment made or promised by the debtors to any person for services, costs or expenses in or in connection with the Chapter 11 proceeding or the plan of reorganization has been or is reasonable.

Section 524(g) of the Bankruptcy Code authorizes the bankruptcy court to enjoin entities from taking action to collect, recover or receive payment or recovery with respect to any asbestos claim or demand that is to be paid in whole or in part by a trust created by a plan of reorganization that satisfies the requirements of the Bankruptcy Code. Section 105 of the Bankruptcy Code authorizes a similar injunction for silica claims. The injunction also may bar any action based on such claims or demands against the debtors that are directed at third parties. The order confirming the plan must be issued or affirmed by the federal district court that has jurisdiction over the case. After the expiration of the time for appeal of the order, the injunction becomes valid and enforceable.

The debtors believe that, if they proceed with a Chapter 11 filing, they will be able to satisfy all the requirements of Section 524(g), so long as the requisite number of holders of asbestos claims vote in favor of the plan of reorganization. If the 524(g) and 105 injunctions are issued, all unsettled current asbestos claims, all future asbestos claims and all silica claims based on exposure that has already occurred will be channeled to a trust for payment, and the debtors and related parties (including Halliburton, Halliburton Energy Services and other subsidiaries and affiliates of Halliburton and the debtors) will be released from any further liability under the plan of reorganization.

A prolonged Chapter 11 proceeding could adversely affect the debtors' relationships with customers, suppliers and employees, which in turn could adversely affect the debtors' competitive position, financial condition and results of operations. A weakening of the debtors' financial condition and results of operations could adversely affect the debtors' ability to implement the plan of reorganization.

FINANCING THE PROPOSED ASBESTOS AND SILICA SETTLEMENT. The plan of reorganization through which the proposed settlement will be implemented will require us to contribute approximately $2.775 billion in cash to the Section 524(g)/105 trust established for the benefit of claimants, which we will need to finance on terms acceptable to us. On June 30, 2003, we issued $1.2 billion of 3.125% convertible senior notes due July 15, 2023. On October

17, 2003, we issued $300 million of floating rate notes due October 17, 2005 and $750 million of 5 1/2% senior notes due October 15, 2010. We intend to use a portion of the net proceeds from the offerings to fund a portion of the cash contribution required by the proposed settlement. In addition, we are pursuing a number of additional financing alternatives for the cash amount to be contributed to the trust. The availability of these alternatives depends in large part on market conditions. We have concluded negotiations with several banks and non-bank lenders on the terms of multiple credit facilities, the agreements for which were signed subsequent to quarter end. There are a number of conditions precedent that must be met before those facilities will be effective and available for our use, one of which is the Chapter 11 filing for DII Industries, Kellogg Brown & Root and some of their subsidiaries.

The credit facilities consist of:

- a $700 million 3-year revolving credit facility for general working capital purposes;

- a master letter of credit facility intended to ensure that existing letters of credit supporting our contracts remain in place during the filing; and

- a $1.0 billion delayed-draw term facility to be available for cash funding of the trust for the benefit of claimants.

The delayed-draw term facility is intended to eliminate uncertainty in the capital markets concerning our ability to meet our funding requirement once final and non-appealable court confirmation of a plan of reorganization has been obtained.

While agreements for these credit facilities have been signed, there can be no assurances that we will be able to meet the conditions resulting in these facilities being effective and available for our use. Even if the facilities become effective, they will only be available for limited periods of time. As a result, if the debtors were delayed in filing the Chapter 11 proceeding or delayed in completing the plan of reorganization after a Chapter 11 filing, the credit facilities may not provide us with the necessary financing to complete the proposed settlement. If the facilities do not become available or if they become available but terminate before we complete the plan of reorganization, we would have to terminate the proposed settlement if replacement financing were not available on acceptable terms.

In addition, we may experience increased working capital requirements from time to time associated with our business. An increased demand for working capital could affect our liquidity needs and could impair our ability to finance the proposed settlement on acceptable terms, in which case the settlement would not be completed.

We have sufficient authorized and unrestricted shares to issue 59.5 million shares to the trust. No shareholder approval is required for issuance of the shares.

CREDIT RATINGS. Late in 2001 and early in 2002, Moody's Investors' Services lowered its ratings of our long-term senior unsecured debt to Baa2 and our short-term credit and commercial paper ratings to P-2. In addition, Standard & Poor's lowered its ratings of our long-term senior unsecured debt to A- and our short-term credit and commercial paper ratings to A-2 in late 2001. In December 2002, Standard & Poor's lowered these ratings to BBB and A-3. These ratings were lowered primarily due to our asbestos exposure, and both agencies have indicated that the ratings continue under consideration for possible downgrade pending the results of the proposed settlement. Although our long-term ratings continue at investment grade levels, the cost of new borrowing is higher and our access to the debt markets is more volatile at the current rating levels. Investment grade ratings are BBB- or higher for Standard & Poor's and Baa3 or higher for Moody's Investors' Services. Our current ratings are one level above BBB- on Standard & Poor's and one level above Baa3 on Moody's Investors' Services.

We have $350 million of committed lines of credit from banks that are available if we maintain an investment grade rating. This facility expires on August 16, 2006. As of September 30, 2003, no amounts have been borrowed under these lines. If our credit ratings were to fall below investment grade, our credit line would be unavailable absent a successful renegotiation with our banks. The $700 million 3-year revolving credit facility will replace our $350 million of committed lines of credit. We anticipate terminating the $350 million of committed lines of credit in proximity to the Chapter 11 filing of DII Industries and certain of its subsidiaries. Once the $350 million of committed lines of credit is terminated, we must also enter into good faith negotiations to amend our accounts receivable facility. Absent an agreed amendment within 60 days, amounts outstanding would be declared due and payable. As of September 30, 2003, the outstanding balance of our accounts receivable facility was zero.

If our debt ratings fall below investment grade, we would also be in technical breach of a bank agreement covering $42 million of letters of credit at September 30, 2003, which might entitle the bank to set-off rights. In addition, a $151 million letter of credit line, of which the entire amount has been issued as of September 30, 2003, includes provisions that allow the banks to require cash collateralization for the full line if debt ratings of either rating agency fall below the rating of BBB by Standard & Poor's or Baa2 by Moody's Investors' Services. These letters of credit and bank guarantees generally relate to our guaranteed performance or retention payments under our long-term contracts and self-insurance.

Our Halliburton Elective Deferral Plan has a provision which states that if the Standard & Poor's rating falls below BBB the amounts credited to the participants' accounts will be paid to the participants in a lump sum within 45 days. At September 30, 2003 this was approximately $49 million.

In the event the ratings of our debt by either agency fall, we may have to issue additional debt or equity securities or obtain additional credit facilities in order to satisfy the cash collateralization requirements under the instruments referred to above and meet our other liquidity needs. We anticipate that any such new financing would not be on terms as attractive as those we have currently and that we would also be subject to increased borrowing costs and interest rates.

LETTERS OF CREDIT. In the normal course of business, we have agreements with banks under which approximately $1.3 billion of letters of credit or bank guarantees were issued, including at least $267 million which relate to our joint ventures' operations. The agreements with these banks contain terms and conditions that define when the banks can require cash collateralization of the entire line. Agreements with banks covering at least $150 million of letters of credit allow the bank to require cash collateralization for any reason, and agreements covering another at least $890 million of letters of credit allow the bank to require cash collateralization for the entire line in the event of a bankruptcy or insolvency event involving one of our subsidiaries that will be a party to the proposed Chapter 11 filing.

Our letters of credit also contain terms and conditions that define when they may be drawn. At least $230 million of letters of credit permit the beneficiary of such letters of credit to draw against the line for any reason and another at least $560 million of letters of credit permit the beneficiary of such letters of credit to draw against the line in the event of a bankruptcy or insolvency event involving one of our subsidiaries who will be party to the proposed reorganization proceedings.

Effective October 9, 2002, we amended an agreement with banks under which $266 million of letters of credit had been issued on the Barracuda-Caratinga project. The amended agreement removes the provision that previously allowed the banks to require collateralization if ratings of Halliburton debt fell below investment grade ratings. The revised agreement includes provisions that require us to maintain ratios of debt to total capital and of total earnings before interest, taxes, depreciation and amortization to interest expense. The definition of debt includes our asbestos liability. The definition of total earnings before interest, taxes, depreciation and amortization excludes any non-cash charges related to the proposed settlement through December 31, 2003.

As such, requirements for us to cash collateralize letters of credit and surety bonds by issuers and beneficiaries of these instruments could be caused by:

- our plans to place DII Industries, Kellogg Brown & Root and some of their subsidiaries with United States operations into a pre-packaged Chapter 11 proceeding as part of the proposed settlement;

- in the absence of the proposed settlement, one or more substantial adverse judgments;

- not being able to recover on a timely basis insurance reimbursement; or

- a reduction in credit ratings.

Uncertainty may also hinder our ability to access new letters of credit in the future. This could impede our liquidity and/or our ability to conduct normal operations.

Our new credit facilities related to the proposed asbestos and silica settlement include a master letter of credit facility intended to replace any cash collateralization rights of issuers of substantially all our existing letters of credit during the pendency of the anticipated Chapter 11 proceedings by DII Industries and Kellogg Brown & Root and some of their subsidiaries with United States operations. The master letter of credit facility will also provide collateral for issuers of our existing letters of credit if such letters of credit are drawn and the issuing bank provides

cash for collateral or reimbursement. If any of such existing letters of credit are drawn during the bankruptcy and the bank issuing the letter of credit provides cash to collateralize or reimburse for such draws, the letter of credit facility will provide the cash needed for such draws, with any borrowings being converted into term loans. Although this master letter of credit facility has been signed, there are a number of conditions precedent that must be met before the facility is effective and available for our use. If we were required to cash collateralize letters of credit prior to the facility becoming effective, we would be required to use cash on hand or existing credit facilities. Substantial cash collateralization requirements prior to the new master letter of credit facility becoming effective may have a material adverse effect on our financial condition. In addition, representatives of DII Industries, Kellogg Brown & Root and their subsidiaries are having continuing discussions with their customers in order to reduce the possibility that any material draw on the existing letters of credit will occur due to the anticipated Chapter 11 proceedings.

In the past, no significant claims have been made against letters of credit issued on our behalf.

BARRACUDA-CARATINGA PROJECT. In June 2000, KBR entered into a contract with the project owner, Barracuda & Caratinga Leasing Company B.V., to develop the Barracuda and Caratinga crude oil fields, which are located off the coast of Brazil. The construction manager and owner's representative is Petroleo Brasilero SA (Petrobras), the Brazilian national oil company. When completed, the project will consist of two converted supertankers which will be used as floating production, storage and offloading units, or FPSOs, 32 hydrocarbon production wells, 22 water injection wells and all sub-sea flow lines, umbilicals and risers necessary to connect the underwater wells to the FPSOs.

KBR's performance under the contract is secured by:

- performance letters of credit, which together have an available credit of approximately $266 million as of September 30, 2003 and which represent approximately 10% of the contract amount, as amended to date by change orders;

- retainage letters of credit, which together have available credit of $152 million as of September 30, 2003 and which will increase in order to continue to represent 10% of the cumulative cash amounts paid to KBR; and

- a guarantee of KBR's performance of the agreement by Halliburton Company in favor of the project owner.

In the event that KBR is alleged to be in default under the contract, the project owner may assert a right to draw upon the letters of credit. If the letters of credit were to be drawn, KBR would be required to fund the amount of the draw to the issuing banks. To the extent KBR cannot fund the amount of the draw, Halliburton would be required to do so, which could have a material adverse effect on Halliburton's financial condition and results of operations. The master letter of credit facility, provided it becomes effective, will override the reimbursement or cash collateral requirements for the period specified in that agreement.

In addition, the proposed Chapter 11 pre-packaged bankruptcy filing by KBR in connection with the proposed settlement of its asbestos claims would constitute an event of default under the contract that would allow the owner (with the approval of the lenders financing the project) to assert a right to draw the letters of credit unless waivers are obtained. The proposed Chapter 11 filing would also constitute an event of default under the owner's loan agreements with the lenders that would allow the lenders to cease funding the project. We believe that it is unlikely that the owner will make a draw on the letters of credit as a result of the proposed Chapter 11 filing. We also believe it is unlikely that the lenders will exercise any right to cease funding the project given the current status of the project and the fact that a failure to pay KBR may allow KBR to cease work on the project without Petrobras having a readily available substitute contractor. However, there can be no assurance that the lenders will continue to fund the project or that the owner will not require funding of the letters of credit by KBR.

In the event that KBR was determined after an arbitration proceeding to have been in default under the contract with Petrobras, and if the project was not completed by KBR as a result of such default (i.e., KBR's services are terminated as a result of such default), the project owner may seek direct damages (including completion costs in excess of the contract price and interest on borrowed funds, but excluding consequential damages) against KBR for up to $500 million plus the return of up to $300 million in advance payments previously received by KBR to the extent they have not been repaid. The original contract terms require repayment of the $300 million in advance payments by crediting the last $350 million of our invoices to Petrobras related to the contract by that amount.

In addition to the amounts described above, KBR may have to pay liquidated damages if the project is delayed beyond the original contract completion date. KBR expects that the project will likely be completed at least 16 months later than the original contract completion date. Although KBR believes that the project's delay is due primarily to the actions of the project owner, in the event that any portion of the delay is determined to be attributable to KBR and any phase of the project is completed after the milestone dates specified in the contract, KBR could be required to pay liquidated damages. These damages would be calculated on an escalating basis of approximately $1 million per day of delay caused by KBR, subject to a total cap on liquidated damages of 10% of the final contract amount (yielding a cap of approximately $266 million as of September 30, 2003).

Finally, we may be required to pay additional value added taxes ("VAT") related to the Barracuda-Caratinga project of up to $293 million that may be due or become due on the project. We believe that we are entitled under applicable law to collect VAT tax on the value of the project from Petrobras upon turnover of the project to the project owner, and that we will be entitled to a credit for VAT taxes we have paid. Petrobras and the project owner are contesting the reimbursability of up to $227 million of these potential VAT taxes. In addition, KBR is of the view that virtually all of the VAT tax chargeable to the project is the result of a change in tax law after the contract was signed. The contract provides that Kellogg Brown & Root is responsible for taxes in effect on the contract date, but will be reimbursed for increased costs due to changes in the tax laws that occur after the date of the contract. The parties agree that certain changes in the tax laws occurred after the date of the contract, but do not agree on how much of the increase in taxes was due to that change or which party is responsible for ultimately paying these taxes. While Kellogg Brown & Root does not agree, up to $144 million in VAT taxes may already be due on the project. Up to approximately $100 million of VAT taxes may be due in stages from November 2003 through April 2004, with the balance due in stages later in 2004. Depending on when the VAT taxes are deemed due and when they are paid, penalties and interest on the taxes of between $40-$100 million may also be due, the reimbursability of which the project owner may also contest.

As of September 30, 2003, the project was approximately 78% complete and KBR had recorded a pretax loss of $345 million related to the project. The probable unapproved claims included in determining the loss on the project were $182 million as of September 30, 2003. The claims for the project most likely will not be settled within one year. Accordingly, based upon the costs incurred on the claims, probable unapproved claims of $157 million at September 30, 2003 have been recorded to long-term unbilled work on uncompleted contracts. Those amounts are included in "Other assets, net" on the balance sheet. KBR has asserted claims for compensation substantially in excess of $182 million. The project owner, through its project manager, Petrobras, has denied responsibility for all such claims. Petrobras has, however, issued formal change orders worth approximately $61 million which are not included in the $182 million in probable unapproved claims.

In June 2003, Halliburton, KBR and Petrobras, on behalf of the project owner, entered into a non-binding heads of agreement that would resolve some of the disputed issues between the parties, subject to final agreement and lender approval. The original completion date for the Barracuda project was December 2003 and the original completion date for the Caratinga project was April 2004. Under the heads of agreement, the project owner would grant an extension of time to the original completion dates and other milestone dates that averages approximately 12 months, delay any attempt to assess the original liquidated damages against KBR for project delays beyond 12 months and up to 18 months, delay any drawing of letters of credit with respect to such liquidated damages and delay the return of any of the $300 million in advance payments until after arbitration. The heads of agreement also provides for a separate liquidated damages calculation of $450,000 per day for each of the Barracuda and the Caratinga vessels if delayed beyond 18 months from the original schedule (subject to the total cap on liquidated damages of 10% of the final contract amount). The heads of agreement does not delay the drawing of letters of credit for these liquidated damages. The extension of the original completion dates and other milestones would significantly reduce the likelihood of KBR incurring liquidated damages on the project. Nevertheless, KBR continues to have exposure for substantial liquidated damages for delays in the completion of the project.

Under the heads of agreement, the project owner has agreed to pay $69 million of KBR's disputed claims (which are included in the $182 million of probable unapproved claims as of September 30, 2003) and to arbitrate additional claims. The maximum recovery from the claims to be arbitrated would be capped at $375 million. The heads of agreement also allows the project owner or Petrobras to arbitrate additional claims against KBR, not

including liquidated damages, the maximum recovery from which would be capped at $380 million. KBR believes the claims made to date by the project owner are based on a delay in project completion. KBR's contract with the project owner excludes consequential damages and, as indicated above, provides for liquidated damages in the event of delay in completion of the project. While there can be no assurance that the arbitrator will agree, KBR believes if it is determined that KBR is liable for delays, the project owner would be entitled to liquidated damages in amounts up to those referred to above and not to an additional $380 million.

The finalization of the heads of agreement is subject to project lender approval. The parties have had discussions with the lenders and based on these discussions have agreed to certain modifications to the original terms of the heads of agreement to conform to the lenders' requirements. They have agreed that the $300 million in advance payments would be due on the earliest of December 7, 2004, the completion of any arbitration or the resolution of all claims between the project owner and KBR. Likewise, the project owner's obligation to defer drawing letters of credit with respect to liquidated damages for the delays between 12 and 18 months would extend only until December 7, 2004. The negotiations with the lenders have been completed and the final agreements have been sent to the lenders for their approval and signature. We are also awaiting signature from Petrobras on the final agreement. While we believe the lenders have an incentive to approve the final agreement and complete the financing of the project, and the parties have agreed to the modifications described above to secure the lenders' approval, there is no assurance that the lenders will approve the final agreement. If the lenders do not sign the final agreements, Petrobras may be forced to secure other funding to complete the project. There is no assurance that Petrobras will pursue or will be able to secure such funding. Absent completion of the final agreement, KBR could be subject to additional liquidated damages and other claims, be subject to the letters of credit being drawn and be required to return the $300 million in advance payments.

The project owner has procured project finance funding obligations from various lenders to finance the payments due to KBR under the contract. The project owner currently has no other committed source of funding on which we can necessarily rely other than the project finance funding for the project. If the lenders cease to fund the project, the project owner may not have the ability to continue to pay KBR for its services. The original loan documents provide that the lenders are not obligated to continue to fund the project if the project has been delayed for more than six months. In November 2002, the lenders agreed to extend the six-month period to 12 months. Other provisions in the loan documents may provide for additional time extensions. However, delays beyond 12 months may require lender consent in order to obtain additional funding. While we believe the lenders have an incentive to complete the financing of the project, there is no assurance that they would do so. If the lenders did not consent to extensions of time or otherwise ceased funding the project, we believe that Petrobras would provide for or secure other funding to complete the project, although there is no assurance that it would do so. To date, the lenders have made funds available, and the project owner has continued to disburse funds to KBR as payment for its work on the project even though the project completion has been delayed.

In addition, although the project financing includes borrowing capacity in excess of the original contract amount, only $250 million of this additional borrowing capacity is reserved for increases in the contract amount payable to KBR and its subcontractors. Under the loan documents, the availability date for loan draws expires December 1, 2003. As a condition to approving the heads of agreement, the lenders will require the project owner to draw all remaining available funds prior to December 1, 2003, and to escrow the funds for the exclusive use of paying project costs. No funds may be paid to Petrobras or its subsidiary (which is funding the drilling costs of the project) until all amounts due to KBR, including amounts due for the claims, are liquidated and paid. While this potentially increases the funds available for payment to KBR, KBR is not party to the arrangement between the lenders and the project owner and can give no assurance that there will be adequate funding to cover current or future KBR claims and change orders.

CURRENT MATURITIES. We had $21 million of current maturities of long-term debt as of September 30, 2003. In the third quarter 2003, we repaid a $150 million medium-term note due July 2003.

CASH AND EQUIVALENTS. We ended September 30, 2003 with cash and equivalents of $1.2 billion.

OFF BALANCE SHEET RISK

On April 15, 2002, we entered into an agreement to sell accounts receivable to a bankruptcy-remote limited-purpose funding subsidiary. Under the terms of the agreement, new receivables are added on a continuous basis to the pool of receivables, and collections reduce previously sold accounts receivable. This funding subsidiary sells an undivided ownership interest in this pool of receivables to entities managed by unaffiliated financial institutions under another agreement. Sales to the funding subsidiary have been structured as "true sales" under applicable bankruptcy laws. While the funding subsidiary is wholly-owned by us, its assets are not available to pay any creditors of ours or of our subsidiaries or affiliates, until such time as the agreement with the unaffiliated companies is terminated following sufficient collections to liquidate all outstanding undivided ownership interests. The undivided ownership interest in the pool of receivables sold to the unaffiliated companies, therefore, is reflected as a reduction of accounts receivable in our consolidated balance sheets. The funding subsidiary retains the interest in the pool of receivables that are not sold to the unaffiliated companies and is fully consolidated and reported in our financial statements.

The amount of undivided interests which can be sold under the program varies based on the amount of eligible Energy Services Group receivables in the pool at any given time and other factors. The funding subsidiary initially sold a $200 million undivided ownership interest to the unaffiliated companies, and could from time to time sell additional undivided ownership interests. In July 2003, however, the balance outstanding under this facility was reduced to zero. The total amount outstanding under this facility continued to be zero as of September 30, 2003.

ENVIRONMENTAL MATTERS

We are subject to numerous environmental, legal and regulatory requirements related to our operations worldwide. In the United States, these laws and regulations include the Comprehensive Environmental Response, Compensation and Liability Act, the Resources Conservation and Recovery Act, the Clean Air Act, the Federal Water Pollution Control Act and the Toxic Substances Control Act, among others. In addition to the federal laws and regulations, states where we do business may have equivalent laws and regulations by which we must also abide.

We evaluate and address the environmental impact of our operations by assessing and remediating contaminated properties in order to avoid future liabilities and comply with environmental, legal and regulatory requirements. On occasion we are involved in specific environmental litigation and claims, including the remediation of properties we own or have operated as well as efforts to meet or correct compliance-related matters.

We do not expect costs related to these remediation requirements to have a material adverse effect on our consolidated financial position or our results of operations. We have subsidiaries that have been named as potentially responsible parties along with other third parties for nine federal and state superfund sites for which we have established a liability. As of September 30, 2003, those nine sites accounted for approximately $7 million of our total $34 million liability. See Note 12 to the financial statements.

FORWARD-LOOKING INFORMATION

Looking ahead, we believe United States drilling activity will not increase during the fourth quarter of this year. We expect continued strong drilling activity onshore in North America, provided natural gas or oil prices do not decline significantly from current levels. Activity in the United States Gulf of Mexico has been disappointing in the first nine months of this year and we do not expect any improvement through year-end. Outside of North America, we expect rig counts will be flat to up slightly for the balance of the year. Mexico has also shown a significant increase in drilling activity, and we expect this high level of activity to continue in the near term. We expect the pricing environment to remain steady in the fourth quarter.

In the longer-term, we expect increased global demand for oil and natural gas, additional customer spending to replace depleting reserves and our continued technological advances to provide growth opportunities.

The Private Securities Litigation Reform Act of 1995 provides safe harbor provisions for forward-looking information. Forward-looking information is based on projections and estimates, not historical information. Some statements in this Form 10-Q are forward-looking and use words like "may", "may not", "believes", "do not

believe", "expects", "do not expect", "plans", "does not plan", "anticipate", "do not anticipate", and other expressions. We may also provide oral or written forward-looking information in other materials we release to the public. Forward-looking information involves risks and uncertainties and reflects our best judgment based on current information. Our results of operations can be affected by inaccurate assumptions we make or by known or unknown risks and uncertainties. In addition, other factors may affect the accuracy of our forward-looking information. As a result, no forward-looking information can be guaranteed. Actual events and the results of operations may vary materially.

While it is not possible to identify all factors, we continue to face many risks and uncertainties that could cause actual results to differ from our forward-looking statements and potentially adversely affect our financial condition and results of operations, including risks relating to:

ASBESTOS

- completion of the proposed settlement, prerequisites which include:
  - completion of required due diligence;
  - continued effectiveness of our agreement in principle to limit the cash required under the settlement to $2.775 billion, which agreement becomes void if a Chapter 11 filing is not made by our affected subsidiaries by December 31, 2003;
  - continued availability of acceptable financing to fund the proposed settlement;
  - Board of Directors approval;
  - obtaining approval from 75% of current asbestos claimants and the requisite silica claimants to the plan of reorganization implementing the proposed settlement;
  - obtaining final and non-appealable bankruptcy court approval and federal district court confirmation of the plan of reorganization;
  - finalizing the settlement agreement with Harbison-Walker and obtaining bankruptcy court approval thereof; and
  - Harbison-Walker obtaining approval of its proposed plan of reorganization in a form satisfactory to us;
- the results of being unable to complete the proposed settlement, including:
  - continuing asbestos and silica litigation against us, which would include the possibility of substantial adverse judgments, the timing of which could not be controlled or predicted, and the obligation to provide appeals bonds pending any appeal of any such judgment, some or all of which may require us to post cash collateral;
  - current and future asbestos claims settlement and defense costs, including the inability to completely control the timing of such costs and the possibility of increased costs to resolve personal injury claims;
  - the possibility of an increase in the number and type of asbestos and silica claims against us in the future;
  - future events in the Harbison-Walker bankruptcy proceeding; and
  - any adverse changes to the tort system allowing additional claims or judgments against us;
- the results of being unable to recover, or being delayed in recovering, insurance reimbursement in the amounts anticipated to cover a part of the costs incurred defending asbestos and silica claims, and amounts paid to settle claims or as a result of court judgments, due to:
  - the inability or unwillingness of insurers to timely reimburse for claims in the future;
  - disputes as to documentation requirements for DII Industries in order to recover claims paid;
  - the inability to access insurance policies shared with, or the dissipation of shared insurance assets by, Harbison-Walker Refractories Company or Federal-Mogul Products, Inc.;

- the insolvency or reduced financial viability of insurers;

- the cost of litigation to obtain insurance reimbursement;
- adverse court decisions as to our rights to obtain insurance reimbursement; and
- settlement of our insurance claims providing for accelerated recovery of proceeds in an amount less than our accrual for probable insurance recoveries;

- the results of recovering, or agreeing in settlement of litigation to recover, less insurance reimbursement than the insurance receivable recorded in our financial statements;
- continuing exposure to liability even after the proposed settlement is completed, including exposure to:
  - any claims by claimants exposed outside of the United States;
  - possibly any claims based on future exposure to silica;
  - property damage claims as a result of asbestos and silica use; or
  - any claims against any other subsidiaries or business units of Halliburton that would not be released in the Chapter 11 proceeding through the 524(g) injunction;
- liquidity risks resulting from being unable to complete a settlement or timely recovery of insurance reimbursement for amounts paid, each as discussed further below; and
- an adverse effect on our financial condition or results of operations as a result of any of the foregoing;

LIQUIDITY

- adverse financial developments that could affect our available cash or lines of credit, including:
  - the effects described above of not completing the proposed settlement or not being able to timely recover insurance reimbursement relating to amounts paid as part of a settlement or as a result of judgments against us or settlements paid in the absence of a settlement;
  - our inability to provide cash collateral for letters of credit or any bonding requirements from customers or as a result of adverse judgments that we are appealing; and
  - a reduction in our credit ratings as a result of the above or due to other adverse developments;
- requirements to cash collateralize letters of credit and surety bonds by issuers and beneficiaries of these instruments in reaction to:
  - our plans to place DII Industries, Kellogg Brown & Root and some of their subsidiaries into a pre-packaged Chapter 11 bankruptcy as part of the proposed settlement;
  - in the absence of a settlement, one or more substantial adverse judgments;
  - not being able to timely recover insurance reimbursement; or
  - a reduction in credit ratings;
- continued availability of acceptable financing to fund our proposed settlement;
- defaults that could occur under our and our subsidiaries' debt documents as a result of a Chapter 11 filing unless we are able to obtain consents or waivers to those events of default, which events of default could cause defaults under other of our credit facilities and possibly result in an obligation to immediately pay amounts due;
- actions by issuers and beneficiaries of current letters of credit to draw under such letters of credit prior to our new master letter of credit facility becoming effective that is intended to provide reasonably sufficient credit lines for us to be able to fund any such cash requirements;
- reductions in our credit ratings by rating agencies, which could result in:

  - the unavailability of borrowing capacity under our existing $350 million line of credit facility, which is only available to us if we maintain an investment grade credit rating;

  - reduced access to lines of credit, credit markets and credit from suppliers under acceptable terms;

  - borrowing costs in the future; and

  - inability to issue letters of credit and surety bonds with or without cash collateral;

- working capital requirements from time to time;

- debt and letter of credit covenants;

- volatility in the surety bond market;

- availability of financing from the United States Export/Import Bank;

- ability to raise capital via the sale of stock; and

- an adverse effect on our financial condition or results of operations as a result of any of the foregoing;

LEGAL

- litigation, including, for example, class action shareholder and derivative lawsuits, contract disputes, patent infringements, and environmental matters;

- any adverse outcome of the SEC's current investigation into Halliburton's accounting policies, practices and procedures that could result in sanctions and the payment of fines or penalties, restatement of financials for years under review or additional shareholder lawsuits;

- trade restrictions and economic embargoes imposed by the United States and other countries;

- restrictions on our ability to provide products and services to Iran, Iraq and Libya, all of which are significant producers of oil and gas;

- protective government regulation in many of the countries where we operate, including, for example, regulations that:

    - encourage or mandate the hiring of local contractors; and

    - require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction;

- potentially adverse reaction, and time and expense responding to, the increased scrutiny of Halliburton by regulatory authorities, the media and others;

- potential liability and adverse regulatory reaction in Nigeria to the theft from us of radioactive material used in wireline logging operations;

- environmental laws and regulations, including, for example, those that:

    - require emission performance standards for facilities; and

    - the potential regulation in the United States of our Energy Services Group's hydraulic fracturing services and products as underground injection; and

- the proposed excise tax in the United States targeted at heavy equipment of the type we own and use in our operations would negatively impact our Energy Services Group operating income;

EFFECT OF CHAPTER 11 PROCEEDINGS

- the adverse effect on the ability of the subsidiaries that are proposed to file a Chapter 11 proceeding to obtain new orders from current or prospective customers;

- the potential reluctance of current and prospective customers and suppliers to honor obligations or continue to transact business with the Chapter 11 filing entities;

- the potential adverse effect of the Chapter 11 filing of negotiating favorable terms with customers, suppliers and other vendors;

- a prolonged Chapter 11 proceeding that could adversely affect relationships with customers, suppliers and employees, which in turn could adversely affect our competitive position, financial condition and results of operations and our ability to implement the proposed plan of reorganization; and

- the adverse affect on our financial condition or results of operations as a result of the foregoing;

GEOPOLITICAL

- unrest in the Middle East that could:

    - impact the demand and pricing for oil and gas;

    - disrupt our operations in the region and elsewhere; and

    - increase our costs for security worldwide;

- unsettled political conditions, consequences of war or other armed conflict, the effects of terrorism, civil unrest, strikes, currency controls and governmental actions in many oil producing countries and countries in which we provide governmental logistical support that could adversely affect our revenues and profit. Countries where we operate which have significant amounts of political risk include Afghanistan, Algeria, Angola, Colombia, Indonesia, Iraq, Libya, Nigeria, Russia, and Venezuela. For example, the national strike in Venezuela as well as seizures of

offshore oil rigs by protestors and cessation of operations by some of our customers in Nigeria disrupted our Energy Services Group's ability to provide services and products to our customers in these countries during first quarter 2003 and likely will continue to do so throughout the remainder of 2003; and

- changes in foreign exchange rates and exchange controls as were experienced in Argentina in late 2001 and early 2002 and in Venezuela in fourth quarter 2002;

WEATHER RELATED

- severe weather that impacts our business, particularly in the Gulf of Mexico where we have significant operations. Impacts may include:
    - evacuation of personnel and curtailment of services;
    - weather related damage to offshore drilling rigs resulting in suspension of operations;
    - weather related damage to our facilities;
    - inability to deliver materials to jobsites in accordance with contract schedules; and
    - loss of productivity; and
- demand for natural gas in the United States drives a disproportionate amount of our Energy Services Group's United States business. As a result, warmer than normal winters in the United States are detrimental to the demand for our services to gas producers. Conversely, colder than normal winters in the United States result in increased demand for our services to gas producers;

CUSTOMERS

- the magnitude and continuation of governmental spending and outsourcing for military and logistical support of the type that we provide, including, for example, support and infrastructure services in the Balkans and Iraq;
- changes in capital spending by customers in the oil and gas industry for exploration, development, production, processing, refining, and pipeline delivery networks;
- changes in capital spending by governments for infrastructure projects of the sort that we perform;
- consolidation of customers including, for example, the merger of Conoco and Phillips Petroleum, has caused customers to reduce their capital spending which has negatively impacted the demand for our services and products;
- potential adverse customer reaction, including potential draws upon letters of credit, due to their concerns about our plans to place DII Industries, Kellogg Brown & Root and some of their subsidiaries into a pre-packaged bankruptcy as part of the proposed settlement;
- customer personnel changes due to mergers and consolidation which impacts the timing of contract negotiations and settlements of claims;
- claim negotiations with engineering and construction customers on cost and schedule variances and change orders on major projects, including, for example, the Barracuda-Caratinga project in Brazil;
- delay in customer spending due to consolidation and strategic changes such as sales of the shallow water properties in the Gulf of Mexico and recent sale of properties in the North Sea. Spending is typically delayed when new operators take over; and
- ability of our customers to timely pay the amounts due us;

INDUSTRY

- changes in oil and gas prices, among other things, resulting from:
    - the uncertainty as to the timing of return of Iraqi oil production;
    - OPEC's ability to set and maintain production levels and prices for oil;
    - the level of oil production by non-OPEC countries;

  - the policies of governments regarding exploration for and production and development of their oil and natural gas reserves;

  - the level of demand for oil and natural gas, especially natural gas in the United States; and

  - the level of gas storage in the northeast United States;

- obsolescence of our proprietary technologies, equipment and facilities, or work processes;

- changes in the price or the availability of commodities that we use;

- our ability to obtain key insurance coverage on acceptable terms;

- non-performance, default or bankruptcy of joint venture partners, key suppliers or subcontractors;

- performing fixed-price projects, where failure to meet schedules, cost estimates or performance targets could result in reduced profit margins or losses;

- entering into complex business arrangements for technically demanding projects where failure by one or more parties could result in monetary penalties; and

- the use of derivative instruments of the sort that we use which could cause a change in value of the derivative instruments as a result of:

    - adverse movements in foreign exchange rates, interest rates, or commodity prices; or

    - the value and time period of the derivative being different than the exposures or cash flows being hedged;

SYSTEMS

- the successful installation of a new financial system to replace the current system for the Engineering and Construction Group;

MERGERS/REORGANIZATIONS/DISPOSITIONS

- ensuring acquisitions and new products and services add value and complement our core businesses; and

- successful completion of dispositions.

In addition, future trends for pricing, margins, revenues and profitability remain difficult to predict in the industries we serve. We do not assume any responsibility to publicly update any of our forward-looking statements regardless of whether factors change as a result of new information, future events or for any other reason. You should review any additional disclosures we make in our press releases and Forms 10-K, 10-Q and 8-K filed with the United States Securities and Exchange Commission. We also suggest that you listen to our quarterly earnings release conference calls with financial analysts.

No assurance can be given that our financial condition or results of operations would not be materially and adversely affected by some of the events described above, including:

- the inability to complete a settlement;

- in the absence of a settlement, adverse developments in the tort system, including adverse judgments and increased defense and settlement costs relating to claims against us;

- liquidity issues resulting from failure to complete a settlement, adverse developments in the tort system, including adverse judgments and increased defense and settlement costs, and resulting or concurrent credit ratings downgrades and/or demand for cash collateralization of letters of credit or surety bonds;

- the filing of Chapter 11 proceedings by some of our subsidiaries or a prolonged Chapter 11 proceeding; and

- adverse geopolitical developments, including armed conflict, civil disturbance and unsettled political conditions in foreign countries in which we operate.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to financial instrument market risk from changes in foreign currency exchange rates, interest rates and to a limited extent, commodity prices. We selectively manage these exposures through the use of derivative instruments to mitigate our market risk from these exposures. The objective of our risk management is to protect our cash flows related to sales or purchases of goods or services from market fluctuations in currency rates. Our use of derivative instruments includes the following types of market risk:

- volatility of the currency rates;
- time horizon of the derivative instruments;
- market cycles; and
- the type of derivative instruments used.

We do not use derivative instruments for trading purposes. We do not consider any of these risk management activities to be material.

Item 4. Controls and Procedures

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2003 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in our internal controls over financial reporting that occurred during the three months ended September 30, 2003 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

*	4.1	Senior Indenture dated as of October 17, 2003 between Halliburton and JPMorgan Chase Bank, as Trustee.
*	4.2	First Supplemental Indenture dated as of October 17, 2003 between Halliburton and JPMorgan Chase Bank, as Trustee, to the Senior Indenture dated as of October 17, 2003.
*	4.3	Form of note of floating rate senior notes due October 17, 2005 (included as Exhibit A to Exhibit 4.2 above).
*	4.4	Form of note of 5.5% senior notes due October 15, 2010 (included as Exhibit B to Exhibit 4.2 above).
*	10.1	Employment Agreement (Mark A. McCollum).
*	10.2	3-Year Revolving Credit Agreement, dated as of October 30, 2003, among Halliburton, the Banks party thereto, Citicorp North America, Inc., as Administrative Agent, JPMorgan Chase Bank, as Syndication Agent, and ABN AMRO Bank N.V., as Documentation Agent.
*	10.3	Master Letter of Credit Facility Agreement, dated as of October 30, 2003, among Halliburton, Kellogg Brown & Root, Inc., and DII Industries, LLC, as Account Parties, the Banks party thereto, Citicorp North America, Inc., as Administrative Agent, JPMorgan Chase Bank, as Syndication Agent, and ABN AMRO Bank N.V., as Documentation Agent.
*	10.4	Senior Unsecured Credit Facility Agreement, dated as of November 3, 2003, among Halliburton, the Banks party thereto, Citicorp North America, Inc., as Administrative Agent, JPMorgan Chase Bank, as Syndication Agent, and ABN AMRO Bank N.V., as Documentation Agent.
*	12	Statement of Computation of Ratio of Earnings to Fixed Charges.
*	31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*	31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*	32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*	32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed with this Form 10-Q

(b) Reports on Form 8-K

Date Filed	Date of Earliest Event	Description of Event
During the third quarter of 2003:		
July 18, 2003	July 17, 2003	Item 9. Regulation FD Disclosure for a press release announcing a 2003 third quarter dividend.
July 21, 2003	July 21, 2003	Item 9. Regulation FD Disclosure for a press release announcing asbestos plaintiffs agree to extend the current stay on asbestos claims until September 30, 2003.
July 23, 2003	July 22, 2003	Item 9. Regulation FD Disclosure for a press release announcing the Harbison-Walker bankruptcy court approved an agreement to extend the current stay on asbestos claims through September 30, 2003.
August 4, 2003	July 31, 2003	Item 12. Disclosure of Results of Operations and Financial Condition for a press release announcing 2003 second quarter results.
September 3, 2003	September 2, 2003	Item 9. Regulation FD Disclosure for a press release announcing some delays in connection with the planned asbestos and silica settlement, but agreement is drawing near on the trust distribution procedure, the plan of reorganization and the disclosure statement.
September 23, 2003	September 22, 2003	Item 9. Regulation FD Disclosure for a press release announcing DII Industries, Kellogg Brown & Root and other affected subsidiaries have begun the solicitation process in connection with the planned asbestos and silica settlement.
October 1, 2003	September 29, 2003	Item 9. Regulation FD Disclosure for a press release announcing Halliburton will not request a stay extension of Harbison-Walker bankruptcy court's temporary restraining order which expires on September 30, 2003.
During the fourth quarter of 2003:		
October 10, 2003	October 9, 2003	Item 12. Disclosure of Results of Operations and Financial Condition for a press release revising 2003 third quarter earnings estimate.
October 10, 2003	October 10, 2003	Item 9. Regulation FD Disclosure for a press release announcing exchange offer and consent solicitation for debentures issued by DII Industries, LLC.
October 15, 2003	October 14, 2003	Item 9. Regulation FD Disclosure for a press release announcing pricing of a private offering of $1.05 billion of senior notes.

Date of Date Filed Earliest Event Description of Event - ---------- ---------- ---------- October 23, 2003 October 22, 2003 Item 9. Regulation FD Disclosure for a press release announcing a 2003 fourth quarter dividend. October 28, 2003 October 27, 2003 Item 5. Other Events and Item 7. Financial Statements, Pro Forma Financial Information and Exhibits informing of adjustments made to certain items from the December 31, 2002 Annual Report on Form 10-K in order to update all segment information to reflect the new segment structure as disclosed in the June 30, 2003 Form 10-Q. October 29, 2003 October 27, 2003 Item 9. Regulation FD Disclosure for a press release announcing DII Industries, LLC has received consents, subsequent to an exchange offer, from holders of more than 95% of the principal amount of outstanding debentures to amend the indenture. October 30, 2003 October 28, 2003 Item 9. Regulation FD Disclosure for a press release announcing filing of a shelf registration for previously issued $1.2 billion convertible senior notes. October 31, 2003 October 29, 2003 Item 12. Disclosure of Results of Operations and Financial Condition for a press release announcing 2003 third quarter results. November 6, 2003 November 6, 2003 Item 9. Regulation FD Disclosure for a press release announcing that DII Industries and Kellogg Brown & Root extended the voting deadline on the plan of reorganization until November 19, 2003. 63

SIGNATURES As required by the Securities Exchange Act of 1934, the registrant has authorized this report to be signed on behalf of the registrant by the undersigned authorized individuals. HALLIBURTON COMPANY Date: November 7, 2003 By: /s/ C. Christopher Gaut ---------- C. Christopher Gaut Executive Vice President and Chief Financial Officer /s/ Mark A. McCollum ---------- Mark A. McCollum Sr. Vice President and Chief Accounting Officer 64

INDEX TO EXHIBITS * 4.1 Senior Indenture dated as of October 17, 2003 between Halliburton and JPMorgan Chase Bank, as Trustee. * 4.2 First Supplemental Indenture dated as of October 17, 2003 between Halliburton and JPMorgan Chase Bank, as Trustee, to the Senior Indenture dated as of October 17, 2003 * 4.3 Form of note of floating rate senior notes due October 17, 2005 (included as Exhibit A to Exhibit 4.2 above). * 4.4 Form of note of 5.5% senior notes due October 15, 2010 (included as Exhibit B to Exhibit 4.2 above). * 10.1 Employment Agreement (Mark A. McCollum). * 10.2 3-Year Revolving Credit Agreement, dated as of October 30, 2003, among Halliburton, the Banks party thereto, Citicorp North America, Inc., as Administrative Agent, JPMorgan Chase Bank, as Syndication Agent, and ABN AMRO Bank N.V., as Documentation Agent. * 10.3 Master Letter of Credit Facility Agreement, dated as of October 30, 2003, among Halliburton, Kellogg Brown & Root, Inc., and DII Industries, LLC, as Account Parties, the Banks party thereto, Citicorp North America, Inc., as Administrative Agent, JPMorgan Chase Bank, as Syndication Agent, and ABN AMRO Bank N.V., as Documentation Agent. * 10.4 Senior Unsecured Credit Facility Agreement, dated as of November 3, 2003, among Halliburton, the Banks party thereto, Citicorp North America, Inc., as Administrative Agent, JPMorgan Chase Bank, as Syndication Agent, and ABN AMRO Bank N.V., as Documentation Agent. * 12 Statement of Computation of Ratio of Earnings to Fixed Charges. * 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. * 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. * 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. * 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. * Filed with this Form 10-Q

EXHIBIT 4.1

EXECUTION VERSION

HALLIBURTON COMPANY

as Issuer

and

JPMORGAN CHASE BANK

as Trustee

INDENTURE

Dated as of October 17, 2003

DEBT SECURITIES

HALLIBURTON COMPANY

RECONCILIATION AND TIE BETWEEN TRUST INDENTURE ACT OF 1939
AND INDENTURE, DATED AS OF OCTOBER 17, 2003

Trust Indenture Act of 1939	Section of	Section(s) of Indenture
Section 310	(a)(1)	7.10
	(a)(2)	7.10
	(a)(3)	Not Applicable
	(a)(4)	Not Applicable
	(a)(5)	7.10
	(b)	7.08, 7.10
Section 311	(a)	7.11
	(b)	7.11
	(c)	Not Applicable
Section 312	(a)	2.07
	(b)	10.03
	(c)	10.03
Section 313	(a)	7.06
	(b)	7.06
	(c)	7.06
	(d)	7.06
Section 314	(a)	4.03, 4.04
	(b)	Not Applicable
	(c)(1)	10.04
	(c)(2)	10.04
	(c)(3)	Not Applicable
	(d)	Not Applicable
	(e)	10.05
Section 315	(a)	7.01(b)
	(b)	7.05
	(c)	7.01(a)
	(d)	7.01(c)
	(d)(1)	7.01(c)(1)
	(d)(2)	7.01(c)(2)
	(d)(3)	7.01(c)(3)
	(e)	6.11
Section 316	(a)(1)(A)	6.05
	(a)(1)(B)	6.04
	(a)(2)	Not Applicable
	(a)(last sentence)	2.11
	(b)	6.07
Section 317	(a)(1)	6.08
	(a)(2)	6.09
	(b)	2.06
Section 318	(a)	10.01

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Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Indenture.

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INDENTURE dated as of October 17, 2003 between Halliburton Company, a Delaware corporation (the "Company"), and JPMorgan Chase Bank, as trustee (the "Trustee").

Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the Holders of the Company's unsecured debentures, notes or other evidences of indebtedness (the "Securities") to be issued from time to time in one or more series as provided in this Indenture:

ARTICLE I
DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01 Definitions.

"Additional Amounts" means any additional amounts required by the express terms of a Security or by or pursuant to a Board Resolution, under circumstances specified therein or pursuant thereto, to be paid by the Company with respect to certain taxes, assessments or other governmental charges imposed on certain Holders and that are owing to such Holders.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, such specified Person. For purposes of this definition, "control" of a Person shall mean the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" shall have meanings correlative to the foregoing; provided that beneficial ownership of 10% or more of the common equity of a Person shall be deemed to be control.

"Agent" means any Registrar or Paying Agent.

"Bankruptcy Law" means Title 11 of the United States Code or any similar federal, state or foreign law for the relief of debtors.

"Board of Directors" means the Board of Directors of the Company or other body fulfilling the function of a board of directors of a corporation or any committee of such Board or other body duly authorized, with respect to any particular matter, to act by or on behalf of the Board of Directors or such other body of the Company.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means any day that is not a Legal Holiday.

"Capital Stock" of any Person means any and all shares (including ordinary shares or American Depositary Shares), interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) of capital stock or other equity participations of such Person and any rights (other than debt securities convertible or exchangeable into an equity interest), warrants or options to acquire an equity interest in such Person.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor Person shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor Person; provided, however, that for purposes of any provision contained herein which is required by the TIA, "Company" shall also mean each other obligor (if any) on the Securities of a series.

"Company Order" and "Company Request" mean, respectively, a written order or request signed in the name of the Company by two Officers of the Company, and delivered to the Trustee.

"Consolidated Net Tangible Assets" means the aggregate amount of assets included on a consolidated balance sheet of the Company and its Restricted Subsidiaries, less applicable reserves and other properly deductible items and after deducting therefrom (a) all current liabilities, and (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, all in accordance with GAAP consistently applied (except that the accounts of any Restricted Subsidiary engaged in the insurance business shall be included using the equity method of accounting).

"Corporate Trust Office" of the Trustee means the principal office of the Trustee at which at any time its corporate trust business shall be administered, which at the time hereof is the office of the Trustee located at 600 Travis, Suite 1150, Houston, Texas 77002, or such other address as the Trustee may give notice to the Company.

"Default" means any event, act or condition that is, or after notice or the passage of time or both would be, an Event of Default.

"Depositary" means, with respect to the Securities of any series issuable or issued in whole or in part in global form, the Person specified pursuant to Section 2.01 hereof as the initial Depositary with respect to the Securities of such series, until a successor shall have been appointed and become such pursuant to the applicable provision of this Indenture, and thereafter "Depositary" shall mean or include such successor; and, if at any time there is more than one such Person, "Depositary" as used with respect to the Securities of any series means the Depositary with respect to such series.

"Dollar" or "$" means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for the payment of public and private debt.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and any successor statute.

"GAAP" means generally accepted accounting principles in the United States set forth in rules and regulations issued by the Public Company Oversight Board, Financial Accounting Standards Board Standards and Interpretations, Accounting Principles Board Opinions, AICPA Accounting Research Bulletins or in such other authoritative literature issued by recognized professional bodies in the United States, as in effect from time to time.

"Global Security" means a Security that is issued in global form in the name of the Depositary with respect thereto or its nominee.

"Government Obligations" means, with respect to a series of Securities, direct obligations of the government that issues the currency in which the Securities of the series are payable for the payment of which the full faith and credit of such government is pledged, or obligations of a Person controlled or supervised by and acting as an agency or instrumentality of such government, the payment of which is unconditionally guaranteed as a full faith and credit obligation by such government.

"Holder" means a Person in whose name a Security is registered.

"Indebtedness" as applied to any Person, means bonds, debentures, notes and other instruments or arrangements representing obligations created or assumed by any such Person, in respect of: (i) obligations for money borrowed (other than unamortized debt discount or premium); (ii) obligations evidenced by a note or similar instrument given in connection with the acquisition of any business, properties or assets of any kind; (iii) any amendments, renewals, extensions, modifications and refundings of any such indebtedness or obligations listed in clause (i), (ii) or (iii) above. All indebtedness secured by a lien upon property owned by such Person of such type, although such Person has not assumed or become liable for the payment of such indebtedness, shall for all purposes hereof be deemed to be indebtedness of such Person. All indebtedness for borrowed money incurred by any other Persons which is directly guaranteed as to payment of principal by such Person shall for all purposes hereof be deemed to be indebtedness of any such Person, but no other contingent obligation of such Person in respect of indebtedness incurred by any other Persons shall for any purpose be deemed to be indebtedness of such Person.

"Indenture" means this Indenture as amended or supplemented from time to time pursuant to the provisions hereof, and includes the terms of a particular series of Securities established as contemplated by Section 2.01.

"interest" means, with respect to an Original Issue Discount Security that by its terms bears interest only after Stated Maturity, interest payable after Stated Maturity.

"Interest Payment Date," when used with respect to any Security, shall have the meaning assigned to such term in the Security as contemplated by Section 2.01.

"Legal Holiday" means a Saturday, a Sunday or a day on which banking institutions in any of The City of New York, New York, Houston, Texas or a Place of Payment are authorized or obligated by law, regulation or executive order to remain closed.

"obligor" on the Securities means the Company or any other obligor on the Securities.

"Officer" means the Chairman of the Board, the President, any Vice Chairman of the Board, any Vice President, the General Counsel, the Chief Financial Officer, the Treasurer, any Assistant Treasurer, the Controller, any Assistant Controller, the Secretary or any Assistant Secretary of a Person.

"Officers' Certificate" means a certificate signed by two Officers of a Person.

"Opinion of Counsel" means a written opinion from legal counsel who is acceptable to the Trustee. Such counsel may be an employee of or counsel to the Company.

"Original Issue Discount Security" means any Security that provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Stated Maturity thereof pursuant to Section 6.02.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint stock company, trust, estate, unincorporated organization or government or other agency, instrumentality or political subdivision thereof or other entity of any kind.

"Place of Payment" means, with respect to the Securities of any series, the place or places where the principal of, premium (if any) and interest on and any Additional Amounts with respect to the Securities of that series are payable as specified in accordance with Section 2.01 subject to the provisions of Section 4.02.

"principal" of a Security means the principal of the Security plus, when appropriate, the premium, if any, on the Security.

"Principal Property" means any real property, any manufacturing plant, warehouse, office building or other physical facility, or any item of marine, transportation or construction equipment or other like depreciable asset of the Company or of any Restricted Subsidiary whether owned at the date hereof or hereafter acquired (other than any facility thereafter acquired for the control or abatement of atmospheric pollutants or contaminants or water, noise, odor or other pollution) which in the opinion of the Board of Directors is of material importance to the total business conducted by the Company and its Restricted Subsidiaries, as a whole.

"Redemption Date" means, with respect to any Security to be redeemed, the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price" means, with respect to any Security to be redeemed, the price at which it is to be redeemed pursuant to this Indenture.

"Restricted Subsidiary" means (a) any Subsidiary other than an Unrestricted Subsidiary, and (b) any Subsidiary which was an Unrestricted Subsidiary but which, subsequent to the date hereof, is designated by the Company (by Board Resolution of the Board of Directors delivered to the Trustee) to be a Restricted Subsidiary; provided, however, that the Company may not designate any such Subsidiary to be a Restricted Subsidiary if the Company would thereby breach any covenant or agreement herein contained (on the assumptions that any outstanding Secured Debt of such Subsidiary was incurred at the time of such designation and that any Sale and Leaseback Transaction (as defined in Section 4.11) to which such Subsidiary is then a party was entered into at the time of such designation).

"Rule 144A Securities" means Securities of a series designated pursuant to Section 2.01 as entitled to the benefits of Section 4.04(b).

"SEC" means the Securities and Exchange Commission.

"Secured Debt" means indebtedness for money borrowed by the Company or a Restricted Subsidiary, and any other indebtedness of the Company or a Restricted Subsidiary on which interest is paid or payable (other than indebtedness owed by a Restricted Subsidiary to the Company, by a Restricted Subsidiary to another Restricted Subsidiary or by the Company to a Restricted Subsidiary), which in any such case is secured by (a) a mortgage or other lien on any Principal Property of the Company or a Restricted Subsidiary, or (b) a pledge, lien or other security interest on any shares of stock or indebtedness of a Restricted Subsidiary.

"Securities" has the meaning stated in the preamble of this Indenture and more particularly means any Securities authenticated and delivered under this Indenture.

"Security Custodian" means, with respect to Securities of a series, the Trustee for Securities of such series, as custodian with respect to the Securities of such series issued in global form, or any successor entity thereto.

"Stated Maturity" means, when used with respect to any Security or any installment of principal thereof or interest thereon, the date specified in such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable.

"Subsidiary" of any Person means (a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or persons performing similar functions) or (b) any partnership, joint venture, limited liability company or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of clauses (a) and (b), at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person. Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of the Company.

"TIA" means the Trust Indenture Act of 1939, as amended (15 U.S.C. Sections 77aaa-77bbbb), as in effect on the date hereof.

"Trust Officer" means the officer of the Trustee having direct responsibility for the administration of the Indenture.

"Trustee" means the Person named as such until a successor replaces it in accordance with the applicable provisions of this Indenture, and thereafter "Trustee" means each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, "Trustee" as used with respect to the Securities of any series means the Trustee with respect to Securities of that series.

"United States" means the United States of America (including the States and the District of Columbia) and its territories and possessions, which include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands.

"Unrestricted Subsidiary" means (a) any Subsidiary acquired or organized after the date hereof, provided, however, that such Subsidiary shall not be a successor, directly or indirectly, to any Restricted Subsidiary, and (b) any Subsidiary whose principal business and assets are located outside the United States, and (c) any Subsidiary the principal business of which consists of financing or assisting in financing the acquisition or disposition of products of the Company or a Subsidiary by dealers, distributors or other customers, and (d) any Subsidiary the principal business of which is owning, leasing, dealing in or developing real property, and (e) any Subsidiary substantially all the assets of which consist of stock or other securities of a Subsidiary or Subsidiaries of the character described in clauses (a) through (d) of this paragraph, unless and until such Subsidiary shall have been designated to be a Restricted Subsidiary pursuant to clause (b) of the definition of "Restricted Subsidiary."

SECTION 1.02 Other Definitions.

TERM	DEFINED IN SECTION
"Agent Member"	2.17
"Bankruptcy Custodian"	6.01
"Conversion Event"	6.01
"covenant defeasance"	8.01
"Event of Default"	6.01
"Exchange Rate"	2.11
"Judgment Currency"	6.10
"legal defeasance"	8.01
"mandatory sinking fund payment"	3.09
"optional sinking fund payment"	3.09
"Paying Agent"	2.05
"Registrar"	2.05
"Required Currency"	6.10
"Sale and Leaseback Transaction"	4.11
"Successor"	5.01

SECTION 1.03 Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture (and if the Indenture is not qualified under the TIA at that time, as if it were so qualified unless otherwise provided).

All terms used in this Indenture that are defined by the TIA, defined by a TIA reference to another statute or defined by an SEC rule under the TIA have the meanings so assigned to them.

SECTION 1.04 Rules of Construction.

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular;

(5) provisions apply to successive events and transactions;

(6) all references in this instrument to Articles and Sections are references to the corresponding Articles and Sections in and of this instrument;

(7) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision; and

(8) the words "include," "included" and "including" as used herein shall be deemed in each case to be followed by the phrase "without limitation," if not expressly followed by such phrase or the phrase "but not limited to."

ARTICLE II
THE SECURITIES

SECTION 2.01 Amount Unlimited; Issuable in Series.

The aggregate principal amount of Securities that may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series and the Securities of each such series shall rank equally and pari passu with the Securities of each other series and with all other unsecured and unsubordinated debt of the Company. There shall be established in or pursuant to a Board Resolution, and set forth in, or determined in the manner provided in, an Officers' Certificate or a Company Order, or established in one or more indentures supplemental hereto, prior to the issuance of Securities of any series:

(1) the title of the Securities of the series (which shall distinguish the Securities of the series from the Securities of all other series);

(2) if there is to be a limit, the limit upon the aggregate principal amount of the Securities of the series that may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in

exchange for, or in lieu of, other Securities of the series pursuant to Section 2.08, 2.09, 2.12, 2.17, 3.07 or 9.05 and except for any Securities that, pursuant to Section 2.04 or 2.17, are deemed never to have been authenticated and delivered hereunder); provided, however, that unless otherwise provided in the terms of the series, the authorized aggregate principal amount of such series may be increased before or after the issuance of any Securities of the series by a Board Resolution (or action pursuant to a Board Resolution) to such effect;

(3) whether any Securities of the series are to be issuable initially in temporary global form and whether any Securities of the series are to be issuable in permanent global form, as Global Securities or otherwise, and, if so, whether beneficial owners of interests in any such Global Security may exchange such interests for Securities of such series and of like tenor of any authorized form and denomination and the circumstances under which any such exchanges may occur, if other than in the manner provided in Section 2.17, and the initial Depositary and Security Custodian, if any, for any Global Security or Securities of such series;

(4) the manner in which any interest payable on a Global Security on any Interest Payment Date will be paid if other than in the manner provided in Section 2.14;

(5) the date or dates on which the principal of and premium (if any) on the Securities of the series is payable or the method of determination thereof;

(6) the rate or rates, or the method of determination thereof, at which the Securities of the series shall bear interest, if any, whether and under what circumstances Additional Amounts with respect to such Securities shall be payable, the date or dates from which such interest shall accrue, the Interest Payment Dates on which such interest shall be payable and the record date for the interest payable on any Securities on any Interest Payment Date, or if other than provided herein, the Person to whom any interest on Securities of the series shall be payable;

(7) the place or places where, subject to the provisions of Section 4.02, the principal of, premium (if any) and interest on and any Additional Amounts with respect to the Securities of the series shall be payable;

(8) the period or periods within which, the price or prices (whether denominated in cash, securities or otherwise) at which and the terms and conditions upon which Securities of the series may be redeemed, in whole or in part, at the option of the Company, if the Company is to have that option, and the manner in which the Company must exercise any such option, if different from those set forth herein;

(9) the obligation, if any, of the Company to redeem, purchase or repay Securities of the series pursuant to any sinking fund or analogous provisions or at the option of a Holder thereof and the period or periods within which, the price or prices (whether denominated in cash, securities or otherwise) at which and the terms and conditions upon which Securities of the series shall be redeemed, purchased or repaid in whole or in part pursuant to such obligation;

(10) if other than denominations of $1,000 and any integral multiple thereof, the denomination in which any Securities of that series shall be issuable;

(11) if other than Dollars, the currency or currencies (including composite currencies) or the form, including equity securities, other debt securities (including Securities), warrants or any other securities or property of the Company or any other Person, in which payment of the principal of, premium (if any) and interest on and any Additional Amounts with respect to the Securities of the series shall be payable;

(12) if the principal of, premium (if any) or interest on or any Additional Amounts with respect to the Securities of the series are to be payable, at the election of the Company or a Holder thereof, in a currency or currencies (including composite currencies) other than that in which the Securities are stated to be payable, the currency or currencies (including composite currencies) in which payment of the principal of, premium (if any) and interest on and any Additional Amounts with respect to Securities of such series as to which such election is made shall be payable, and the periods within which and the terms and conditions upon which such election is to be made;

(13) if the amount of payments of principal of, premium (if any) and interest on and any Additional Amounts with respect to the Securities of the series may be determined with reference to any commodities, currencies or indices, values, rates or prices or any other index or formula, the manner in which such amounts shall be determined;

(14) if other than the entire principal amount thereof, the portion of the principal amount of Securities of the series that shall be payable upon declaration of acceleration of the Stated Maturity thereof pursuant to Section 6.02;

(15) any additional means of satisfaction and discharge of this Indenture and any additional conditions or limitations to discharge with respect to Securities of the series pursuant to Article VIII or any modifications of or deletions from such conditions or limitations;

(16) any deletions or modifications of or additions to the Events of Default set forth in Section 6.01 or covenants of the Company set forth in Article IV pertaining to the Securities of the series;

(17) any restrictions or other provisions with respect to the transfer or exchange of Securities of the series, which may amend, supplement, modify or supersede those contained in this Article II;

(18) if the Securities of the series are to be convertible into or exchangeable for capital stock, other debt securities (including Securities), warrants, other equity securities or any other securities or property of the Company or any other Person, at the option of the Company or the Holder or upon the occurrence of any condition or event, the terms and conditions for such conversion or exchange;

(19) if the Securities of the series are to be entitled to the benefit of Section 4.04(b) (and accordingly constitute Rule 144A Securities), that fact; and

(20) any other terms of the series (which terms shall not be prohibited by the provisions of this Indenture).

All Securities of any one series shall be substantially identical except as to denomination and except as may otherwise be provided in or pursuant to the Board Resolution referred to above and (subject to Section 2.03) set forth, or determined in the manner provided, in the Officers' Certificate or Company Order referred to above or in any such indenture supplemental hereto.

If any of the terms of the series are established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action together with such Board Resolution shall be set forth in an Officers' Certificate or certified by the Secretary or an Assistant Secretary of the Company and delivered to the Trustee at or prior to the delivery of the Officers' Certificate or Company Order setting forth the terms of the series.

SECTION 2.02 Denominations.

The Securities of each series shall be issuable in such denominations as shall be specified as contemplated by Section 2.01. In the absence of any such provisions with respect to the Securities of any series, the Securities of such series denominated in Dollars shall be issuable in denominations of $1,000 and any integral multiples thereof.

SECTION 2.03 Forms Generally.

The Securities of each series shall be in fully registered form and in substantially such form or forms (including temporary or permanent global form) established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto. The Securities may have notations, legends or endorsements required by law, securities exchange rule, the Company's certificate of incorporation, bylaws or other similar governing documents, agreements to which the Company is subject, if any, or usage (provided that any such notation, legend or endorsement is in a form acceptable to the Company). A copy of the Board Resolution establishing the form of Securities of any series shall be delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 2.04 for the authentication and delivery of such Securities.

The definitive Securities of each series shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the Officers executing such Securities, as evidenced by their execution thereof.

The Trustee's certificate of authentication shall be in substantially the following form:

"This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

JPMORGAN CHASE BANK, as Trustee

By: _____
Authorized Officer".

SECTION 2.04 Execution, Authentication, Delivery and Dating.

Two Officers of the Company shall sign the Securities on behalf of the Company by manual or facsimile signature. If an Officer of the Company whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall be valid nevertheless.

A Security shall not be entitled to any benefit under this Indenture or be valid or obligatory for any purpose until authenticated by the manual signature of an authorized signatory of the Trustee, which signature shall be conclusive evidence that the Security has been authenticated under this Indenture. Notwithstanding the foregoing, if any Security has been authenticated and delivered hereunder but never issued and sold by the Company, and the Company delivers such Security to the Trustee for cancellation as provided in Section 2.13 together with a written statement (which need not comply with Section 10.05 and need not be accompanied by an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities of any series executed by the Company to the Trustee for authentication, and the Trustee shall authenticate and deliver such Securities for original issue upon a Company Order for the authentication and delivery of such Securities or pursuant to such procedures acceptable to the Trustee as may be specified from time to time by Company Order. Such order shall specify the amount of the Securities to be authenticated, the date on which the original issue of Securities is to be authenticated, the name or names of the initial Holder or Holders and any other terms of the Securities of such series not otherwise determined. If provided for in such procedures, such Company Order may authorize (1) authentication and delivery of Securities of such series for original issue from time to time, with certain terms (including, without limitation, the Stated Maturity dates or dates, original issue date or dates and interest rate or rates) that differ from Security to Security and (2) may authorize authentication and delivery pursuant to oral or electronic instructions from the Company or its duly authorized agent, which instructions shall be promptly confirmed in writing.

If the form or terms of the Securities of the series have been established in or pursuant to one or more Board Resolutions as permitted by Section 2.01, in authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive (in addition to the Company Order referred to above and the other documents required by Section 10.04), and (subject to Section 7.01) shall be fully protected in relying upon,

(a) an Officers 'Certificate setting forth the Board Resolution and, if applicable, an appropriate record of any action taken pursuant thereto, as contemplated by the last paragraph of Section 2.01; and

(b) an Opinion of Counsel to the effect that:

(i) if the form of such Securities has been established by or pursuant to Board Resolution, as is permitted by Section 2.01, that such form has been established in conformity with the provisions of this Indenture;

(ii) if the terms of such Securities have been established by or pursuant to Board Resolution, as is permitted by Section 2.01, that such terms have been established in conformity with the provisions of this Indenture; and

(iii) that such Securities, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws in effect from time to time affecting the rights of creditors generally, and the application of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

If all the Securities of any series are not to be issued at one time, it shall not be necessary to deliver an Officers' Certificate and Opinion of Counsel at the time of issuance of each such Security, but such Officers' Certificate and Opinion of Counsel shall be delivered at or before the time of issuance of the first Security of the series to be issued.

The Trustee shall not be required to authenticate such Securities if the issuance of such Securities pursuant to this Indenture would affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner not reasonably acceptable to the Trustee.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities. Unless limited by the terms of such appointment, an authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company or an Affiliate of the Company.

Each Security shall be dated the date of its authentication.

SECTION 2.05 Registrar and Paying Agent.

The Company shall maintain an office or agency for each series of Securities where Securities of such series may be presented for registration of transfer or exchange ("Registrar") and an office or agency where Securities of such series may be presented for payment ("Paying Agent"). The Registrar shall keep a register of the Securities of such series

and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent.

The Company shall enter into an appropriate agency agreement with any Registrar or Paying Agent not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of any Agent not a party to this Indenture. The Company may change any Paying Agent or Registrar without notice to any Holder. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company or any Subsidiary may act as Paying Agent or Registrar.

The Company initially appoints the Trustee as Registrar and Paying Agent.

SECTION 2.06 Paying Agent to Hold Money in Trust.

The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal of, premium, if any, or interest on or any Additional Amounts with respect to Securities and will notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. Upon payment over to the Trustee and upon accounting for any funds disbursed, the Paying Agent (if other than the Company or a Subsidiary) shall have no further liability for the money. If the Company or a Subsidiary acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent. Each Paying Agent shall otherwise comply with TIA Section 317(b).

SECTION 2.07 Holder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders and shall otherwise comply with TIA Section 312(a). If the Trustee is not the Registrar with respect to a series of Securities, the Company shall furnish to the Trustee at least five Business Days before each Interest Payment Date with respect to such series of Securities, and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders of such series, and the Company shall otherwise comply with TIA Section 312(a).

SECTION 2.08 Transfer and Exchange.

Except as set forth in Section 2.17 or as may be provided pursuant to Section 2.01:

When Securities of any series are presented to the Registrar with the request to register the transfer of such Securities or to exchange such Securities for an equal principal

amount of Securities of the same series of like tenor and of other authorized denominations, the Registrar shall register the transfer or make the exchange as requested if its requirements and the requirements of this Indenture for such transactions are met; provided, however, that the Securities presented or surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by a written instruction of transfer in form reasonably satisfactory to the Registrar duly executed by the Holder thereof or by his attorney, duly authorized in writing, on which instruction the Registrar can rely.

To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate Securities at the Registrar's written request and submission of the Securities or Global Securities. No service charge shall be made to a Holder for any registration of transfer or exchange (except as otherwise expressly permitted herein), but the Company may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection therewith (other than such transfer tax or similar governmental charge payable upon exchanges pursuant to Section 2.12, 3.07 or 9.05). The Trustee shall authenticate Securities in accordance with the provisions of Section 2.04. Notwithstanding any other provisions of this Indenture to the contrary, the Company shall not be required to register the transfer or exchange of (a) any Security selected for redemption in whole or in part pursuant to Article III, except the unredeemed portion of any Security being redeemed in part or (b) any Security during the period beginning 15 Business Days before the mailing of notice of any offer to repurchase Securities of the series required pursuant to the terms thereof or of redemption of Securities of a series to be redeemed and ending at the close of business on the day of mailing.

SECTION 2.09 Replacement Securities.

If any mutilated Security is surrendered to the Trustee, or if the Holder of a Security claims that the Security has been destroyed, lost or stolen and the Trustee receives evidence to their satisfaction of the destruction, loss or theft of such Security, the Company shall issue and the Trustee shall authenticate a replacement Security of the same series if the Trustee's requirements are met. If any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security. If required by the Trustee or the Company, such Holder must furnish an indemnity bond that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent or any authenticating agent from any loss that any of them may suffer if a Security is replaced. The Company and the Trustee may charge a Holder for their expenses in replacing a Security.

Every replacement Security is an additional obligation of the Company.

SECTION 2.10 Outstanding Securities.

The Securities outstanding at any time are all the Securities authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Security effected by the Trustee hereunder and those described in this Section 2.10 as not outstanding.

If a Security is replaced pursuant to Section 2.09, it ceases to be outstanding unless the Company and the Trustee receive proof satisfactory to them that the replaced Security is held by a bona fide purchaser.

If the principal amount of any Security is considered paid under Section 4.01, it ceases to be outstanding and interest on it ceases to accrue.

A Security does not cease to be outstanding because the Company or an Affiliate of the Company holds the Security.

SECTION 2.11 Original Issue Discount, Foreign-Currency Denominated and Treasury Securities.

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, amendment, supplement, waiver or consent, (a) the principal amount of an Original Issue Discount Security shall be the principal amount thereof that would be due and payable as of the date of such determination upon acceleration of the Stated Maturity thereof pursuant to Section 6.02, (b) the principal amount of a Security denominated in a foreign currency shall be the Dollar equivalent, as determined by the Company by reference to the noon buying rate in The City of New York for cable transfers for such currency, as such rate is certified for customs purposes by the Federal Reserve Bank of New York (the "Exchange Rate") on the date of original issuance of such Security, of the principal amount (or, in the case of an Original Issue Discount Security, the Dollar equivalent, as determined by the Company by reference to the Exchange Rate on the date of original issuance of such Security, of the amount determined as provided in (a) above), of such Security and (c) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor shall be disregarded, except that, for the purpose of determining whether the Trustee shall be protected in relying upon any such direction, amendment, supplement, waiver or consent, only Securities that the Trustee actually knows are so owned shall be so disregarded.

SECTION 2.12 Temporary Securities.

Until definitive Securities of any series are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities, but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive Securities in exchange for temporary Securities. Until so exchanged, the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

SECTION 2.13 Cancellation.

The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, exchange, payment or redemption or for credit against any sinking fund payment. The Trustee shall cancel all Securities surrendered for registration of transfer, exchange, payment, redemption, replacement or cancellation or for credit against any sinking fund. Unless the Company shall direct in writing that canceled Securities be returned to

it, after written notice to the Company all canceled Securities held by the Trustee shall be disposed of in accordance with the usual disposal procedures of the Trustee, and the Trustee shall maintain a record of their disposal. The Company may not issue new Securities to replace Securities that have been paid or that have been delivered to the Trustee for cancellation.

SECTION 2.14 Payments; Defaulted Interest.

Unless otherwise provided as contemplated by Section 2.01, interest (except defaulted interest) on any Security that is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person who is the registered Holder of that Security at the close of business on the record date next preceding such Interest Payment Date, even if such Security is canceled after such record date and on or before such Interest Payment Date. The Holder must surrender a Security to a Paying Agent to collect principal payments. Unless otherwise provided with respect to the Securities of any series, the Company will pay the principal of, premium (if any) and interest on and any Additional Amounts with respect to the Securities in Dollars. Such amounts shall be payable at the offices of the Trustee or any Paying Agent, provided that at the option of the Company, the Company may pay such amounts (1) by wire transfer with respect to Global Securities or (2) by check payable in such money mailed to a Holder's registered address with respect to any Securities.

If the Company defaults in a payment of interest on the Securities of any series, the Company shall pay the defaulted interest in any lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee, plus, to the extent lawful, interest on the defaulted interest, in each case at the rate provided in the Securities of such series and in Section 4.01. The Company may pay the defaulted interest to the Persons who are Holders on a subsequent special record date. At least 15 days before any special record date selected by the Company, the Company (or the Trustee, in the name of and at the expense of the Company upon 20 days' prior written notice from the Company setting forth such special record date and the interest amount to be paid) shall mail to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

Subject to the foregoing provisions of this Section 2.14, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

SECTION 2.15 Persons Deemed Owners.

The Company, the Trustee, any Agent and any authenticating agent may treat the Person in whose name any Security is registered as the owner of such Security for the purpose of receiving payments of principal of, premium (if any) or interest on or any Additional Amounts with respect to such Security and for all other purposes. None of the Company, the Trustee, any Agent or any authenticating agent shall be affected by any notice to the contrary.

SECTION 2.16 Computation of Interest.

Except as otherwise specified as contemplated by Section 2.01 for Securities of any series, interest on the Securities of each series shall be computed on the basis of a year comprising twelve 30-day months.

SECTION 2.17 Global Securities; Book-Entry Provisions.

If Securities of a series are issuable in global form as a Global Security, as contemplated by Section 2.01, then, notwithstanding clause (10) of Section 2.01 and the provisions of Section 2.02, any such Global Security shall represent such of the outstanding Securities of such series as shall be specified therein and may provide that it shall represent the aggregate amount of outstanding Securities from time to time endorsed thereon and that the aggregate amount of outstanding Securities represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges, transfers or redemptions. Any endorsement of a Global Security to reflect the amount, or any increase or decrease in the amount, of outstanding Securities represented thereby shall be made by the Trustee (i) in such manner and upon instructions given by such Person or Persons as shall be specified in such Security or in a Company Order to be delivered to the Trustee pursuant to Section 2.04 or (ii) otherwise in accordance with written instructions or such other written form of instructions as is customary for the Depositary for such Security, from such Depositary or its nominee on behalf of any Person having a beneficial interest in such Global Security. Subject to the provisions of Section 2.04 and, if applicable, Section 2.12, the Trustee shall deliver and redeliver any Security in permanent global form in the manner and upon instructions given by the Person or Persons specified in such Security or in the applicable Company Order. With respect to the Securities of any series that are represented by a Global Security, the Company authorizes the execution and delivery by the Trustee of a letter of representations or other similar agreement or instrument in the form customarily provided for by the Depositary appointed with respect to such Global Security. Any Global Security may be deposited with the Depositary or its nominee, or may remain in the custody of the Trustee or the Security Custodian. If a Company Order has been, or simultaneously is, delivered, any instructions by the Company with respect to endorsement or delivery or redelivery of a Security in global form shall be in writing but need not comply with Section 10.05 and need not be accompanied by an Opinion of Counsel.

Members of, or participants in, the Depositary ("Agent Members") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depositary, or the Trustee or the Security Custodian as its custodian, or under such Global Security, and the Depositary may be treated by the Company, the Trustee or the Security Custodian and any agent of the Company, the Trustee or the Security Custodian as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, (i) the registered holder of a Global Security of a series may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action that a Holder of Securities of such series is entitled to take under this Indenture or the Securities of such series and (ii) nothing herein shall prevent the Company, the Trustee or the Security Custodian, or any agent of the Company, the Trustee or the Security Custodian, from giving effect to any written certification, proxy or other authorization furnished by the Depositary or shall impair, as between the Depositary and its Agent Members, the

operation of customary practices governing the exercise of the rights of a beneficial owner of any Security.

Notwithstanding Section 2.08, and except as otherwise provided pursuant to Section 2.01, Transfers of a Global Security shall be limited to transfers of such Global Security in whole, but not in part, to the Depositary, its successors or their respective nominees. Interests of beneficial owners in a Global Security may be transferred in accordance with the rules and procedures of the Depositary. Securities shall be transferred to all beneficial owners in exchange for their beneficial interests in a Global Security if, and only if, either (1) the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for the Global Security and a successor Depositary is not appointed by the Company within 90 days of such notice, (2) an Event of Default has occurred with respect to such series and is continuing and the Registrar has received a request from the Depositary to issue Securities in lieu of all or a portion of the Global Security (in which case the Company shall deliver Securities within 30 days of such request) or (3) the Company determines not to have the Securities represented by a Global Security.

In connection with any transfer of a portion of the beneficial interests in a Global Security to beneficial owners pursuant to this Section 2.17, the Registrar shall reflect on its books and records the date and a decrease in the principal amount of the Global Security in an amount equal to the principal amount of the beneficial interests in the Global Security to be transferred, and the Company shall execute, and the Trustee upon receipt of a Company Order for the authentication and delivery of Securities shall authenticate and deliver, one or more Securities of the same series of like tenor and amount.

In connection with the transfer of all the beneficial interests in a Global Security to beneficial owners pursuant to this Section 2.17, the Global Security shall be deemed to be surrendered to the Trustee for cancellation, and the Company shall execute, and the Trustee shall authenticate and deliver, to each beneficial owner identified by the Depositary in exchange for its beneficial interests in the Global Security, an equal aggregate principal amount of Securities of authorized denominations.

Neither the Company nor the Trustee will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Securities by the Depositary, or for maintaining, supervising or reviewing any records of the Depositary relating to such Securities. Neither the Company nor the Trustee shall be liable for any delay by the related Global Security Holder or the Depositary in identifying the beneficial owners, and each such Person may conclusively rely on, and shall be protected in relying on, instructions from such Global Security Holder or the Depositary for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the Securities to be issued).

The provisions of the last sentence of the third paragraph of Section 2.04 shall apply to any Global Security if such Global Security was never issued and sold by the Company and the Company delivers to the Trustee the Global Security together with written instructions (which need not comply with Section 10.05 and need not be accompanied by an Opinion of Counsel) with regard to the cancellation or reduction in the principal amount of Securities represented thereby, together with the written statement contemplated by the last sentence of the third paragraph of Section 2.04.

Notwithstanding the provisions of Sections 2.03 and 2.14, unless otherwise specified as contemplated by Section 2.01, payment of principal of, premium (if any) and interest on and any Additional Amounts with respect to any Global Security shall be made to the Person or Persons specified therein.

ARTICLE III
REDEMPTION

SECTION 3.01 Applicability of Article.

Securities of any series that are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 2.01 for Securities of any series) in accordance with this Article III.

SECTION 3.02 Notice to the Trustee.

If the Company elects to redeem Securities of any series pursuant to this Indenture, it shall notify the Trustee of the Redemption Date and the principal amount of Securities of such series to be redeemed. The Company shall so notify the Trustee at least 45 days before the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee) by delivering to the Trustee an Officers' Certificate stating that such redemption will comply with the provisions of this Indenture and of the Securities of such series. Any such notice may be canceled at any time prior to the mailing of such notice of such redemption to any Holder and shall thereupon be void and of no effect.

SECTION 3.03 Selection of Securities To Be Redeemed.

If less than all the Securities of any series are to be redeemed (unless all of the Securities of such series of a specified tenor are to be redeemed), the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee from the outstanding Securities of such series (and tenor) not previously called for redemption, pro rata, by lot or by such other method as the Trustee shall deem fair and appropriate and that may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Securities of that series or any integral multiple thereof) of the principal amount of Securities of such series of a denomination larger than the minimum authorized denomination for Securities of that series or of the principal amount of Global Securities of such series.

The Trustee shall promptly notify the Company and the Registrar in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

For purposes of this Indenture, unless the context otherwise requires, all provisions relating to redemption of Securities shall relate, in the case of any of the Securities redeemed or to be redeemed only in part, to the portion of the principal amount thereof which has been or is to be redeemed.

SECTION 3.04 Notice of Redemption.

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed, at the address of such Holder appearing in the register of Securities maintained by the Registrar.

All notices of redemption shall identify the Securities to be redeemed and shall state:

(1) the Redemption Date;

(2) the Redemption Price, and accrued interest, if any;

(3) that, unless the Company defaults in making the redemption payment, interest on Securities called for redemption ceases to accrue on and after the Redemption Date, and the only remaining right of the Holders of such Securities is to receive payment of the Redemption Price upon surrender to the Paying Agent of the Securities redeemed;

(4) if any Security is to be redeemed in part, the portion of the principal amount thereof to be redeemed and that on and after the Redemption Date, upon surrender for cancellation of such Security to the Paying Agent, a new Security or Securities in the aggregate principal amount equal to the unredeemed portion thereof will be issued without charge to the Holder;

(5) that Securities called for redemption must be surrendered to the Paying Agent to collect the Redemption Price and the name and address of the Paying Agent;

(6) that the redemption is for a sinking or analogous fund, if such is the case; and

(7) the CUSIP number, if any, relating to such Securities.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's written request, by the Trustee in the name and at the expense of the Company.

SECTION 3.05 Effect of Notice of Redemption.

Once notice of redemption is mailed, Securities called for redemption become due and payable on the Redemption Date and at the Redemption Price. Upon surrender to the Paying Agent, such Securities called for redemption shall be paid at the Redemption Price, but interest installments whose maturity is on or prior to such Redemption Date will be payable on the relevant Interest Payment Dates to the Holders of record at the close of business on the relevant record dates specified pursuant to Section 2.01.

SECTION 3.06 Deposit of Redemption Price.

On or prior to any Redemption Date, the Company shall deposit with the Trustee or the Paying Agent (or, if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 2.06) an amount of money in same day funds sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) accrued interest on and any Additional Amounts with respect to, the Securities or portions thereof which are to be redeemed on that date, other than Securities or portions thereof called for redemption on that date which have been delivered by the Company to the Trustee for cancellation.

If the Company complies with the preceding paragraph, then, unless the Company defaults in the payment of such Redemption Price, interest on the Securities to be redeemed will cease to accrue on and after the applicable Redemption Date, whether or not such Securities are presented for payment, and the Holders of such Securities shall have no further rights with respect to such Securities except for the right to receive the Redemption Price upon surrender of such Securities. If any Security called for redemption shall not be so paid upon surrender thereof for redemption, the principal, premium, if any, any Additional Amounts, and, to the extent lawful, accrued interest thereon shall, until paid, bear interest from the Redemption Date at the rate specified pursuant to Section 2.01 or provided in the Securities or, in the case of Original Issue Discount Securities, such Securities' yield to maturity.

SECTION 3.07 Securities Redeemed or Purchased in Part.

Upon surrender to the Paying Agent of a Security to be redeemed in part, the Company shall execute and the Trustee shall authenticate and deliver to the Holder of such Security without service charge a new Security or Securities, of the same series and of any authorized denomination as requested by such Holder in aggregate principal amount equal to, and in exchange for, the unredeemed portion of the principal of the Security so surrendered that is not redeemed.

SECTION 3.08 Purchase of Securities.

Unless otherwise specified as contemplated by Section 2.01, the Company and any Affiliate of the Company may at any time purchase or otherwise acquire Securities in the open market or by private agreement. Any such acquisition shall not operate as or be deemed for any purpose to be a redemption of the indebtedness represented by such Securities. Any Securities purchased or acquired by the Company may be delivered to the Trustee and, upon such delivery, the indebtedness represented thereby shall be deemed to be satisfied. Section 2.13 shall apply to all Securities so delivered.

SECTION 3.09 Mandatory and Optional Sinking Funds.

The minimum amount of any sinking fund payment provided for by the terms of Securities of any series is herein referred to as a "mandatory sinking fund payment," and any payment in excess of such minimum amount provided for by the terms of Securities of any series is herein referred to as an "optional sinking fund payment." Unless otherwise provided by the terms of Securities of any series, the cash amount of any sinking fund payment may be subject to

reduction as provided in Section 3.10. Each sinking fund payment shall be applied to the redemption of Securities of any series as provided for by the terms of Securities of such series and by this Article III.

SECTION 3.10 Satisfaction of Sinking Fund Payments with Securities.

The Company may deliver outstanding Securities of a series (other than any previously called for redemption) and may apply as a credit Securities of a series that have been redeemed either at the election of the Company pursuant to the terms of such Securities or through the application of permitted optional sinking fund payments pursuant to the terms of such Securities, in each case in satisfaction of all or any part of any sinking fund payment with respect to the Securities of such series required to be made pursuant to the terms of such series of Securities; provided that such Securities have not been previously so credited. Such Securities shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Securities for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

SECTION 3.11 Redemption of Securities for Sinking Fund.

Not less than 45 days prior (unless a shorter period shall be satisfactory to the Trustee) to each sinking fund payment date for any series of Securities, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivery of or by crediting Securities of that series pursuant to Section 3.10 and will also deliver or cause to be delivered to the Trustee any Securities to be so delivered. Failure of the Company to timely deliver or cause to be delivered such Officers' Certificate and Securities specified in this paragraph, if any, shall not constitute a default but shall constitute the election of the Company (i) that the mandatory sinking fund payment for such series due on the next succeeding sinking fund payment date shall be paid entirely in cash without the option to deliver or credit Securities of such series in respect thereof and (ii) that the Company will make no optional sinking fund payment with respect to such series as provided in this Section.

If the sinking fund payment or payments (mandatory or optional or both) to be made in cash on the next succeeding sinking fund payment date plus any unused balance of any preceding sinking fund payments made in cash shall exceed $100,000 (or the Dollar equivalent thereof based on the applicable Exchange Rate on the date of original issue of the applicable Securities) or a lesser sum if the Company shall so request with respect to the Securities of any particular series, such cash shall be applied on the next succeeding sinking fund payment date to the redemption of Securities of such series at the sinking fund redemption price together with accrued interest to the date fixed for redemption. If such amount shall be $100,000 (or the Dollar equivalent thereof as aforesaid) or less and the Company makes no such request then it shall be carried over until a sum in excess of $100,000 (or the Dollar equivalent thereof as aforesaid) is available. Not less than 30 days before each such sinking fund payment date, the Trustee shall select the Securities to be redeemed upon such sinking fund payment date in the manner specified in Section 3.03 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 3.04. Such notice

having been duly given, the redemption of such Securities shall be made upon the terms and in the manner stated in Sections 3.05, 3.06 and 3.07.

ARTICLE IV
COVENANTS

SECTION 4.01 Payment of Securities.

The Company shall pay the principal of, premium (if any) and interest on and any Additional Amounts with respect to the Securities of each series on the dates and in the manner provided in the Securities of such series and in this Indenture. Principal, premium, interest and any Additional Amounts shall be considered paid on the date due if the Paying Agent, other than the Company or a Subsidiary, holds on that date money deposited by the Company designated for and sufficient to pay all principal, premium, interest and any Additional Amounts then due and the Paying Agent is not prohibited from paying such money to the Holder on such date pursuant to the terms of this Indenture.

The Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal and premium (if any), at a rate equal to the then applicable interest rate on the Securities to the extent lawful; and it shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue installments of interest and any Additional Amount (without regard to any applicable grace period) at the same rate to the extent lawful.

SECTION 4.02 Maintenance of Office or Agency.

The Company will maintain in each Place of Payment for any series of Securities an office or agency (which may be an office of the Trustee, the Registrar or the Paying Agent) where Securities of that series may be presented for registration of transfer or exchange, where Securities of that series may be presented for payment and where notices and demands to or upon the Company in respect of the Securities of that series and this Indenture may be served. Unless otherwise designated by the Company by written notice to the Trustee, such office or agency shall be the office of the Trustee in Dallas, Texas, which on the date hereof is located at 2001 Bryan Street, 9th Floor, Dallas, Texas 75201. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Securities of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for Securities of any series for such purposes. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

Notwithstanding anything to the contrary contained in this Indenture, the Company may, to the extent it is required to do so by law, deduct or withhold income or other similar taxes imposed by the United State of America from principal, premium (if any), or interest payments hereunder.

SECTION 4.03 Money for Security Payments to Be Held in Trust.

If the Company shall at any time act as its own Paying Agent, it will, on or before each due date of the principal of (or Additional Amounts, if any) or interest on any of the Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal of (or Additional Amounts, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee in writing of its action or failure to so act.

Whenever the Company shall have one or more Paying Agents for the Securities, it will, on or before each due date of the principal of (or Additional Amounts, if any) or interest on any Securities, deposit with any Paying Agent a sum in same day funds (or New York Clearing House funds if such deposit is made prior to the date on which such deposit is required to be made) that shall be available to the Trustee by 10:00 a.m. New York City time on such due date sufficient to pay the principal (or Additional Amounts, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, Additional Amounts or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee in writing of such action or any failure to so act.

The Company will cause each Paying Agent (other than the Trustee) to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section 4.03, that such Paying Agent will:

(a) hold all sums held by it for the payment of the principal of (and Additional Amounts, if any) or interest on Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(b) give the Trustee prompt written notice of any default by the Company (or any other obligor upon the Securities) in the making of any payment of principal (and Additional Amounts, if any) or interest; and

(c) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such sums.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (or Additional Amounts, if any) or interest on any Security and remaining unclaimed for two years after such principal, Additional Amounts or interest has become due and payable shall be paid to the Company on Company order, or (if then held by the Company) shall be discharged from such trust, and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment to the Company, shall at the expense of the Company cause to be published once, in a leading daily newspaper (if practicable, The Wall Street Journal (Eastern Edition)) printed in the English language and of general circulation in New York City, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication nor shall it be later than two years after such principal (or Additional Amounts, if any) or interest shall have become due and payable, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 4.04 SEC Reports; Financial Statements.

(a) The Company shall file with the Trustee, within 15 days after it files the same with the SEC, copies of the annual reports and the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may by rules and regulations prescribe) that the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act. If this Indenture is qualified under the TIA, but not otherwise, the Company shall also comply with the provisions of TIA Section 314(a).

(b) If the Company is not subject to the requirements of Section 13 or 15(d) of the Exchange Act, the Company shall furnish to all Holders of Rule 144A Securities and prospective purchasers of Rule 144A Securities designated by the Holders of Rule 144A Securities, promptly upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) promulgated under the Securities Act of 1933, as amended.

(c) The Company intends to file the reports referred to in clauses (a) and (b) of this Section 4.04 with the SEC in electronic form pursuant to Regulation S-T of the SEC using the SEC's Electronic Data Gathering, Analysis and Retrieval ("EDGAR") system. The Company shall notify the Trustee in the manner prescribed herein of each such filing. The Trustee is hereby authorized and directed to access the EDGAR system for purposes of retrieving the reports so filed. Compliance with the foregoing shall constitute delivery by the Company of such reports to the Trustee in compliance with the provisions of TIA Section 314(a). The Trustee shall have no duty to search for or obtain any electronic or other filings that the Company makes with the SEC, regardless of whether such filings are periodic, supplemental or otherwise. Delivery of the reports, information and documents to the Trustee pursuant to this Section 4.04 shall be solely for the purposes of compliance with this Section 4.04 and with TIA Section 314(a). The Trustee's receipt of such reports, information and documents shall not constitute notice to it of the content thereof or of any matter determinable from the content thereof, including the Company's compliance with any of its covenants hereunder, as to which the Trustee is entitled to rely upon Officers' Certificates.

SECTION 4.05 Compliance Certificate.

(a) The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year of the Company, a statement signed by an Officer of the Company, which need not constitute an Officers' Certificate, complying with TIA Section 314(a)(4) and stating that in the course of performance by the signing Officer of his duties as such Officer of the Company he would normally obtain knowledge of the keeping, observing, performing and fulfilling by the Company of its obligations under this Indenture, and further stating that to the best of his knowledge the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions hereof (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which such Officer may have knowledge and what action the Company is taking or proposes to take with respect thereto).

(b) The Company shall, so long as Securities of any series are outstanding, deliver to the Trustee, forthwith upon any Officer of the Company becoming aware of any Default or Event of Default under this Indenture, an Officers' Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

SECTION 4.06 Corporate Existence.

Subject to Article V, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and corporate rights (charter and statutory) licenses and franchises of the Company; provided, however, that the Company shall not be required to preserve any such existence, right, license or franchise if the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company and each of its Subsidiaries, taken as a whole, and that the loss thereof is not, and will not be, disadvantageous in any material respect to the Holders.

SECTION 4.07 Payment of Taxes and Other Claims.

The Company will pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (i) all material taxes, assessments and governmental charges levied or imposed upon the Company or any Subsidiary or upon the income, profits or property of the Company or any Subsidiary and (ii) all lawful claims for labor, materials and supplies, which, if unpaid, might by law become a material liability or lien upon the property of the Company or any Subsidiary; provided, however, that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which appropriate reserves, if necessary (in the good faith judgment of management of the Company) are being maintained in accordance with GAAP.

SECTION 4.08 Waiver of Stay, Extension or Usury Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law that would prohibit or

forgive the Company from paying all or any portion of the principal of or interest on the Securities as contemplated herein, wherever enacted, now or at any time hereafter in force, or which may affect the covenants or the performance of this Indenture; and (to the extent that it may lawfully do so) the Company hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 4.09 Additional Amounts.

If the Securities of a series expressly provide for the payment of Additional Amounts, the Company will pay to the Holder of any Security of such series Additional Amounts as expressly provided therein. Whenever in this Indenture there is mentioned, in any context, the payment of the principal of or any premium or interest on, or in respect of, any Security of any series or the net proceeds received from the sale or exchange of any Security of any series, such mention shall be deemed to include mention of the payment of Additional Amounts provided for in this Section 4.09 to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof pursuant to the provisions of this Section 4.09 and express mention of the payment of Additional Amounts (if applicable) in any provisions hereof shall not be construed as excluding Additional Amounts in those provisions hereof where such express mention is not made.

SECTION 4.10 Restriction on Creation of Secured Debt.

So long as any of the Securities are outstanding, the Company shall not at any time create, incur or assume, and shall not cause, suffer or permit a Restricted Subsidiary to create, incur or assume, any Secured Debt without making effective provision (and the Company covenants that in such case it will make or cause to be made such effective provision) whereby the Securities then outstanding and any other indebtedness of the Company or such Restricted Subsidiary then entitled thereto, subject to applicable priorities of payment, shall be secured by such mortgage, security interest, pledge, lien or encumbrance equally and ratably with any and all other obligations and indebtedness thereby secured, so long as any such other obligations and indebtedness shall be so secured; provided, however, that the foregoing covenants shall not be applicable to the following:

(a) (i) Any mortgage, security interest, pledge, lien or encumbrance on any property hereafter acquired (including acquisition through merger or consolidation) or constructed by the Company or a Restricted Subsidiary and created contemporaneously with, or within twelve months after, such acquisition or the completion of construction to secure or provide for the payment of all or any part of the purchase price of such property or the cost of construction thereof, as the case may be; or (ii) any mortgage on property (including any unimproved portion of partially improved property) of the Company or a Restricted Subsidiary created within twelve months of completion of construction of a new plant or plants on such property to secure all or part of the cost of such construction if, in the opinion of the Board of Directors, such property or such portion thereof was prior to such construction substantially unimproved for the use intended by the Company; or (iii) the acquisition of property subject to any mortgage,

security interest, pledge, lien or encumbrance upon such property existing at the time of acquisition thereof, whether or not assumed by the Company or such Restricted Subsidiary; or (iv) any mortgage, security interest, pledge, lien or encumbrance existing on the property or on the outstanding shares or indebtedness of a corporation at the time such corporation shall become a Restricted Subsidiary; or (v) any mortgage, security interest, pledge, lien or encumbrance on property of a corporation existing at the time such corporation is merged into or consolidated with the Company or a Restricted Subsidiary or at the time of a sale, lease or other disposition of the properties of a corporation or firm as an entirety or substantially as an entirety to the Company or a Restricted Subsidiary; or

(b) Mortgages on property of the Company or a Restricted Subsidiary in favor of the United States of America or any State thereof or any foreign government, or any department, agency or instrumentality or political subdivision of any thereof, to secure partial, progress, advance or other payments pursuant to any contract or statute or to secure any indebtedness incurred for the purpose of financing all or any part of the purchase price or the cost of construction of the property subject to such mortgages; or

(c) Any extension, renewal or replacement (or successive extensions, renewals or replacements) in whole or in part of any mortgage, security interest pledge, lien or encumbrance referred to in the foregoing subparagraphs (a) and (b); provided, however, that the principal amount of Secured Debt secured thereby shall not exceed the principal amount outstanding at the time of such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to the property which secured the mortgage, security interest, pledge, lien or encumbrance so extended, renewed or replaced and additions to such property.

Notwithstanding the foregoing provisions of this Section 4.10, the Company and any one or more Restricted Subsidiaries may create, incur, assume or guarantee Secured Debt which would otherwise be subject to the foregoing restrictions in an aggregate amount which, together with all other Secured Debt of the Company and its Restricted Subsidiaries which would otherwise be subject to the foregoing restrictions (not including Secured Debt permitted to be secured under subparagraphs (a) through (c) above) and the aggregate value of the Sale and Leaseback Transactions (as defined in Section 4.11) in existence at such time (not including Sale and Leaseback Transactions the proceeds of which have been or will be applied in accordance with clause (b) of Section 4.11), does not at the time exceed five percent of Consolidated Net Tangible Assets.

SECTION 4.11 Limitation on Sale and Leaseback Transactions.

The Company will not, and will not permit any Restricted Subsidiary to, sell or transfer (except to the Company or to one or more Restricted Subsidiaries, or both) any Principal Property owned by it and which has been in full operation for more than 120 days prior to such sale or transfer with the intention (i) of taking back a lease on such property, except a lease for a temporary period (not exceeding 36 months), and (ii) that the use by the Company or such Restricted Subsidiary of such property will be discontinued on or before the expiration of the term of such lease (any such transaction being herein referred to as a "Sale and Leaseback

Transaction"), unless (a) the Company or such Restricted Subsidiary would be entitled, pursuant to the provisions of Section 4.10, to incur Secured Debt equal in amount to the amount realized or to be realized upon such sale or transfer secured by a mortgage on the property to be leased without equally and ratably securing the Securities, or (b) the Company or a Restricted Subsidiary shall apply an amount equal to the value of the property so leased to the retirement (other than any mandatory retirement), within 120 days of the effective date of any such arrangement, of indebtedness for money borrowed by the Company or any Restricted Subsidiary (other than such indebtedness owned by the Company or any Restricted Subsidiary) which was recorded as funded debt as of the date of its creation and which, in the case of such indebtedness of the Company, is not subordinate and junior in right of payment to the prior payment of the Securities; provided, however, that the amount to be so applied to the retirement of such indebtedness shall be reduced by (i) the aggregate principal amount of any Securities delivered within 120 days of the effective date of any such arrangement to the Trustee for retirement and cancellation, and (ii) the aggregate principal amount of such indebtedness (other than the Securities) retired by the Company or a Restricted Subsidiary within 120 days of the effective date of any such arrangement.

The term "value" shall mean, with respect to a Sale and Leaseback Transaction, as of any particular time, the amount equal to the greater of (i) the net proceeds of the sale of the property leased pursuant to such Sale and Leaseback Transaction, or (ii) the fair value of such property at the time of entering into such Sale and Leaseback Transaction, as determined by the Board of Directors, in either case divided first by the number of full years of the term of the lease and then multiplied by the number of full years of such term remaining at the time of determination, without regard to any renewal or extension options contained in the lease.

SECTION 4.12 Further Instruments and Acts.

Upon request of the Trustee, the Company will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

ARTICLE V
SUCCESSORS

SECTION 5.01 Merger and Consolidation.

The Company shall not, in any transaction or series of transactions, consolidate with or merge with or into any Person, or sell, lease, convey, transfer or otherwise dispose of all or substantially all of its assets to any Person, unless:

(1) either (a) the Company shall be the continuing Person or (b) the Person (if other than the Company) formed by such consolidation or into which the Company is merged, or to which such sale, lease, conveyance, transfer or other disposition shall be made (collectively, the "Successor"), is organized and validly existing under the laws of the United States, any political subdivision thereof or any State thereof or the District of Columbia, and expressly assumes by supplemental indenture the due and punctual payment of the principal of, premium (if any) and interest on and any Additional

Amounts with respect to all the Securities and the performance of the Company's covenants and obligations under this Indenture and the Securities;

(2) immediately after giving effect to such transaction or series of transactions (and treating any Indebtedness that becomes an obligation of the Successor or any Restricted Subsidiary of the Successor as a result of such transaction as having been incurred by the Successor or such Restricted Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing or would result therefrom; and

(3) the Company delivers to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that the transaction and such supplemental indenture comply with this Indenture.

For purposes of this Section 5.01, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

SECTION 5.02 Securities to be Secured in Certain Events.

If, upon any such consolidation or merger, or upon any such sale, conveyance or lease, or upon any acquisition by the Company by purchase or otherwise of all or any part of the properties of any other corporation, any Principal Property owned by the Company or a Restricted Subsidiary immediately prior thereto would thereupon become subject to any mortgage, security interest, pledge, lien or encumbrance, not permitted by Section 4.10 hereof, the Company, prior to such consolidation, merger, sale, conveyance, lease or acquisition, will by indenture supplemental hereto secure the due and punctual payment of the principal of and interest, if any, on the Securities then outstanding (equally and ratably with any other indebtedness of or guaranteed by the Company then entitled thereto) by a direct lien on such Principal Property, together with any other properties and assets of the Company or of any such Restricted Subsidiary, whichever shall be the owner of any such Principal Property, which would thereupon become subject to any such mortgage, security interest, pledge, lien or encumbrance, prior to all liens other than any theretofore existing thereon.

SECTION 5.03 Successor Person Substituted.

Upon any consolidation or merger of the Company or any sale, lease, conveyance, transfer or other disposition of all or substantially all of the assets of the Company in accordance with Section 5.01, the Successor formed by such consolidation or into or with which the Company is merged or to which such sale, lease, conveyance, transfer or other disposition is made shall succeed to, and be substituted for, and may exercise every right and power of the Company under this Indenture and the Securities with the same effect as if such Successor had been named as the Company herein and the predecessor Company, in the case of a sale,

conveyance, transfer or other disposition, shall be released from all obligations under this Indenture and the Securities.

ARTICLE VI
DEFAULTS AND REMEDIES

SECTION 6.01 Events of Default.

Unless either inapplicable to a particular series or specifically deleted or modified in or pursuant to the supplemental indenture or Board Resolution establishing such series of Securities or in the form of Security for such series, an "Event of Default," wherever used herein with respect to Securities of any series, occurs if:

(1) the Company defaults in the payment of interest on or any Additional Amounts with respect to any Security of that series when the same becomes due and payable and such default continues for a period of 30 days;

(2) the Company defaults in the payment of (A) the principal of any Security of that series at its Stated Maturity or (B) premium (if any) on any Security of that series when the same becomes due and payable;

(3) the Company defaults in the deposit of any sinking fund payment, when and as due by the terms of a Security of that series, and such default continues for a period of 30 days;

(4) the Company fails to comply with any of its other covenants or agreements in, or provisions of, the Securities of such series or this Indenture (other than an agreement, covenant or provision that has expressly been included in this Indenture solely for the benefit of one or more series of Securities other than that series) which shall not have been remedied within the specified period after written notice, as specified in the last paragraph of this Section 6.01;

(5) the Company defaults in a scheduled payment at maturity, upon redemption or otherwise, in the aggregate principal amount of $125 million or more, after the expiration of any applicable grace period, of any Indebtedness or the acceleration of any Indebtedness of the Company in such aggregate principal amount, so that it becomes due and payable prior to the date on which it would otherwise have become due and payable and such payment default is not cured or such acceleration is not rescinded within 30 days after notice to the Company in accordance with the terms of the Indebtedness;

(6) the Company pursuant to or within the meaning of any Bankruptcy Law:

(A) commences a voluntary case,

(B) consents to the entry of an order for relief against it in an involuntary case,

(C) consents to the appointment of a Bankruptcy Custodian of it or for all or substantially all of its property, or

(D) makes a general assignment for the benefit of its creditors;

(7) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that remains unstayed and in effect for 90 days and that:

(A) is for relief against the Company as debtor in an involuntary case,

(B) appoints a Bankruptcy Custodian of the Company or a Bankruptcy Custodian for all or substantially all of the property of the Company, or

(C) orders the liquidation of the Company; or

(8) any other Event of Default provided with respect to Securities of that series occurs.

The term "Bankruptcy Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

The Trustee shall not be deemed to know or have notice of any Default or Event of Default unless a Trust Officer at the Corporate Trust Office of the Trustee receives written notice at the Corporate Trust Office of the Trustee of such Default or Event of Default with specific reference to such Default or Event of Default.

When a Default is cured, it ceases to be a Default.

Notwithstanding the foregoing provisions of this Section 6.01, if the principal of, premium (if any) or interest on or any Additional Amounts with respect to any Security is payable in a currency or currencies (including a composite currency) other than Dollars and such currency or currencies are not available to the Company for making payment thereof due to the imposition of exchange controls or other circumstances beyond the control of the Company (a "Conversion Event"), the Company will be entitled to satisfy its obligations to Holders of the Securities by making such payment in Dollars in an amount equal to the Dollar equivalent of the amount payable in such other currency, as determined by the Company by reference to the Exchange Rate on the date of such payment, or, if such rate is not then available, on the basis of the most recently available Exchange Rate. Notwithstanding the foregoing provisions of this Section 6.01, any payment made under such circumstances in Dollars where the required payment is in a currency other than Dollars will not constitute an Event of Default under this Indenture.

Promptly after the occurrence of a Conversion Event, the Company shall give written notice thereof in the manner provided in Section 10.02 to the Holders. Promptly after the making of any payment in Dollars as a result of a Conversion Event, the Company shall give notice in the manner provided in Section 10.02 to the Holders, setting forth the applicable Exchange Rate and describing the calculation of such payments.

A Default under clause (4) or (7) of this Section 6.01 is not an Event of Default until the Trustee notifies the Company, or the Holders of at least 25% in principal amount of the then outstanding Securities of the series affected by such Default (or, in the case of a Default under clause (4) of this Section 6.01, if outstanding Securities of other series are affected by such Default, then at least 25% in principal amount of the then outstanding Securities so affected) notify the Company and the Trustee, of the Default, and the Company fails to cure the Default within 60 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a "Notice of Default."

SECTION 6.02 Acceleration.

If an Event of Default with respect to any Securities of any series at the time outstanding (other than an Event of Default specified in clause (6) or (7) of Section 6.01) occurs and is continuing, either the Trustee by notice to the Company, or the Holders of at least 25% in principal amount of the then outstanding Securities of the series affected by such Event of Default (or, in the case of an Event of Default described in clause (4) of Section 6.01, if outstanding Securities of other series are affected by such Event of Default, then at least 25% in principal amount of the then outstanding Securities so affected) by notice to the Company and the Trustee, may declare the principal of (or, if any such Securities are Original Issue Discount Securities, such portion of the principal amount as may be specified in the terms of that series) and accrued and unpaid interest on all then outstanding Securities of such series or of all series, as the case may be, to be due and payable. Upon any such declaration, the amounts due and payable on the Securities shall be due and payable immediately. If an Event of Default specified in clause (6) or (7) of Section 6.01 hereof occurs, such amounts shall ipso facto become and be immediately due and payable without any declaration, notice or other act on the part of the Trustee or any Holder. The Holders of a majority in principal amount of the then outstanding Securities of the series affected by such Event of Default or all series, as the case may be, by written notice to the Trustee may rescind an acceleration and its consequences (other than nonpayment of principal of or premium or interest on or any Additional Amounts with respect to the Securities) if the rescission would not conflict with any judgment or decree and if all existing Events of Default with respect to Securities of that series (or of all series, as the case may be) have been cured or waived, except nonpayment of principal, premium, interest or any Additional Amounts that has become due solely because of the acceleration.

SECTION 6.03 Other Remedies.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of, or premium, if any, or interest on the Securities or to enforce the performance of any provision of the Securities or this Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 6.04 Waiver of Defaults.

Subject to Sections 6.07 and 9.02, the Holders of a majority in principal amount of the then outstanding Securities of any series or of all series (acting as one class) by notice to the Trustee may waive an existing or past Default or Event of Default with respect to such series or all series, as the case may be, and its consequences (including waivers obtained in connection with a tender offer or exchange offer for Securities of such series or all series or a solicitation of consents in respect of Securities of such series or all series, provided that in each case such offer or solicitation is made to all Holders of then outstanding Securities of such series or all series (but the terms of such offer or solicitation may vary from series to series)), except (1) a continuing Default or Event of Default in the payment of the principal of, or premium, if any, or interest on or any Additional Amounts with respect to any Security or (2) a continued Default in respect of a provision that under Section 9.02 cannot be amended or supplemented without the consent of each Holder affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

SECTION 6.05 Control by Majority.

With respect to Securities of any series, the Holders of a majority in principal amount of the then outstanding Securities of such series may direct in writing the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it relating to or arising under an Event of Default described in clause (1), (2), (3), (4), (7) or (8) of Section 6.01, and with respect to all Securities, the Holders of a majority in principal amount of all the then outstanding Securities affected may direct in writing the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it not relating to or arising under such an Event of Default. However, the Trustee may refuse to follow any direction that conflicts with applicable law or this Indenture, that the Trustee determines may be unduly prejudicial to the rights of other Holders, or that may involve the Trustee in personal liability; provided, however, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. Prior to taking any action hereunder, the Trustee shall be entitled to indemnification satisfactory to it in its absolute discretion from Holders indemnifying the Trustee against all losses and expenses caused by taking or not taking such action.

SECTION 6.06 Limitations on Suits.

Subject to Section 6.07 hereof, a Holder of a Security of any series may pursue a remedy with respect to this Indenture or the Securities of such series only if:

(1) the Holder gives to the Trustee written notice of a continuing Event of Default with respect to such series;

(2) the Holders of at least 25% in principal amount of the then outstanding Securities of such series make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders provide to the Trustee indemnity reasonably satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with respect to the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period the Holders of a majority in principal amount of the Securities of that series do not give the Trustee a direction inconsistent with the request.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

SECTION 6.07 Rights of Holders to Receive Payment.

Notwithstanding any other provision of this Indenture, the right of any Holder of a Security to receive payment of principal of and premium, if any, and interest on and any Additional Amounts with respect to the Security, on or after the respective due dates expressed in the Security, or to bring suit for the enforcement of any such payment on or after such respective dates, is absolute and unconditional and shall not be impaired or affected without the consent of the Holder.

SECTION 6.08 Collection Suit by Trustee.

If an Event of Default specified in clause (1) or (2) of Section 6.01 hereof occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the amount of principal, premium (if any), interest and any Additional Amounts remaining unpaid on the Securities of the series affected by the Event of Default, and interest on overdue principal and premium, if any, and, to the extent lawful, interest on overdue interest, and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 6.09 Trustee May File Proofs of Claim.

The Trustee is authorized to file such proofs of claim and other papers or documents and to take such actions, including participating as a member, voting or otherwise, of any committee of creditors, as may be necessary or advisable to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders allowed in any judicial proceedings relative to the Company or its creditors or properties and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any Bankruptcy Custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 7.07. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its

agents and counsel, and any other amounts due the Trustee under Section 7.07 out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties which the Holders of the Securities may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

SECTION 6.10 Priorities.

If the Trustee collects any money pursuant to this Article VI, it shall pay out the money in the following order:

First: to the Trustee for amounts due under Section 7.07;

Second: to Holders for amounts due and unpaid on the Securities in respect of which or for the benefit of which such money has been collected, for principal, premium (if any), interest and any Additional Amounts ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal, premium (if any), interest and any Additional Amounts, respectively; and

Third: to the Company or to such party as a court of competent jurisdiction shall direct.

The Trustee, upon prior written notice to the Company, may fix record dates and payment dates for any payment to Holders pursuant to this Article VI.

To the fullest extent allowed under applicable law, if for the purpose of obtaining a judgment against the Company in any court it is necessary to convert the sum due in respect of the principal of, premium (if any) or interest on or any Additional Amounts with respect to the Securities of any series (the "Required Currency") into a currency in which a judgment will be rendered (the "Judgment Currency"), the rate of exchange used shall be the rate at which in accordance with normal banking procedures the Trustee could purchase in The City of New York the Required Currency with the Judgment Currency on the Business Day in the City of New York next preceding that on which final judgment is given. Neither the Company nor the Trustee shall be liable for any shortfall nor shall it benefit from any windfall in payments to Holders of Securities under this Section 6.10 caused by a change in exchange rates between the time the amount of a judgment against it is calculated as above and the time the Trustee converts the Judgment Currency into the Required Currency to make payments under this Section to Holders of Securities, but payment of such judgment shall discharge all amounts owed by the Company on the claim or claims underlying such judgment.

SECTION 6.11 Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.07, or a suit by a Holder or Holders of more than 10% in principal amount of the then outstanding Securities of any series.

ARTICLE VII
TRUSTEE

SECTION 7.01 Duties of Trustee.

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in such exercise, as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

(b) Except during the continuance of an Event of Default with respect to the Securities of any series:

(1) the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine such certificates and opinions to determine whether, on their face, they appear to conform to the requirements of this Indenture.

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of Section 7.01(b);

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to the provisions of this Section 7.01.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability. The Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity reasonably satisfactory to it against any loss, liability or expense.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law. All money received by the Trustee shall, until applied as herein provided, be held in trust for the payment of the principal of, premium (if any) and interest on and any Additional Amounts with respect to the Securities.

SECTION 7.02 Rights of Trustee.

(a) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require instruction, an Officers' Certificate or an Opinion of Counsel or both to be provided. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such instruction, Officers' Certificate or Opinion of Counsel. The Trustee may consult at the Company's expense with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through agents and shall not be responsible for the misconduct or negligence of any agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers conferred upon it by this Indenture.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

(f) the Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by this Indenture at the request, order or direction of any of the Holders pursuant to the provisions of this Indenture, unless such Holders shall have offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities which might be incurred therein or thereby.

SECTION 7.03 May Hold Securities.

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or any of its Affiliates with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights and duties. However, the Trustee is subject to Sections 7.10 and 7.11.

SECTION 7.04 Trustee's Disclaimer.

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities or any money paid to the Company or upon the Company's direction under any provision hereof, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee and it shall not be responsible for any statement or recital herein or any statement in the Securities other than its certificate of authentication.

SECTION 7.05 Notice of Defaults.

If a Default or Event of Default with respect to the Securities of any series occurs and is continuing and it is known to the Trustee, the Trustee shall mail to Holders of Securities of such series a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, premium (if any) and interest on and any Additional Amounts or any sinking fund installment with respect to the Securities of such series, the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the interests of Holders of Securities of such series.

SECTION 7.06 Reports by Trustee to Holders.

Within 60 days after May 15 of each year after the execution of this Indenture, the Trustee shall mail to Holders of a series and the Company a brief report dated as of such reporting date that complies with TIA Section 313(a); provided, however, that if no event described in TIA Section 313(a) has occurred within the twelve months preceding the reporting date with respect to a series, no report need be transmitted to Holders of such series. The Trustee also shall comply with TIA Section 313(b). The Trustee shall also transmit by mail all reports if and as required by TIA Sections 313(c) and 313(d).

A copy of each report shall be filed by the Company with the SEC and each securities exchange, if any, on which the Securities of such series are listed. The Company shall notify the Trustee in writing if and when any series of Securities is listed on any securities exchange and of the delisting thereof.

SECTION 7.07 Compensation and Indemnity.

The Company agrees to pay to the Person acting as Trustee hereunder compensation for its acceptance of this Indenture and services hereunder as agreed upon in a separate fee agreement. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company agrees to reimburse the Trustee

upon request for all reasonable disbursements, advances and expenses incurred by it. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

The Company hereby indemnifies the Trustee, and each of its officers, directors, counsel and agents, against any loss, liability or expense (including, but not limited to reasonable attorneys' fees and expenses) incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture and of defending itself against any claims (whether asserted by any Holder, the Company or otherwise), except as set forth in the next paragraph. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel and the Company shall pay the fees and expenses of such counsel. The Company need not pay for any settlement made without its consent.

The Company shall not be obligated to reimburse any expense or indemnify against any loss or liability incurred by the Trustee through negligence or bad faith.

To secure the payment obligations of the Company in this Section 7.07, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee, except that held in trust to pay principal of, premium (if any) and interest on and any Additional Amounts with respect to Securities of any series. Such lien and the indemnity obligation under this Section 7.07 shall survive the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(6) or (7) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 7.08 Replacement of Trustee.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08.

The Trustee may resign and be discharged at any time with respect to the Securities of one or more series by so notifying the Company. The Holders of a majority in principal amount of the then outstanding Securities of any series may remove the Trustee with respect to the Securities of such series by so notifying the Trustee and the Company. The Company may remove the Trustee if:

(1) the Trustee fails to comply with Section 7.10;

(2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(3) a Bankruptcy Custodian or public officer takes charge of the Trustee or its property; or

(4) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, with respect to the Securities of one or more series, the Company shall promptly appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series). Within one year after the successor Trustee with respect to the Securities of any series takes office, the Holders of a majority in principal amount of the Securities of such series then outstanding may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee with respect to the Securities of any series does not take office within 30 days after the retiring or removed Trustee resigns or is removed, the retiring or removed Trustee, the Company or the Holders of at least 10% in principal amount of the then outstanding Securities of such series may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

If the Trustee with respect to the Securities of a series fails to comply with Section 7.10, any Holder of Securities of such series may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee with respect to the Securities of such series.

In case of the appointment of a successor Trustee with respect to all Securities, each such successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the retiring Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in Section 7.07.

In case of the appointment of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of one or more (but not all) series shall execute and deliver an indenture supplemental hereto in which each successor Trustee shall accept such appointment and that (1) shall confer to each successor Trustee all the rights, powers and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall confirm that all the rights, powers and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee. Nothing herein or in such supplemental indenture shall constitute such Trustees as co-trustees of the same trust, and each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee. Upon the execution and delivery of such supplemental indenture, the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee shall have all the rights, powers and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such

successor Trustee relates. On request of the Company or any successor Trustee, such retiring Trustee shall transfer to such successor Trustee all property held by such retiring Trustee as Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

Notwithstanding replacement of the Trustee or Trustees pursuant to this Section 7.08, the obligations of the Company under Section 7.07 shall continue for the benefit of the retiring Trustee or Trustees.

SECTION 7.09 Successor Trustee by Merger, etc.

Subject to Section 7.10, if the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee; provided, however, that in the case of a transfer of all or substantially all of its corporate trust business to another corporation, the transferee corporation expressly assumes all of the Trustee's liabilities hereunder.

In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated; and in case at that time any of the Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Securities or in this Indenture provided that the certificate of the Trustee shall have.

SECTION 7.10 Eligibility; Disqualification.

There shall at all times be a Trustee hereunder which shall be a corporation or banking or trust company or association organized and doing business under the laws of the United States, any State thereof or the District of Columbia and authorized under such laws to exercise corporate trust power, shall be subject to supervision or examination by Federal or State (or the District of Columbia) authority and shall have, or be a subsidiary of a bank or bank holding company having, a combined capital and surplus of at least $50 million as set forth in its most recent published annual report of condition.

The Indenture shall always have a Trustee who satisfies the requirements of TIA Sections 310(a)(1), 310(a)(2) and 310(a)(5). The Trustee is subject to and shall comply with the provisions of TIA Section 310(b) during the period of time required by this Indenture. Nothing in this Indenture shall prevent the Trustee from filing with the SEC the application referred to in the penultimate paragraph of TIA Section 310(b).

SECTION 7.11 Preferential Collection of Claims Against the Company.

The Trustee is subject to and shall comply with the provisions of TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE VIII
DISCHARGE OF INDENTURE

SECTION 8.01 Termination of the Company's Obligations.

(a) This Indenture shall cease to be of further effect with respect to the Securities of a series (except that the Company's obligations under Section 7.07, the Trustee's and Paying Agent's obligations under Section 8.03 and the rights, powers, protections and privileges accorded the Trustee under Article VII shall survive), and the Trustee, on demand of the Company, shall execute proper instruments acknowledging the satisfaction and discharge of this Indenture with respect to the Securities of such series, when:

(1) either

(A) all outstanding Securities of such series theretofore authenticated and issued (other than destroyed, lost or stolen Securities that have been replaced or paid) have been delivered to the Trustee for cancellation; or

(B) all outstanding Securities of such series not theretofore delivered to the Trustee for cancellation:

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and, in the case of clause (i), (ii) or (iii) above, the Company has irrevocably deposited or caused to be deposited with the Trustee as funds (immediately available to the Holders in the case of clause (i)) in trust for such purpose (x) cash in an amount, or (y) Government Obligations, maturing as to principal and interest at such times and in such amounts as will ensure the availability of cash in an amount or (z) a combination thereof, which will be sufficient, in the opinion (in the case of clauses (y) and (z)) of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge the entire indebtedness on the Securities of such series for principal and interest to the date of such deposit (in the case of Securities which have become due and payable) or for principal, premium, if any, and interest to the Stated Maturity or Redemption Date, as the case may be; or

(C) the Company has properly fulfilled such other means of satisfaction and discharge as is specified, as contemplated by Section 2.01, to be applicable to the Securities of such series;

(2) the Company has paid or caused to be paid all other sums payable by it hereunder with respect to the Securities of such series; and

(3) the Company has delivered to the Trustee an Officers' Certificate stating that all conditions precedent to satisfaction and discharge of this Indenture with respect to the Securities of such series have been complied with, together with an Opinion of Counsel to the same effect.

(b) Unless this Section 8.01(b) is specified as not being applicable to Securities of a series as contemplated by Section 2.01, the Company may, at its option, terminate certain of its obligations under this Indenture ("covenant defeasance") with respect to the Securities of a series if:

(1) the Company has irrevocably deposited or caused to be irrevocably deposited with the Trustee as trust funds in trust for the purpose of making the following payments, specifically pledged as security for and dedicated solely to the benefit of the Holders of Securities of such series, (i) money in the currency in which payment of the Securities of such series is to be made in an amount, or (ii) Government Obligations with respect to such series, maturing as to principal and interest at such times and in such amounts as will ensure the availability of money in the currency in which payment of the Securities of such series is to be made in an amount or (iii) a combination thereof, that is sufficient, in the opinion (in the case of clauses (ii) and (iii)) of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay the principal of and premium (if any) and interest on all Securities of such series on each date that such principal, premium (if any) or interest is due and payable and (at the Stated Maturity thereof or upon redemption as provided in Section 8.01(e)) to pay all other sums payable by it hereunder; provided that the Trustee shall have been irrevocably instructed to apply such money and/or the proceeds of such Government Obligations to the payment of said principal, premium (if any) and interest with respect to the Securities of such series as the same shall become due;

(2) the Company has delivered to the Trustee an Officers' Certificate stating that all conditions precedent to satisfaction and discharge of this Indenture with respect to the Securities of such series have been complied with, and an Opinion of Counsel to the same effect;

(3) no Default or Event of Default with respect to the Securities of such series shall have occurred and be continuing on the date of such deposit;

(4) the Company shall have delivered to the Trustee an Opinion of Counsel from a nationally recognized counsel acceptable to the Trustee or a tax ruling to the effect that the Holders will not recognize income, gain or loss for U.S. Federal income tax purposes as a result of the Company's exercise of its option under this Section 8.01(b) and will be subject to U.S. Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such option had not been exercised;

(5) the Company has complied with any additional conditions specified pursuant to Section 2.01 to be applicable to the discharge of Securities of such series pursuant to this Section 8.01; and

(6) such deposit and discharge shall not cause the Trustee to have a conflicting interest as defined in TIA Section 310(b).

In such event, this Indenture shall cease to be of further effect (except as set forth in this paragraph), and the Trustee, on demand of the Company, shall execute proper instruments acknowledging satisfaction and discharge under this Indenture. However, the Company's obligations in Sections 2.05, 2.06, 2.07, 2.08, 2.09, 4.01, 4.02, 7.07, 7.08 and 8.04, the Trustee's and Paying Agent's obligations in Section 8.03 and the rights, powers, protections and privileges accorded the Trustee under Article VII shall survive until all Securities of such series are no longer outstanding. Thereafter, only the Company's obligations in Section 7.07 and the Trustee's and Paying Agent's obligations in Section 8.03 shall survive with respect to Securities of such series.

After such irrevocable deposit made pursuant to this Section 8.01(b) and satisfaction of the other conditions set forth herein, the Trustee upon request shall acknowledge in writing the discharge of the Company's obligations under this Indenture with respect to the Securities of such series except for those surviving obligations specified above.

In order to have money available on a payment date to pay principal of or premium (if any) or interest on the Securities, the Government Obligations shall be payable as to principal or interest on or before such payment date in such amounts as will provide the necessary money. Government Obligations shall not be callable at the issuer's option.

(c) If the Company has previously complied or is concurrently complying with Section 8.01(b) (other than any additional conditions specified pursuant to Section 2.01 that are expressly applicable only to covenant defeasance) with respect to Securities of a series, then, unless this Section 8.01(c) is specified as not being applicable to Securities of such series as contemplated by Section 2.01, the Company may elect to be discharged ("legal defeasance") from its obligations to make payments with respect to Securities of such series, if:

(1) no Default or Event of Default under clauses (6) and (7) of Section 6.01 hereof shall have occurred at any time during the period ending on the 91st day after the date of deposit contemplated by Section 8.01(b) (it being understood that this condition shall not be deemed satisfied until the expiration of such period);

(2) unless otherwise specified with respect to Securities of such series as contemplated by Section 2.01, the Company has delivered to the Trustee an Opinion of Counsel from a nationally recognized counsel acceptable to the Trustee to the effect referred to in Section 8.01(b)(4) with respect to such legal defeasance, which opinion is based on (i) a private ruling of the Internal Revenue Service addressed to the Company, (ii) a published ruling of the Internal Revenue Service or (iii) a change in the applicable federal income tax law (including regulations) after the date of this Indenture;

(3) the Company has complied with any other conditions specified pursuant to Section 2.01 to be applicable to the legal defeasance of Securities of such series pursuant to this Section 8.01(c); and

(4) the Company has delivered to the Trustee a Company Request requesting such legal defeasance of the Securities of such series and an Officers' Certificate stating that all conditions precedent with respect to such legal defeasance of the Securities of such series have been complied with, together with an Opinion of Counsel to the same effect.

In such event, the Company will be discharged from its obligations under this Indenture and the Securities of such series to pay principal of, premium (if any) and interest on and any Additional Amounts with respect to Securities of such series, the Company's obligations under Sections 4.01 and 4.02 shall terminate with respect to such Securities, and the entire indebtedness of the Company evidenced by such Securities shall be deemed paid and discharged.

(d) If and to the extent additional or alternative means of satisfaction, discharge or defeasance of Securities of a series are specified to be applicable to such series as contemplated by Section 2.01, the Company may terminate any or all of its obligations under this Indenture with respect to Securities of a series and any or all of its obligations under the Securities of such series if it fulfills such other means of satisfaction and discharge as may be so specified, as contemplated by Section 2.01, to be applicable to the Securities of such series.

(e) If Securities of any series subject to subsections (a), (b), (c) or (d) of this Section 8.01 are to be redeemed prior to their Stated Maturity, whether pursuant to any optional redemption provisions or in accordance with any mandatory or optional sinking fund provisions, the terms of the applicable trust arrangement shall provide for such redemption, and the Company shall make such arrangements as are reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company.

SECTION 8.02 Application of Trust Money.

The Trustee or a trustee satisfactory to the Trustee and the Company shall hold in trust money or Government Obligations deposited with it pursuant to Section 8.01 hereof. It shall apply the deposited money and the money from Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal of, premium (if any) and interest on and any Additional Amounts with respect to the Securities of the series with respect to which the deposit was made.

SECTION 8.03 Repayment to Company.

The Trustee and the Paying Agent shall promptly pay to the Company upon written request any excess money or Government Obligations (or proceeds therefrom) held by them at any time upon the written request of the Company.

Subject to the requirements of any applicable abandoned property laws, the Trustee and the Paying Agent shall pay to the Company upon written request any money held by them for the payment of principal, premium (if any), interest or any Additional Amounts that

remains unclaimed for two years after the date upon which such payment shall have become due. After payment to the Company, Holders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another Person, and all liability of the Trustee and the Paying Agent with respect to such money shall cease.

SECTION 8.04 Reinstatement.

If the Trustee or the Paying Agent is unable to apply any money or Government Obligations deposited with respect to Securities of any series in accordance with Section 8.01 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the obligations of the Company under this Indenture with respect to the Securities of such series and under the Securities of such series shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.01 until such time as the Trustee or the Paying Agent is permitted to apply all such money or Government Obligations in accordance with Section 8.01; provided, however, that if the Company has made any payment of principal of, premium (if any) or interest on or any Additional Amounts with respect to any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or Government Obligations held by the Trustee or the Paying Agent.

ARTICLE IX
SUPPLEMENTAL INDENTURES AND AMENDMENTS

SECTION 9.01 Without Consent of Holders.

The Company and the Trustee may amend or supplement this Indenture or the Securities or waive any provision hereof or thereof without the consent of any Holder:

(1) to cure any ambiguity, omission, defect or inconsistency;

(2) to evidence the assumption by a Successor of the Company's obligations under this Indenture and a series of Securities;

(3) to provide for uncertificated Securities in addition to or in place of certificated Securities, or to provide for the issuance of bearer securities (with or without coupons);

(4) to provide any security for any series of Securities or to add guarantees of, or additional obligors on, any series of Securities;

(5) to comply with any requirement in order to effect or maintain the qualification of this Indenture under the TIA;

(6) to add to the covenants of the Company for the benefit of the Holders of all or any series of Securities (and if such covenants are to be for the benefit of less than all series of Securities, stating that such covenants are expressly being included solely for

the benefit of such series), or to surrender any right or power herein conferred upon the Company;

(7) to add any additional Events of Default with respect to all or any series of the Securities (and, if any such Event of Default is applicable to less than all series of Securities, specifying the series to which such Event of Default is applicable);

(8) to change or eliminate any of the provisions of this Indenture; provided that any such change or elimination shall become effective only when there is no outstanding Security of any series created prior to the execution of such amendment or supplemental indenture that is adversely affected in any material respect by such change in or elimination of such provision;

(9) to establish the form or terms of Securities of any series as permitted by Section 2.01;

(10) to supplement any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the defeasance and discharge of any series of Securities pursuant to Section 8.01; provided, however, that any such action shall not adversely affect the interest of the Holders of Securities of such series or any other series of Securities in any material respect;

(11) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 7.08; or

(12) to make any other change that does not adversely affect the rights of any Holder.

Upon the request of the Company, accompanied by a Board Resolution, and upon receipt by the Trustee of the documents described in Section 9.06, the Trustee shall join with the Company in the execution of any supplemental indenture authorized or permitted by the terms of this Indenture and make any further appropriate agreements and stipulations that may be therein contained.

SECTION 9.02 With Consent of Holders.

Except as provided below in this Section 9.02, the Company and the Trustee may amend or supplement this Indenture with the written consent (including consents obtained in connection with a tender offer or exchange offer for Securities of any one or more series or all series or a solicitation of consents in respect of Securities of any one or more series or all series, provided that in each case such offer or solicitation is made to all Holders of then outstanding Securities of each such series (but the terms of such offer or solicitation may vary from series to series)) of the Holders of at least a majority in principal amount of the then outstanding Securities of all series affected by such amendment or supplement (acting as one class).

Upon the request of the Company, accompanied by a Board Resolution, and upon the filing with the Trustee of evidence of the consent of the Holders as aforesaid, and upon receipt by the Trustee of the documents described in Section 9.06, the Trustee shall join with the Company in the execution of such amendment or supplemental indenture.

It shall not be necessary for the consent of the Holders under this Section 9.02 to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof.

The Holders of a majority in principal amount of the then outstanding Securities of one or more series or of all series may waive compliance in a particular instance by the Company with any provision of this Indenture with respect to Securities of such series (including waivers obtained in connection with a tender offer or exchange offer for Securities of such series or a solicitation of consents in respect of Securities of such series, provided that in each case such offer or solicitation is made to all Holders of then outstanding Securities of such series (but the terms of such offer or solicitation may vary from series to series)).

However, without the consent of each Holder affected, an amendment, supplement or waiver under this Section 9.02 may not:

(1) reduce the amount of Securities whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or change the time for payment of interest, including default interest, on any Security;

(3) reduce the principal of or any premium on or any mandatory sinking fund payment with respect to, or change the Stated Maturity of, any Security or reduce the amount of the principal of an Original Issue Discount Security that would be due and payable upon a declaration of acceleration of the Stated Maturity thereof pursuant to Section 6.02;

(4) reduce the premium, if any, payable upon the redemption of any Security or change the time at which any Security may or shall be redeemed;

(5) change any obligation of the Company to pay any Additional Amounts with respect to any Security;

(6) change the coin or currency or currencies (including composite currencies) in which any Security or any premium, interest or any Additional Amounts with respect thereto are payable;

(7) impair the right to institute suit for the enforcement of any payment of principal of, premium (if any) or interest on or any Additional Amounts with respect to any Security pursuant to Sections 6.07 and 6.08, except as limited by Section 6.06;

(8) make any change in the percentage of principal amount of Securities necessary to waive compliance with certain provisions of this Indenture pursuant to Section 6.04 or 6.07 or make any change in this sentence of Section 9.02; or

(9) waive a continuing Default or Event of Default in the payment of principal of, premium (if any) or interest on or any Additional Amounts with respect to the Securities.

A supplemental indenture that changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Securities, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series.

The right of any Holder to participate in any consent required or sought pursuant to any provision of this Indenture (and the obligation of the Company to obtain any such consent otherwise required from such Holder) may be subject to the requirement that such Holder shall have been the Holder of record of any Securities with respect to which such consent is required or sought as of a date identified by the Company in a notice furnished to Holders in accordance with the terms of this Indenture.

After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Company shall mail to the Holders of each Security affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment, supplement or waiver.

SECTION 9.03 Compliance with Trust Indenture Act.

Every amendment or supplement to this Indenture or the Securities shall comply in form and substance with the TIA as then in effect.

SECTION 9.04 Revocation and Effect of Consents.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to his or her Security or portion of a Security if the Trustee receives written notice of revocation before a date and time therefor identified by the Company in a notice furnished to such Holder in accordance with the terms of this Indenture or, if no such date and time shall be identified, the date the amendment, supplement or waiver becomes effective. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

The Company may, but shall not be obligated to, fix a record date (which need not comply with TIA Section 316(c)) for the purpose of determining the Holders entitled to consent to any amendment, supplement or waiver or to take any other action under this Indenture. If a

record date is fixed, then notwithstanding the provisions of the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to consent to such amendment, supplement or waiver or to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No consent shall be valid or effective for more than 90 days after such record date unless consents from Holders of the principal amount of Securities required hereunder for such amendment or waiver to be effective shall have also been given and not revoked within such 90-day period.

After an amendment, supplement or waiver becomes effective, it shall bind every Holder, unless it is of the type described in any of clauses (1) through (9) of Section 9.02 hereof. In such case, the amendment, supplement or waiver shall bind each Holder who has consented to it and every subsequent Holder that evidences the same debt as the consenting Holder's Security.

SECTION 9.05 Notation on or Exchange of Securities.

If an amendment or supplement changes the terms of an outstanding Security, the Company may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security at the request of the Company regarding the changed terms and return it to the Holder. Alternatively, if the Company so determines, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms. Failure to make the appropriate notation or to issue a new Security shall not affect the validity of such amendment or supplement.

Securities of any series authenticated and delivered after the execution of any amendment or supplement may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such amendment or supplement.

SECTION 9.06 Trustee to Sign Amendments, etc.

The Trustee shall sign any amendment or supplement authorized pursuant to this Article if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing or refusing to sign such amendment or supplement, the Trustee shall be entitled to receive, and, subject to Section 7.01 hereof, shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel provided at the expense of the Company as conclusive evidence that such amendment or supplement is authorized or permitted by this Indenture, that it is not inconsistent herewith, and that it will be valid and binding upon the Company in accordance with its terms.

ARTICLE X
MISCELLANEOUS

SECTION 10.01 Trust Indenture Act Controls.

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by operation of TIA Section 318(c), the imposed duties shall control.

SECTION 10.02 Notices.

Any notice or communication by the Company or the Trustee to the other is duly given if in writing and delivered in person or mailed by first-class mail (registered or certified, return receipt requested), telex, facsimile or overnight air courier guaranteeing next day delivery, to the other's address:

If to the Company:

Halliburton Company
1401 McKinney, Suite 2400
Houston, Texas 77010
Attention: Chief Financial Officer
Facsimile No.: (713) 759-2619

If to the Trustee:

JPMorgan Chase Bank
600 Travis, Suite 1150
Houston, Texas 77002
Attention: Institutional Trust Services
Facsimile No.: 713-577-5200

The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

All notices and communications shall be deemed to have been duly given at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when answered back, if telexed; when receipt acknowledged, if by facsimile; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery. All notices and communications to the Trustee shall be addressed to the Trust Officer.

Any notice or communication to a Holder shall be mailed by first-class mail, postage prepaid, to the Holder's address shown on the register kept by the Registrar. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it, except in the case of notice to the Trustee, it is duly given only when received.

If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

All notices or communications, including without limitation notices to the Trustee or the Company by Holders, shall be in writing, except as otherwise set forth herein.

In case by reason of the suspension of regular mail service, or by reason of any other cause, it shall be impossible to mail any notice required by this Indenture, then such method of notification as shall be made with the approval of the Trustee shall constitute a sufficient mailing of such notice.

SECTION 10.03 Communication by Holders with Other Holders.

Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

SECTION 10.04 Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall, if requested by the Trustee, furnish to the Trustee at the expense of the Company:

(1) an Officers' Certificate (which shall include the statements set forth in Section 10.05) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel (which shall include the statements set forth in Section 10.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been complied with.

SECTION 10.05 Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA Section 314(a)(4)) shall comply with the provisions of TIA Section 314(e) and shall include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

SECTION 10.06 Rules by Trustee and Agents.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or the Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 10.07 Legal Holidays.

If a payment date is a Legal Holiday at a Place of Payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

SECTION 10.08 No Recourse Against Others.

A director, officer, employee, stockholder, partner or other owner of the Company or the Trustee, as such, shall not have any liability for any obligations of the Company under the Securities or for any obligations of the Company or the Trustee under this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Security waives and releases all such liability. The waiver and release shall be part of the consideration for the issue of Securities.

SECTION 10.09 Governing Law.

This Indenture and the Securities shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 10.10 No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or any Subsidiary. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 10.11 Successors.

All agreements of the Company in this Indenture and the Securities shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

SECTION 10.12 Severability.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall, to the fullest extent permitted by applicable law, not in any way be affected or impaired thereby.

SECTION 10.13 Counterpart Originals.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

SECTION 10.14 Table of Contents, Headings, etc.

The table of contents, cross-reference table and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

HALLIBURTON COMPANY

By: /s/ C. Christopher Gaut

Name: C. Christopher Gaut
Title: Executive Vice President and Chief Financial Officer

JPMORGAN CHASE BANK
as Trustee

By: /s/ Frank W. McCreary

Name: Frank W. McCreary
Title: Trust Officer

EXHIBIT 4.2

EXECUTION VERSION

HALLIBURTON COMPANY
as Issuer

and

JPMORGAN CHASE BANK
as Trustee

FIRST SUPPLEMENTAL INDENTURE

Dated as of October 17, 2003

$300,000,000 Senior Notes due October 17, 2005

$750,000,000 5 1/2% Senior Notes due October 15, 2010

FIRST SUPPLEMENTAL INDENTURE dated as of October 17, 2003 between Halliburton Company, a Delaware corporation (the "Company"), and JPMorgan Chase Bank, as trustee (the "Trustee").

W I T N E S S E T H:

WHEREAS, the Company has heretofore entered into an Indenture, dated as of October 17, 2003 (the "Original Indenture"), with the Trustee;

WHEREAS, the Original Indenture is incorporated herein by this reference and the Original Indenture, as supplemented by this First Supplemental Indenture, is herein called the "Indenture";

WHEREAS, under the Original Indenture, a new series of Securities may at any time be established pursuant to a supplemental indenture executed by the Company and the Trustee;

WHEREAS, the Company desires to issue $300,000,000 aggregate principal amount of Floating Rate Notes (as defined below) and $750,000,000 aggregate principal amount of Fixed Rate Notes (as defined below), each of which will be a new series of Securities under the Indenture; and

WHEREAS, all conditions necessary to authorize the execution and delivery of this First Supplemental Indenture and to make it a valid and binding obligation of the Company have been done or performed.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree to the following provisions:

Capitalized terms used but not defined herein have the meanings ascribed thereto in the Original Indenture.

ARTICLE I

Floating Rate Notes Due 2005

SECTION 1.01 Establishment and Terms

There is hereby established a new series of Securities to be issued under the Indenture, to be designated as the Company's Senior Notes due 2005 (the "Floating Rate Notes"). The Floating Rate Notes are being sold initially by the Company pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Act").

The aggregate principal amount of Floating Rate Notes that may be authenticated and delivered under this Indenture is unlimited. The Floating Rate Notes that are to be authenticated and delivered on the date hereof (the "Initial Floating Rate Notes") will be in an

aggregate principal amount of $300,000,000. The Floating Rate Notes shall be issued in definitive fully registered form without coupons.

With respect to any additional Floating Rate Notes the Company elects to issue under this Indenture (the "Additional Floating Rate Notes"), the Company shall set forth in an Officer's Certificate the following information:

(i) the aggregate principal amount of such Additional Floating Rate Notes to be authenticated and delivered pursuant to this Indenture;

(ii) the issue price and the issue date of such Additional Floating Rate Notes, including the date from which interest shall accrue; and

(iii) whether such Additional Floating Rate Notes shall be a Note that constitutes a "restricted security" within the meaning of Rule 144(a)(3) of the Securities Act (a "Restricted Note") or a Note that is not a Restricted Note (an "Unrestricted Note); provided, however, that the Trustee shall be entitled to request and conclusively rely on an opinion of counsel with respect to whether any Note constitutes a Restricted Note.

For purposes of the Indenture, Floating Rate Notes will not be deemed to be Additional Floating Rate Notes unless the maturity date, Interest Payment Dates, record date and interest rate are identical to the Initial Floating Rate Notes. The Initial Floating Rate Notes and the Additional Floating Rate Notes shall be considered collectively as a single class for all purposes of this Indenture. Holders of the Initial Floating Rate Notes and the Additional Floating Rate Notes will vote and consent together on all matters to which such Holders are entitled to vote or consent as one class, and none of the Holders of the Initial Floating Rate Notes or the Additional Floating Rate Notes shall have the right to vote or consent as a separate class on any matter to which such Holders are entitled to vote or consent.

The Floating Rate Notes shall be issued in the form of one or more Global Securities in substantially the form set out in Exhibit A and as further provided in Article III. The initial Depositary with respect to the Floating Rate Notes shall be The Depository Trust Company ("DTC").

All payments of principal, premium (if any) and interest on the Fixed Rate Notes shall be made in accordance with Section 4.01 of the Original Indenture. No Additional Amounts will be payable on the Fixed Rate Notes.

SECTION 1.02 Maturity, Payment of Principal and Interest. The Floating Rate Notes will mature on October 17, 2005. The Floating Rate Notes will bear interest for each Interest Period at a rate determined by the Calculation Agent. The interest rate on the Floating Rate Notes for a particular Interest Period will be a per annum rate equal to the Three-Month LIBOR Rate, as determined on the Interest Determination Date, plus 1.50%, for each interest period. The Interest Periods with respect to the Floating Rate Notes are: January 18 though April 17; April 18 through July 17; July 18 through October 17; and October 18 through January 17, except that the first Interest Period with respect to the Initial Floating Rate Notes will be from October 17, 2003 through January 17, 2004. The Interest Determination Date with respect to the

Floating Rate Notes will be the second London Business Day preceding the commencement of an Interest Period, except that the Interest Determination Date for the first Interest Period with respect to the Initial Floating Rate Notes will be October 15, 2003. Interest will be calculated on the basis of the actual number of days in an interest period and a 360-day year. Dollar amounts resulting from such calculation will be rounded down to the nearest cent, with one-half cent being rounded upward. The interest rate for the first Interest Period with respect to the Initial Floating Rate Notes is 2.65625%.

The Interest Payment Dates with respect to the Floating Rate Notes will be January 17, April 17, July 17 and October 17 of each year. The first Interest Payment Date with respect to the Initial Floating Rate Notes will be January 17, 2004. Interest shall be paid to the Person in whose name the applicable Note is registered at the close of business on January 1, in the case of a January 17 Interest Payment Date, April 1, in the case of a April 17 Interest Payment Date, July 1, in the case of a July 17 Interest Payment Date and October 1, in the case of an October 17 Interest Payment Date. Interest on the Initial Floating Rate Notes will accrue from October 17, 2003, or from the most recent Interest Payment Date to which interest has been paid or duly provided for.

The following definitions are used in the calculation of the interest rate:

"Three-Month LIBOR Rate" means the rate for deposits in amounts of at least $1,000,000 U.S. dollars for the 3-month period commencing on the applicable Interest Determination Date which appears on Telerate Page 3750 at approximately 11:00 a.m., London time, on the second London banking day prior to the applicable Interest Reset Date. If Telerate page 3750 is replaced by another service or ceases to exist, the Calculation Agent (after consultation with the Company) will use the replacing service or such other service that may be nominated by the British Bankers' Association for the purpose of displaying such rate for U.S. dollar deposits. If this rate does not appear on Telerate Page 3750 at approximately 11:00 a.m London time, on the second London banking day prior to the applicable Interest Reset Date, the Calculation Agent will determine the rate on the basis of the rates at which deposits in U.S. dollars are offered by four major banks in the London interbank market (selected by the Calculation Agent) to prime banks in the London interbank market for a period of three months commencing on that Interest Determination Date and in a principal amount equal to an amount not less than $1,000,000 that is representative for a single transaction in such market at such time. In such case, the Calculation Agent will request the principal London office of each of the aforesaid major banks to provide a quotation of such rate. If at least two such quotations are provided, the rate for that Interest Determination Date will be the arithmetic average of the quotations, and, if fewer than two quotations are provided as requested, the Calculation Agent will select three major banks in The City of New York to provide a quotation of the rate offered by them at approximately 11:00 a.m., New York City time, on the Interest Determination Date for loans in U.S. dollars to leading European banks for a period of three months commencing on that Interest Determination Date and in a principal amount equal to an amount not less than $1,000,000 that is representative of a single transaction in such market at such time. If three quotation are provided, the rate for that Interest Determination Date will be the arithmetic average of the three rates quoted; otherwise, the rate for that Interest Determination Date will be set equal to the rate of LIBOR for the then-current interest period.

A London banking day is any day in which dealings in U.S. dollars are transacted in the London interbank market.

"Telerate Page 3750" means the display page so designated on the Telerate Service (or such other page as may replace such page on that service for the purpose of displaying London interbank offered rates of major banks). The interest rate on the Floating Rate Notes will in no event be higher than the maximum rate permitted by New York law as the same may be modified by United States law of general application.

SECTION 1.03 Denominations. The Floating Rate Notes shall be issued in denominations of $1,000 or any integral multiple thereof.

SECTION 1.04 Redemption. The Floating Rate Notes are not redeemable by the Company at any time. The Floating Rate Notes will not be subject to a sinking fund.

SECTION 1.05 Transfer Restrictions. The Floating Rate Notes shall be subject to the restrictions on transfer and exchange set forth in Section 3.01, which restrictions on transfer and exchange shall amend, supplement, modify or supersede those contained in Article II of the Original Indenture to the extent applicable.

SECTION 1.06 Paying Agent and Calculation Agent. The Company initially appoints the Trustee as Paying Agent and J.P. Morgan Securities Inc. as Calculation Agent with respect to the Floating Rate Notes (the "Calculation Agent").

SECTION 1.07 Calculation of Interest Rate by the Calculation Agent. The Calculation Agent will calculate the interest rate applicable to the Floating Rate Notes for each Interest Period in accordance with the provisions of this Article I. Promptly upon determination, the Calculation Agent will inform the Trustee and the Company of the interest rate for the next Interest Period. Absent manifest error, the determination of the interest rate by the Calculation Agent shall be binding and conclusive on all Holders of Floating Rate Notes, the Trustee and the Company. Upon request by any Holder of Floating Rate Notes, the Calculation Agent will provide notice of the interest rate in effect on the Floating Rate Notes for the then-current Interest Period and, if it has been determined, the interest rate to be in effect for the next succeeding Interest Period.

ARTICLE II

Fixed Rate Notes due 2010

SECTION 2.01 Establishment and Terms.

There is hereby established a new series of Securities to be issued under the Indenture, to be designated as the Company's 5 1/2% Senior Notes due 2010 (the "Fixed Rate Notes" and, together with the Floating Rate Notes, the "Notes"). The Fixed Rate Notes are being sold initially by the Company pursuant to Rule 144A and Regulation S under the Act.

The aggregate principal amount of Fixed Rate Notes that may be authenticated and delivered under this Indenture is unlimited. The Fixed Rate Notes that are to be authenticated and delivered on the date hereof (the "Initial Fixed Rate Notes" and, together with

the Initial Floating Rate Notes, the "Initial Notes") will be in an aggregate principal amount of $750,000,000. The Fixed Rate Notes shall be issued in definitive fully registered form.

With respect to any additional Fixed Rate Notes the Company elects to issue under this Indenture (the "Additional Fixed Rate Notes" and, together with the Additional Floating Rate Notes, the "Additional Notes"), the Company shall set forth in an Officer's Certificate the following information:

(i) the aggregate principal amount of such Additional Fixed Rate Notes to be authenticated and delivered pursuant to this Indenture;

(ii) the issue price and the issue date of such Additional Fixed Rate Notes, including the date from which interest shall accrue; and

(iii) whether such Additional Fixed Rate Notes shall be Restricted Notes or Unrestricted Notes.

For purposes of the Indenture, Fixed Rate Notes will not be deemed to be Additional Fixed Rate Notes unless the maturity date, Interest Payment Dates, record date and maturity date are identical to the Initial Fixed Rate Notes. The Initial Fixed Rate Notes and the Additional Fixed Rate Notes shall be considered collectively as a single class for all purposes of this Indenture. Holders of the Initial Fixed Rate Notes and the Additional Fixed Rate Notes will vote and consent together on all matters to which such Holders are entitled to vote or consent as one class, and none of the Holders of the Initial Fixed Rate Notes or the Additional Fixed Rate Notes shall have the right to vote or consent as a separate class on any matter to which such Holders are entitled to vote or consent.

The Fixed Rate Notes shall be issued in the form of one or more Global Securities in substantially the form set out in Exhibit B and as further provided in Article III. The initial Depositary with respect to the Notes shall be The Depository Trust Company ("DTC").

SECTION 2.02 Maturity, Payment of Principal and Interest.

The Fixed Rate Notes will mature on October 15, 2010.

The Fixed Rate Notes will bear interest at the rate of 5 1/2% per annum. The Interest Payment Dates with respect to the Fixed Rate Notes will be October 15 and April 15 of each year. The first Interest Payment Date with respect to the Initial Fixed Rate Notes will be April 15, 2004. Interest shall be paid to the Person in whose name the applicable Note is registered at the close of business on October 1, in the case of a October 15 Interest Payment Date, and April 1, in the case of an April 15 Interest Payment Date. Interest on the Initial Fixed Rate Notes will accrue from October 17, 2003. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

All payments of principal, premium (if any) and interest on the Fixed Rate Notes shall be made in accordance with Section 4.01 of the Original Indenture. No Additional Amounts will be payable on the Fixed Rate Notes.

SECTION 2.03 No Sinking Fund. The Fixed Rate Notes will not be subject to a sinking fund.

SECTION 2.04 Optional Redemption. At any time and from time to time the Fixed Rate Notes will be redeemable, in the Company's sole discretion, in whole or in part, in principal amounts of $1,000 or any integral multiple of $1,000 for an amount equal to the greater of:

(i) 100% of the principal amount of the Fixed Rate Notes; and

(ii) as determined by an Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments on the Fixed Rate Notes being redeemed, discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 25 basis points.

In the event of any such redemption, interest will accrue up to and including the date of redemption. Unless there is a default in payment of the Redemption Price on and after the Redemption Date, interest will cease to accrue on the Fixed Rate Notes or portions thereof called for redemption.

The following defined terms used solely for purposes of this Section 2.05 shall, unless the context otherwise requires, have the meanings specified below for purposes of the Floating Rate Notes.

"Treasury Rate" means the rate per year, calculated on the third day preceding the redemption date, equal to (i) the yield, under the heading that represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue; provided that if no maturity is within three months before or after the maturity date for the Fixed Rate Notes, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue will be determined and the Treasury Rate will be interpolated or extrapolated from those yields on a straight line basis rounding to the nearest month; or (ii) if that release, or any successor release, is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for that Redemption Date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker that would be used, at the time of selection and in

accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Fixed Rate Notes.

"Comparable Treasury Price" is (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed as a percentage of its principal amount) on the third Business Day preceding the Redemption Date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities"; or (ii) if such release (or any successor release) is not published or does not contain such prices on such Business Day (X) the average of the Reference Treasury Dealer Quotations for that Redemption Date, after excluding the highest and lowest of the Reference Treasury Dealer Quotations, or (Y) if the trustee obtains fewer than three Reference Treasury Dealer Quotations, the average of all Reference Treasury Dealer Quotations so received.

"Independent Investment Banker" means one of the Reference Treasury Dealers that the Company appoints.

"Reference Treasury Dealer" means each of Citigroup Global Markets Inc. (and its successors), Goldman, Sachs & Co. (and its successors), J.P. Morgan Securities Inc. (and its successors) and one other nationally recognized investment banking firm that is a primary U.S. Government securities dealer specified from time to time by the Company. If, however, any of them shall cease to be a primary U.S. Government securities dealer in New York City, the Company will substitute another nationally recognized investment banking firm that is such a dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer as of 3:30 p.m., New York time, on the third Business Day preceding the Redemption Date.

"Remaining Scheduled Payments" means the remaining scheduled payments of the principal of and interest on each Fixed Rate Note to be redeemed that would be due after the related Redemption Date but for such redemption. If the Redemption Date is not an Interest Payment Date with respect to the Fixed Rate Note being redeemed, the amount of the next succeeding scheduled interest payment on the Fixed Rate Note will be reduced by the amount of interest accrued thereon to that Redemption Date.

SECTION 2.05 Ratification. Article III of the Original Indenture is made a part hereof and is in all respects ratified and confirmed.

SECTION 2.06 Transfer Restrictions. The Fixed Rate Notes shall be subject to the restrictions on transfer and exchange set forth in Section 3.01, which restrictions on transfer and exchange shall amend, supplement, modify or supersede those contained in Article II of the Original Indenture to the extent applicable.

SECTION 2.07 Denominations. The Fixed Rate Notes shall be issued in denominations of $1,000 or any integral multiple thereof.

ARTICLE III

SECTION 3.01 Form; Restrictions on Transfer and Exchange.

The Initial Notes are being offered and sold by the Company pursuant to a Purchase Agreement, dated October 14, 2003, among the Company, Citigroup Global Markets Inc., Goldman, Sachs & Co., J.P. Morgan Securities Inc. and the other initial purchasers named therein. The Initial Notes and any Additional Notes (if issued with transfer restrictions) (the "Restricted Notes") will be resold initially only to (A) qualified institutional buyers (as defined in Rule 144A under the Act ("Rule 144A")) in reliance on Rule 144A ("QIBs") and (B) Persons other than U.S. Persons (as defined in Regulation S under the Act ("Regulation S")) in reliance on Regulation S. Such Restricted Notes may thereafter be transferred to, among others, QIBs, purchasers in reliance on Regulation S and institutional "accredited investors" (as defined in Rules 501(a)(1), (2), (3) and (7) under the Securities Act) who are not QIBs ("IAIs") in accordance with Rule 501 of the Securities Act in accordance with the procedure described herein.

Restricted Notes offered and sold to qualified institutional buyers in the United States of America in reliance on Rule 144A shall be issued in the form of a permanent Global Security, without interest coupons, substantially in the form of Exhibit A, with respect to Floating Rate Notes, or Exhibit B, with respect to Fixed Rate Notes (the "Rule 144A Securities"), deposited with the Trustee, as custodian for DTC, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The Rule 144A Securities may be represented by more than one certificate, if so required by DTC's rules regarding the maximum principal amount to be represented by a single certificate. The aggregate principal amount of the Rule 144A Securities may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC or its nominee, as hereinafter provided.

Initial Notes and Additional Notes offered and sold outside the United States of America (the "Regulation S Notes") in reliance on Regulation S shall be issued in the form of a permanent Global Security, without interest coupons, substantially in the form of Exhibit A, with respect to Floating Rate Notes, or Exhibit B, with respect to Fixed Rate Notes (the "Regulation S Global Securities"), deposited with the Trustee, as custodian for DTC, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The Regulation S Global Note may be represented by more than one certificate, if so required by DTC's rules regarding the maximum principal amount to be represented by a single certificate. The aggregate principal

amount of the Regulation S Global Securities may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC or its nominee, as hereinafter provided.

Each Regulation S Global Note will be deposited with, or on behalf of, a custodian for DTC for credit to the respective accounts of the purchasers (or to such other accounts as they may direct) on behalf of the Euroclear S.A. N.V., as operator of the Euroclear System ("Euroclear") or Clearstream Banking, societe anonyme ("Clearstream"). Prior to the 40th day after the later of the commencement of the offering of the Notes and October 17, 2003 (such period through and including such 40th day, the "Restricted Period"), interests in the Regulation S Temporary Global Notes may only be held through Euroclear or Cedel (as indirect participants in DTC) unless exchanged for interests in the Rule 144A Securities.

Initial Notes and Additional Notes resold to IAIs (the "Institutional Accredited Investor Notes") in the United States of America shall be issued in the form of a permanent Global Security, without interest coupons, substantially in the form of Exhibit A, with respect to Floating Rate Notes, or Exhibit B, with respect to Fixed Rate Notes (the "Institutional Accredited Investor Global Security"), deposited with the Trustee, as custodian for DTC, duly executed by the Company and authenticated by the Trustee as hereinafter provided. A transfer of an Institutional Accredited Investor Note shall be made upon receipt by the Trustee or its agent of a certificate substantially in the form set forth in Exhibit E from the proposed transferee and, if requested by the Company or the Trustee, the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them. The Institutional Accredited Investor Global Note may be represented by more than one certificate, if so required by DTC's rules regarding the maximum principal amount to be represented by a single certificate. The aggregate principal amount of the Institutional Accredited Investor Global Note may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for DTC or its nominee, as hereinafter provided.

Securities issued in exchange for interests in the Rule 144A Notes, the Regulation S Notes and the Institutional Accredited Investor Notes will be issued in the form of a permanent Global Security, without interest coupons, substantially in the form of Exhibit A or Exhibit B, as appropriate, and deposited with the Trustee as hereinafter provided (the "Exchange Global Securities"). The Exchange Global Securities may be represented by more than one certificate, if so required by DTC's rules regarding the maximum principal amount to be represented by a single certificate.

Upon any sale or transfer of a Restricted Note (x) pursuant to Rule 144, (y) pursuant to an effective registration statement under the Securities Act or (z) pursuant to any other available exemption (other than Rule 144A) from the registration requirements of the Securities Act and as a result of which, in the case of a Security transferred pursuant to this clause (z), such Security shall cease to be a "restricted security" within the meaning of Rule 144, the Trustee shall permit the beneficial owner thereof to transfer such beneficial interest to a transferee who shall take such interest in the form of a beneficial interest in an unrestricted Global Security and shall rescind any restriction on transfer of such beneficial interest; provided, however, that the owner of such beneficial interest shall, in connection with such transfer, comply with the other applicable provisions of this Article III.

Upon the exchange, registration of transfer or replacement of Securities not bearing the legends with respect to restrictions on transfer set forth in Exhibit A and Exhibit B, the Company shall execute and the Trustee shall authenticate and deliver Securities that do not bear such legend and which do not have a Assignment Form attached thereto.

The Securities may have notations, legends or endorsements required by law, stock exchange rule or usage, in addition to those set forth on Exhibit A and Exhibit B. The Company and the Trustee shall approve the forms of the Securities and any notation, endorsement or legend on them. Each Security shall be dated the date of its authentication. The terms of the Securities set forth in Exhibit A and Exhibit B are part of the terms of this Indenture and, to the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to be bound by such terms.

SECTION 3.02 Exchanges Among the Global Notes. Transfers by an owner of a beneficial interest in a Rule 144A Security to a transferee who takes delivery of such interest through a Regulation S Global Note, whether before or after the expiration of the Restricted Period, will be made only upon receipt by the Trustee of a certification from the transferor substantially in the form of Exhibit D.

Prior to the expiration of the Restricted Period, transfers by an owner of a beneficial interest in a Regulation S Global Note to a transferee who takes delivery of such interest through the applicable Rule 144A Security will be made only in accordance with applicable procedures and upon receipt by the Trustee of a written certification from the transferor of the beneficial interest substantially in the form of Exhibit C.

ARTICLE IV
MISCELLANEOUS

SECTION 4.01 Trustee Matters. The recitals in this First Supplemental Indenture are made by the Company only and not by the Trustee, and all of the provisions contained in the Original Indenture in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of the Securities and of this First Supplemental Indenture as fully and with like effect as if set forth herein in full.

SECTION 4.02 Ratification. The Original Indenture is in all respects ratified and confirmed, and the Original Indenture and this First Supplemental Indenture shall be read, taken and construed as one and the same instrument; provided that, in case of conflict between this First Supplemental Indenture and the Original Indenture, this First Supplemental Indenture shall control.

SECTION 4.03 Counterpart Originals. This First Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be deemed to be an original, and such counterparts shall together constitute one and the same instrument.

SECTION 4.04 Performance by DTC, Euroclear or Cedel. Neither the Company nor the Trustee will have any responsibility for the performance of DTC, Euroclear or

Cedel, or any of their participants, direct or indirect, of their respective obligations under the rules and procedures governing their operations.

SECTION 4.05 Effect of Headings. The Article and Section headings herein have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 4.06 Governing Law. This First Supplemental Indenture and the Notes shall be governed by and construed in accordance with the law of the State of New York.

SECTION 4.07 Provisions for the Sole Benefit of Parties and Holders. Nothing in the Indenture, as supplemented, amended and modified by this First Supplemental Indenture, or in the Notes, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Company, the Trustee, the Paying Agent, the Calculation Agent and the registered owners of the Notes, any legal or equitable right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Company shall be for the sole and exclusive benefit of the Company, the Trustee, the Paying Agent, the Calculation Agent and the registered owners of the Notes.

IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed as of the day and year first above written.

HALLIBURTON COMPANY, as Issuer

By: /s/ C. Christopher Gaut

Name: C. Christopher Gaut
Title: Executive Vice President and Chief Financial Officer

JPMORGAN CHASE BANK, as Trustee

By: /s/ Frank W. McCreary

Name: Frank W. McCreary
Title: Trust Officer

EXHIBIT A
FORM OF FLOATING NOTE

[FACE OF SECURITY]

[Global Note]]
[Certificated Note]

[THIS GLOBAL NOTE IS A TEMPORARY GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). NEITHER THIS TEMPORARY GLOBAL NOTE NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD, OR DELIVERED, EXCEPT AS PERMITTED BELOW.

NO BENEFICIAL OWNERS OF THIS TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF PRINCIPAL OR INTEREST HEREON UNLESS THE REQUIRED CERTIFICATIONS HAVE BEEN DELIVERED PURSUANT TO THE TERMS OF THE INDENTURE (AS DEFINED HEREAFTER).] (1)

[UNTIL THIS SECURITY IS SOLD PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT, IT SHALL BEAR THE FOLLOWING LEGEND:]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THESE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT or outside the United States in compliance with Regulation S of the Securities Act, and, in each case, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE

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(1) To be included in a Regulation S Temporary Global Note.

ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

THIS SECURITY AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED BY THE ACCEPTANCE OF THIS SECURITY TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

[IF THIS SECURITY HAS BEEN TRANSFERRED PURSUANT TO REGULATION S, IT SHALL BEAR THE FOLLOWING LEGEND:]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE.

BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), (2) BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) (THE "RESALE RESTRICTION TERMINATION DATE"), ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S, (E) TO AN

INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A TRANSACTION INVOLVING A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSE (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (ii) IN THE CASE OF THE FOREGOING CLAUSE (E), A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE COMPANY AND THE TRUSTEE. THIS LEGEND WILL BE REMOVED AFTER 40 CONSECUTIVE DAYS BEGINNING ON AND INCLUDING THE LATER OF (A) THE DAY ON WHICH THE SECURITIES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATION S) AND (B) THE DATE OF THE CLOSING OF THE ORIGINAL OFFERING. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION", "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

BY ITS ACQUISITION OF THIS SECURITY THE HOLDER THEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (I) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE AND HOLD THIS SECURITY CONSTITUTES THE ASSETS OF AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OF PLANS, INDIVIDUAL RETIREMENT ACCOUNTS OR OTHER ARRANGEMENTS THAT ARE SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") OR PROVISIONS UNDER ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE ("SIMILAR LAWS"), OR OF AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF SUCH PLANS, ACCOUNTS OR ARRANGEMENTS, OR (II) THE PURCHASE AND HOLDING OF THIS SECURITY WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS.

THIS SECURITY AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED BY THE ACCEPTANCE OF THIS SECURITY TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

[IF THIS SECURITY IS TO BE A GLOBAL NOTE, IT SHALL BEAR THE FOLLOWING LEGEND:]

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE AND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY.

[FOR AS LONG AS THIS GLOBAL SECURITY IS DEPOSITED WITH OR ON BEHALF OF THE DEPOSITORY TRUST COMPANY IT SHALL BEAR THE FOLLOWING LEGEND:]

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE AND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO HALLIBURTON COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & Co. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch AS THE REGISTERED OWNER HEREOF, CEDE & Co., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO DTC, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

HALLIBURTON COMPANY

SENIOR NOTES DUE 2005

No. ___ CUSIP No. _____

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Halliburton Company, a Delaware corporation (the "Issuer"), for value received promises to pay to _____ or registered assigns, the principal sum of_____ Dollars[, or such greater or lesser amount as indicated on the Schedule I hereto,] (2) on October 17, 2005.

Interest Payment Dates: January 17, April 17, July 17 and October 17
Record Dates: January 1, April 1, July 1 and October 1

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Issuer has caused this Security to be signed manually or by facsimile by its duly authorized officers.

Dated: _____

HALLIBURTON COMPANY

By: _____
Name:
Title:

By: _____
Name:
Title:

Certificate of Authentication:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

JPMORGAN CHASE BANK, as Trustee

By: _____ Dated: _____
Authorized Signatory

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(2) To be included in any Global Note.

[REVERSE OF SECURITY]

HALLIBURTON COMPANY

SENIOR NOTES DUE 2005

This Security is one of a duly authorized issue of Senior Notes Due 2005 (the "Securities") of Halliburton Company, a Delaware corporation (the "Issuer"). The Issuer issued the Securities under an Indenture dated as of October 17, 2003 between the Issuer and the Trustee, as supplemented by the First Supplemental Indenture dated as of October 17, 2003 (the "Indenture"). Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Indenture.

1. Interest. The Issuer promises to pay interest on the principal amount of this Security from October 17, 2003 until maturity. The Securities shall bear interest at the Three-Month LIBOR Rate, as determined by the Calculation Agent on each Interest Determination Date, plus 1.50%, for each Interest Period, until paid or duly provided for. The Issuer will pay interest quarterly on January 17, April 17, July 17 and October 17 of each year, or, if any such day is not a Business Day, on the next succeeding Business Day; provided that if there is no existing Default in the payment of interest, and if this Security is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be January 17, 2003. Interest on the Securities will accrue from the most recent Interest Payment Date on which interest has been paid or, if no interest has been paid, from October 17, 2003. The Three-Month LIBOR Rate will be reset quarterly on each Interest Determination Date. Interest payments for the Securities shall be computed and paid on the basis of a 360-day year and the actual number of days in each interest period.

2. Method of Payment. The Issuer will pay interest on the Securities (except defaulted interest) to the Persons who are registered Holders of Securities at the close of business on the record date next preceding the Interest Payment Date, even if such Securities are canceled after such record date and on or before such Interest Payment Date. The Holder must surrender this Security to a Paying Agent to collect principal payments. The Issuer will pay the principal of and interest on the Securities in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. Such amounts shall be payable at the offices of the Trustee or any Paying Agent, provided that at the option of the Issuer, the Issuer may pay such amounts (1) by wire transfer with respect to Securities represented by a Global Note or (2) by check payable in such money mailed to a Holder's registered address with respect to any Securities.

3. Paying Agent, Calculation Agent and Registrar. Initially, JPMorgan Chase Bank (the "Trustee"), the Trustee under the Indenture, will act as Paying Agent and Registrar and J.P. Morgan Securities Inc. will act as Calculation Agent. The Issuer may change any Paying Agent, Calculation Agent, Registrar, co-registrar, additional paying agent or calculation agent without notice to any Holder. The Issuer or any of the Issuer's subsidiaries may act in any such capacity.

4. Indenture. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code ss.ss. 77aaa-77bbbb) (the "TIA"), as in effect on the date of execution of the Indenture.

The Securities are subject to all such terms, and Holders are referred to the Indenture and the TIA for a statement of such terms. The Securities are unsecured senior obligations of the Issuer and rank equally with all of the Issuer's existing and future unsecured indebtedness. The Indenture provides for the issuance of other series of debt securities thereunder.

5. Denominations, Transfer, Exchange. The Securities are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Securities may be registered and Securities may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not exchange or register the transfer of any Securities during the period between a record date and the corresponding Interest Payment Date.

6. Persons Deemed Owners. The registered Holder of a Security shall be treated as its owner for all purposes.

7. Amendments and Waivers. Subject to certain exceptions and limitations, the Indenture or the Securities may be amended or supplemented by the Issuer and the Trustee with the written consent (including consents obtained in connection with a tender offer or exchange offer for the Securities of any one or more series or all series or a solicitation of consents in respect of the Securities of any one or more series or all series, provided that in each case such offer or solicitation is made to all Holders of then outstanding Securities of each series (but the terms of such solicitation may vary from series to series)) of the Holders of at least a majority in principal amount of the then outstanding Securities of all series under the Indenture affected by such amendment or supplement (acting as one class), and any existing or past Default or Event of Default under, or compliance with any provision of, the Indenture may be waived (other than any continuing Default or Event of Default in the payment of the principal of, premium (if any) or interest on the Securities) by the Holders of at least a majority in principal amount of the then outstanding Securities of any series or of all series (acting as one class) in accordance with the terms of the Indenture. The Issuer and the Trustee may amend or supplement the Indenture or the Securities or waive any provision of either, to:

(1) cure any ambiguity, omission, defect or inconsistency;

(2) evidence the assumption by a Successor of the Issuer's obligations under the Indenture and the Securities;

(3) provide for uncertificated Securities in addition to or in place of certificated Securities or to provide for the issuance of bearer securities (with or without coupons);

(4) provide any security for the Securities or to add guarantees of, or additional obligors on, the Securities;

(5) comply with any requirement in order to effect or maintain the qualification of the Indenture under the TIA;

(6) add to the covenants of the Issuer for the benefit of the Holders of the Securities, or to surrender any right or power conferred by the Indenture upon the Issuer;

(7) add any additional Events of Default with respect to the Securities;

(8) change or eliminate any of the provisions of the Indenture, provided that any such change or elimination shall become effective only when there are no outstanding Securities of any series that are adversely affected in any material respect by such changes in or elimination of such provisions;

(9) establish the form or terms of securities of any series as permitted by the Indenture;

(10) supplement any of the provisions of the Indenture to such extent as shall be necessary to permit or facilitate the defeasance and discharge of the Securities pursuant to the Indenture, provided that any such action shall not adversely affect the interest of the Holders of the Securities of any series in any material respect;

(11) evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts thereunder by more than one Trustee, pursuant to the requirements of the Indenture; or

(12) make any other change that does not adversely affect the rights of any Holder of any series of Securities under the Indenture.

The right of any Holder to participate in any consent required or sought pursuant to any provision of the Indenture (and the obligation of the Issuer to obtain any such consent otherwise required from such Holder) may be subject to the requirement that such Holder shall have been the Holder of record of any Securities with respect to which such consent is required or sought as of a date fixed in accordance with the terms of the Indenture.

Without the consent of each Holder affected, the Issuer may not:

(1) reduce the amount of Securities whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or change the time for payment of interest, including default interest, on any Security;

(3) change the Stated Maturity of any Security;

(4) change the coin or currency or currencies (including composite currencies) in which any Security or any premium or interest with respect thereto are payable;

(5) impair the right to institute suit for the enforcement of any payment of principal of, premium (if any) or interest on any Security pursuant to Sections 6.07 and 6.08 of the Indenture, except as limited by Section 6.06 of the Indenture;

(6) make any change in the percentage of principal amount of Securities necessary to waive compliance with certain provisions of the Indenture pursuant to

Section 6.04 or 6.07 of the Indenture or make any change in Section 9.02(8) of the Indenture; or

(7) waive a continuing Default or Event of Default in the payment of principal of, premium (if any) or interest on the Securities.

A supplemental indenture that changes or eliminates any covenant or other provision of the Indenture which has expressly been included solely for the benefit of one or more particular series of Securities under the Indenture, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under the Indenture of the Holders of the Securities.

8. Defaults and Remedies. Events of Default are defined in the Indenture and with respect to the Securities generally include:

(1) default by the Issuer in the payment of any interest on the Securities when the same becomes due and payable and such default continues for a period of 30 days;

(2) default by the Issuer in any payment of principal of or premium (if any) on the Securities when the same becomes due and payable;

(3) default by the Issuer in observing or performing any of its other covenants or agreements in, or provisions of, the Securities or the Indenture which shall not have been remedied within 60 days after written notice to the Issuer by the Trustee or to the Issuer and Trustee by the holders of at least 25% in aggregate principal amount of the Securities then outstanding affected by such default;

(4) default by the Issuer on a scheduled payment at maturity, in the aggregate principal amount of $125 million or more, after the expiration of any applicable grace period, of any Indebtedness or the acceleration of any Indebtedness of the Issuer in such aggregate principal amount, so that it becomes due and payable prior to the date on which it would otherwise have become due and payable and such payment default is not cured or such acceleration is not rescinded within 30 days after notice to the Issuer in accordance with the terms of the Indebtedness; or

(5) certain events involving bankruptcy, insolvency or reorganization affecting the Issuer.

If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Securities affected by such default (or, in the case of an Event of Default described in clause (5) above, if outstanding Securities of other series are affected by such Default, then at least 25% in principal amount of the then outstanding Securities so affected), may declare the principal of and interest on all the Securities to be immediately due and payable, except that in the case of an Event of Default arising from certain events of bankruptcy, insolvency or reorganization affecting the Issuer, all outstanding Securities become due and payable immediately without further action or notice by the Trustee or any Holder. The amount due and payable upon the acceleration of any Security is equal to 100% of the principal amount thereof plus accrued interest to the date of payment. Holders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may

require indemnity satisfactory to it before it enforces the Indenture or the Securities. Subject to certain limitations, Holders of a majority in aggregate principal amount of the then outstanding Securities may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or may direct the Trustee in its exercise of any trust or power conferred on the Trustee. The Trustee may withhold from Holders notice of any continuing default (except a default in payment of principal or interest) if it determines that withholding notice is in their interests. The Issuer must furnish an annual compliance certificate to the Trustee.

9. Discharge Prior to Maturity. The Indenture with respect to the Securities shall be discharged and canceled upon the payment of all of the Securities issued thereunder and shall be discharged except for certain obligations upon the irrevocable deposit with the Trustee of funds or Government Obligations sufficient for such payment.

10. Trustee Dealings with the Issuer. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuer or its Affiliates, and may otherwise deal with the Issuer or its Affiliates, as if it were not Trustee.

11. No Recourse Against Others. A director, officer, employee or stockholder, as such, of the Issuer shall not have any liability for any obligations of the Issuer under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Securities.

12. Authentication. The Securities shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

13. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuer has caused CUSIP numbers to be printed on the Securities as a convenience to the Holders of the Securities. No representation is made as to the accuracy of such numbers as printed on the Securities and reliance may be placed only on the other identification numbers printed thereon.

14. Indenture to Control; Governing Law. In the case of any conflict between the provisions of this Security and the Indenture, the provisions of the Indenture shall control. The Indenture and the Securities shall be governed by and construed under the laws of the State of New York, without giving effect to applicable principles of conflicts of law to the extent the laws of another jurisdiction would be required to apply.

15. Successor Person. When a Successor assumes all the obligations of its predecessor under the Securities and the Indenture in accordance with the terms and conditions of the Indenture, the predecessor person will (except in certain circumstances specified in the Indenture) be released from those obligations.

16. Abbreviations and Definitions. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

The Issuer will furnish to any Holder upon written request and without charge a copy of the Indenture. Request may be made to:

Halliburton Company
1401 McKinney, Suite 2400
Houston, Texas 77010
Telephone: (713) 759-2600
Attention: General Counsel

SCHEDULE A

The initial aggregate principal amount of Securities evidenced by the Certificate to which this Schedule is attached is $_____. The notations on the following table evidence decreases and increases in the aggregate principal amount of Securities evidenced by such Certificate.

Decrease in Principal Amount of Securities	Increase in Principal Amount of Securities	Principal Amount of Securities Remaining After Such Decrease or Increase	Notation by Security Registrar

ASSIGNMENT FORM

To assign this Security, fill in the form below: (I) or (we) assign and transfer this Security to _____

_____

(Insert assignee's social security or tax I.D. number)

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint_____ as agent to transfer this Security on the books of the Issuer. The agent may substitute another to act for him.

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the face of this Security)

Signature Guarantee: _____

(Participant in a Recognized Signature Guaranty Medallion Program)

This assignment relates to $_____ principal amount of Senior Notes due 2005 of Halliburton Company held in (5)_____ book-entry or (5) _____ definitive form by _____ (the "Transferor").

The Transferor has requested the Trustee by written order to exchange or register the transfer of a Note or Notes.

In connection with such request and in respect of each such Note, the Transferor does hereby certify that the Transferor is familiar with the Indenture, as supplemented, relating to the above-captioned Notes and that the transfer of this Note does not require registration under the Securities Act (as defined below) because: (5)

[ ] Such Note is being acquired for the Transferor's own account without transfer.

[ ] Such Note is being transferred to the Issuer.

[ ] Such Note is being transferred pursuant to a registration statement that has been declared effective under the Securities Act of 1933, as amended (the "Securities Act").

[ ] Such Note is being transferred to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act), in accordance with Rule 144A under the Securities Act.

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(5) Fill in blank or check appropriate box, as applicable.

[ ] Such Note is being transferred pursuant to an exemption from registration in accordance with Rule 904 of Regulation S under the Securities Act, based upon an opinion of counsel if the Issuer or the Trustee so requests, together with a certification in substantially the form of attached to the Indenture.

[ ] Such Note is being transferred to an institutional accredited investor (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act), that has furnished to the Trustee a signed letter containing certain representations and agreements as required by the Indenture.

[ ] Such Note is being transferred pursuant to another available exemption under the Securities Act.

_____
[INSERT NAME OF TRANSFEROR]

By: _____
Name:
Title:
Address:

Date: _____

EXHIBIT B
FORM OF FIXED RATE NOTE

[FACE OF SECURITY]

[Global Note]
[Certificated Note]

[THIS GLOBAL NOTE IS A TEMPORARY GLOBAL NOTE FOR PURPOSES OF REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). NEITHER THIS TEMPORARY GLOBAL NOTE NOR ANY INTEREST HEREIN MAY BE OFFERED, SOLD, OR DELIVERED, EXCEPT AS PERMITTED BELOW.

NO BENEFICIAL OWNERS OF THIS TEMPORARY GLOBAL NOTE SHALL BE ENTITLED TO RECEIVE PAYMENT OF PRINCIPAL OR INTEREST HEREON UNLESS THE REQUIRED CERTIFICATIONS HAVE BEEN DELIVERED PURSUANT TO THE TERMS OF THE INDENTURE (AS DEFINED HEREAFTER).] (2)

[UNTIL THIS SECURITY IS SOLD PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT, IT SHALL BEAR THE FOLLOWING LEGEND:]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND THESE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT or outside the United States in compliance with Regulation S of the Securities Act, and, in each case, IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION.

THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") WHICH IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (D)

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(2) To be included in a Regulation S Temporary Global Note.

PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT, SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATIONS AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

THIS SECURITY AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED BY THE ACCEPTANCE OF THIS SECURITY TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

[IF THIS SECURITY HAS BEEN TRANSFERRED PURSUANT TO REGULATION S, IT SHALL BEAR THE FOLLOWING LEGEND:]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE.

BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), (2) BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) (THE "RESALE RESTRICTION TERMINATION DATE"), ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S, (E) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL ACCREDITED INVESTOR, IN EACH CASE IN A TRANSACTION

INVOLVING A MINIMUM PRINCIPAL AMOUNT OF THE SECURITIES OF $250,000, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (F) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSE (D), (E) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (ii) IN THE CASE OF THE FOREGOING CLAUSE (E), A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE COMPANY AND THE TRUSTEE. THIS LEGEND WILL BE REMOVED AFTER 40 CONSECUTIVE DAYS BEGINNING ON AND INCLUDING THE LATER OF (A) THE DAY ON WHICH THE SECURITIES ARE OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN REGULATION S) AND (B) THE DATE OF THE CLOSING OF THE ORIGINAL OFFERING. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION", "UNITED STATES" AND "U.S. PERSON" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.

BY ITS ACQUISITION OF THIS SECURITY THE HOLDER THEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (I) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE AND HOLD THIS SECURITY CONSTITUTES THE ASSETS OF AN EMPLOYEE BENEFIT PLAN THAT IS SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OF PLANS, INDIVIDUAL RETIREMENT ACCOUNTS OR OTHER ARRANGEMENTS THAT ARE SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE") OR PROVISIONS UNDER ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE ("SIMILAR LAWS"), OR OF AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF SUCH PLANS, ACCOUNTS OR ARRANGEMENTS, OR (II) THE PURCHASE AND HOLDING OF THIS SECURITY WILL NOT CONSTITUTE A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS.

THIS SECURITY AND ANY RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFER OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED BY THE ACCEPTANCE OF THIS SECURITY TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

[IF THIS SECURITY IS TO BE A GLOBAL NOTE, IT SHALL BEAR THE FOLLOWING LEGEND:]

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME

OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE AND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY.

[FOR AS LONG AS THIS GLOBAL SECURITY IS DEPOSITED WITH OR ON BEHALF OF THE DEPOSITORY TRUST COMPANY IT SHALL BEAR THE FOLLOWING LEGEND:]

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE AND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK, TO HALLIBURTON COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO DTC, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

HALLIBURTON COMPANY

5 1/2% Senior Notes due 2010

No. ___ CUSIP No. _____

$

Halliburton Company, a Delaware corporation (the "Issuer"), for value received promises to pay to Cede & Co., or registered assigns, the principal sum of_____ Dollars[, or such greater or lesser amount as indicated on the Schedule I hereto,] (2) on October 15, 2010.

Interest Payment Dates: April 15 and October 15
Record Dates: April 1 and October 1

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Issuer has caused this Security to be signed manually or by facsimile by its duly authorized officers.

Dated: _____

HALLIBURTON COMPANY

By: _____
Name:
Title:

By: _____
Name:
Title:

Certificate of Authentication:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

JPMORGAN CHASE BANK, as Trustee

By: _____ Dated: _____
Authorized Signatory

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(2) To be included in any Global Note.

[REVERSE OF SECURITY]

HALLIBURTON COMPANY

5 1/2 % Senior Notes due 2010

This Security is one of a duly authorized issue of 5 1/2% Senior Notes Due 2010 (the "Securities") of Halliburton Company, a Delaware corporation (the "Issuer"). The Issuer issued the Securities under an Indenture dated as of October 17, 2003 between the Issuer and the Trustee, as supplemented by the First Supplemental Indenture dated as of October 17, 2003 (the "Indenture"). Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Indenture.

1. Interest. The Issuer promises to pay interest on the principal amount of this Security at 5 1/2% per annum from _____, 200_ until maturity. The Issuer will pay interest semiannually on April 15 and October 15 of each year, or if any such day is not a Business Day, on the next succeeding Business Day. Interest on the Securities will accrue from the most recent Interest Payment Date on which interest has been paid or, if no interest has been paid, from _____, 200_; provided that if there is no existing Default in the payment of interest, and if this Security is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be _____. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment. The Issuer will pay interest on the Securities (except defaulted interest) to the Persons who are registered Holders of Securities at the close of business on the record date next preceding the Interest Payment Date, even if such Securities are canceled after such record date and on or before such Interest Payment Date. The Holder must surrender this Security to a Paying Agent to collect principal payments. The Issuer will pay the principal of and interest on the Securities in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. Such amounts shall be payable at the offices of the Trustee or any Paying Agent, provided that at the option of the Issuer, the Issuer may pay such amounts (1) by wire transfer with respect to Securities represented by a Global Note or (2) by check payable in such money mailed to a Holder's registered address with respect to any Security.

3. Paying Agent and Registrar. Initially, JPMorgan Chase Bank (the "Trustee"), the Trustee under the Indenture, will act as Paying Agent and Registrar. The Issuer may change any Paying Agent, Registrar, co-registrar or additional paying agent without notice to any Holder. The Issuer or any of the Issuer's subsidiaries may act in any such capacity.

4. Indenture. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code ss.ss. 77aaa-77bbbb) (the "TIA"), as in effect on the date of execution of the Indenture. The Securities are subject to all such terms, and Holders are referred to the Indenture and the TIA for a statement of such terms. The Securities are unsecured senior obligations of the Issuer and rank equally with all of the Issuer's existing and future unsecured indebtedness. The Indenture provides for the issuance of other series of debt securities thereunder.

5. Denominations, Transfer, Exchange. The Securities are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Securities may be registered and Securities may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not exchange or register the transfer of any Securities during the period between a record date and the corresponding Interest Payment Date.

6. Redemption. No sinking fund is provided for the Securities. At any time and from time to time the Securities will be redeemable, in the Issuer's sole discretion, in whole or in part, in principal amounts of $1,000 or any integral multiple of $1,000 for an amount equal to the greater of (i) 100% of the principal amount of the Securities and (ii) as determined by an Independent Investment Banker, the sum of the present values of the Remaining Scheduled Payments on the Securities being redeemed, discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 25 basis points. In each case, the Issuer will pay accrued interest to the date of redemption. In the event of any such redemption, interest will accrue up to and including the date of redemption. Unless there is a default in payment of the redemption amount, on and after the Redemption Date, interest will cease to accrue on the Securities or portions thereof called for redemption.

7. Persons Deemed Owners. The registered Holder of a Security shall be treated as its owner for all purposes.

8. Amendments and Waivers. Subject to certain exceptions and limitations, the Indenture or the Securities may be amended or supplemented by the Issuer and the Trustee with the written consent (including consents obtained in connection with a tender offer or exchange offer for the Securities of any one or more series or all series or a solicitation of consents in respect of the Securities of any one or more series or all series, provided that in each case such offer or solicitation is made to all Holders of then outstanding Securities of each series (but the terms of such solicitation may vary from series to series)) of the Holders of at least a majority in principal amount of the then outstanding Securities of all series under the Indenture affected by such amendment or supplement (acting as one class), and any existing or past Default or Event of Default under, or compliance with any provision of, the Indenture may be waived (other than any continuing Default or Event of Default in the payment of the principal of, premium (if any) or interest on the Securities) by the Holders of at least a majority in principal amount of the then outstanding Securities of any series or of all series (acting as one class) in accordance with the terms of the Indenture. The Issuer and the Trustee may amend or supplement the Indenture or the Securities or waive any provision of either, to:

(1) cure any ambiguity, omission, defect or inconsistency;

(2) evidence the assumption by a Successor of the Issuer's obligations under the Indenture and the Securities;

(3) provide for uncertificated Securities in addition to or in place of certificated Securities or to provide for the issuance of bearer securities (with or without coupons);

(4) provide any security for the Securities or to add guarantees of, or additional obligors on, the Securities;

(5) comply with any requirement in order to effect or maintain the qualification of the Indenture under the TIA;

(6) add to the covenants of the Issuer for the benefit of the Holders of the Securities, or to surrender any right or power conferred by the Indenture upon the Issuer;

(7) add any additional Events of Default with respect to the Securities;

(8) change or eliminate any of the provisions of the Indenture, provided that any such change or elimination shall become effective only when there are no outstanding Securities of any series that are adversely affected in any material respect by such changes in or elimination of such provisions;

(9) establish the form or terms of securities of any series as permitted by the Indenture;

(10) supplement any of the provisions of the Indenture to such extent as shall be necessary to permit or facilitate the defeasance and discharge of the Securities pursuant to the Indenture, provided that any such action shall not adversely affect the interest of the Holders of the Securities of any series in any material respect;

(11) evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts thereunder by more than one Trustee, pursuant to the requirements of the Indenture; or

(12) make any other change that does not adversely affect the rights of any Holder of any series of Securities under the Indenture.

The right of any Holder to participate in any consent required or sought pursuant to any provision of the Indenture (and the obligation of the Issuer to obtain any such consent otherwise required from such Holder) may be subject to the requirement that such Holder shall have been the Holder of record of any Securities with respect to which such consent is required or sought as of a date fixed in accordance with the terms of the Indenture.

Without the consent of each Holder affected, the Issuer may not:

(1) reduce the amount of Securities whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or change the time for payment of interest, including default interest, on any Security;

(3) change the Stated Maturity of any Security;

(4) change the coin or currency or currencies (including composite currencies) in which any Security or any premium or interest with respect thereto are payable;

(5) impair the right to institute suit for the enforcement of any payment of principal of, premium (if any) or interest on any Security pursuant to Sections 6.07 and 6.08 of the Indenture, except as limited by Section 6.06 of the Indenture;

(6) make any change in the percentage of principal amount of Securities necessary to waive compliance with certain provisions of the Indenture pursuant to Section 6.04 or 6.07 of the Indenture or make any change in Section 9.02(8) of the Indenture; or

(7) waive a continuing Default or Event of Default in the payment of principal of, premium (if any) or interest on the Securities.

A supplemental indenture that changes or eliminates any covenant or other provision of the Indenture which has expressly been included solely for the benefit of one or more particular series of Securities under the Indenture, or which modifies the rights of the Holders of Securities of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under the Indenture of the Holders of the Securities.

9. Defaults and Remedies. Events of Default are defined in the Indenture and with respect to the Securities generally include:

(1) default by the Issuer in the payment of any interest on the Securities when the same becomes due and payable and such default continues for a period of 30 days;

(2) default by the Issuer in any payment of principal of or premium (if any) on the Securities when the same becomes due and payable;

(3) default by the Issuer in observing or performing any of its other covenants or agreements in, or provisions of, the Securities or the Indenture which shall not have been remedied within 60 days after written notice to the Issuer by the Trustee or to the Issuer and Trustee by the holders of at least 25% in aggregate principal amount of the Securities then outstanding affected by such default;

(4) default by the Issuer on a scheduled payment at maturity, in the aggregate principal amount of $125 million or more, after the expiration of any applicable grace period, of any Indebtedness or the acceleration of any Indebtedness of the Issuer in such aggregate principal amount, so that it becomes due and payable prior to the date on which it would otherwise have become due and payable and such payment default is not cured or such acceleration is not rescinded within 30 days after notice to the Issuer in accordance with the terms of the Indebtedness; or

(5) certain events involving bankruptcy, insolvency or reorganization affecting the Issuer.

If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in aggregate principal amount of the outstanding Securities affected by such default (or, in the case of an Event of Default described in clause (5) above, if outstanding Securities of other series are affected by such Default, then at least 25% in principal amount of the then outstanding Securities so affected), may declare the principal of and interest on all the Securities

to be immediately due and payable, except that in the case of an Event of Default arising from certain events of bankruptcy, insolvency or reorganization affecting the Issuer, all outstanding Securities become due and payable immediately without further action or notice by the Trustee or any Holder. The amount due and payable upon the acceleration of any Security is equal to 100% of the principal amount thereof plus accrued interest to the date of payment. Holders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may require indemnity satisfactory to it before it enforces the Indenture or the Securities. Subject to certain limitations, Holders of a majority in aggregate principal amount of the then outstanding Securities may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or may direct the Trustee in its exercise of any trust or power conferred on the Trustee. The Trustee may withhold from Holders notice of any continuing default (except a default in payment of principal or interest) if it determines that withholding notice is in their interests. The Issuer must furnish an annual compliance certificate to the Trustee.

10. Discharge Prior to Maturity. The Indenture with respect to the Securities shall be discharged and canceled upon the payment of all of the Securities issued thereunder and shall be discharged except for certain obligations upon the irrevocable deposit with the Trustee of funds or Government Obligations sufficient for such payment.

11. Trustee Dealings with the Issuer. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Issuer or its Affiliates, and may otherwise deal with the Issuer or its Affiliates, as if it were not Trustee.

12. No Recourse Against Others. A director, officer, employee or stockholder, as such, of the Issuer shall not have any liability for any obligations of the Issuer under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Securities.

13. Authentication. The Securities shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

14. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Issuer has caused CUSIP numbers to be printed on the Securities as a convenience to the Holders of the Securities. No representation is made as to the accuracy of such numbers as printed on the Securities and reliance may be placed only on the other identification numbers printed thereon.

15. Indenture to Control; Governing Law. In the case of any conflict between the provisions of this Security and the Indenture, the provisions of the Indenture shall control. The Indenture and the Securities shall be governed by and construed under the laws of the State of New York, without giving effect to applicable principles of conflicts of law to the extent the laws of another jurisdiction would be required to apply.

16. Successor Person. When a Successor assumes all the obligations of its predecessor under the Securities and the Indenture in accordance with the terms and conditions of the Indenture, the predecessor person will (except in certain circumstances specified in the Indenture) be released from those obligations.

17. Abbreviations and Definitions. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

The Issuer will furnish to any Holder upon written request and without charge a copy of the Indenture. Request may be made to:

Halliburton Company
1401 McKinney, Suite 2400
Houston, Texas 77010
Telephone: (713) 759-2600
Attention: General Counsel

SCHEDULE A

The initial aggregate principal amount of Securities evidenced by the Certificate to which this Schedule is attached is $_____. The notations on the following table evidence decreases and increases in the aggregate principal amount of Securities evidenced by such Certificate.

Decrease in Principal Amount of Securities	Increase in Principal Amount of Securities	Principal Amount of Securities Remaining After Such Decrease or Increase	Notation by Security Registrar

ASSIGNMENT FORM

To assign this Security, fill in the form below: (I) or (we) assign and transfer this Security to _____

_____

(Insert assignee's social security or tax I.D. number)

_____

_____

_____

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ as agent to transfer this Security on the books of the Issuer. The agent may substitute another to act for him.

Date: _____ Your Signature: _____

(Sign exactly as your name appears on the face of this Security)

Signature Guarantee: _____

(Participant in a Recognized Signature Guaranty Medallion Program)

This assignment relates to $_____ principal amount of 5 1/2 % Senior Notes due 2010 of Halliburton Company held in (5) _____ book-entry or (5) _____ definitive form by _____ (the "Transferor").

The Transferor has requested the Trustee by written order to exchange or register the transfer of a Note or Notes.

In connection with such request and in respect of each such Note, the Transferor does hereby certify that the Transferor is familiar with the Indenture, as supplemented, relating to the above-captioned Notes and that the transfer of this Note does not require registration under the Securities Act (as defined below) because:(5)

[ ] Such Note is being acquired for the Transferor's own account without transfer.

[ ] Such Note is being transferred to the Issuer.

[ ] Such Note is being transferred pursuant to a registration statement that has been declared effective under the Securities Act of 1933, as amended (the "Securities Act").

[ ] Such Note is being transferred to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act), in accordance with Rule 144A under the Securities Act.

- ----------

(5) Fill in blank or check appropriate box, as applicable.

[ ] Such Note is being transferred pursuant to an exemption from registration in accordance with Rule 904 of Regulation S under the Securities Act, based upon an opinion of counsel if the Issuer or the Trustee so requests, together with a certification in substantially the form of attached to the Indenture.

[ ] Such Note is being transferred to an institutional accredited investor (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act), that has furnished to the Trustee a signed letter containing certain representations and agreements as required by the Indenture.

[ ] Such Note is being transferred pursuant to another available exemption under the Securities Act.

_____

[INSERT NAME OF TRANSFEROR]

By: _____

Name:
Title:
Address:

Date: _____

EXHIBIT C

FORM OF TRANSFER CERTIFICATE FOR TRANSFER TO QUALIFIED INSTITUTIONAL BUYERS

[Date]

JPMorgan Chase Bank, as Trustee

Re: [5 1/2% Notes due 2010 of Halliburton Company (the "Notes")]
[Notes due 2005 of Halliburton Company (the "Notes")]

Dear Sir or Madam:

Reference is hereby made to the Indenture dated as of October 17, 2003, as amended and supplemented by the First Supplemental Indenture thereto, and as amended and supplemented from time to time thereafter (the "Indenture") between Halliburton Company, as issuer, and JPMorgan Chase Bank, as Trustee. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture. This letter relates to $_____ aggregate principal amount of Notes which are held in the name of [name of transferor] (the "Transferor") to effect the transfer of such Notes in exchange for an equivalent beneficial interest in the Rule 144A Securities.

In connection with such request, and with respect to such Notes, the Transferor does hereby certify that such Notes are being transferred in accordance with (i) the transfer restrictions set forth in the Notes and (ii) Rule 144A under the United States Securities Act of 1933, as amended ("Rule 144A"), to a transferee that the Transferor reasonably believes is purchasing the Notes for its own account or an account with respect to which the transferee exercises sole investment discretion, and the transferee, as well as any such account, is a "qualified institutional buyer" within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with applicable securities laws of any state of the United States or any other jurisdiction.

You and the issuer are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Very truly yours,

[Name of Transferor]

By: _____

Authorized Signature

Signature Medallion Guaranteed

EXHIBIT D

FORM OF CERTIFICATE TO BE DELIVERED IN CONNECTION WITH TRANSFERS PURSUANT TO REGULATION S

[Date]

JPMorgan Chase Bank, as Trustee

Re: [5 1/2% Notes due 2010 of Halliburton Company (the "Notes")]
[Notes due 2005 of Halliburton Company (the "Notes)]

Dear Sir or Madam:

Reference is hereby made to the Indenture dated as of October 17, 2003, as amended and supplemented by the First Supplemental Indenture thereto, and as amended and supplemented from time to time thereafter (the "Indenture") between Halliburton Company, as issuer, and JPMorgan Chase Bank, as Trustee. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture. In connection with our proposed sale of $_____ aggregate principal amount of the Notes, we confirm that such sale has been effected pursuant to and in accordance with Regulation S under the United States Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, we represent that:

(a) the offer of the Notes was not made to a person in the United States;

(b) either (i) at the time the buy order was originated, the transferee was outside the United States or we and any person acting on our behalf reasonably believed that the transferee was outside the United States or (ii) the transaction was executed in, on or through the facilities of a designated off-shore securities market and neither we nor any person acting on our behalf knows that the transaction has been pre-arranged with a buyer in the United States;

(c) no directed selling efforts have been made in the United States in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S, as applicable;

(d) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; and

(e) we are the beneficial owner of the principal amount of Notes being transferred.

In addition, if the sale is made during a restricted period and the provisions of Rule 903(c)(3) or Rule 904(c)(1) of Regulation S are applicable thereto, we confirm that such sale has been made in accordance with the applicable provisions of Rule 903(c)(3) or Rule 904(c)(1), as the case may be.

You and the issuer are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used in this certificate have the meanings set forth in Regulation S.

Very truly yours,

[Name of Transferor]

By: _____

Authorized Signature

Signature Medallion Guaranteed

EXHIBIT E

FORM OF CERTIFICATE TO BE DELIVERED IN CONNECTION WITH
TRANSFERS TO INSTITUTIONAL ACCREDITED INVESTORS

[Date]

Halliburton Company
c/o JPMorgan Chase Bank
600 Travis, Suite 1150
Houston, Texas 77002
Attention: Institutional Trust Services

Ladies and Gentlemen:

This certificate is delivered to request a transfer of $_____ principal amount of the [5 1/2% Senior Notes due October 15, 2010 (the "Notes")][Senior Notes due October 17, 2005] of Halliburton Company (the "Company").

Upon transfer, the Notes would be registered in the name of the new beneficial owner as follows:

Name: _____

Address: _____

Taxpayer ID Number: _____

The undersigned represents and warrants to you that:

1. We are an institutional accredited investor (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933, as amended (the "Securities Act")) purchasing for our own account or for the account of such an institutional accredited investor at least $250,000 principal amount of the Notes, and we are acquiring the Notes not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act. We have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risk of our investment in the Notes and we invest in or purchase securities similar to the Notes in the normal course of our business. We and any accounts for which we are acting are each able to bear the economic risk of our or its investment.

2. We understand that the Notes have not been registered under the Securities Act and, unless so registered, may not be sold except as permitted in the following sentence. We agree on our own behalf and on behalf of any investor account for which we are purchasing Notes to offer, sell or otherwise transfer such Notes prior to the date that is two years after the later of the date of original issue and the last date on which the Company or any affiliate of the Company was the owner of such Notes (or any predecessor thereto) (the "Resale Restriction Termination Date") only (a) to the Company, (b) pursuant to a registration statement

which has been declared effective under the Securities Act, (c) in a transaction complying with the requirements of Rule 144A under the Securities Act ("Rule 144A"), to a person we reasonably believe is a qualified institutional buyer under Rule 144A (a "QIB") that purchases for its own account or for the account of a QIB and to whom notice is given that the transfer is being made in reliance on Rule 144A, (d) pursuant to offers and sales that occur outside the United States within the meaning of Regulation S under the Securities Act, (e) to an institutional accredited investor within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act that is purchasing for its own account or for the account of such an institutional accredited investor, in each case in a minimum principal amount of Notes of $250,000 or (f) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of our property or the property of such investor account or accounts be at all times within our or their control and in compliance with any applicable state securities laws. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. If any resale or other transfer of the Notes is proposed to be made pursuant to clause (e) above prior to the Resale Restriction Termination Date, the transferor shall deliver a letter from the transferee substantially in the form of this letter to the Company and the Trustee, which shall provide, among other things, that the transferee is an institutional accredited investor (within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act) and that it is acquiring such Notes for investment purposes and not for distribution in violation of the Securities Act. Each purchaser acknowledges that the Company and the Trustee reserve the right prior to any offer, sale or other transfer prior to the Resale Termination Date of the Notes pursuant to clause (d), (e) or (f) above to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Company and the Trustee.

TRANSFEREE:_____

BY_____

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement, including Exhibits A and B hereto ("Agreement"), is entered into by and between Halliburton Company ("Employer" or "Halliburton") and Mark A. McCollum ("Employee"), to be effective on August 25, 2003 (the "Effective Date").

W I T N E S S E T H:

WHEREAS, Employer is desirous of employing Employee pursuant to the terms and conditions and for the consideration set forth in this Agreement, and Employee is desirous of entering the employ of Employer pursuant to such terms and conditions and for such consideration.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and obligations contained herein, Employer and Employee agree as follows:

ARTICLE 1: EMPLOYMENT AND DUTIES:

1.1. Employer agrees to employ Employee, and Employee agrees to be employed by Employer, beginning as of the Effective Date and continuing until the date of termination of Employee's employment pursuant to the provisions of Article 3 (the "Term"), subject to the terms and conditions of this Agreement.

1.2. Beginning as of the Effective Date, Employee shall be employed as Senior Vice President and Chief Accounting Officer of Employer. Employee agrees to serve in the assigned position or in such other executive capacities as may be requested from time to time by Employer and to perform diligently and to the best of Employee's abilities the duties and services appertaining to such position as reasonably determined by Employer, as well as such additional or different duties and services appropriate to such positions which Employee from time to time may be reasonably directed to perform by Employer.

1.3. Employee shall at all times comply with and be subject to such policies and procedures as Halliburton may establish from time to time, including, without limitation, the Halliburton Company Code of Business Conduct (the "Code of Business Conduct").

1.4. Employee shall, during the period of Employee's employment by Employer, devote Employee's full business time, energy, and best efforts to the business and affairs of Employer. Employee may not engage, directly or indirectly, in any other business, investment, or activity that interferes with Employee's performance of Employee's duties hereunder, is contrary to the interest of Employer or any of its affiliated companies (collectively, the "Halliburton Entities" or, individually, a "Halliburton Entity"), or requires any significant portion of Employee's business time. The foregoing notwithstanding, the parties recognize and agree that Employee may engage in passive personal investments and other business activities which do not conflict with the business and affairs of the Halliburton Entities or interfere with Employee's performance of his duties hereunder. Employee may not serve on the board of directors of any entity other than a Halliburton Entity during the Term without the approval thereof in accordance with Employer's policies and procedures regarding such service. Employee shall be permitted to retain any compensation received for approved service on any unaffiliated corporation's board of directors.

1.5. Employee acknowledges and agrees that Employee owes a fiduciary duty of loyalty, fidelity and allegiance to act at all times in the best interests of the Employer and the other Halliburton Entities and to do no act which would, directly or indirectly, injure any such entity's business, interests, or reputation. It is agreed that any direct or indirect interest in, connection with, or benefit from any outside activities, particularly commercial activities, which interest might in any way adversely affect Employer, or any Halliburton Entity, involves a possible conflict of interest. In keeping with Employee's fiduciary duties to Employer, Employee agrees that Employee shall not knowingly become involved in a conflict of interest with Employer or the Halliburton Entities, or upon discovery thereof, allow such a conflict to continue. Moreover, Employee shall not engage in any activity that might involve a possible conflict of interest without first obtaining approval in accordance with Halliburton's policies and procedures.

1.6 Nothing contained herein shall be construed to preclude the transfer of Employee's employment to another Halliburton Entity ("Subsequent Employer") as of, or at any time after, the Effective Date and no such transfer shall be deemed to be a termination of employment for purposes of Article 3 hereof; provided, however, that, effective with such transfer, all of Employer's obligations hereunder shall be assumed by and be binding upon, and all of Employer's rights hereunder shall be assigned to, such Subsequent Employer and the defined term "Employer" as used herein shall thereafter be deemed amended to mean such Subsequent Employer. Except as otherwise provided above, all of the terms and conditions of this Agreement, including without limitation, Employee's rights and obligations, shall remain in full force and effect following such transfer of employment.

ARTICLE 2: COMPENSATION AND BENEFITS:

2.1. Employee's base salary shall not be less than $350,000 per annum which shall be paid in accordance with the Employer's standard payroll practice for its executives. Employee's base salary may thereafter be increased from time to time with the approval of the Compensation Committee of Halliburton's Board of Directors (the "Compensation Committee") or its delegate, as applicable. Such increased base salary shall become the minimum base salary under this Agreement and may not be decreased thereafter without the written consent of Employee.

2.2. During the Term, Employee shall participate in the Halliburton Annual Performance Pay Plan, or any successor annual incentive plan approved by the Compensation Committee; provided, however, that all determinations relating to Employee's participation, including, without limitation, those relating to the performance goals applicable to Employee and Employee's level of participation and payout opportunity, shall be made in the sole discretion of the person or committee to whom such authority has been granted pursuant to such plan's terms.

2.3. On the Effective Date, Employer shall grant to Employee under the Halliburton Company 1993 Stock and Incentive Plan, or its successor plan (the "1993 Plan") a non-qualified stock option to purchase up to 20,000 shares of Employer's common stock at an exercise price equal to the closing price of Employer's common stock on the Effective Date. The other terms and conditions of such option are set forth in Exhibit A attached hereto, and forming a part of this Agreement.

2.4. On the Effective Date, Employer shall grant to Employee under the 1993 Plan 10,000 shares of Employer's common stock subject to restrictions and other terms and conditions set forth in Exhibit B attached hereto, and forming as part of, this Agreement.

2.5. During the Term, Employee shall participate in the Performance Unit Program under the 1993 Plan, or any successor long-term incentive compensation plan, in accordance with such Program's terms; provided, however, that all determinations relating to Employee's participation, including, without limitation, those relating to the performance goals applicable to Employee and Employee's level of participation and payout opportunity, shall be made in the sole discretion of the person or committee to whom such authority has been granted under such program's terms.

2.6. During the Term, Employer shall pay or reimburse Employee for all actual, reasonable and customary expenses incurred by Employee in the course of his employment; including, but not limited to, travel, entertainment, subscriptions and dues associated with Employee's membership in professional, business and civic organizations; provided that such expenses are incurred and accounted for in accordance with Employer's applicable policies and procedures.

2.7. While employed by Employer, Employee shall be allowed to participate, on the same basis generally as other executive employees of Employer, in all general employee benefit plans and programs, including improvements or modifications of the same, which on the Effective Date or thereafter are made available by Employer to all or substantially all of Employer's similarly situated executive employees. Such benefits, plans, and programs may include, without limitation, medical, health, and dental care, life insurance, disability protection, and qualified and non-qualified retirement plans. Except as specifically provided herein, nothing in this Agreement is to be construed or interpreted to increase or alter in any way the rights, participation, coverage, or benefits under such benefit plans or programs than provided to similarly situated executive employees pursuant to the terms and conditions of such benefit plans and programs. While employed by Employer, Employee shall be eligible to receive awards under the 1993 Plan or any successor stock-related plan adopted by Halliburton's Board of Directors; provided, however, that the foregoing shall not be construed as a guarantee with respect to the type, amount or frequency of such awards, if any, such decisions being solely within the discretion of the Compensation Committee or its delegate, as applicable.

2.8. Beginning in 2004, Employee will be eligible for four weeks of paid vacation per calendar year until such time as Employee's years of service entitle him to additional vacation. For the remainder of the calendar year 2003, Employee will be immediately eligible as of the Effective Date for the prorated portion of such vacation benefit.

2.9 Employer shall not, by reason of this Article 2, be obligated to institute, maintain, or refrain from changing, amending or discontinuing, any incentive compensation, employee benefit or stock or stock option program or plan, so long as such actions are similarly applicable to covered employees generally.

2.10. Employer may withhold from any compensation, benefits, or amounts payable under this Agreement all federal, state, city, or other taxes as may be required pursuant to any law or governmental regulation or ruling.

ARTICLE 3: TERMINATION OF EMPLOYMENT AND EFFECTS OF SUCH TERMINATION:

3.1. Employee's employment with Employer shall be terminated (i) upon the death of Employee, (ii) upon Employee's Retirement (as defined below), (iii) upon Employee's Permanent Disability (as defined below), or (iv) at any time by Employer upon written notice to Employee, or by Employee upon thirty (30) days' written notice to Employer, for any or no reason.

3.2. If Employee's employment is terminated by reason of any of the following circumstances, Employee shall not be entitled to receive the benefits set forth in Section 3.3 hereof:

(i) Death.

(ii) Retirement. "Retirement" shall mean either (a) Employee's retirement at or after normal retirement age (either voluntarily or pursuant to Halliburton's retirement policy) or (b) the voluntary termination of Employee's employment by Employee in accordance with Employer's early retirement policy for other than Good Reason (as defined below).

(iii) Permanent Disability. "Permanent Disability" shall mean Employee's physical or mental incapacity to perform his usual duties with such condition likely to remain continuously and permanently as reasonably determined by the Compensation Committee in good faith.

(iv) Voluntary Termination. "Voluntary Termination" shall mean a termination of employment in the sole discretion and at the election of Employee for other than Good Reason. "Good Reason" shall mean (a) a termination of employment by Employee because of a material breach by Employer of any material provision of this Agreement which remains uncorrected for thirty (30) days following written notice of such breach by Employee to Employer, provided such termination occurs within sixty (60) days after the expiration of the notice period; or (b) a termination of employment by Employee within six (6) months after a material reduction in Employee's rank or responsibility with Employer.

(v) Termination for Cause. Termination of Employee's employment by Employer for Cause. "Cause" shall mean any of the following: (a) Employee's gross negligence or willful misconduct in the performance of the duties and services required of Employee pursuant to this Agreement; (b) Employee's final conviction of a felony; (c) a material violation of the Code of Business Conduct or (d) Employee's material breach of any material provision of this Agreement which remains uncorrected for

thirty (30) days following written notice of such breach to Employee by Employer. Determination as to whether or not Cause exists for termination of Employee's employment will be reasonably made by the Compensation Committee in good faith.

In the event Employee's employment is terminated under any of the foregoing circumstances, all future compensation to which Employee is otherwise entitled and all future benefits for which Employee is eligible shall cease and terminate as of the date of termination, except as specifically provided in this Section 3.2. Employee, or his estate in the case of Employee's death, shall be entitled to pro rata base salary through the date of such termination but shall not be entitled to any annual bonus or incentive compensation for the year in which he terminates employment or any other payments or benefits by or on behalf of Employer except for those which may be payable pursuant to the terms of Employer's or Halliburton's employee benefit plans (as defined in Section 3.4), stock, stock option or incentive plans, or the applicable agreements underlying such plans.

3.3 If Employee's employment is terminated by Employee for Good Reason or by Employer for any reason other than as set forth in Section 3.2 above Employee shall be entitled to each of the following:

(i) To the extent not otherwise specifically provided in any underlying restricted stock agreements, Halliburton, at its option and in its sole discretion, shall either (a) cause all shares of Halliburton common stock previously granted to Employee under the 1993 Plan, and any similar plan adopted by Halliburton in the future, which at the date of termination of employment are subject to restrictions (the "Restricted Shares") to be forfeited, in which case, Employer will pay Employee a lump sum cash payment equal to the value of the Restricted Shares (based on the closing price of Halliburton common stock on the New York Stock Exchange on the date of termination of employment); or (b) cause the forfeiture restrictions with respect to the Restricted Shares to lapse and such shares shall be retained by Employee.

(ii) Subject to the provisions of Section 3.4, Employer shall pay to Employee a severance benefit consisting of a single lump sum cash payment equal to two years' of Employee's base salary as in effect at the date of Employee's termination of employment. Such severance benefit shall be paid no later than sixty (60) days following Employee's termination of employment.

(iii) Employee shall be entitled to any individual bonuses or individual incentive compensation under Employer's Annual Performance Pay Plan, or any successor annual incentive compensation plan, for the year of Employee's termination of employment determined as if Employee had remained employed by the Employer for the entire year. Such amounts shall be paid to Employee at the time that such amounts are paid to similarly situated employees.

3.4. The severance benefit paid to Employee pursuant to Section 3.3 shall be in consideration of Employee's continuing obligations hereunder after such termination, including, without limitation, Employee's obligations under Article 4. Further, as a condition to the receipt of such severance benefit, Employer, in its sole discretion, may require Employee to first execute a release, in the form established by Employer, releasing Employer and all other Halliburton Entities, and their officers, directors, employees, and agents, from any and all claims and from any and all causes of action of any kind or character, including, but not limited to, all claims and causes of action arising out of Employee's employment with Employer and any other Halliburton Entities or the termination of such employment. The performance of Employer's obligations under Section 3.3 and the receipt of the severance benefit provided thereunder by Employee shall constitute full settlement of all such claims and causes of action. Employee shall not be under any duty or obligation to seek or accept other employment following a termination of employment pursuant to which a severance benefit payment under Section 3.3 is owing and the amounts due Employee pursuant to Section 3.3 shall not be reduced or suspended if Employee accepts subsequent employment or earns any amounts as a self-employed individual. Employee's rights under Section 3.3 are Employee's sole and exclusive rights against the Employer or its affiliates and the Employer's sole and exclusive liability to Employee under this Agreement, in contract, tort or otherwise, for the termination of his employment relationship with Employer. Employee agrees that all disputes relating to Employee's termination of employment, including, without limitation, any dispute as to "Cause" or "Voluntary Termination" and any claims or demands against Employer based upon Employee's employment for any monies other than those specified in Section 3.3, shall be resolved through the Halliburton Dispute Resolution Plan as provided in Section 5.6 hereof; provided, however, that decisions as to whether "Cause" exists for termination of the employment relationship with Employee and whether and as of what date Employee has become permanently disabled are delegated to the Compensation Committee for determination and any dispute of Employee with any such decision shall be limited to whether the Compensation Committee reached such decision in good faith. Nothing contained in this Article 3 shall be construed to be a waiver by Employee of any benefits accrued for or due Employee under any employee benefit plan (as such term is defined in the Employees' Retirement Income Security Act of 1974, as amended) maintained by Employer except that Employee shall not be entitled to any severance benefits pursuant to any severance plan or program of the Employer.

3.5. Termination of the employment relationship does not terminate those obligations imposed by this Agreement which are continuing obligations, including, without limitation, Employee's obligations under Article 4.

ARTICLE 4: OWNERSHIP AND PROTECTION OF INTELLECTUAL PROPERTY AND CONFIDENTIAL INFORMATION:

4.1. All information, ideas, concepts, improvements, discoveries, and inventions, whether patentable or not, which are conceived, made, developed or acquired by Employee, individually or in conjunction with others, during Employee's employment by Employer or any of its affiliates (whether during business hours or otherwise and whether on Employer's premises or otherwise) which relate to the business, products or services of Employer or its affiliates (including,

without limitation, all such information relating to corporate opportunities, research, financial and sales data, pricing and trading terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names, and marks), and all writings or materials of any type embodying any of such items, shall be the sole and exclusive property of Employer or its affiliates, as the case may be.

4.2. Employee acknowledges that the businesses of Employer and its affiliates are highly competitive and that their strategies, methods, books, records, and documents, their technical information concerning their products, equipment, services, and processes, procurement procedures and pricing techniques, the names of and other information (such as credit and financial data) concerning their customers and business affiliates, all comprise confidential business information and trade secrets which are valuable, special, and unique assets which Employer or its affiliates use in their business to obtain a competitive advantage over their competitors. Employee further acknowledges that protection of such confidential business information and trade secrets against unauthorized disclosure and use is of critical importance to Employer and its affiliates in maintaining their competitive position. Employee hereby agrees that Employee will not, at any time during or after his employment by Employer, make any unauthorized disclosure of any confidential business information or trade secrets of Employer or its affiliates, or make any use thereof, except in the carrying out of his employment responsibilities hereunder. Confidential business information shall not include information in the public domain (but only if the same becomes part of the public domain through a means other than a disclosure prohibited hereunder). The above notwithstanding, a disclosure shall not be unauthorized if (i) it is required by law or by a court of competent jurisdiction or (ii) it is in connection with any judicial, arbitration, dispute resolution or other legal proceeding in which Employee's legal rights and obligations as an employee or under this Agreement are at issue; provided, however, that Employee shall, to the extent practicable and lawful in any such events, give prior notice to Employer of his intent to disclose any such confidential business information in such context so as to allow Employer or its affiliates an opportunity (which Employee will not oppose) to obtain such protective orders or similar relief with respect thereto as may be deemed appropriate.

4.3. All written materials, records, and other documents made by, or coming into the possession of, Employee during the period of Employee's employment by Employer which contain or disclose confidential business information or trade secrets of Employer or its affiliates shall be and remain the property of Employer, or its affiliates, as the case may be. Upon termination of Employee's employment by Employer, for any reason, Employee promptly shall deliver the same, and all copies thereof, to Employer.

4.4 For purposes of this Article 4, "affiliates" shall mean entities in which Employer has a 20% or more direct or indirect equity interest.

ARTICLE 5: MISCELLANEOUS:

5.1. Except as otherwise provided in Section 4.4 hereof, for purposes of this Agreement, the terms "affiliate" or "affiliated" means an entity who directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with Halliburton or in which Halliburton has a 50% or more equity interest.

5.2. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when received by or tendered to Employee or Employer, as applicable, by pre-paid courier or by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Employer, to Halliburton Company at 1401 McKinney Avenue, Suite 2400, Houston, Texas 77010, to the attention of the General Counsel, or to such other address as Employee shall receive notice thereof.

If to Employee, to his last known personal residence.

5.3. This Agreement shall be governed by and construed and enforced, in all respects in accordance with the law of the State of Texas, without regard to principles of conflicts of law, unless preempted by federal law, in which case federal law shall govern; provided, however, that the Halliburton Dispute Resolution Plan and the Federal Arbitration Act shall govern in all respects with regard to the resolution of disputes hereunder.

5.4. No failure by either party hereto at any time to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

5.5. It is a desire and intent of the parties that the terms, provisions, covenants, and remedies contained in this Agreement shall be enforceable to the fullest extent permitted by law. If any such term, provision, covenant, or remedy of this Agreement or the application thereof to any person, association, or entity or circumstances shall, to any extent, be construed to be invalid or unenforceable in whole or in part, then such term, provision, covenant, or remedy shall be construed in a manner so as to permit its enforceability under the applicable law to the fullest extent permitted by law. In any case, the remaining provisions of this Agreement or the application thereof to any person, association, or entity or circumstances other than those to which they have been held invalid or unenforceable, shall remain in full force and effect.

5.6. It is the mutual intention of the parties to have any dispute concerning this Agreement resolved out of court. Accordingly, the parties agree that any such dispute shall, as the sole and exclusive remedy, be submitted for resolution through the Halliburton Dispute Resolution Plan; provided, however, that the Employer, on its own behalf and on behalf of any of the Halliburton Entities, shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any breach or the continuation of any breach of the provisions of Article 4 and Employee hereby consents that such restraining order or injunction may be granted without the necessity of the Employer posting any bond. The parties agree that the resolution of

any such dispute through such Plan shall be final and binding. A copy of the Halliburton Dispute Resolution Plan, as currently in effect, is attached to this Agreement for information purposes. Halliburton reserves the right to amend such Plan or discontinue such Plan at any time.

5.7. This Agreement shall be binding upon and inure to the benefit of Employer, to the extent herein provided, Halliburton and any other person, association, or entity which may hereafter acquire or succeed to all or substantially all of the business or assets of Employer by any means whether direct or indirect, by purchase, merger, consolidation, or otherwise. Employee's rights and obligations under this Agreement are personal and such rights, benefits, and obligations of Employee shall not be voluntarily or involuntarily assigned, alienated, or transferred, whether by operation of law or otherwise, without the prior written consent of Employer, other than in the case of death or incompetence of Employee.

5.8. This Agreement and the Intellectual Property Agreement of Halliburton Energy Services, Inc., replaces and merges any previous agreements and discussions pertaining to the subject matter covered herein and therein. This Agreement and the Intellectual Property Agreement of Halliburton Energy Services, Inc. constitute the entire agreement of the parties with regard to the terms of Employee's employment, termination of employment and severance benefits, and contains all of the covenants, promises, representations, warranties, and agreements between the parties with respect to such matters. Each party to this Agreement acknowledges that no representation, inducement, promise, or agreement, oral or written, has been made by either party with respect to the foregoing matters which is not embodied herein, and that no agreement, statement, or promise relating to the employment of Employee by Employer that is not contained in this Agreement shall be valid or binding. Any modification of this Agreement will be effective only if it is in writing and signed by each party whose rights hereunder are affected thereby, provided that any such modification must be authorized or approved by the Compensation Committee or its delegate, as appropriate.

IN WITNESS WHEREOF, Employer and Employee have duly executed this Agreement in multiple originals to be effective on the Effective Date.

HALLIBURTON COMPANY

By:

Name: David J. Lesar
Title: Chairman of the Board, President and Chief Executive Officer

EMPLOYEE

Mark A. McCollum

EXHIBIT 10.2

EXECUTION COPY

U.S. $700,000,000

3-YEAR REVOLVING CREDIT AGREEMENT

Dated as of October 30, 2003

Among

HALLIBURTON COMPANY

as Borrower,

THE ISSUING BANKS NAMED HEREIN

as Issuing Banks,

THE BANKS NAMED HEREIN

as Banks,

CITICORP NORTH AMERICA, INC.

as Administrative Agent,

JPMORGAN CHASE BANK

as Syndication Agent,

and

ABN AMRO BANK, N.V.

as Documentation Agent

Co-Lead Arrangers:

CITIGROUP GLOBAL MARKETS INC.

and

J.P. MORGAN SECURITIES INC.

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3-YEAR REVOLVING CREDIT AGREEMENT
Dated as of October 30, 2003

Halliburton Company, a Delaware corporation (the "Borrower"), the lenders party hereto and Citicorp North America, Inc. ("CNAI"), as Administrative Agent hereunder, agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

Section 1.01 Certain Defined Terms. As used in this Agreement, the terms "Borrower" and "CNAI" shall have the meanings set forth above and the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Advance" means a Revolving Credit Advance under Section 2.01 or a Letter of Credit Advance under Section 2.03 and refers to a Base Rate Advance or a Eurodollar Rate Advance (each, a "Type" of Advance).

"Affected Bank" has the meaning specified in Section 2.15.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or any Subsidiary of such Person.

"Agent" means CNAI in its capacity as Administrative Agent pursuant to Article VII and any successor in such capacity pursuant to Section 7.06.

"Agent's Account" means the account of the Agent maintained by the Agent with _____ at its office at _____, New York, New York _____, Account No. _____, Attention: _____, or such other account as the Agent shall specify in writing to the Banks.

"Agreement" means this 3-Year Revolving Credit Agreement dated as of October 30, 2003 among the Borrower, the Banks and the Agent, as amended from time to time in accordance with the terms hereof.

"Applicable Commitment Fee Rate" has the meaning specified in Annex A.

"Applicable Lending Office" means, with respect to each Bank, (i) in the case of a Base Rate Advance, such Bank's Domestic Lending Office, and (ii) in the case of a Eurodollar Rate Advance, such Bank's Eurodollar Lending Office.

"Applicable Margin" has the meaning specified in Annex A.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Bank and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit E.

"Available Amount" of any Letter of Credit means, at any time, the Dollar Equivalent of the maximum amount available to be drawn under such Letter of Credit at such time as set forth in Section 2.01(b) (assuming compliance at such time with all conditions to drawing).

"Bankruptcy Court" means the U.S. Bankruptcy Court for the Western District of Pennsylvania.

"Banks" means the Issuing Banks and the other Banks party hereto from time to time as lenders, including each Eligible Assignee that becomes a party hereto pursuant to Section 8.08(a), (b) and (d).

"Barracuda Facility" means the $260,000,000 Second Amended and Restated Credit and Reimbursement Agreement, dated as of February 21, 2003, among Kellogg Brown & Root, Inc., as borrower, the banks named therein and ABN AMRO Bank, N.V., as administrative agent, as amended.

"Base Rate" means, for any period, a fluctuating interest rate per annum as shall be in effect from time to time which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate; and

(b) the sum (adjusted to the nearest 1/8 of 1% or, if there is no nearest 1/8 of 1%, to the next higher 1/8 of 1%) of (i)1/2 of one percent per annum plus (ii) the rate obtained by dividing (A) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average (adjusted to the basis of a year of 360 days) being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing selected by Citibank, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the Federal Reserve Board for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for Citibank with respect to liabilities consisting of or including (among other liabilities) three-month Dollar non-personal time deposits in the United States, plus (iii) the average during such three-week period of the annual assessment rates estimated by Citibank for determining the then current annual assessment payable by Citibank to the Federal Deposit Insurance Corporation (or any successor) for insuring Dollar deposits of Citibank in the United States; and

(c) the sum of 1/2 of one percent per annum plus the Federal Funds Rate in effect from time to time.

"Base Rate Advance" means an Advance which bears interest as provided in Section 2.07(a).

"Borrowing" means a borrowing consisting of Advances of the same Type made on the same day by the Banks pursuant to Section 2.01 and, if such Advances are Eurodollar Rate Advances, having Interest Periods of the same duration.

"Business Day" means a day of the year on which banks are not required or authorized to close in New York City and, if the applicable Business Day relates to any Eurodollar Rate Advance, on which dealings in Dollar deposits are carried on in the London interbank market.

"Chapter 11 Cases" means the cases to be filed by the Filing Entities under Chapter 11 of the Bankruptcy Code.

"Citibank" means Citibank, N.A., a national banking association.

"Co-Lead Arrangers" means Citigroup Global Markets Inc. and J.P. Morgan Securities Inc.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor Federal tax code, and the regulations promulgated and rulings issued thereunder, in each case as now or hereafter in effect, and any reference to any statutory provision shall be deemed to be a reference to any successor provision or provisions.

"Collateral" means all "Collateral" referred to in the Collateral Documents and all other property that is or is intended to be subject to any Lien in favor of the Collateral Agent for the benefit of the Secured Holders.

"Collateral Documents" means the Pledge Agreement, the Collateral Trust Agreement and any other agreement now or hereafter in effect that creates or purports to create a Lien in favor of the Collateral Agent for the benefit of the Secured Holders.

"Collateral Release Date" means the date on which each of the following statements shall be true and correct, and the Borrower shall have so certified to the Agent in writing:

(i) The Exit Date has occurred;

(ii) There exists no action, suit, investigation, litigation or proceeding pending or threatened in any court or before any arbitrator or governmental instrumentality that (i) could reasonably be expected to have a material adverse effect on the business, condition (financial or otherwise), operations, performance, properties or prospects of the Borrower and its subsidiaries on a consolidated basis other than the Disclosed Litigation (the "Pre-Closing Information") or (ii) purports to affect the legality, validity or enforceability of the Borrower's Obligations, or the rights and remedies of any of the Banks, relating to the Revolving Credit Facility and the Loan Documents, and there shall have been no material adverse change in the status, or financial effect on the Borrower and its subsidiaries on a consolidated basis, of the Disclosed Litigation from that described in the Pre-Closing Information;

(iii) The long-term senior unsecured debt of the Borrower has been recently confirmed by letter at BBB or higher (stable outlook) by S&P and Baa2 or higher (stable outlook) by Moody's;

(iv) There has occurred no material adverse change (which term shall not be deemed to refer to the commencement of the Chapter 11 Cases) since December 31, 2002 in the business, condition (financial or otherwise), operations, performance, properties or prospects of the Borrower and its subsidiaries on a consolidated basis, except as disclosed in the Borrower's report on Form 10-Q filing with the Securities and Exchange Commission for the fiscal quarter ended June 30, 2003 and except for the accounting charges to be taken by the Borrower directly in connection with the Settlement Payments; and

(v) There exists no Default or Event of Default under any of the Loan Documents.

"Collateral Trust Agreement" means the Collateral Trust Agreement, dated as of November __, 2003, between the Borrower and Citibank, as Collateral Agent.

"Collateral Agent" means Citibank in its capacity as Collateral Agent under the Collateral Trust Agreement, together with its successors in interest and permitted assigns.

"Commitment Fee" has the meaning specified in Section 2.04(a).

"Commitment" means a Revolving Credit Commitment or a Letter of Credit Commitment.

"Consolidated Debt" means at any time the Debt of the Borrower and its consolidated subsidiaries calculated on a consolidated basis as of such time, determined in accordance with GAAP.

"Consolidated Debt to Total Consolidated Capitalization Ratio" means, as of any date of calculation, the ratio of the Borrower's Consolidated Debt outstanding on such date to the sum of (i) Consolidated Debt and (ii) Consolidated Net Worth outstanding on such date; provided, that during the period from the time that Net Asbestos and Silica Liability increases to account for the Settlement Payments until the time that the Borrower records the equity component of the Settlement Payments, the amount of such increase in Net Asbestos and Silica Liability and related reduction in equity shall be disregarded for purposes of calculating the Consolidated Debt to Total Consolidated Capitalization Ratio.

"Consolidated EBITDA" means, with reference to any period of time, the EBITDA of the Borrower and its consolidated subsidiaries calculated on a consolidated basis for such period, determined in accordance with GAAP.

"Consolidated Interest Expense" means, with reference to any period, the Interest Expense of the Borrower and its consolidated subsidiaries calculated on a consolidated basis for such period, determined in accordance with GAAP.

"Consolidated Net Worth" means at any time the consolidated stockholders' equity of the Borrower and its consolidated subsidiaries calculated on a consolidated basis as of such time (excluding treasury stock), determined in accordance with GAAP and excluding any aggregate charges for asbestos litigation claims.

"Convert", "Conversion" and "Converted" each refers to a conversion of Revolving Credit Advances of one Type into Revolving Credit Advances of the other Type pursuant to Section 2.08, 2.14 or 2.15.

"Convertible Notes" means the 3 1/8% Convertible Senior Notes of the Borrower due July 15, 2023, issued pursuant to the Convertible Notes Indenture.

"Convertible Notes Indenture" means the Indenture dated as of June 30, 2003 between the Borrower, as issuer and JPMCB, as Trustee.

"Debt" of any Person means (i) Indebtedness of such Person, plus (ii) obligations of such Person under direct third party guaranties for borrowed money, plus (iii) the aggregate face amount of all outstanding letters of credit in respect of which such Person has any reimbursement obligation (other than Performance Letters of Credit), plus (iv) 50% of the aggregate face amount of all outstanding Performance Letters of Credit issued of such Person, plus (v) the Net Asbestos and Silica Liability, minus (vi) any Unrestricted Cash.

"Default" means any event or condition which with notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"DIP Facility" means the Revolving Credit Agreement among DII Industries, LLC and each other borrower named therein and the Borrower, as lender, as amended from time to time.

"Disclosed Litigation" means the litigation described in the information provided by or on behalf of the Borrower to the Agent for disclosure to the Banks prior to the Effective Date of this Agreement.

"Disclosure Statement" means the disclosure statement, dated as of September 18, 2003, with respect to the Plan of Reorganization proposed to be filed in connection with the Chapter 11 Cases as the same may be supplemented or restated prior to the Effective Date.

"Documentation Agent" means ABN AMRO Bank, N.V., solely in its capacity as documentation agent under the Agreement.

"Dollar Equivalent" means, on any date, (i) in relation to an amount denominated in a currency other than Dollars, the equivalent in Dollars determined by using the quoted spot rate at which the Agent's principal office in London offers to exchange Dollars for such currency in London prior to 4:00 P.M. (London time) on such date and (ii) in relation to an amount denominated in Dollars, such amount.

"Dollars" and "$" means lawful money of the United States of America.

"Domestic Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Domestic Lending Office" opposite its name on Schedule I hereto, in the Assignment and Acceptance pursuant to which it became a Bank, or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Agent.

"EBITDA" means (a) Net Income plus (b) to the extent deducted in determining Net Income, (i) Interest Expense, (ii) taxes, and (iii) depreciation and amortization minus (c) to the extent added in determining Net Income, extraordinary gains (including gains from assets sales) for such period, plus (d) to the extent recognized in determining Net Income, extraordinary, non-recurring losses (excluding asbestos charges) for such period. EBITDA shall be calculated on a rolling four quarters basis using the financial results for the four-quarter period ending on the date as of which the calculation is made.

"Effective Date" means has the meaning specified in Section 3.01.

"Eligible Assignee" means (i) any Bank, (ii) any Affiliate of any Bank and (iii) with the consent of the Agent (which consent shall not be unreasonably withheld) and, so long as no Event of Default under Section 6.01(a) or 6.01(e) shall have occurred and be continuing, the Borrower (which consent shall not be unreasonably withheld), any other Person not covered by clause (i) or (ii) of this definition; provided, however, that neither the Borrower nor any Affiliate of the Borrower shall be an Eligible Assignee.

"Equity Interests" means, with respect to any Person, shares of capital stock of (or other ownership or profit interests in) such Person, warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other interests), and other ownership or profit interests in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any Person that for purposes of Title IV of ERISA is a member of the Borrower's controlled group, or under common control with the Borrower, within the meaning of Section 414(a) or (b) of the Internal Revenue Code, and, for purposes of Section 412 of the Internal Revenue Code, Section 414(m) of the Internal Revenue Code.

"ERISA Event" means (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of the Borrower or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, a Plan; provided, however, that in no event shall the filing of the Chapter 11 Cases be an ERISA Event.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Federal Reserve Board, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto, in the Assignment and Acceptance pursuant to which it became a Bank (or, if no such office is specified, its Domestic Lending Office), or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Agent.

"Eurodollar Rate" means, for any Interest Period for each Eurodollar Rate Advance comprising part of the same Borrowing, an interest rate per annum (rounded upward to the nearest whole multiple of 1/100 of 1% per annum, if such rate per annum is not such a multiple) equal to the rate per annum at which deposits in Dollars are offered by the principal office of Citibank in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to Citibank's Eurodollar Rate Advance comprising part of such Borrowing and for a period equal to such Interest Period.

"Eurodollar Rate Advance" means an Advance which bears interest as provided in Section 2.07(b).

"Eurodollar Rate Reserve Percentage" of any Bank for any Interest Period for all Eurodollar Rate Advances comprising part of the same borrowing means the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other

marginal reserve requirement) for such Bank with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.01.

"Excluded Dispositions" means (i) dispositions of assets in the ordinary course of business, (ii) dividends and distributions permitted by Section 5.02(c), (iii) dispositions to the Borrower or a Subsidiary of the Borrower, (iv) dispositions constituting investments and capital contributions, (v) dispositions of any fixed or capital asset pursuant to a sale/leaseback transaction which is consummated within 180 days of the Borrower or such Subsidiary acquiring or completing the construction of such asset and (vi) any Securitization Transaction.

"Existing Indebtedness" means Indebtedness of each Loan Party and its Subsidiaries outstanding immediately before the Effective Date.

"Exit Date" means the date on which (i) the Plan of Reorganization shall have been confirmed and (ii) the Order Entry shall have occurred.

"Federal Funds Rate" means, for any day, a fluctuating interest rate per annum equal for such day to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System or any successor thereof.

"Filing Entities" means the Borrower's Subsidiaries listed on Schedule II hereto.

"Financial Statements" means the consolidated balance sheet and other financial statements of the Borrower and its consolidated subsidiaries dated December 31, 2002 included in the Borrower's Form 10-K filing with the SEC for the fiscal year ended December 31, 2002, as amended prior to the Effective Date in order to reflect changes in the Borrower's segment reporting.

"Foreign Currency" means any lawful currency (other than Dollars) that is freely transferable or convertible into Dollars.

"GAAP" means generally accepted accounting principles in the United States of America.

"Guaranty Supplement" has the meaning specified in the Subsidiary Guaranty.

"HESI" means Halliburton Energy Services, Inc., a Delaware corporation.

"Hundred Year Notes Indenture" means the indenture, dated as of April 18, 1996, between Dresser Industries, Inc., as issuer, and Texas Commerce Bank National Association, as trustee.

"Indebtedness" means, for any Person, (a) its liabilities for borrowed money or the deferred purchase price of property or services (other than current accounts and salaries payable or accrued in the ordinary course of business), (b) obligations of such Person for borrowed money evidenced by bonds,

debentures, notes or other similar instruments and (c) all Indebtedness of others the payment, purchase or other acquisition or obligation of which such Person has assumed, or the payment, purchase or other acquisition or obligation of which such Person has otherwise become directly or contingently liable for.

"Indemnified Costs" has the meaning specified in Section 7.05.

"Indemnified Party" has the meaning specified in Section 8.04(c).

"Initial Extension of Credit" means the earlier to occur of the initial Revolving Credit Borrowing and the initial issuance of a Letter of Credit hereunder.

"Interest Charge Coverage Ratio" means, as of the end of any fiscal quarter, the ratio of (a) Consolidated EBITDA for the four-fiscal quarter period then ended (excluding, for each quarter through and including the quarter ending December 31, 2003, any non-cash charges related to the proposed global asbestos settlement contemplated in the Borrower's press release dated December 18, 2002) to (b) Consolidated Interest Expense (calculated in accordance with GAAP) for the four-fiscal quarter period then ended.

"Interest Expense" means for any period, interest expense, whether expensed or capitalized, paid, accrued or scheduled to be paid or accrued during such period, determined in accordance with GAAP, without duplication.

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same Borrowing, the period commencing on the date of such Eurodollar Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurodollar Rate Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, with respect to Eurodollar Rate Advances, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months (or, as to any Interest Period, such other period as the Borrower and each of the Banks may agree to for such Interest Period), in each case as the Borrower may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period (or, as to any Interest Period, at such other time as the Borrower and the Banks may agree to for such Interest Period), select; provided, however, that:

(i) Interest Periods commencing on the same date for Advances comprising part of the same Borrowing shall be of the same duration;

(ii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day;

(iii) any Interest Period which begins on the last Business Day of the calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month in which it would have ended if there were a numerically corresponding day in such calendar month; and

(iv) the Borrower may not select an Interest Period for any Advance if the last day of such Interest Period would be later than the date on which the Advances are then payable in full

or if any Event of Default under Section 6.01(a) shall have occurred and be continuing at the time of selection.

"Issuing Bank" means each of Citibank, JPMCB, HSBC, Standard Chartered Bank and ABN AMRO Bank, N.V. and any of their respective Affiliates, in their capacities as initial issuing banks, and any Eligible Assignee to which a Letter of Credit Commitment has been assigned pursuant to Section 8.08 so long as each such Eligible Assignee expressly agrees to perform in accordance with their terms all the obligations that by the terms of the Agreement are required to be performed by it as an Issuing Bank and notifies the Agent of its Applicable Lending Office and the amount of its Letter of Credit Commitment (which information shall be recorded by the Agent in the Register), for so long as such initial Issuing Bank or Eligible Assignee, as the case may be, shall have a Letter of Credit Commitment.

"Joint Venture Debt" has the meaning specified in Section 5.02(a)(x)(x).

"JPMCB" means JPMorgan Chase Bank, a New York banking corporation.

"June 2003 10-Q" means the Borrower's Form 10-Q filing with the SEC for the quarter ended on June 30, 2003.

"JV Subsidiary" means each Subsidiary of the Borrower (a) that, at any time, directly holds an Equity Interest in any joint venture (not a Subsidiary) and (b) that has no other material assets.

"L/C Cash Collateral Account" means the l/c cash collateral deposit account, Account No. ____, with _____ at its office at _____, New York, New York _____, in the name of _____ and under the sole control and dominion of the _____ and subject to the terms of this Agreement.

"L/C Related Documents" has the meaning specified in Section 2.06(b)(ii)(A).

"LC Agent" means CNAI, in its capacity as agent under Master LC Facility Agreement.

"LC Banks" means the Banks under and as defined in the Master LC Facility Agreement.

"Letter of Credit" has the meaning set forth in Section 2.01(b).

"Letter of Credit Advance" means an Advance made by any Issuing Bank or any Bank pursuant to Section 2.03(c).

"Letter of Credit Agreement" has the meaning specified in Section 2.03(a).

"Letter of Credit Commitment" of any Issuing Bank means, at any time, the amount set opposite such Issuing Bank's name on Schedule I under the heading "Letter of Credit Commitments" or as reflected for such Issuing Bank in the relevant Assignment and Acceptance to which it is a party, as such amount may be terminated, reduced or increased pursuant to Section 2.05, Section 6.01 or Section 8.08.

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor, a statutory deemed trust and any easement, right of way or other encumbrance on title to real property; provided, however, that for the avoidance of doubt, the interest of a Person as owner or lessor under charters or leases of property and the rights of setoff of banks shall not constitute a "Lien" on or in respect of the relevant property.

"Loan Documents" means this Agreement, the Notes, the Subsidiary Guaranty, and the Collateral Documents.

"Loan Party" means, (i) at any time prior the Collateral Release Date, each of the Borrower and each Subsidiary Guarantor and (ii) from and after the Collateral Release Date, the Borrower.

"Long-Dated Letters of Credit" means Letters of Credit having expiry dates later than one year from the date of issuance, excluding any automatic renewals.

"Master LC Facility Agreement" means the senior secured master letter of credit facility agreement, dated as of October 30, 2003, among the Borrower, the Borrower's subsidiaries party thereto, the banks party thereto, CNAI, as agent, and Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as co-lead arrangers.

"Material Adverse Effect" means a material adverse effect on (a) the business, condition (financial or otherwise), operations, performance or properties of the Borrower and its Subsidiaries, taken as a whole, (b) the rights and remedies of the Agent or any Bank under any Loan Document or (c) the ability of the Borrower and any material Subsidiary which is a Loan Party to perform its Obligations under any Loan Document to which it is or is to be a party; provided, however, the filing of the Chapter 11 Cases shall not be deemed to constitute a Material Adverse Effect.

"Moody's" means Moody's Investors Service, Inc. or any successor to its debt ratings business.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and at least one Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Net Asbestos and Silica Liability" means (a) estimated asbestos litigation claims and silica litigation claims minus (b) estimated insurance for asbestos litigation claims and silica litigation claims, in each case as reflected in the financial statements most recently delivered pursuant to Section 5.01(d)(i) and 5.01(d)(ii) (or, prior to such date, financial statements as filed in the June 2003 10-Q), to the extent that such liability is greater than zero.

"Net Cash Proceeds" means, with respect to any sale, lease, transfer or other disposition of any Collateral, the aggregate amount of cash received from time to time (whether as initial consideration or through payment or disposition of deferred consideration) by or on behalf of such Person in connection with such transaction after deducting therefrom only (without duplication) (a) reasonable and customary brokerage commissions, underwriting fees and discounts, legal fees, finder's fees and other similar fees and commissions and (b) the amount of taxes payable in connection with or as a result of such transaction, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid to a Person that is not an Affiliate of such Person or any Loan Party or any Affiliate of any Loan Party and are properly attributable to such transaction or to the asset that is the subject thereof.

"Net Income" means, for any period, the Borrower's net income for such period, as determined in accordance with GAAP.

"Note" means a promissory note of the Borrower payable to the order of any Bank, in substantially the form of Exhibit A hereto, evidencing the aggregate indebtedness of the Borrower to such Bank resulting from the Advances owing to such Bank.

"Notes Agreements" has the meaning set forth in the Pledge Agreement.

"Notice of Issuance and Application for Letter of Credit" has the meaning specified in Section 2.03(a).

"Notice of Revolving Credit Borrowing" has the meaning specified in Section 2.02(a).

"Notice of Termination" has the meaning specified in Section 2.01(b).

"Obligation" means, with respect to any Person, any payment, performance or other obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any proceeding referred to in Section 6.01(f). Without limiting the generality of the foregoing, the Obligations of any Loan Party under the Loan Documents include (a) the obligation to pay principal, interest, Letter of Credit commissions, charges, expenses, fees, attorneys' fees and disbursements, indemnities and other amounts payable by such Loan Party under any Loan Document and (b) the obligation of such Loan Party to reimburse any amount in respect of any of the foregoing that any Bank, in its sole discretion, may elect to pay or advance on behalf of such Loan Party.

"Order Entry" means the date on which (i) a final, non-appealable order shall have been entered in the Chapter 11 Cases approving the establishment of a trust pursuant to Section 524(g) of the Bankruptcy Code in order to dispose of the present asbestos claims and future demands against any of the Borrower's subsidiaries identified on Schedule 4.01(h) hereto arising out of exposure to asbestos and/or asbestos-related products prior to the date of entry of such order, which order (A) enjoins the assertion of such asbestos claims against the Borrower and such subsidiaries, (B) contains an injunction which is reasonably satisfactory in scope, nature and extent to the Co-Lead Arrangers and (C) incorporates the terms of the Plan of Reorganization and (ii) a final, non-appealable order reasonably satisfactory to the Co-Lead Arrangers shall have been entered in the Chapter 11 Cases approving the establishment of a trust pursuant to Section 105(a) of the Bankruptcy Code in order to dispose of the present silica claims and future demands against any of the Borrower's subsidiaries identified on Schedule 4.01(h) hereto arising out of exposure to silica and/or silica-related products prior to the date of entry of such order, which order (A) enjoins the assertion of such silica claims against the Borrower and such subsidiaries, (B) contains an injunction which is reasonably satisfactory in scope, nature and extent to the Co-Lead Arrangers and (C) incorporates the terms of the Plan of Reorganization.

"Other Taxes" has the meaning specified in Section 2.13(b).

"Performance Letter of Credit" means a letter of credit qualifying as a "performance-based standby letter of credit" under 12 C.F.R. Part 3, Appendix A, Section 3(b)(2)(i) or any successor U.S. Comptroller of the Currency regulation.

"Permitted Liens" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced or, if commenced, have been stayed: (a) Liens for taxes, assessments and governmental charges or levies to the extent not required to be paid under Section 5.01(c); (b) Liens imposed by law, such as materialmen's, mechanics', carriers',

workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business securing obligations that individually or together with all other Permitted Liens outstanding on any date of determination do not materially adversely affect the use of the property to which they relate; (c) pledges or deposits to secure obligations under workers' compensation laws or similar legislation or to secure public or statutory obligations; (d) easements, rights of way and other encumbrances on title to real property that do not render title to the property encumbered thereby unmarketable or materially adversely affect the use of such property for its present purposes; (e) Liens to secure the performance of bids, trade contracts (other than for Indebtedness), leases (including permitted capitalized leases), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business; and (f) Liens with respect to joint ventures or other similar arrangements to secure the obligations of one joint venture party to another, provided that such Liens do not secure Indebtedness.

"Permitted Non-Recourse Indebtedness" means Indebtedness and other obligations of the Borrower or any Subsidiary incurred in connection with the acquisition or construction by the Borrower or such Subsidiary of any property with respect to which:

(a) the holders of such Indebtedness and other obligations agree that they will look solely to the property so acquired or constructed and securing such Indebtedness and other obligations, and neither the Borrower nor any Subsidiary (i) provides any direct or indirect credit support, including any undertaking, agreement or instrument that would constitute Indebtedness or (ii) is directly or indirectly liable for such Indebtedness; and

(b) no default with respect to such Indebtedness or obligations would cause, or permit (after notice or passage of time or otherwise), according to the terms thereof, any holder (or any representative of any such holder) of any other Indebtedness of the Borrower or such Subsidiary to declare a default on such Indebtedness or cause the payment, repurchase, redemption, defeasance or other acquisition or retirement for value thereof to be accelerated or payable prior to any scheduled principal payment, scheduled sinking fund or maturity.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof or any trustee, receiver, custodian or similar official.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Plan of Reorganization" means the plan of reorganization in the form attached as Exhibit B to the Disclosure Statement.

"Pledge Agreement" has the meaning specified in Section 3.01(e)(ii).

"Pledged Equity" has the meaning specified in the Pledge Agreement.

"Pre-Closing Information" has the meaning specified in clause (ii) of the definition of "Collateral Release Date".

"Prior Credit Facility" means the 5-Year Revolving Credit Agreement dated as of August 16, 2001 among the Borrower, Citibank, as paying agent, Citibank and JPMCB (as successor to The Chase Manhattan Bank), as co-administrative agents, and the lenders party thereto.

"Pro Rata Share" of any amount means, with respect to any Bank at any time, such amount times a fraction the numerator of which is the amount of such Bank's Revolving Credit Commitment at such time (or, if the Commitments shall have been terminated pursuant to Section 2.05 or 6.01, such Revolving Credit Commitment as in effect immediately prior to such termination) and the denominator of which is the Revolving Credit Facility at such time (or, if the Commitments shall have been terminated pursuant to Section 2.05 or 6.01, the Revolving Credit Facility as in effect immediately prior to such termination).

"Project Financing" means Indebtedness and other obligations that (a) are incurred by a Project Finance Subsidiary, (b) are secured by a Lien of the type permitted under clause (v) of Section 5.02(a) and (c) constitute Permitted Non-Recourse Indebtedness (other than recourse to the assets of, and Equity Interests in, any Project Finance Subsidiary).

"Project Finance Subsidiary" means a Subsidiary that is a special-purpose entity created solely to (i) construct or acquire any asset or project that will be or is financed solely with Project Financing for such asset or project and related equity investments in, loans to, or capital contributions in, such Subsidiary that are not prohibited hereby and/or (ii) own an interest in any such asset or project.

"Property" or "asset" (in each case, whether or not capitalized) means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Ratings Event" means at any time (a) the senior unsecured long-term debt of the Borrower (i) is rated lower than BBB- by S&P or (ii) is rated lower than Baa3 by Moody's or (b) either S&P or Moody's ceases to rate such senior unsecured long-term debt.

"Receivables Subsidiary" means (i) Oilfield Services Receivables Corporation, a Delaware corporation, and any other transferor under the transaction referred to in Section 5.02(a)(iii), including any replacement transaction and (ii) any other special purpose entity created in connection with a Securitization Transaction.

"Register" has the meaning specified in Section 8.08(c).

"Regulation U" means Regulation U of the Federal Reserve Board, as the same is from time to time in effect, and all official rulings and interpretations thereunder or thereof.

"Required Banks" means at any time Banks owed or holding at least a majority in interest of the sum of (i) the aggregate principal amount of the Advances outstanding at such time; (ii) the Available Amount of all Letters of Credit outstanding at such time (calculated by reference to each Bank's Pro Rata Share) and (iii) the aggregate Unused Revolving Credit Commitments at such time.

"Responsible Officer" means each of the chairman and chief executive officer, the president, the chief financial officer, the treasurer, the secretary or any vice president (whether or not further described by other terms, such as, for example, senior vice president or vice president-operations) of the Borrower or, if any such office is vacant, any Person performing any of the functions of such office.

"Revolving Credit Advance" means an Advance by a Bank to the Borrower pursuant to Section 2.01 and refers to a Base Rate Advance or a Eurodollar Rate Advance (each of which shall be a "Type" of Revolving Credit Advance).

"Revolving Credit Borrowing" means a borrowing consisting of simultaneous Revolving Credit Advances of the same Type made by the Banks.

"Revolving Credit Commitment" means, with respect to any Bank at any time, the amount set forth opposite such Bank's name on Schedule I hereto under the caption "Revolving Credit Commitment" or, if such Bank has entered into one or more Assignment and Acceptances, set forth for such Bank in the Register maintained by the Agent pursuant to Section 8.08(c) as such Bank's "Revolving Credit Commitment", as such amount may be reduced at or prior to such time pursuant to Section 2.05.

"Revolving Credit Facility" means, at any time, the aggregate amount of the Banks' Revolving Credit Commitments at such time.

"S&P" means Standard & Poor's Ratings Service Group, a division of The McGraw-Hill Companies, Inc. on the date hereof, or any successor to its debt ratings business.

"SEC" means the Securities and Exchange Commission or any successor thereof.

"Securitization Transaction" means any transfer by the Borrower or any Subsidiary of accounts receivable or interests therein (including, without limitation, all collateral securing such accounts receivable, all contracts and guarantees or other obligations in respect of such accounts receivable, the proceeds of such receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations involving accounts receivable), or grant of a security interest therein, (a) to a trust, in part, directly or indirectly, by the incurrence or issuance by the transferee or any successor transferee of Indebtedness or securities that are to receive payments from, or that represent interests in, the cash flow derived from such accounts receivable or interests, or (b) directly to one or more investors or other purchasers.

"Secured Holders" has the meaning specified in the Collateral Trust Agreement.

"Senior Unsecured Credit Facility Agreement" means the credit agreement dated as of October 30, 2003 among the Borrower, the lenders party thereto, CNAI, as administrative agent, JPMCB, as syndication agent, ABN AMRO Bank, N.V., as documentation agent and Citigroup Global Markets Inc., Goldman Sachs Capital Partners L.P. and J.P. Morgan Securities Inc., as co-lead arrangers.

"Settlement Payments" means payments by the Borrower of approximately $2.775 billion to asbestos and silica claimants as described in the Disclosure Statement.

"Shared Collateral Account" means the account of the Borrower with Citibank at its office at _____ in the name of the Collateral Agent and under the sole dominion and control of the Collateral Agent and subject to the terms of the Pledge Agreement and the Collateral Trust Agreement.

"Shared Collateral Obligations" has the meaning specified in the Collateral Trust Agreement.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and no Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"Stock Agreement" means the Stock Agreement among DII Industries, LLC, HESI and the Borrower, as amended from time to time.

"Subsidiary" of any Person means any corporation (including a business trust), partnership, joint stock company, trust, unincorporated association, joint venture or other entity of which more than 50% of

the outstanding capital stock, securities or other ownership interests having ordinary voting power to elect directors of such corporation or, in the case of any other entity, others performing similar functions (irrespective of whether or not at the time capital stock, securities or other ownership interests of any other class or classes of such corporation or such other entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person, by such Person and one or more other Subsidiaries of such Person or by one or more other Subsidiaries of such Person.

"Subsidiary Guarantor" means, during such time as such Subsidiary is a party to the Subsidiary Guaranty or a Guaranty Supplement, each of the Subsidiaries of the Borrower listed on Schedule IV hereto and each other Subsidiary of the Borrower that shall be required to execute and deliver a Guaranty Supplement pursuant to Section 5.01(i) and each other Subsidiary of the Borrower which voluntarily executes and delivers a Guaranty Supplement.

"Subsidiary Guaranty" has the meaning specified in Section 3.01(e)(iii)

"Syndication Agent" means JPMCB, solely in its capacity as syndication agent under the Agreement.

"Taxes" has the meaning specified in Section 2.13(a).

"Termination Date" means October 20, 2006, or the earlier date of termination in whole of the Commitments pursuant to Section 2.05 or Section 6.01.

"Transaction" means the consummation of the Plan of Reorganization, the creation of the Trusts, the Settlement Payments and related transactions.

"Trusts" means the trusts to be organized pursuant to Section 524(g) and 105(a) of the Bankruptcy Code as provided in the Plan of Reorganization.

"Type" has the meaning specified in the definition of Revolving Credit Advance.

"Unrestricted Cash" means cash not subject to a security interest granted by a Person to a third party (other than the Collateral Agent for the benefit of the Secured Holders). For the avoidance of doubt, contractual and statutory offset rights are not considered to be security interests for the purposes of this definition.

"Unused Revolving Credit Commitment" means, with respect to any Bank at any time, (a) such Bank's Revolving Credit Commitment at such time minus (b) the sum of (i) the aggregate principal amount of all Revolving Credit Advances and Letter of Credit Advances made by such Bank and outstanding at such time plus (ii) such Bank's Pro Rata Share of (A) the aggregate Available Amount of all Letters of Credit outstanding at such time and (B) the aggregate principal amount of all Letter of Credit Advances made by the Issuing Banks pursuant to Section 2.03(c) and outstanding at such time.

Section 1.02 Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

Section 1.03 Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or

in the application thereof on the operation of such provision (or if the Agent notifies the Borrower that the Required Banks request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

Section 1.04 Miscellaneous. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section, Schedule and Exhibit references are to Articles and Sections of and Schedules and Exhibits to this Agreement, unless otherwise specified.

Section 1.05 Ratings. A rating, whether public or private, by S&P or Moody's shall be deemed to be in effect on the date of announcement or publication by S&P or Moody's, as the case may be, of such rating or, in the absence of such announcement or publication, on the effective date of such rating and will remain in effect until the announcement or publication of, or (in the absence of such announcement or publication) the effective date of, any change in such rating. In the event the standards for any rating by Moody's or S&P are revised, or such rating is designated differently (such as by changing letter designations to numerical designations), then the references herein to such rating shall be deemed to refer to the revised or redesignated rating for which the standards are closest to, but not lower than, the standards at the date hereof for the rating which has been revised or redesignated, all as determined by the Required Banks in good faith. Long-term debt supported by a letter of credit, guaranty or other similar credit enhancement mechanism shall not be considered as senior unsecured long-term debt. If either Moody's or S&P has at any time more than one rating applicable to senior unsecured long-term debt of any Person, the lowest such rating shall be applicable for purposes hereof. For example, if Moody's rates some senior unsecured long-term debt of the Borrower Baa1 and other such debt of the Borrower Baa2, the senior unsecured long-term debt of the Borrower shall be deemed to be rated Baa2 by Moody's.

ARTICLE II
AMOUNTS AND TERMS OF THE REVOLVING CREDIT ADVANCES

Section 2.01 The Revolving Credit Advances. (a) Each Bank severally agrees, on the terms and conditions hereinafter set forth, to make Revolving Credit Advances in Dollars to the Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate amount not to exceed such Bank's Unused Revolving Credit Commitment at such time; provided that no Revolving Credit Advance shall be required to be made, except as a part of a Revolving Credit Borrowing that is in an aggregate amount not less than $10,000,000 in the case of Eurodollar Rate Advances and $5,000,000 in the case of Base Rate Advances and in an integral multiple of $1,000,000, and each Revolving Credit Borrowing shall consist of Revolving Credit Advances of the same Type made on the same day by the Banks ratably according to their respective Revolving Credit Commitments. Within the limits of each Bank's Unused Revolving Credit Commitment in effect from time to time, the Borrower may borrow, prepay pursuant to Section 2.10 and reborrow under this Section 2.01. The Borrower agrees to give a Notice of Revolving Credit Borrowing in accordance with Section 2.02(a) as to each Revolving Credit Advance.

(b) Letters of Credit. Each Issuing Bank agrees, on the terms and conditions hereinafter set forth, to issue letters of credit (collectively, the "Letters of Credit", and each a "Letter of Credit") for the account of the Borrower (such issuance, and any funding of a draw thereunder, to be made by the Issuing Banks in reliance on the agreements of the other Banks pursuant to Section 2.03) from time to time on any Business Day during the period from the Effective Date until 10 days prior to the

Termination Date in an aggregate Available Amount (i) for all Letters of Credit issued by the Issuing Banks not to exceed at any time the lesser of (A) the aggregate Letter of Credit Commitments at such time and (B) the Letter of Credit Commitment of such Issuing Bank at such time and (ii) for each such Letter of Credit not to exceed an amount equal to the Unused Revolving Credit Commitments of the Banks at such time. No Letters of Credit shall have expiration dates (including all rights of the Borrower or the beneficiary to request renewals thereof pursuant to the next sentence) later than the earlier of (x) one year from the date of issuance and (y) 10 Business Days prior to the Termination Date; provided, however, that upon the Borrower's request, the Issuing Banks agree, on the terms and conditions hereof, to issue Long-Dated Letters of Credit with an aggregate outstanding face value not exceeding 33-1/3% of the aggregate amount of the Revolving Credit Commitments (which Long-Dated Letters of Credit shall in no event expire later than 10 Business Days before the Termination Date). Notwithstanding the foregoing, any Letter of Credit may by its terms be renewable automatically annually, unless the relevant Issuing Bank has notified the Borrower (with a copy to the Agent) on or prior to the date for notice of termination set forth in such Letter of Credit but in any event at least 30 days prior to the date of renewal of its election not to renew such Letter of Credit (a "Notice of Termination"). If a Notice of Termination is given by the relevant Issuing Bank pursuant to the immediately preceding sentence, such Letter of Credit shall expire on the date on which it otherwise would have been automatically renewed. Within the limits referred to above, the Borrower may request the issuance of Letters of Credit under this Section 2.01(b), repay any Letter of Credit Advances resulting from drawings thereunder pursuant to Section 2.03(a) and request the issuance of additional Letters of Credit under this Section 2.01(b).

Section 2.02 Making the Revolving Credit Advances. (a) Each Revolving Credit Borrowing shall be made on notice in the form of Exhibit B-1 (a "Notice of Revolving Credit Borrowing"), given not later than 11:00 A.M. (New York City time) (i) on the date of a proposed Revolving Credit Borrowing comprised of Base Rate Advances and (ii) on the third Business Day prior to the date of a proposed Revolving Credit Borrowing comprised of Eurodollar Rate Advances, by the Borrower to the Agent, which shall give to each Bank prompt notice thereof by facsimile. Each Notice of Revolving Credit Borrowing shall be by facsimile, confirmed immediately in writing, in substantially the form of Exhibit B-1, specifying therein the requested (i) date of such Revolving Credit Borrowing, (ii) Type of Revolving Credit Advances comprising such Revolving Credit Borrowing, (iii) aggregate amount of such Revolving Credit Borrowing, and (iv) if such Revolving Credit Borrowing is to be comprised of Eurodollar Rate Advances, the initial Interest Period for each such Revolving Credit Advance. Each Bank shall, before 2:00 p.m. (New York City time) on the date of such Revolving Credit Borrowing, make available for the account of its Applicable Lending Office to the Agent at its address referred to in Section 8.02, in same day funds, such Bank's ratable portion of such Revolving Credit Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower at the Agent's aforesaid address.

(b) Notwithstanding any other provision in this Agreement, at no time shall there be more than ten Revolving Credit Borrowings outstanding; provided that for purposes of the limitation set forth in this sentence, all Revolving Credit Borrowings consisting of Base Rate Advances shall constitute a single Revolving Credit Borrowing.

(c) Each Notice of Revolving Credit Borrowing shall be irrevocable and binding on the Borrower. In the case of any Revolving Credit Borrowing that the related Notice of Revolving Credit Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Bank against any loss, cost or expense incurred by such Bank as a result of any failure to fulfill on or before the date specified in such Notice of Revolving Credit Borrowing for such Revolving Credit Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund the Revolving Credit Advance to

be made by such Bank as part of such Revolving Credit Borrowing when such Revolving Credit Advance, as a result of such failure, is not made on such date.

(d) Unless the Agent shall have received notice from a Bank prior to the time of any Revolving Credit Borrowing that such Bank will not make available to the Agent such Bank's ratable portion of such Revolving Credit Borrowing, the Agent may assume that such Bank has made such portion available to the Agent on the date of such Revolving Credit Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such ratable portion available to the Agent, such Bank and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to Revolving Credit Advances comprising such Revolving Credit Borrowing and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's Revolving Credit Advance as part of such Revolving Credit Borrowing for all purposes.

(e) The failure of any Bank to make the Revolving Credit Advance to be made by it as part of any Revolving Credit Borrowing shall not relieve any other Bank of its obligation, if any, hereunder to make its Revolving Credit Advance on the date of such Revolving Credit Borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Revolving Credit Advance to be made by such other Bank on the date of any Revolving Credit Borrowing.

Section 2.03 Issuance of and Drawings and Reimbursement Under Letters of Credit. (a) Request for Issuance. Each Letter of Credit shall be issued upon notice and application, given not later than 11:00 A.M. (New York City time) on the third Business Day (or a later day, if acceptable to the relevant Issuing Bank in its sole discretion, but in no event later than the first Business Day) prior to the date of the proposed issuance of such Letter of Credit, by the Borrower to any Issuing Bank, which shall give to the Agent prompt notice thereof by telex or facsimile. Each such notice of issuance of a Letter of Credit (a "Notice of Issuance and Application for Letter of Credit") shall be by telephone, confirmed immediately in writing, or telex or facsimile, in the form of Exhibit B-2, specifying therein the requested (A) date of such issuance (which shall be a Business Day), (B) Available Amount of such Letter of Credit, (C) expiration date of such Letter of Credit, (D) name and address of the beneficiary of such Letter of Credit, (E) form of such Letter of Credit and (F) the requested currency of such Letter of Credit, if other than Dollars. If the requested form of such Letter of Credit is acceptable to such Issuing Bank in its sole discretion, such Issuing Bank will, upon fulfillment of the applicable conditions set forth in Article III, make such Letter of Credit available to the Borrower at its office referred to in Section 8.02 or as otherwise agreed with the Borrower in connection with such issuance; provided that no Issuing Bank shall be obligated to issue any Letter of Credit in a Foreign Currency, but each Issuing Bank shall be permitted to do so in its sole discretion if requested by the Borrower.

(b) Letter of Credit Reports. Each Issuing Bank shall furnish (A) to the Agent on the first Business Day of each week a written report summarizing issuance and expiration dates of Letters of Credit issued by such Issuing Bank during the previous week and drawings during such week under all Letters of Credit issued by such Issuing Bank, (B) to the Agent on the first Business Day of each month a written report summarizing issuance and expiration dates of Letters of Credit issued by such Issuing Bank during the preceding month and drawings during such month under all Letters of Credit issued by such Issuing Bank and (C) to the Agent on the first Business Day of each calendar quarter a written report setting forth the average daily aggregate Available Amount during the preceding calendar quarter of all Letters of Credit issued by such Issuing Bank.

(c) Drawing and Reimbursement. The payment by any Issuing Bank of a draft drawn under any Letter of Credit shall constitute for all purposes of this Agreement the making by such Issuing Bank of a Letter of Credit Advance, which shall be a Base Rate Advance, in the Dollar Equivalent amount of such draft. Upon written demand by any Issuing Bank with an outstanding Letter of Credit Advance, with a copy of such demand to the Agent, each Bank shall purchase from such Issuing Bank, and such Issuing Bank shall sell and assign to each such Bank, such Bank's Pro Rata Share of such outstanding Letter of Credit Advance as of the date of such purchase, by making available for the account of its Applicable Lending Office to the Agent for the account of such Issuing Bank, by deposit to the Agent's Account, in same day funds, an amount equal to the portion of the outstanding principal amount of such Letter of Credit Advance to be purchased by such Bank. Promptly after receipt thereof, the Agent shall transfer such funds to such Issuing Bank. The Borrower hereby agrees to each such sale and assignment. Each Bank agrees to purchase its Pro Rata Share of an outstanding Letter of Credit Advance on (i) the Business Day on which demand therefor is made by the Issuing Bank which made such Advance, provided that notice of such demand is given not later than 11:00 A.M. (New York City time) on such Business Day, or (ii) the first Business Day next succeeding such demand if notice of such demand is given after such time. Upon any such assignment by an Issuing Bank to any Bank of a portion of a Letter of Credit Advance, such Issuing Bank represents and warrants to such other Bank that such Issuing Bank is the legal and beneficial owner of such interest being assigned by it, free and clear of any liens, but makes no other representation or warranty and assumes no responsibility with respect to such Letter of Credit Advance, the Loan Documents or any Loan Party. If and to the extent that any Bank shall not have so made the amount of such Letter of Credit Advance available to the Agent, such Bank agrees to pay to the Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by Issuing Bank until the date such amount is paid to the Agent, at the Federal Funds Rate for its account or the account of Issuing Bank, as applicable. If such Bank shall pay to the Agent such amount for the account of Issuing Bank on any Business Day, such amount so paid in respect of principal shall constitute a Letter of Credit Advance made by such Bank on such Business Day for purposes of this Agreement, and the outstanding principal amount of the Letter of Credit Advance made by Issuing Bank shall be reduced by such amount on such Business Day.

(d) Failure to Make Letter of Credit Advances. The failure of any Bank to make the Letter of Credit Advance to be made by it on the date specified in Section 2.03(c) shall not relieve any other Bank of its obligation hereunder to make its Letter of Credit Advance on such date, but no Bank shall be responsible for the failure of any other Bank to make the Letter of Credit Advance to be made by such other Bank on such date.

Section 2.04 Fees. (a) Commitment Fees. The Borrower agrees to pay to the Agent for the account of each Bank a commitment fee through the Termination Date on the amount of such Bank's Unused Revolving Credit Commitment, (i) from November 1, 2003 in the case of each Bank listed on the signature pages hereof or (ii) from the effective date specified in the Assignment and Acceptance pursuant to which it became a Bank, payable quarterly in arrears (within three Business Days after receipt from the Agent of an invoice therefor) for each period ending on the last day of each March, June, September and December hereafter, commencing December 31, 2003, and on the Termination Date, at a rate per annum equal to the Applicable Commitment Fee Rate in effect from time to time (the "Commitment Fee").

(b) Letter of Credit Fees, Etc. (i) The Borrower shall pay to the Agent for the account of each Bank a commission, payable in arrears quarterly (within three Business Days after receipt from the Agent of an invoice therefor) for each period ending on the last day of each March, June, September and December, commencing December 31, 2003 and on the Termination Date, on such Bank's Pro Rata Share of the average daily aggregate Available Amount during such quarter of all Letters of Credit then

outstanding at a rate equal to the Applicable Margin on Eurodollar Rate Advances in effect from time to time.

(ii) The Borrower shall pay to each Issuing Bank, for its own account, (A) an issuance fee for each Letter of Credit issued by such Issuing Bank in an amount equal to 0.125% of the Available Amount of such Letter of Credit on the date of issuance of such Letter of Credit, payable on such date and (B) such other commissions, fronting fees, transfer fees and other fees and charges in connection with the issuance or administration of each Letter of Credit as the Borrower and Issuing Bank shall agree.

(c) Other Fees. The Borrower agrees to pay to the Agent, the Co-Lead Arrangers, and the Banks such other fees as may be separately agreed to in writing.

Section 2.05 Reduction of Commitments. The Borrower shall have the right, upon at least three Business Days' notice to the Agent, to terminate in whole or reduce ratably in part the Unused Revolving Credit Commitments; provided that each partial reduction shall be in the minimum aggregate amount of $10,000,000 and in an integral multiple of $5,000,000. Any termination or reduction of any of the Commitments shall be permanent.

Section 2.06 Repayment of Advances; Required Cash Collateral. (a) Revolving Credit Advances. The Borrower shall repay the principal amount of each Revolving Credit Advance owing to each Bank on the Termination Date or on such earlier date as may be applicable pursuant hereto.

(b) Letter of Credit Advances. (i) The Borrower shall repay to the Agent for the account of each Issuing Bank and each other Bank that has made a Letter of Credit Advance on the earlier of the third Business Day following the date on which such Letter of Credit Advance is made and the Termination Date the outstanding principal amount of each Letter of Credit Advance made by each of them.

(ii) The Obligations of the Borrower under this Agreement, any Letter of Credit Agreement and any other agreement or instrument, in each case relating to any Letter of Credit, shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement, such Letter of Credit Agreement and such other agreement or instrument under all circumstances, including, without limitation, the following circumstances (it being understood that any such payment by the Borrower is without prejudice to, and does not constitute a waiver of, any rights the Borrower might have or might acquire as a result of the payment by any Issuing Bank of any draft or the reimbursement by the Borrower thereof):

(A) any lack of validity or enforceability of any Loan Document, any Letter of Credit Agreement, any Letter of Credit or any other agreement or instrument relating thereto (all of the foregoing being, collectively, the "L/C Related Documents");

(B) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations of the Borrower in respect of any L/C Related Document or any other amendment or waiver of or any consent to departure from all or any of the L/C Related Documents;

(C) the existence of any claim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of a Letter of Credit (or any Persons for which any such beneficiary or any such transferee may be

acting), any Issuing Bank or any other Person, whether in connection with the transactions contemplated by the L/C Related Documents or any unrelated transaction;

(D) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(E) payment by any Issuing Bank under a Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit;

(F) any exchange, release or non-perfection of any Collateral or other collateral, or any release or amendment or waiver of or consent to departure from the Subsidiary Guaranty or any other guarantee, for all or any of the Obligations of the Borrower in respect of the L/C Related Documents; or

(G) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including, without limitation, any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or a guarantor.

(c) Cash Collateral. (i) Prior to the Collateral Release Date, (x) so long as no Ratings Event shall have occurred, 100% of the Net Cash Proceeds received by the Borrower or any of its Subsidiaries (or, in the case of a non-wholly-owned Subsidiary, the pro rata share attributable to the Borrower's (direct or indirect) percentage ownership interest in such Subsidiary) from dispositions of Collateral and (y) from and after the occurrence of a Ratings Event and the granting and perfection of additional security pursuant to Section 5.01(i)(ii), 100% of the Net Cash Proceeds from dispositions of Collateral (other than (A) proceeds from any Excluded Disposition or (B) proceeds which do not exceed $5,000,000 in any single transaction or any series of related transactions) shall be in each case deposited in the Shared Collateral Account as collateral for the Shared Collateral Obligations; provided, that an aggregate amount of up to $150,000,000 of such Net Cash Proceeds referred to in clause (y) which would otherwise be required to be deposited to the Shared Collateral Account may be retained by the Borrower and its Subsidiaries. Upon the Collateral Release Date, such Collateral shall be released on the terms set forth in Section 8.09(b). For purposes of this Section 2.06(c), if the Borrower's (direct or indirect) percentage ownership in any consolidated Subsidiary whose Equity Interests constitute part of the Collateral is reduced (whether due to an issuance of equity by such Person or otherwise) then the portion of the net cash proceeds received by such Person attributable to such reduction shall be deemed to be proceeds received by the Borrower or one of its Subsidiaries from a disposition of Collateral pursuant to this Section and shall be subject to the prepayment provisions hereof.

(ii) If on any date the sum of the aggregate Available Amount of all Letters of Credit outstanding on such date plus the aggregate principal amount of Advances outstanding on such date exceeds the aggregate Commitments on such date, the Borrower shall, within three Business Days thereafter, pay to the Agent in same day funds at the Agent's office, for deposit in the L/C Cash Collateral Account, an amount equal to such excess, which amount shall be released within three Business Days after notice from the Borrower to the Agent that the sum of the aggregate Available Amount of all Letters of Credit plus the aggregate principal amount of Advances outstanding on such date no longer exceeds the aggregate Commitments.

(d) At any time that the Advances have been paid in full, the Available Amount of Letters of Credit has been cash collateralized and the Commitments have been terminated, if at such time

the Collateral Release Date has not occurred, the Agent agrees to provide to the Collateral Agent a written notification to such effect.

Section 2.07 Interest. The Borrower shall pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(a) During such periods as such Advance is a Base Rate Advance, a rate per annum equal at all times to the Base Rate in effect from time to time plus the Applicable Margin in effect from time to time, payable quarterly in arrears on the last day of each March, June, September and December and on the date such Base Rate Advance shall be Converted or paid in full; provided, that any amount of principal of a Base Rate Advance which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest, from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to the sum of the rate otherwise payable thereon plus 2%.

(b) During such periods as such Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of the Eurodollar Rate for such Interest Period plus the Applicable Margin in effect from time to time, payable on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Revolving Credit Advance shall be Converted or paid in full; provided, that any amount of principal of a Eurodollar Rate Advance which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest, payable on demand, (i) from the date on which such amount is due until the end of the Interest Period for such Revolving Credit Advance, at a rate per annum equal at all times to the sum of the Eurodollar Rate for such Interest Period plus the Applicable Margin in effect from time to time plus 2%, and (ii) from the end of such Interest Period until such amount is paid in full, at a rate per annum equal at all times to the sum of the rate of interest in effect from time to time for Base Rate Advances plus 2%.

(c) Upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), the Borrower shall pay simple interest, to the fullest extent permitted by law, on the amount of any interest, fee or other amount (other than principal of Advances which is covered by Sections 2.07(a) and 2.07(b)) payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to the sum of the rate of interest in effect from time to time for Base Rate Advances plus 2% per annum.

Section 2.08 Additional Interest on Eurodollar Rate Advances. The Borrower shall pay to each Bank, so long as such Bank shall be required under regulations of the Federal Reserve Board to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Advance of such Bank during such periods as such Advance is a Eurodollar Rate Advance, from the date of such Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the Eurodollar Rate for the Interest Period then in effect for such Eurodollar Rate Advance from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Bank for such Interest Period, payable on each date on which interest is payable on such Eurodollar Rate Advance. Such additional interest shall be determined by such Bank and notified to the Borrower through the Agent.

Section 2.09 Interest Rate Determination. (a) The Agent shall give prompt notice to the Borrower and the Banks of the applicable interest rate determined by the Agent for purposes of Section 2.07(b).

(b) If the Agent is unable to determine the Eurodollar Rate for any Eurodollar Rate Advances:

(i) the Agent shall forthwith notify the Borrower and the Banks that the interest rate cannot be determined for such Eurodollar Rate Advances,

(ii) each such Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance (or if such Advance is then a Base Rate Advance, will continue as a Base Rate Advance), and

(iii) the obligation of the Banks to make Eurodollar Rate Advances or to Convert Revolving Credit Advances into Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist.

(c) If, with respect to any Eurodollar Rate Advances, the Required Banks notify the Agent (A) that the Eurodollar Rate for any Interest Period for such Advances will not adequately reflect the cost to such Required Banks of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period or (B) that Dollar deposits for the relevant amounts and Interest Period for their respective Advances are not available to them in the London interbank market, the Agent shall forthwith so notify the Borrower and the Banks, whereupon

(i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance, and

(ii) the obligation of the Banks to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist.

(d) If the Borrower shall fail to select the duration of any Interest Period for any Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify the Borrower and the Banks and such Revolving Credit Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances (or if such Advances are then Base Rate Advances, will continue as Base Rate Advances).

(e) On the date on which the aggregate unpaid principal amount of Eurodollar Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than $10,000,000, such Advances shall automatically Convert into Base Rate Advances, and on and after such date the right of the Borrower to Convert such Advances into Eurodollar Rate Advances shall terminate.

(f) Upon the occurrence and during the continuance of any Event of Default under Section 6.01(a), (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (ii) the obligation of the Banks to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended.

Section 2.10 Prepayments. The Borrower shall have no right to prepay any principal amount of any Advance other than as provided in this Section 2.10. The Borrower may, upon notice given to the Agent before 11:00 A.M. (New York City time) on the first Business Day prior to the date of prepayment in the case of Base Rate Advances or upon at least three Business Days' notice to the Agent in the case of Eurodollar Rate Advances, in each case stating the proposed date (which shall be a Business Day) and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amounts of the Advances comprising part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment shall be in an aggregate principal amount not less than $10,000,000 in the case of Eurodollar Rate Advances and $5,000,000 in the case of Base Rate Advances and in integral multiples of $1,000,000, and after giving effect thereto no Borrowing then outstanding shall have a principal amount of less than $5,000,000; and (y) in the case of any such prepayment of a Eurodollar Rate Advance, the Borrower shall be obligated to reimburse the Banks in respect thereof pursuant to Section 8.04(b).

Section 2.11 Payments and Computations. (a) The Borrower shall make each payment hereunder and under the Notes not later than 11:00 A.M. (New York City time) on the day when due in Dollars to the Agent (except that payments under Section 2.08 shall be paid directly to the Bank entitled thereto) at Two Penns Way, Suite 200, New Castle, Delaware 19720, in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, Commitment Fees or Letter of Credit Fees ratably (except amounts payable pursuant to Section 2.12 or Section 2.13 and except that any Bank may receive less than its ratable share of interest to the extent Section 8.06 is applicable to it) to the Banks for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Bank to such Bank for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.08(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Bank assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves. At the time of each payment of any principal of or interest on any Borrowing to the Agent, the Borrower shall notify the Agent of the Borrowing to which such payment shall apply. In the absence of such notice the Agent may specify the Borrowing to which such payment shall apply.

(b) All computations of interest based on the Base Rate (except during such times as the Base Rate is determined pursuant to clause (c) of the definition thereof), of Commitment Fees and of Letter of Credit Fees shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate, the Federal Funds Rate or, during such times as the Base Rate is determined pursuant to clause (c) of the definition thereof, the Base Rate shall be made by the Agent, and all computations of interest pursuant to Section 2.07 shall be made by a Bank, on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Agent (or in the case of Section 2.07, by a Bank) of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest, Commitment Fees and Letter of Credit Fees, as the case may be; provided, however, if such extension

would cause payment of interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Borrower shall not have so made such payment in full to the Agent, each Bank shall repay to the Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Federal Funds Rate.

Section 2.12 Increased Costs and Capital Requirements. (a) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements included in the Eurodollar Rate Reserve Percentage) in or in the interpretation of any law or regulation by any governmental authority charged with the interpretation or administration thereof or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Bank of agreeing to make or making, funding or maintaining any Eurodollar Rate Advance or of agreeing to issue or of issuing or maintaining or participating in Letters of Credit or of agreeing to make or of making or maintaining Letter of Credit Advances (excluding, for purposes of this Section 2.12, any such increased costs resulting from (x) Taxes or Other Taxes (as to which Section 2.13 shall govern) and (y) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Bank is organized or has its Applicable Lending Office or any political subdivision thereof),, then the Borrower shall from time to time, within 15 days after demand by such Bank (with a copy of such demand to the Agent), pay to the Agent for the account of such Bank additional amounts sufficient to compensate such Bank for such increased cost; provided, however, that the Borrower shall not be required to pay to such Bank any portion of such additional amounts that are incurred more than 90 days prior to any such demand, unless such additional amounts had not been imposed or were not determinable on the date that is 90 days prior to such demand. A certificate setting forth in reasonable detail the amount of such increased cost, submitted to the Borrower and the Agent by such Bank, shall be conclusive and binding for all purposes, absent manifest error.

(b) If following the introduction of or any change in any applicable law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) any Bank determines that compliance by such Bank with any such law or regulation or guideline or request regarding capital adequacy affects or would affect the amount of capital required or expected to be maintained by such Bank or any Person controlling such Bank and that the amount of such capital is increased by or based upon the existence of such Bank's commitment to lend or to issue or participate in Letters of Credit hereunder and other commitments of such type or the issuance or maintenance of or participation in Letters of Credit (or similar contingent obligations), then, within 15 days after demand by such Bank (with a copy of such demand to the Agent), the Borrower shall pay to the Agent for the account of such Bank, from time to time as specified by such Bank, additional amounts sufficient to compensate such Bank or such Person in the light of such circumstances, to the extent that such Bank reasonably determines such increase in capital to be allocable to the existence of such Bank's commitment to lend or to issue or participate in Letters of Credit hereunder or to the issuance of or participation in any Letters of Credit; provided, however, that the Borrower shall not be required to pay to such Bank any portion of such additional amounts that are incurred more than 90 days prior to any such demand, unless such additional amounts had not been imposed or were not determinable on the date that is 90 days prior to such demand. A certificate setting forth in reasonable detail such amounts submitted to

the Borrower and the Agent by such Bank shall be conclusive and binding for all purposes, absent manifest error.

(c) Each Bank shall make reasonable efforts (consistent with its internal policies and legal and regulatory restrictions) to select a jurisdiction for its Applicable Lending Office or change the jurisdiction of its Applicable Lending Office, as the case may be, so as to avoid the imposition of any increased costs under this Section 2.12 or to eliminate the amount of any such increased cost which may thereafter accrue; provided that no such selection or change of the jurisdiction for its Applicable Lending Office shall be made if, in the reasonable judgment of such Bank, such selection or change would be disadvantageous to such Bank.

Section 2.13 Taxes. (a) Any and all payments by the Borrower hereunder or under the Notes shall be made, in accordance with Section 2.11, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges and withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank and the Agent, taxes imposed on its overall net income (including branch profits), and franchise taxes imposed on or measured by net income, by the jurisdiction under the laws of which such Bank or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Bank, taxes imposed on its overall net income(including branch profits), and franchise taxes imposed on or measured by net income, by the jurisdiction of such Bank's Applicable Lending Office or principal executive office or any political subdivision thereof, and all liabilities with respect thereto (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"), except as may otherwise be required by law. If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Bank or the Agent, (i) the sum payable shall be increased by such amount (an "Additional Amount") as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.13) such Bank or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. Any such payment by the Borrower shall be made in the name of the relevant Bank or the Agent (as the case may be).

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or any of the Notes (hereinafter referred to as "Other Taxes").

(c) The Borrower will indemnify each Bank and the Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.13) imposed on or paid by such Bank or the Agent (as the case may be) and any liability (including penalties, interest and reasonable expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Payments under any indemnification provided for in this Section 2.13(c) shall be made within 30 days from the date such Bank or the Agent (as the case may be) makes written demand therefor describing such Taxes or Other Taxes in reasonable detail.

(d) If the Agent or a Bank reasonably determines that it has finally and irrevocably received a refund in respect of any Taxes or Other Taxes as to which it has been indemnified by the Borrower, or with respect to which the Borrower has paid Additional Amounts, pursuant to this Section 2.13, it shall within 30 days from the date of such receipt pay over such refund to the Borrower (but only to the extent such refund is attributable, as reasonably determined by such Agent or Bank, to such

indemnity payments made, or Additional Amounts paid, by the Borrower under this Section 2.13 with respect to the Taxes or Other Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses of the Agent or Bank and without interest (other than interest paid by the relevant taxation authority with respect to such refund); provided, however, that the Borrower, upon the request of the Agent or Bank, agrees to repay the amount paid over to the Borrower (plus penalties, interest or other charges, if any, imposed by the relevant taxation authority in respect of such repayment) to the Agent or Bank in the event the Agent or Bank is required to repay such refund to the applicable taxation authority. Nothing contained in this Section 2.13(d) shall interfere with the right of the Agent or any Bank to arrange its tax affairs in whatever manner it determines appropriate nor oblige the Agent or any Bank to claim any tax credit or to disclose any information relating to its tax affairs or any computations in respect thereof or require the Agent or any Bank to do anything that would prejudice its ability to benefit from any other tax relief to which it may be entitled.

(e) Within 30 days after the date of any payment of Taxes, the Borrower will furnish to the Agent, at its address referred to in Section 8.02, the original or a certified copy of a receipt evidencing payment thereof (or other evidence of payment reasonably satisfactory to the Agent). In the case of any payment hereunder or under the Notes by or on behalf of the Borrower through an account or branch outside the United States or by or on behalf of the Borrower by a payor that is not a United States person, if the Borrower determines that no Taxes are payable in respect thereof, the Borrower shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel reasonably acceptable to the Agent stating that such payment is exempt from Taxes imposed by the jurisdiction from which such payment is made. For purposes of this Section 2.13(e) and Section 2.13(f), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Code.

(f) Each Bank organized under the laws of a jurisdiction outside the United States, (i) on or prior to the date of the Initial Extension of Credit in the case of each such Bank listed on the signature pages hereof, (ii) on the date of the Assignment and Acceptance pursuant to which it becomes a Bank, (iii) on or before the date, if any, it changes its Applicable Lending Office, and (iv) from time to time thereafter if reasonably requested in writing by the Borrower or the Agent or promptly upon the obsolescence or invalidity of any form previously delivered by such Bank (but only so long as such Bank remains lawfully able to do so), shall provide the Agent and the Borrower with two original Internal Revenue Service Forms W-8BEN or W-8ECI (or, in the case of a Bank that is entitled to claim exemption from withholding of United States federal income tax under Section 871(h) or 881(c) of the Code, (A) a certificate representing that such Bank is not a "bank" for purposes of Section 881(c) of the Code, is not a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of the Borrower and is not a controlled foreign corporation related to the Borrower (within the meaning of Section 864(d)(4) of the Code) and (B) Internal Revenue Service Form W-8BEN), as appropriate, or any successor or other form prescribed by the Internal Revenue Service, properly completed and duly executed by such Bank, certifying that such Bank is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes (or, in the case of a Bank providing the certificate described in clause (A), certifying that such Bank is a foreign corporation, partnership, estate or trust). If the forms provided by a Bank at the time such Bank first becomes a party to this Agreement indicate or require a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes for purposes of this Section 2.13 unless and until such Bank provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such forms; provided, however, that if, at the effective date of the Assignment and Acceptance pursuant to which a Bank becomes a party to this Agreement (or the date, if any, a Bank changes its Applicable Lending Office), the Bank assignor (or such Bank) was entitled to payments under subsection (a) of this Section 2.13 in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise

includable in Taxes, subject to the provisions of this subsection (f)) United States withholding tax, if any, applicable with respect to the Bank assignee (or such Bank) on such date.

(g) For any period with respect to which a Bank has failed to provide the Borrower with the appropriate form described in subsection (f) above (other than if such failure is due to a change in law, or in the interpretation or application thereof by any governmental authority charged with the interpretation or application thereof, occurring after the date on which a form originally was required to be provided or if such form otherwise is not required under subsection (f) above), such Bank shall not be entitled to indemnification or payment of an Additional Amount under subsection (a) or (c) of this Section 2.13 with respect to Taxes imposed by the United States to the extent such United States Taxes exceed the United States Taxes that would have been imposed had such form been provided; provided, however, that should a Bank become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(h) Any Bank claiming any indemnity payment or Additional Amounts payable pursuant to this Section 2.13 shall use commercially reasonable efforts (consistent with its generally applicable internal policy and legal and regulatory restrictions) to file any certificate or document reasonably requested in writing by the Borrower or to designate a different Applicable Lending Office following the reasonable request in writing of the Borrower if the making of such a filing or change would avoid the need for or reduce the amount of any such indemnity payment or Additional Amounts that may thereafter accrue and would not, in the sole determination of such Bank, require the disclosure of information that the Bank reasonably considers confidential, or be otherwise disadvantageous to such Bank.

Section 2.14 Sharing of Payments, Etc. If any Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the principal of or interest on the Advances owing to it (except amounts payable pursuant to Sections 2.08, 2.12 or 2.13, and except that any Bank may receive less than its ratable share of interest to the extent Section 8.06 is applicable to it) in excess of its ratable share of payments on account of the principal of or interest on the Advances obtained by all the Banks, such Bank shall forthwith purchase from the other Banks such participations in the Advances owing to them as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them, provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, such purchase from each Bank shall be rescinded and such Bank shall repay to the purchasing Bank the purchase price to the extent of such Bank's ratable share (according to the proportion of (i) the amount of the participation purchased from such Bank as a result of such excess payment to (ii) the total amount of such excess payment) of such recovery together with an amount equal to such Bank's ratable share (according to the proportion of (i) the amount of such Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 2.14 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation.

Section 2.15 Illegality. Notwithstanding any other provision of this Agreement, if any Bank ("Affected Bank") shall notify the Borrower and the Agent that the introduction of or any change in any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Bank, or its Eurodollar Lending Office, to perform its obligations hereunder to make Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances hereunder, (i) the obligation of the Affected Bank to make, or to Convert Advances into, Eurodollar Rate Advances shall forthwith be suspended (and any request by the Borrower for a Borrowing comprised of Eurodollar Rate Advances

shall, as to each Affected Bank, be deemed a request for a Base Rate Advance to be made on the same day as the Eurodollar Rate Advances of the Banks that are not Affected Banks and such Base Rate Advance shall be considered as part of such Borrowing) until the Affected Bank shall notify the Borrower, the Banks and the Agent that the circumstances causing such suspension no longer exist and (ii) forthwith after such notice from an Affected Bank to the Agent and the Borrower, all Eurodollar Rate Advances of such Affected Bank shall be deemed to be Converted to Base Rate Advances (but will otherwise continue to be considered as a part of the respective Borrowings that they were a part of prior to such Conversion); provided, however, that, before making any such demand, such Bank agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Eurodollar Lending Office if the making of such a designation would allow such Bank or its Eurodollar Lending Office to continue to perform its obligations to make Eurodollar Rate Advances or to continue to fund or maintain Eurodollar Rate Advances and would not, in the judgment of such Bank, be otherwise materially disadvantageous to such Bank. In the event any Bank shall notify the Agent of the occurrence of any circumstance contemplated under this Section 2.15, all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Rate Advances that would have been made by such Bank or the Converted Eurodollar Rate Advances shall instead be applied to repay the Base Rate Advances made by such Bank in lieu of such Eurodollar Rate Advances or resulting from the Conversion of such Eurodollar Rate Advances and shall be made at the time that payments on the Eurodollar Rate Advances of the Banks that are not Affected Banks are made. Each Bank that has delivered a notice of illegality pursuant to this Section 2.15 above agrees that it will notify the Borrower as soon as practicable if the conditions giving rise to the illegality cease to exist.

Section 2.16 Conversion of Advances. The Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.02(b), 2.09 and 2.15, Convert all Advances of one Type comprising the same Borrowing into Advances of the other Type; provided, however, that (i) any Conversion of any Eurodollar Rate Advances into Base Rate Advances shall be made on, and only on, the last day of an Interest Period for such Eurodollar Rate Advances, except as provided in Section 2.15, and (ii) Advances comprising a Borrowing may not be Converted into Eurodollar Rate Advances if the outstanding principal amount of such Borrowing is less than $10,000,000 or if any Event of Default under Section 6.01(a) shall have occurred and be continuing on the date the related notice of Conversion would otherwise be given pursuant to this Section 2.16. Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Advances to be Converted, and (iii) if such Conversion is into Eurodollar Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be irrevocable and binding on the Borrower. If any Event of Default under Section 6.01(a) shall have occurred and be continuing on the third Business Day prior to the last day of any Interest Period for any Eurodollar Rate Advances, the Borrower agrees to Convert all such Advances into Base Rate Advances on the last day of such Interest Period.

Section 2.17 Replacement or Removal of Bank. In the event that any Bank shall claim payment of any increased costs pursuant to Section 2.12 or any additional amounts pursuant to Section 2.13, or exercises its rights under Section 2.15, the Borrower shall have the right, if no Default or Event of Default then exists, to (a) replace such Bank with an Eligible Assignee in accordance with Section 8.08(a), (b) and (d) (including execution of an appropriate Assignment and Acceptance); provided that such Eligible Assignee (i) shall unconditionally offer in writing (with a copy to the Agent) to purchase on a date therein specified all of such Bank's rights hereunder and interest in the Advances owing to such Bank and the Note held by such Bank without recourse at the principal amount of such Note plus interest, Commitment Fees and Letter of Credit Fees accrued thereon to the date of such purchase, and (ii) shall execute and deliver to the Agent an Assignment and Acceptance, as assignee, pursuant to which such Eligible Assignee becomes a party hereto with a Commitment equal to that of the Bank being replaced (plus, if

such Eligible Assignee is already a Bank, the amount of its Commitment prior to such replacement), provided, further, that no Bank or other Person shall have any obligation to increase its Commitment or otherwise to replace, in whole or in part, any Bank or (b) remove such Bank without replacing it; provided that the Borrower may not remove a Bank pursuant to this clause (b) if the aggregate Commitments of all Banks so removed would exceed $100,000,000. Upon satisfaction of the requirements set forth in the first sentence of this Section 2.17, acceptance of such offer to purchase by the Bank to be replaced, payment to such Bank of the purchase price in immediately available funds by the Eligible Assignee replacing such Bank, execution of such Assignment and Acceptance by such Bank, such Eligible Assignee and the Agent, the payment by the Borrower of all requested costs accruing to the date of purchase which the Borrower is obligated to pay under Section 8.04 and all other amounts owed by the Borrower to such Bank (other than Commitment Fees and Letter of Credit Fees accrued for the account of such Bank and the principal of and interest on the Advances of such Bank purchased by such Eligible Assignee) and notice by the Borrower to the Agent that such payment has been made, such Eligible Assignee shall constitute a "Bank" hereunder with a Commitment as so specified and the Bank being so replaced shall no longer constitute a "Bank" hereunder except that the rights under Sections 2.07, 2.12, 2.13 and 8.04 of the Bank being so replaced shall continue with respect to events and occurrences before or concurrently with its ceasing to be a "Bank" hereunder. If, however, (x) a Bank accepts such an offer and such Eligible Assignee fails to purchase such rights and interest on such specified date in accordance with the terms of such offer or such Eligible Assignee or the Agent fails to execute the relevant Assignment and Acceptance, the Borrower shall continue to be obligated to pay the increased costs to such Bank pursuant to Section 2.12 or the additional amounts pursuant to Section 2.13, as the case may be, or (y) the Bank proposed to be replaced fails to accept such purchase offer or to execute the relevant Assignment and Acceptance, the Borrower shall not be obligated to pay to such Bank such increased costs or additional amounts incurred or accrued from and after the date of such purchase offer.

Section 2.18 Evidence of Indebtedness. Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Bank resulting from each Advance owing to such Bank from time to time, including the amounts of principal and interest payable and paid to such Bank from time to time hereunder. The Borrower agrees that upon notice by any Bank to the Borrower (with a copy of such notice to the Agent) to the effect that a promissory note or other evidence of indebtedness is required or appropriate in order for such Bank to evidence (whether for purposes of pledge, enforcement or otherwise) the Advances owing to, or to be made by, such Bank, the Borrower shall promptly execute and deliver to such Bank, with a copy to the Agent, a Note in substantially the form of Exhibit A hereto, payable to the order of such Bank in a principal amount equal to the Revolving Credit Commitment of such Bank. All references to Notes in the Loan Documents shall mean Notes, if any, to the extent issued hereunder.

ARTICLE III
CONDITIONS OF LENDING

Section 3.01 Conditions Precedent to Effectiveness. This Agreement shall become effective on and as of the first date (the "Effective Date") on which the Agent shall have received counterparts of this Agreement duly executed by the Borrower and all of the Banks and the following additional conditions precedent shall have been satisfied, except that Section 2.04(a) shall become effective as of the first date on which the Agent shall have received counterparts of this Agreement duly executed by the Borrower and all of the Banks:

(a) The Borrower shall have notified the Agent in writing as to the proposed Effective Date.

(b) The Chapter 11 Cases shall have been filed.

(c) Each of the Agent, the Syndication Agent and the Documentation Agent shall be reasonably satisfied in all material respects with (i) the structure of the Plan of Reorganization and the other aspects of the Transaction (excluding the terms of the settlement contemplated thereby and the amount of the Settlement Payments to the extent, in each case, such terms and amount are not materially different from those set forth in the June 2003 10-Q) and all related tax, legal and accounting matters, (ii) the capitalization, corporate or organizational, and legal structure and equity ownership of the Borrower and its material Subsidiaries (including, without limitation, the charters and bylaws of each of the Borrower and its material Subsidiaries and each agreement or instrument relating thereto) after giving effect to the Transaction and (iii) the projected financial condition of the Borrower and its subsidiaries on a consolidated basis following the consummation of the Plan of Reorganization.

(d) Each of the Agent, the Syndication Agent and the Documentation Agent shall be reasonably satisfied that there has been no material adverse change since August 18, 2003 (which shall not be deemed to refer to the contemplated restructurings disclosed to the Co-Lead Arrangers prior to such date) in either (i) the corporate and legal structure and capitalization of the Borrower and its material Subsidiaries, including, without limitation, the charters and bylaws of each of the Borrower and each of its material Subsidiaries and each agreement or instrument relating thereto or (ii) the projected financial condition of the Borrower and its Subsidiaries on a consolidated basis following the Order Entry.

(e) The Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance reasonably satisfactory to the Agent and (except for the Notes) in sufficient copies for each Bank:

(i) The Notes to the order of the Banks to the extent requested by any Bank pursuant to Section 2.18.

(ii) A share pledge agreement in substantially the form of Exhibit F hereto (together with each other pledge agreement and pledge agreement supplement delivered pursuant to Section 5.01(i), in each case as amended, the "Pledge Agreement"), duly executed by the Borrower and HESI in favor of the Collateral Agent, together with:

(A) to the extent such Pledged Equity is certificated, certificates representing the Pledged Equity referred to therein accompanied by undated stock powers executed in blank;

(B) financing statements in proper form for filing under the Uniform Commercial Code of all jurisdictions that the Agent may deem necessary or desirable in order to perfect and protect the first priority liens and security interests created under the Pledge Agreement, covering the Collateral described in the Pledge Agreement;

(C) completed requests for information, dated on or before the date of the Initial Extension of Credit, listing all effective financing statements filed in the jurisdictions referred to in clause (B) above that name any Loan Party as debtor, together with copies of such other financing statements; and

(D) except for the filing of financing statements to occur after the Effective Date and except as otherwise permitted by the Loan Documents, evidence that all other action that the Agent may reasonably deem necessary or

desirable in order to perfect and protect the first priority liens and security interests created under the Pledge Agreement has been taken.

(iii) A subsidiary guaranty in substantially the form of Exhibit G hereto (together with each other subsidiary guaranty and subsidiary agreement supplement delivered by a Subsidiary Guarantor pursuant to Section 5.01(i), in each case as amended, the "Subsidiary Guaranty"), duly executed by each Subsidiary Guarantor in favor of the Agent, the Banks, the LC Agent and the LC Banks.

(iv) A collateral trust agreement in substantially the form of Exhibit H hereto (together with each other collateral trust agreement supplement delivered by a Loan Party pursuant to Section 5.01(i), in each case as amended, the "Collateral Trust Agreement"), duly executed by the Borrower, HESI and the Collateral Agent.

(v) Certified copies of the resolutions of the Board of Directors, members or partners of each Loan Party approving each Loan Document to which such Loan Party is or is to be a party, and of all documents evidencing other necessary corporate or organizational action and governmental approvals, if any, with respect to each Loan Document to which such Loan Party is or is to be a party.

(vi) A certificate of the Secretary or an Assistant Secretary of each Loan Party certifying the names and true signatures of the officers of such Loan Party authorized to sign each Loan Document to which such Loan Party is or is to be a party and the other documents to be delivered by such Loan Party hereunder.

(vii) A certificate of an officer of the Borrower stating the respective ratings by each of S&P and Moody's, respectively, of the senior unsecured long-term debt of the Borrower as in effect on the Effective Date.

(viii) A letter addressed to the Agent from the Borrower with respect to the Prior Credit Facility stating that (i) all the "Commitments" (as defined in the Prior Credit Facility) of the "Banks" (as defined in the Prior Credit Facility) have been terminated, (ii) no "Advances" (as defined in the Prior Credit Facility) are outstanding under the Prior Credit Facility, and (iii) all fees and other amounts known by the Borrower to be payable under the Prior Credit Facility have been paid in full.

(ix) A favorable opinion of Bruce A. Metzinger, Assistant Secretary and Assistant General Counsel for the Borrower, in substantially the form of Exhibit C-1 hereto.

(x) A favorable opinion of Baker Botts LLP, counsel for the Loan Parties, in substantially the form of Exhibit C-2 hereto.

(xi) A solvency opinion of Houlihan Lokey Howard & Zukin in form and substance satisfactory to the Agent, the Syndication Agent and the Documentation Agent.

(xii) A favorable opinion of Shearman & Sterling, counsel for the Agent, in form and substance satisfactory to the Agent.

(f) Each of the Agent, the Syndication Agent and the Documentation Agent shall be satisfied that the investigation of the Borrower by the Securities and Exchange Commission has

been concluded or will be concluded without (i) giving rise to a Material Adverse Effect, including, without limitation, the obligation to restate prior reported earnings or (ii) adversely affecting the Borrower's ability to access the capital markets in the reasonable judgment of any of the Agent, the Syndication Agent or the Documentation Agent.

(g) There shall exist no action, suit, investigation, litigation or proceeding pending or threatened in any court or before any arbitrator or governmental instrumentality that (i) could reasonably be expected to have a Material Adverse Effect other than the Disclosed Litigation or (ii) purports to affect the legality, validity or enforceability of the Borrower's or any Subsidiary Guarantor's obligations or the rights and remedies of the Banks relating to the Agreement and the other Loan Documents, and except as set forth in Schedule 4.01(f) to this Agreement, there shall have been no material adverse change in the status, or financial effect on the Borrower and its subsidiaries on a consolidated basis, of the Disclosed Litigation from that described to the Agent prior to August 18, 2003.

(h) There shall have occurred no material adverse change (which term shall not be deemed to refer to the commencement of the Chapter 11 Cases) in the business, condition (financial or otherwise), operations, performance or properties of the Borrower and its subsidiaries, on a consolidated basis, since December 31, 2002, except as disclosed in the June 2003 10-Q and except for the accounting charges to be taken by the Borrower directly in connection with the Settlement Payments and except as set forth in Schedule 4.01(f) to this Agreement, and the Agent shall have received a certificate signed by a Responsible Officer of the Borrower stating that the condition in this Section 3.01(h) has been satisfied as of the Effective Date.

(i) Each of the Agent, the Syndication Agent and the Documentation Agent shall be satisfied that the Borrower and its subsidiaries are not subject to material contractual or other restrictions that would be violated by the Transaction, including the incurrence of indebtedness under this Agreement, the Master LC Facility Agreement and the Senior Unsecured Credit Facility Agreement, the granting of guarantees and collateral and the payment of dividends by subsidiaries.

(j) Consent solicitations or tender or exchange offers with respect to the event of default arising from the filing of the Chapter 11 Cases under the Hundred Year Notes Indenture shall have been successfully completed, and the result shall be that the covenants in the Hundred Year Notes Indenture are replaced with covenants no more restrictive than those in the Convertible Notes Indenture.

(k) The Master LC Facility Agreement shall have become effective or substantially simultaneously with the Effective Date shall become effective.

(l) The Senior Unsecured Credit Facility Agreement shall have been executed and delivered.

(m) Except as otherwise permitted by the Loan Documents, all governmental and third party consents and approvals necessary in connection with the transactions contemplated hereby shall have been obtained (without the imposition of any conditions that are not reasonably acceptable to the Agent, the Syndication Agent and the Documentation Agent) and shall remain in effect, and no law or regulation shall be applicable in the reasonable judgment of the Agent, the Syndication Agent and the Documentation Agent that restrains, prevents or imposes materially adverse conditions upon the transactions contemplated hereby.

(n) On the Effective Date, the following statements shall be true and the Agent shall have received a certificate signed by a duly authorized officer of the Borrower, dated the Effective Date, stating that:

(i) The representations and warranties contained in Section 4.01 are correct on and as of the Effective Date,

(ii) No event has occurred and is continuing that constitutes a Default,

(iii) Any default under the Borrower's or any of its material Subsidiaries' material debt instruments that would be triggered by the filing of the Chapter 11 Cases and related transactions has been permanently waived or amended,

(iv) The Borrower has disclosed to the Agents (A) all material potential cash collateral and/or reimbursement obligations under letters of credit and (B) all material potential liabilities with respect to sureties, in each case, existing prior to the date hereof, that might arise as a result of the filing of the Chapter 11 Cases and related transactions, and

(v) To the Borrower's knowledge, the Borrower will not be required for any reason to cause its consolidated financial statements for fiscal year 2001 or 2002 to be reaudited or restated after the Effective Date, except in order to reflect changes in the Borrower's segment reporting.

(o) The Barracuda Facility shall have been amended such that the maximum "Leverage Ratio" (as such term is defined in the Barracuda Facility) permitted thereunder is 0.55:1.00 or a higher ratio.

(p) All accrued fees and reasonable out-of-pocket expenses of the Co-Lead Arrangers (including the reasonable fees and expenses of counsel to the Co-Lead Arrangers for which invoices have been submitted) shall have been paid.

(q) The Borrower shall have paid all accrued fees and reasonable out-of-pocket expenses of the Agent (including reasonable fees and expenses of counsel for which invoices have been submitted).

Section 3.02 Conditions Precedent to Each Revolving Credit Advance and Each Issuance and Renewal of Each Letter of Credit. The obligation of each Bank to make an Advance (other than a Letter of Credit Advance made by an Issuing Bank or a Revolving Credit Bank pursuant to Section 2.03(c)) (including, without limitation, the initial Revolving Credit Advance) and each Issuing Bank to issue or renew Letters of Credit (including the initial Letter of Credit) shall be subject to the further conditions precedent that on the date of such Advance or such issuance of a Letter of Credit, the following statements shall be true (and each of the giving of the applicable Notice of Revolving Credit Borrowing or Notice of Issuance and Application for Letter of Credit and the acceptance by the Borrower of the proceeds of the Borrowing of which such Advance or of such Letter of Credit or of the renewal of such Letter of Credit is a part shall constitute a representation and warranty by the Borrower that on the date of such Advance or such issuance or renewal such statements are true):

(i) the representations and warranties contained in Section 4.01 (other than, in the case of a Revolving Credit Borrowing, if the Borrower specifies in the Notice of Revolving Credit Borrowing that the proceeds of the related Revolving Credit Advance

shall be used to repay the Borrower's Obligations under one of the Borrower's commercial paper programs, those representations and warranties contained in Section 4.01(f) and 4.01(g)) are correct on and as of the date of such Revolving Credit Advance or such Letter of Credit (other than those representations and warranties that expressly relate solely to a specific earlier date, which shall remain correct as of such earlier date), before and after giving effect to such Borrowing or issuance or renewal and to the application of the proceeds therefrom, as though made on and as of such date.

(ii) no event has occurred and is continuing, or would result from such Borrowing or such issuance or renewal or from the application of the proceeds therefrom, which constitutes a Default or an Event of Default, and

(iii) there exists no request or directive issued by any governmental authority, central bank or comparable agency, injunction, stay, order, litigation or proceeding purporting to affect or calling into question the legality, validity or enforceability of any Loan Document or the consummation of any transaction (including any Advance or proposed Advance or issuance or renewal of a Letter of Credit or proposed Letter of Credit) contemplated hereby.

Section 3.03 Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, the Agent, the Co-Lead Arrangers and each Bank shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to such Persons unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Person prior to the date that the Borrower, by notice to the Agent, designates as the proposed Effective Date, specifying its objection thereto. The Agent shall promptly notify the Banks and the Borrower of the occurrence of the Effective Date, which notice shall be conclusive and binding.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

Section 4.01 Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) Each Loan Party and each of its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite organizational power and authority to own its properties, to conduct its business as now being conducted and to execute, deliver and perform each Loan Document to which it is or is to be a party, except for any failures to be so organized, existing, qualified to do business or in good standing or to have such power and authority as would not, individually or in the aggregate, have a Material Adverse Effect.

(b) The execution, delivery and performance by each Loan Party of each Loan Document to which it is or is to be a party and the consummation of the transactions contemplated hereby (including, without limitation, the Transaction, each Revolving Credit Borrowing and issuance or renewal of a Letter of Credit hereunder and the use of the proceeds thereof) and the transactions contemplated thereby (i) are within such Loan Party's organizational power, (ii) have been duly authorized by all necessary organizational action, and (iii) do not contravene (A) such Loan Party's certificate of organization or by-laws, (B) any law, rule, regulation, order, writ, injunction or decree, or (C) any contractual restriction under any material agreements binding on or

affecting such Loan Party or any Subsidiary of such Loan Party or any other contractual restriction the contravention of which would have a Material Adverse Effect.

(c) No authorization, approval, consent, license or other action by, and no notice to or filing with, any governmental authority, regulatory body or other Person is required for the due execution, delivery and performance by each Loan Party of each Loan Document to which it is or is to be a party, or for the consummation of the transactions contemplated hereby (including, without limitation, the Transaction (other than the Order Entry), each Revolving Credit Borrowing and issuance or renewal of a Letter of Credit hereunder and the use of the proceeds thereof) and the transactions contemplated thereby, except (i) consents, authorizations, filings and notices which have been obtained or made and are in full force and effect, (ii) the UCC filings referred to in Section 3.01, (iii) approvals that would be required under agreements that are not material agreements and (iv) as otherwise permitted by the Loan Documents.

(d) This Agreement has been, and each other Loan Document when delivered hereunder will have been, duly executed and delivered by each Loan Party thereto and constitute legal, valid and binding obligations of such Loan Party enforceable against such Loan Party in accordance with their respective terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally.

(e) The Financial Statements have been reported on by KPMG LLP and fairly present the consolidated financial position of the Borrower and its consolidated subsidiaries as at such date and the consolidated results of their operations and cash flows for the year then ended, all in accordance with GAAP. The unaudited consolidated balance sheet of the Borrower and its consolidated subsidiaries as at June 30, 2003 and the related unaudited consolidated statements of income and cash flows of the Borrower and its consolidated subsidiaries for the six months then ended, included in the Borrower's June 2003 10-Q, fairly present, subject to year-end audit adjustments, the consolidated financial position of the Borrower and its consolidated subsidiaries as at such date and the consolidated results of their operations and cash flows for the six months ended on such date, all in accordance with GAAP. Since December 31, 2002 through October 30, 2003 there has been no material adverse change (which shall not be deemed to refer to the filing of the Chapter 11 Cases or to the accounting charge to be taken by the Borrower directly in connection with the Settlement Payments) in the condition (financial or otherwise), operations or business of the Borrower and its Subsidiaries, taken as a whole except as disclosed in the June 2003 10-Q.

(f) Except as set forth in the Borrower's Form 10-K for the year ended December 31, 2002, the June 2003 10-Q, Schedule 4.01(f) to this Agreement and, from and after the occurrence of the Collateral Release Date, except for litigation, investigations and proceedings arising after the date hereof that are described in reasonable detail in a notice from the Borrower to the Agent, there is no litigation, investigation or proceeding pending or, to the Borrower's knowledge, threatened against or affecting the Borrower, any of its Subsidiaries or any of its or their respective rights or properties before any court or by or before any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, (i) that could reasonably be expected to have a Material Adverse Effect or (ii) that in any manner draws into question or purports to affect (A) prior to the Collateral Release Date, the Transaction (other than objections to the Plan of Reorganization and appeals of the confirmation order entered by the Bankruptcy Court in connection therewith) or (B) any other transaction contemplated hereby or the legality, validity, binding effect or enforceability of any Loan Document.

(g) Schedule 4.01(g) hereto constitutes a complete and accurate list of all pending non-US lawsuits as of October 30, 2003 against the Borrower and its Subsidiaries (including, without limitation, claims arising through a Subsidiary not listed on Schedule II hereto) asserting exposure to asbestos, asbestos-related products, silica and/or silica-related products and, except as set forth in such Schedule 4.01(g) and other non-material asbestos or silica claims disclosed to the Co-Lead Arrangers in writing prior to October 30, 2003, the Borrower has not been notified of (A) any claims against the Borrower and its Subsidiaries asserting exposure to asbestos, asbestos-related products, silica and/or silica-related products which will not be resolved pursuant to the Order Entry or (B) any adoption or change of any statute, rule or regulation affecting such claims or future claims against the Borrower and its Subsidiaries asserting exposure to asbestos, asbestos-related products, silica and/or silica-related products, in each case, which could be reasonably expected to have a Material Adverse Effect.

(h) Schedule 4.01(h) hereto lists all of the Borrower's domestic Subsidiaries as of October 30, 2003.

(i) Neither any Loan Party nor any Subsidiary of a Loan Party is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U). Following the application of the proceeds of each Advance and each Letter of Credit, (i) not more than 25% of the value of the assets of the Borrower that are subject to any arrangement with the Agent or any Bank (herein or otherwise) whereby the Borrower's right or ability to sell, pledge or otherwise dispose of assets is in any way restricted (or pursuant to which the exercise of any such right is or may be cause for accelerating the maturity of all or any portion of the Advances or any other amount payable hereunder or under any such other arrangement), will be margin stock (within the meaning of Regulation U); and (ii) not more than 25% of the value of the assets of the Borrower and its Subsidiaries that are subject to any arrangement with the Agent or any Bank (herein or otherwise) whereby the right or ability of the Borrower or any of its Subsidiaries to sell, pledge or otherwise dispose of assets is in any way restricted (or pursuant to which the exercise of any such right is or may be cause for accelerating the maturity of all or any portion of the Advances or any other amount payable hereunder or under any such other arrangement), will be any such margin stock. No proceeds of any Advance or any Letter of Credit will be used in any manner that is not permitted by Section 5.02.

(j) No Loan Party is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(k) Neither any Loan Party nor any of its Subsidiaries is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

(l) No statement or information contained in this Agreement or any other document, certificate or statement furnished to the Agent or the Banks by or on behalf of the Borrower for use in connection with the transactions contemplated by this Agreement or the Notes (as modified or supplemented by other information furnished) contains as of the date such statement, information, document or certificate was so furnished any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made; provided, however, that, with respect to any such information, exhibit or report consisting of statements, estimates, pro forma financial information, forward-looking statements and projections regarding the future performance of the Borrower or any of its Subsidiaries ("Projections"), no

representation or warranty is made other than that such Projections have been prepared in good faith based upon assumptions believed to be reasonable at the time.

ARTICLE V
COVENANTS OF THE BORROWER

Section 5.01 Affirmative Covenants. So long as any Advance or any other amount payable by any Loan Party hereunder or under any other Loan Document shall remain unpaid, any Letter of Credit shall be outstanding or any Bank shall have any Commitment hereunder, the Borrower will, unless the Required Banks shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, with all applicable law, rules, regulations and orders (including, without limitation, ERISA and environmental laws and permits) except to the extent that failure to so comply (in the aggregate for all such failures) could not reasonably be expected to have a Material Adverse Effect.

(b) Preservation of Corporate or Organizational Existence, Etc. (i) Preserve and maintain and cause each of its Subsidiaries to preserve and maintain (unless, in the case of any Subsidiary, (A) such Loan Party or Subsidiary determines that such preservation and maintenance is no longer necessary in the conduct of the business of the Borrower and its Subsidiaries, taken as a whole, and (B) the failure to so preserve and maintain would not impair the Collateral in any material respect), its corporate or organizational existence, rights (charter and statutory), franchises, permits, licenses, approvals and privileges in the jurisdiction of its organization; provided, however, that such Loan Party and its Subsidiaries may consummate any merger or consolidation permitted under Section 5.02(d) and provided further that neither such Loan Party nor any of its Subsidiaries shall be required to preserve any right, permit, license, approval, privilege or franchise the failure to do so would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and (ii) qualify and remain qualified and cause each of its Subsidiaries to qualify and remain qualified, as a foreign organization in each jurisdiction in which qualification is necessary or desirable in view of its business and operations or the ownership of its Properties, except where the failure to so qualify or remain qualified could not, individually or in the aggregate, reasonably be expected to give rise to a Material Adverse Effect.

(c) Payment of Taxes, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all taxes, assessments, charges and like levies levied or imposed upon it or upon its income, profits or Property prior to the date on which penalties attach thereto and (ii) all lawful claims that, if unpaid, might by law become a Lien upon its Property; provided that neither the Borrower nor any Subsidiary shall be required to pay and discharge any such tax, assessment, charge, levy or claim if the failure to do so (in the aggregate for all such failures) could not reasonably be expected to have a Material Adverse Effect.

(d) Reporting Requirements. Furnish to the Agent:

(i) not later than 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, (1) the consolidated and, prior to the Collateral Release Date, consolidating (provided that such statements prepared on a consolidating basis need not be audited and shall only relate to each of the "Energy Services Group" and the "Engineering and Construction Group") balance sheets of the Borrower and its consolidated subsidiaries as at the end of such quarter and the consolidated and, prior to

the Collateral Release Date, consolidating (with respect only to each of the "Energy Services Group" and the "Engineering and Construction Group") statements of income and cash flows of the Borrower and its consolidated subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, all in reasonable detail, and (2) a copy of the Borrower's Form 10-Q for such quarter as filed with the SEC and copies of each Form 8-K (other than press releases) filed by the Borrower with the SEC during such quarter;

(ii) not later than 120 days after the end of each fiscal year of the Borrower, (1) copies of the audited consolidated balance sheet and, prior to the Collateral Release Date, unaudited consolidating balance sheet (with respect only to each of the "Energy Services Group" and the "Engineering and Construction Group") of the Borrower and its consolidated subsidiaries as at the end of such fiscal year and audited consolidated statements and, prior to the Collateral Release Date, unaudited consolidating statements (provided that such statements prepared on a consolidating basis need not be audited and shall only relate to each of the "Energy Services Group" and the "Engineering and Construction Group") of income, retained earnings and cash flows of the Borrower and its consolidated subsidiaries for such fiscal year, and (2) a copy of the Borrower's Form 10-K for such year as filed with the SEC and copies of each Form 8-K filed by the Borrower with the SEC during such year (other than those Forms 8-K previously delivered to the Banks in accordance with Section 5.01(d)(i) and press releases);

(iii) within five Business Days after filing with the SEC, copies of all registration statements (other than on Form S-8), proxy statements and Schedules 13-D filed by, or in respect of, the Borrower or any of its Subsidiaries with the SEC;

(iv) as soon as possible, and in any event within ten days after any Responsible Officer has obtained knowledge of the occurrence of any Default or Event of Default, written notice thereof setting forth details of such Default or Event of Default and the actions that the Borrower has taken and proposes to take with respect thereto;

(v) promptly (and in any event within five Business Days) after any change in, or withdrawal or termination of, the rating of any senior unsecured long-term debt of the Borrower by S&P or Moody's, notice thereof;

(vi) promptly after the sending or filing thereof, copies of all reports that the Borrower sends to any of its holders of common stock;

(vii) prior to the Collateral Release Date, promptly after the receipt thereof, notice of all actions and proceedings before any court, governmental or agency or arbitrator affecting the Borrower or any of its Subsidiaries of the type described in Section 4.01(f); and

(viii) such other information as any Bank through the Agent may from time to time reasonably request.

Information required to be delivered pursuant to Sections 5.01(d)(i), 5.01(d)(ii), 5.01(d)(iii) or 5.01(d)(vi) shall be deemed to have been delivered on the date on which the Borrower provides notice to the Agent that such information has been posted on the Borrower's website on the Internet at www.halliburton.com, at sec.gov/edaux/searches.htm or at another website identified in such notice and accessible by the Banks without charge; provided that the Borrower shall

deliver paper copies of the information referred to in such Sections to the Agent for distribution to (x) any Bank to which the above referenced websites are for any reason not available if such Bank has so notified the Borrower and (y) any Bank that has notified the Borrower that it desires paper copies of all such information; provided further that the Agent shall notify the Banks as provided in Section 8.02 of any materials delivered pursuant to this paragraph.

(e) Inspections. At any reasonable time and from time to time, in each case upon reasonable notice to the Borrower and subject to any applicable restrictions or limitations on access to any facility or information that is classified or restricted by contract or by law, regulation or governmental guidelines, permit each Bank to visit and inspect the properties of the Borrower or any Subsidiary of the Borrower, and to examine and make copies of and abstracts from the records and books of account of the Borrower and its Subsidiaries and discuss the affairs, finances and accounts of the Borrower and its Subsidiaries with its and their officers and independent accountants provided, however, that advance notice of any discussion with such independent public accountants shall be given to the Loan Parties, and the Loan Parties shall have the opportunity to be present at any such discussion.

(f) Keeping of Books. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and each such Subsidiary in accordance with GAAP.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its material properties that are used or useful in the conduct of the business of the Borrower and its Subsidiaries, taken as a whole, in good working order and condition, ordinary wear and tear excepted.

(h) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under this Agreement with any of their Affiliates on terms that are fair and reasonable and, if a comparable arm's-length transaction is known by the Borrower, no less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate; provided, however, that the foregoing restriction shall not apply to

(i) transactions between or among the Borrower and its subsidiaries;

(ii) transactions or payments pursuant to any employment arrangements or employee, officer or director benefit plans or arrangements entered into by the Borrower or any of its Subsidiaries in the ordinary course of business;

(iii) to the extent permitted by law, customary loans, advances, fees and compensation paid to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Borrower or any of its Subsidiaries;

(iv) any transactions pursuant to agreements among the Borrower and/or its Subsidiaries and the Trusts entered into in connection with the Plan of Reorganization;

(v) transactions pursuant to any contract or agreement in effect on the date hereof, as the same may be amended, modified or replaced from time to time, so long as any such contract or agreement as so amended, modified or replaced is, taken as a whole, no less favorable to the Borrower and its Subsidiaries in any material respect than the contract or agreement as in effect on the date hereof;

(vi) any transaction or series of transactions between the Borrower or any Subsidiary and any of their joint ventures, provided that (a) such transaction or series of transactions is in the ordinary course of business and consistent with past practices of the Borrower, and/or its Subsidiaries and their joint ventures and (b) such Affiliate transaction involves aggregate consideration paid to such Affiliate not in excess of $35 million; or

(vii) any payment, distribution or other transaction of the type described in 5.02(c) and permitted thereunder.

(i) Covenant to Guarantee Obligations and Give Security. (i) Subject to Section 5.01(i)(ii), upon the formation or acquisition after the date hereof and prior to the Collateral Release Date, of any new first-tier Subsidiaries by the Borrower or HESI, the Borrower shall, and, if applicable, shall cause HESI to, at the Borrower's or HESI's expense:

(A) within 20 days after such formation or acquisition, cause each such wholly-owned Subsidiary organized under the laws of a state of the United States, to duly execute and deliver to the Agent a Guaranty Supplement, guaranteeing the other Loan Parties' obligations under the Loan Documents; provided that no Project Finance Subsidiary, JV Subsidiary or Receivables Subsidiary shall be required to execute and deliver a Guaranty Supplement,

(B) within 20 days after such formation or acquisition, duly execute and deliver, to the Agent, Pledge Agreement supplements (together with certificates representing, in the case of such a Subsidiary organized under the laws of a state of the United States, 100% of the equity interests of such Subsidiary owned by the Borrower or HESI and, in the case of such a foreign Subsidiary, 66% of the equity interests of such foreign Subsidiary owned by the Borrower or HESI (excluding, in each case, the equity interests in any Project Finance Subsidiary or any Receivables Subsidiary), in each case accompanied by undated stock powers executed in blank), securing payment of all the Obligations of all Loan Parties under the Loan Documents and constituting Liens on all such properties,

(C) within 20 days after such formation or acquisition, take, and cause such Subsidiary to take whatever action (including, without limitation, the filing of Uniform Commercial Code financing statements and the giving of notices) may be necessary or advisable in the reasonable opinion of the Agent to vest in the Agent (or in any representative of the Agent designated by it) valid and subsisting Liens on the properties purported to be subject to the Pledge Agreement supplements delivered pursuant to this Section 5.01(i), enforceable against all third parties in accordance with their terms,

(D) within 60 days after such formation or acquisition, deliver to the Agent, upon the reasonable request of the Agent, a signed copy of a favorable opinion, addressed to the Agent and the other Secured Holders, of in-house counsel of the Borrower or other counsel for the Loan Parties reasonably acceptable to the Agent as to the matters contained in clauses (A), (B) and (C) above, as to such Guaranty Supplements and Pledge Agreement supplements being legal, valid and binding obligations of each Loan Party party thereto enforceable in accordance with their terms, as to such recordings, filings, notices, endorsements and other actions being sufficient to create valid perfected Liens on

such properties, and as to such other matters as the Agent may reasonably request, and

(E) at any time and from time to time, promptly execute and deliver any and all further instruments and documents and take all such other action as the Agent may reasonably deem necessary or desirable in obtaining the full benefits of, or in perfecting and preserving the Liens of, such guaranties and Pledge Agreement supplements.

(ii) Prior to the occurrence of the Collateral Release Date, upon (x) the occurrence of a Ratings Event or (y)(1) the formation or acquisition at any time after a Ratings Event of any new direct or indirect Specified Subsidiaries (as defined below) by any Loan Party or (2) the acquisition at any time after a Ratings Event of any property by any Loan Party, and such property, in the judgment of the Agent, shall not already be subject to a perfected first priority (subject to Liens permitted by Section 5.02(a)) security interest in favor of the Agent for the benefit of the Secured Holders, then the Borrower shall, and/or shall cause each Loan Party to, in each case at the Borrower's expense, and in each case subject to such reasonable and customary exceptions as the Agent may agree:

(A) in connection with the formation or acquisition of a domestic Subsidiary directly or indirectly wholly-owned by the Borrower or HESI (each such Subsidiary other than DII Industries LLC, Halliburton Affiliates LLC and each of their respective Subsidiaries, any Project Finance Subsidiary, any JV Subsidiary, any dormant Subsidiary and any Receivables Subsidiary being a "Specified Subsidiary"), within 20 days after such formation or acquisition, cause each such Specified Subsidiary, to duly execute and deliver to the Agent a Guaranty Supplement, guaranteeing the other Loan Parties' obligations under the Loan Documents,

(B) within 20 days after such Ratings Event, formation or acquisition, furnish to the Agent a description of the real and personal properties of the Loan Parties and their respective Subsidiaries or such new Specified Subsidiary, as the case may be in detail reasonably satisfactory to the Agent,

(C) within 20 days after such Ratings Event, formation or acquisition, duly execute and deliver, and cause each such new Specified Subsidiary, if applicable (and each direct parent of such new Specified Subsidiary or JV Subsidiary shall pledge its equity in such Specified Subsidiary or JV Subsidiary) (if it has not already done so) to duly execute and deliver, to the Agent pledges, assignments, Pledge Agreement supplements and other security agreements, as specified by and in form and substance reasonably satisfactory to the Agent, securing payment of all the Obligations of the applicable Loan Party, such new Specified Subsidiary or such parent, as the case may be, under the Loan Documents and constituting Liens on all such properties of the Loan Parties and Specified Subsidiaries, including, without limitation, bank accounts; provided that (1) no JV Subsidiary shall be required to execute and deliver a pledge of its Equity Interest in a joint venture to the extent that the applicable joint venture agreement prohibits such a pledge, (2) no Project Finance Subsidiary, JV Subsidiary or Receivables Subsidiary shall be required to grant a security interest in its assets (3) no pledge of Equity Interests in a Project Finance Subsidiary or a

Receivables Subsidiary shall be required, (4) no such encumbrance shall be required as to property that is subject to a Lien permitted by Section 5.02(a) or that is already subject to an agreement (otherwise permitted by this Agreement), in each case, that prohibits the granting of Liens on such specific property and (5) no more than 66% of the equity interests owned by such Person in any foreign Subsidiary shall be required to be pledged.

(D) within 20 days after such Ratings Event, formation or acquisition, take, and cause such new Specified Subsidiary, if applicable, or such parent to take, whatever action (including, without limitation, the filing of Uniform Commercial Code financing statements, the giving of notices and the endorsement of notices on title documents) may be necessary or advisable in the opinion of the Agent to vest in the Agent (or in any representative of the Agent designated by it) valid and subsisting Liens on the properties purported to be subject to the pledges, assignments, Pledge Agreement supplements and security agreements delivered pursuant to this Section 5.01(i)(ii), enforceable against all third parties in accordance with their terms,

(E) within 45 days after such Ratings Event, formation or acquisition, deliver to the Agent, deeds of trust, trust deeds, mortgages, leasehold mortgages and leasehold deeds of trust on the real property of the Loan Parties located in the United States with a value in excess of $1,000,000, except real property that is subject to a Lien permitted by Section 5.02(a) or that is already subject to an agreement (otherwise permitted by this Agreement), in each case, that prohibits the granting of such Liens on such specific property,

(F) within 60 days after such Ratings Event, formation or acquisition, deliver to the Agent, upon the reasonable request of the Agent in its sole discretion, a signed copy of a favorable opinion, addressed to the Agent and the other Secured Holders, of counsel for the Loan Parties reasonably acceptable to the Agent as to the matters contained in clauses (A), (C), (D) and (E) above, as to such guaranties, guaranty supplements, mortgages, pledges, assignments, Pledge Agreement supplements and security agreements being legal, valid and binding obligations of each Loan Party party thereto enforceable in accordance with their terms, as to the matters contained in clauses (D) and (E) above, as to such recordings, filings, notices, endorsements and other actions being sufficient to create valid perfected Liens on such properties, and as to such other matters as the Agent may reasonably request,

(G) as promptly as practicable after such Ratings Event, request, formation or acquisition, deliver, upon the reasonable request of the Agent, with respect to each parcel of real property to be so mortgaged, owned or held by the entity that is the subject of such request, formation or acquisition title reports, surveys and engineering, soils and other reports, and environmental assessment reports, each in scope, form and substance reasonably satisfactory to the Agent, provided, however, that to the extent that any Loan Party or any of its Subsidiaries shall have otherwise received any of the foregoing items with respect to such real property, such items shall, promptly after the receipt thereof, be delivered to the Agent, and

(H) at any time and from time to time, promptly execute and deliver any and all further instruments and documents and take all such other action as the Agent may reasonably deem necessary or desirable in obtaining the full benefits of, or in perfecting and preserving the Liens of, such guaranties, mortgages, pledges, assignments, Pledge Agreement supplements and security agreements.

The time periods required by this Section 5.01(i)(ii) may, upon the Borrower's request, be extended at the option of the Agent by up to 15 Business Days in the event the Borrower is exercising commercially reasonable efforts to perform the actions required by such time periods but additional time is required to complete such actions. The granting and perfection of Collateral under this Section 5.01(i) (including, without limitation, Collateral consisting of foreign Subsidiary stock pledges) will be subject to cost efficiency determinations reasonably made by the Co-Lead Arrangers in consultation with the Borrower, taking into account, among other things, adverse tax consequences, administrative procedures required by local law or practice, and other parameters to be agreed.

(j) Further Assurances. At any time that the Banks are entitled to be secured by Collateral under the provisions of the Loan Documents,

(i) promptly upon request by the Agent, or any Bank through the Agent, correct, and cause each other Loan Party promptly to correct, any material defect or error that may be discovered in any Loan Document or in the execution, acknowledgment, filing or recordation thereof, and

(ii) promptly upon request by the Agent, or any Bank through the Agent, do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, conveyances, pledge agreements, mortgages, deeds of trust, trust deeds, assignments, financing statements and continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments as the Agent, or any Bank through the Agent, may reasonably require from time to time in order to (A) carry out more effectively the purposes of the Loan Documents, (B) to the fullest extent permitted by applicable law, subject any Loan Party's or any of its Subsidiaries' properties, assets, rights or interests to the Liens now or hereafter intended to be covered by any of the Collateral Documents, (C) perfect and maintain the validity, effectiveness and priority of any of the Collateral Documents and any of the Liens intended to be created thereunder and (D) assure, convey, grant, assign, transfer, preserve, protect and confirm more effectively unto the Banks the rights granted or now or hereafter intended to be granted to the Secured Holders under any Loan Document or under any other instrument executed in connection with any Loan Document to which any Loan Party or any of its Subsidiaries is or is to be a party, and cause each of its Subsidiaries to do so.

Section 5.02 Negative Covenants. So long as any Advance or any other amount payable by any Loan Party hereunder or under any other Loan Document shall remain unpaid, any Letter of Credit shall be outstanding or any Bank shall have any Commitment hereunder, the Borrower will not, without the written consent of the Required Banks:

(a) Liens, Etc. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist,

(x) prior to the Collateral Release Date, any Lien on or with respect to any of its Properties whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any accounts or other right to receive income, except:

(i) Liens created under the Loan Documents;

(ii) Permitted Liens;

(iii) Liens incurred pursuant to (A) the transactions contemplated by the Receivables Transfer Agreement, dated as of April 15, 2002, by and among Oilfield Services Receivables Corporation, a Delaware corporation, as transferor, Halliburton Energy Services, Inc., a Delaware corporation, individually and as collection agent, and the other parties thereto, and any replacement, extension or renewal thereof, and the receivables purchase agreement related thereto and (B) other Securitization Transactions;

(iv) Liens on or with respect to any of the properties of the Loan Parties and any of their Subsidiaries existing on the date hereof;

(v) (A) Liens upon or in property acquired (including acquisition through merger or consolidation) or constructed or improved by the Borrower or any of its Subsidiaries including general intangibles, proceeds and improvements, accessories and upgrades thereto and created contemporaneously with, or within 12 months after, such acquisition or the completion of construction or improvement to secure or provide for the payment of all or a portion of the purchase price of such property or the cost of construction or improvement thereof (including any Indebtedness incurred to finance such acquisition, construction or improvement), as the case may be and (B) Liens on property (including any unimproved portion of partially improved property) of the Borrower or any of its Subsidiaries created within 12 months of completion of construction of a new plant or plants on such property to secure all or part of the cost of such construction (including any Indebtedness incurred to finance such construction) if, in the opinion of the Borrower, such property or such portion thereof was prior to such construction substantially unimproved for the use intended by the Borrower; provided, however, no such Lien shall extend to or cover any property other than the property being acquired, constructed or improved (including any unimproved portion of a partially improved property) including general intangibles, proceeds and improvements, accessories and upgrades thereto;

(vi) Liens arising in connection with capitalized leases permitted hereunder, provided that no such Lien shall extend to or cover any Collateral or assets other than the assets subject to such capitalized leases; and proceeds (including, without limitation, proceeds from associated contracts and insurances) of, and improvements, accessories and upgrades to, the property leased pursuant thereto;

(vii) any Lien existing on any property including general intangibles, proceeds and improvements, accessories and upgrades thereto prior to the acquisition (including acquisition through merger or consolidation) thereof by any Loan Party or any of their respective Subsidiaries or existing on any property of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary, provided that such a Lien is not created in contemplation or in connection with such acquisition or such Person becoming a Subsidiary and no such Lien shall be extended to cover property other than the asset being acquired including general intangibles, proceeds and improvements, accessories and upgrades thereto;

(viii) Liens to secure any extension, renewal, refunding or replacement (or successive extensions, renewals, refinancing, refundings or replacements), in whole or in

part, of any Indebtedness or other obligation secured by any Lien referred to in the foregoing clauses (ii), (iv), (v), (vi) and (vii), provided that (A) the principal amount of the Indebtedness or other obligation secured thereby is no greater than the outstanding principal amount of such Indebtedness or other obligation immediately before such extension, renewal, refinancing, refunding or replacement and (B) such Lien shall only extend to such assets as are already subject to a Lien in respect of such Indebtedness or other obligation;

(ix) Liens pursuant to merger agreements, stock purchase agreements, asset sale agreements, option agreements and similar agreements in respect of the disposition of property or assets of the Borrower and its Subsidiaries (but in any event not securing Indebtedness), to the extent such dispositions are permitted hereunder and such Liens relate only to the assets or properties to be disposed of;

(x) Liens arising in connection with the pledge of any Equity Interests in any joint venture (that is not a Subsidiary), and liens on the assets of a JV Subsidiary, in each case to secure Joint Venture Debt of such joint venture and/or such JV Subsidiary. For purposes hereof, "Joint Venture Debt" shall mean Indebtedness and other obligations as to which the lenders will not, pursuant to the terms in the agreements governing such Indebtedness, have any recourse to the stock or assets of the Borrower or any Subsidiary, other than such pledged assets of such JV Subsidiary;

(xi) Lien on assets of the Filing Entities securing the DIP Credit Facility;

(xii) Liens on the Equity Interests of DII and Mid-Valley, Inc. in favor of the Trusts;

(xiii) Liens arising in connection with the pledge of any Equity Interests in any Project Finance Subsidiary, so long as such Liens secure only Project Financing;

(xiv) prejudgment Liens which are being contested in good faith by appropriate proceedings;

(xv) judgment Liens which are being contested in good faith by appropriate proceedings and Liens securing appeal or similar surety bonds therefor; provided that no Event of Default exists under Section 6.01(f) relating thereto;

(xvi) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(xvii) netting provisions and setoff rights in favor of counterparties securing obligations under hedge agreements;

(xviii) Liens on assets under construction securing progress or partial payments relating to such assets;

(xix) the interest of a lessor or licensor under an operating lease or license under which the Borrower or any Subsidiary are lessee, sublessee or licensee, including protective financing statement filings; and

(xx) other Liens securing Indebtedness and obligations under hedge agreements outstanding in principal amount (in the case of Indebtedness) and mark-to-market value (in the case of hedge agreements) not to exceed $100,000,000 for all such secured Indebtedness and hedge agreements; provided, that no such Lien shall extend to or cover any Collateral; and

(y) from and after the Collateral Release Date, any Lien on or with respect to any of its Properties whether now owned or hereafter acquired to secure Indebtedness or reimbursement obligations in respect of letters of credit, or assign, or permit any of its Subsidiaries to assign, any accounts or other right to receive income, except:

(i) Liens of the type identified in clause (iii) of Section 5.02(a)(x);

(ii) Liens of the type identified in clauses (iv), (v), (vi) and (vii) of Section 5.02(a)(x);

(iii) Liens to secure any extension, renewal, refunding or replacement (or successive extensions, renewals, refinancing, refundings or replacements), in whole or in part, of any Indebtedness or other obligation secured by any Lien referred to in the foregoing clause (ii), provided that (A) the principal amount of the Indebtedness or other obligation secured thereby is no greater than the outstanding principal amount of such Indebtedness or other obligation immediately before such extension, renewal, refinancing, refunding or replacement and (B) such Lien shall only extend to such assets as are already subject to a Lien in respect of such Indebtedness or other obligation;

(iv) Liens of the type identified in clauses (x), (xii) and (xiii) of Section 5.02(a)(x);

(v) Liens securing other Indebtedness and obligations under hedge agreements, provided that at the time of the creation, incurrence or assumption of any Indebtedness or obligation under a hedge agreement secured by such Liens and after giving effect thereto, the sum of the principal amount of such Indebtedness and the mark-to-market value of such obligations under hedge agreements secured by Liens permitted by this clause (v) shall not exceed, when taken together with the aggregate principal amount of Indebtedness of Subsidiaries outstanding pursuant to Section 5.02(b)(xi), 15% of Consolidated Net Worth as reflected in the most recent financial statements delivered pursuant to Section 5.01(d)(i) and (ii); and

(vi) Liens securing other Indebtedness provided that the Obligations of the Loan Parties hereunder and under the other Loan Documents are secured equally and ratably with such other Indebtedness.

(b) Indebtedness of Subsidiaries. Permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Indebtedness except:

(i) Indebtedness incurred in the ordinary course of business and consistent with the past practices of the Borrower's Subsidiaries;

(ii) Existing Indebtedness, including any extension, renewal, refinancing or replacement thereof;

(iii) Project Financing;

(iv) Indebtedness of any Person that becomes a Subsidiary after the date hereof; provided that such Indebtedness exists at the time such Person becomes a Subsidiary and is not created in contemplation of or in connection with such Person becoming a Subsidiary;

(v) Indebtedness referred to in clauses (v) and (vi) of Section 5.02(a)(x) and secured by Liens permitted thereby;

(vi) Indebtedness of the Filing Entities incurred pursuant to the DIP Facility;

(vii) During such time as the Obligations of the Loan Parties under the Loan Documents are guaranteed by the Subsidiary Guarantors, guarantees of Obligations of the Borrower by such Subsidiary Guarantors under the Notes Agreements;

(viii) Indebtedness under the Loan Documents;

(ix) Indebtedness under Securitization Transactions;

(x) Indebtedness of Subsidiary Guarantors so long as such Subsidiary remains a Subsidiary Guarantor for so long as such Indebtedness is outstanding or such Indebtedness is otherwise permitted by this Section 5.02(b);

(xi) From and after the Collateral Release Date, additional Indebtedness, provided that at the time of the creation, incurrence or assumption of such Indebtedness, the aggregate principal amount thereof taken together with the aggregate principal amount of outstanding Indebtedness incurred in reliance on this clause (xi) and the aggregate principal amount of outstanding Indebtedness secured by Liens permitted under clause (v) of Section 5.02(a)(y), shall not exceed 15% of Consolidated Net Worth, as reflected in the most recent financial statements delivered pursuant to Section 5.01(d)(i) and (ii);

(xii) Indebtedness of Subsidiaries that are special-purpose business trusts under trust preferred securities that are guaranteed by the Borrower; and

(xiii) Indebtedness under the Master LC Facility Agreement.

(c) Restricted Payments. Prior to the date on which (i) the Collateral Release Date shall have occurred and (ii) the Senior Unsecured Credit Facility Agreement and all commitments thereunder shall have been terminated and all amounts outstanding thereunder shall have been repaid in full, declare or pay any dividends, purchase, redeem, retire, defease or otherwise acquire for value any of its Equity Interests now or hereafter outstanding, return any capital to its stockholders, partners or members (or the equivalent Persons thereof) as such, make any distribution of assets, Equity Interests, obligations or securities to its stockholders, partners or members (or the equivalent Persons thereof) as such or permit any of its Subsidiaries to do any of the foregoing, or permit any of its Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any Equity Interests in the Borrower or to issue or sell any Equity Interests therein, except that:

(i) the Borrower may declare and may pay, once declared, dividends and distributions payable on stock of the Borrower only at levels per outstanding share in effect as of the Effective Date (such amount to be appropriately adjusted to reflect any stock split, reverse stock split, stock dividend or similar transactions made after the date hereof so that the aggregate amount of dividends payable after such transaction is the same as the amount payable immediately prior to such transaction); provided that (i) if an Event of Default shall have occurred and be continuing or shall result therefrom, no such declaration shall be permitted if any Advances are then outstanding and (ii) if an Event of Default under Section 6.01(a) shall have occurred and be continuing, no such payment or distribution shall be permitted if any Advances are then outstanding;

(ii) any Subsidiary of the Borrower may declare and pay dividends and distributions to the Borrower or any other Loan Party of which it is a Subsidiary;

(iii) any Subsidiary of the Borrower may pay dividends or distributions to all holders of a class of Equity Interests of such Subsidiary on a pro rata basis or on a basis that is more favorable to the Borrower;

(iv) the Borrower or any Subsidiary may redeem, repurchase, retire or otherwise acquire any of its Equity Interests in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Borrower) of, Equity Interests of the Borrower;

(v) the Borrower or any Subsidiary of the Borrower may redeem, repurchase, retire or otherwise acquire any of its Equity Interests in connection with a compensation plan, program or practice; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed $20 million in any fiscal year of the Borrower;

(vi) DII may purchase common stock of the Borrower from HESI pursuant to the Stock Agreement; and

(vii) the Borrower and any Subsidiary of the Borrower may grant, issue, distribute or dividend Equity Interests to its directors, officers and employees and make or permit the vesting, lapse, exercise or payment of Equity Interests in options, restricted stock, performance awards (in the form of either cash or stock of the Borrower), and other similar grants and awards pursuant to existing (or substantially similar replacement or amended) compensation plans, programs or practices.

For purposes of clarification, it is agreed and understood that Section 5.02(c) does not restrict the issuance, grant, dividend or distribution of Equity Interests.

(d) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions, all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, or, prior to the Collateral Release Date, permit any of its material Subsidiaries to do so; provided, however, that (i) this Section 5.02(d) shall not prohibit any such merger or consolidation if (1) at the time of, and immediately after giving effect to, such merger or consolidation, no Default or Event of Default exists or would result therefrom, (2) the Borrower is the surviving corporation in such merger or consolidation, and (3) the Borrower shall continue to have senior unsecured long-term debt rated at least BBB- by S&P and Baa3 by Moody's and (ii) any Subsidiary of the Borrower

may transfer assets to, or merge into or consolidate with, the Borrower or any other Subsidiary of the Borrower, provided that in the case of any such merger or consolidation to which a Subsidiary Guarantor is a party, the Person formed by such merger or consolidation shall be the Borrower or a Subsidiary Guarantor.

(e) Use of Proceeds. Use the proceeds of any Advance or any Letter of Credit for any purpose other than for general corporate purposes of the Borrower or use any such proceeds (i) in a manner which violates or results in a violation of any law or regulation, (ii) to purchase or carry any margin stock (as defined in Regulation U), except that this clause (ii) shall not prohibit the Borrower from using proceeds of the Advances to purchase its own common stock if the aggregate amount of all such proceeds so used does not exceed $100,000,000 and if each Notice of Borrowing pertaining to such Advances specified that such proceeds would be so used, (iii) to extend credit to others for the purpose of purchasing or carrying any margin stock (as defined in Regulation U), or (iv) to acquire any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended.

Section 5.03 Financial Covenants. So long as any Advance shall remain unpaid or any Bank shall have any Commitment hereunder, the Borrower will:

(a) Interest Charge Coverage Ratio. Not permit the Interest Charge Coverage Ratio as of the end of a fiscal quarter to be less than 3.50 to 1.00.

(b) Consolidated Debt to Total Consolidated Capitalization Ratio. Maintain at all times a maximum Consolidated Debt to Total Consolidated Capitalization Ratio of:

(i) Prior to the Exit Date: 0.60 to 1.00; and

(ii) On and after the Exit Date: 0.55 to 1.00.

ARTICLE VI
EVENTS OF DEFAULT

Section 6.01 Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) (i) The Borrower shall fail to pay any principal of any Advance when the same becomes due and payable, whether at the due date thereof or by acceleration thereof or otherwise or (ii) the Borrower shall fail to pay any interest on any Advance or any fees hereunder or other amount payable hereunder or any Loan Party shall fail to make any other payment under any Loan Document, in each case under this clause (ii), within five Business Days of when the same becomes due and payable, whether at the due date thereof or by acceleration thereof or otherwise; or

(b) Any representation, warranty or certification made by any Loan Party (or any of its officers) herein pursuant to or in connection with any Loan Document or in any certificate or document furnished to any Bank pursuant to or in connection with any Loan Document, or any representation or warranty deemed to have been made by the Borrower pursuant to Section 3.02, shall prove to have been incorrect or misleading in any material respect when made or so deemed to have been made; or

(c) (i) The Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(b), (d), (e), or (i), 5.02 or 5.03 of this Agreement; or (ii) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in Section 5.01 or any Loan Party shall fail to perform or observe any other term, covenant or agreement contained in any Loan Document on its part to be performed or observed (other than any term, covenant or agreement covered by Section 6.01(a)) and, in each case under this clause (ii), such failure shall remain unremedied for 30 days after notice thereof shall have been given to the Borrower by the Agent or by any Bank; or

(d) The Borrower or any material Subsidiary of the Borrower shall default in the payment when due (subject to any applicable grace period), whether by acceleration or otherwise, of any Debt (other than Project Financing or Permitted Non-Recourse Debt) (whether principal, interest, premium or otherwise) of, or directly or indirectly guaranteed by, the Borrower or any such material Subsidiary, as the case may be, in excess of $75,000,000 or the Borrower or any material Subsidiary of the Borrower shall default in the performance or observance of any obligation or condition with respect to any such Debt (other than Project Financing or Permitted Non-Recourse Debt) if the effect of such default is to accelerate the maturity of or require the posting of cash collateral with respect to any such Debt or, in any case, any such Debt shall become due prior to its stated maturity (other than by a regularly-scheduled required payment and mandatory prepayments from proceeds of asset sales, debt incurrence, excess cash flow, equity issuances and insurance proceeds); provided that for the avoidance of doubt the parties acknowledge and agree that (i) any payment required to be made under a guaranty or letter of credit reimbursement agreement described in the definition herein of Debt shall be due and payable at the time such payment is due and payable under the terms of such guaranty or letter of credit reimbursement agreement (taking into account any applicable grace period) and such payment shall not be deemed to have been accelerated or have become due as a result of the obligation guaranteed having become due and (ii) the conversion of the Convertible Notes shall not be a Default or Event of Default hereunder; or

(e) The Borrower or any material Subsidiary of the Borrower (other than a Filing Entity in connection with the filing of the Chapter 11 Cases) shall be adjudicated a bankrupt or insolvent by a court of competent jurisdiction, or generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any such material Subsidiary seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its Property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 90 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its Property) shall occur; or the Borrower or any such material Subsidiary shall take any corporate or organizational action to authorize any of the actions set forth above in this subsection (e) (other than in connection with the filing of the Chapter 11 Cases); or

(f) Any final, non-appealable judgment or order by a court of competent jurisdiction for the payment of money in excess of $75,000,000 over and above the amount of insurance coverage available from a financially sound insurer that has acknowledged coverage shall be rendered against the Borrower or any material Subsidiary of the Borrower and not discharged

within 30 days after such order or judgment becomes final; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against a substantial part of the property of the Borrower or any material Subsidiary of the Borrower and such judgment, writ, warrant of attachment or execution or similar process shall not be released, stayed, vacated or fully bonded within 30 days after its issue or levy; or

(g) Any Collateral Document or financing statement after delivery thereof pursuant to Section 3.01, 5.01(i) or 5.01(j) shall for any reason (other than pursuant to the terms thereof or due to the action or inaction of the Collateral Agent) cease to create a valid and perfected first priority (other than prior Liens permitted under the Loan Documents) lien on and security interest in the Collateral purported to be covered thereby or any Loan Party shall so state in writing and, if such security interest was granted pursuant to Section 5.01(i)(ii), such situation shall remain unremedied for 30 days;

(h) The Plan of Reorganization shall be amended, modified or supplemented after the Effective Date in any manner materially adverse to (i) the Banks or (ii) the ability of the Borrower and any material Subsidiary which is a Loan Party to perform its Obligations under any Loan Document to which it is or is to be a party, in each case without the consent of the Required Banks; or

(i) The Borrower or any of its ERISA Affiliates shall incur, or, in the reasonable opinion of the Required Banks, shall be reasonably likely to incur liability in excess of $75,000,000 in the aggregate as a result of one or more of the following: (i) the occurrence of any ERISA Event; (ii) the partial or complete withdrawal of the Borrower or any of its ERISA Affiliates from a Multiemployer Plan; or (iii) the reorganization or termination of a Multiemployer Plan;

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the Required Banks, by notice to the Borrower, declare the obligation of each Bank to make Advances (other than Letter of Credit Advances by an Issuing Bank or a Bank pursuant to Section 2.03(c)) and of each Issuing Bank to issue Letters of Credit to be terminated, whereupon the same (and all of the Commitments) shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Banks, by notice to the Borrower, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such other amounts shall become and be forthwith due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or any other notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of any actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code, (A) the Commitment of each Bank and the obligation of each Bank to make Advances (other than Letter of Credit Advances by an Issuing Bank or a Bank pursuant to Section 2.03(c)) and of each Issuing Bank to issue Letters of Credit shall automatically be terminated, and (B) the Advances, all interest thereon and all other amounts payable under this Agreement shall automatically and immediately become and be due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration, or any other notice of any kind, all of which are hereby expressly waived by the Borrower.

Section 6.02 Actions in Respect of the Letters of Credit upon Default. If any Event of Default shall have occurred and be continuing, the Agent may, or shall at the request of the Required Banks, irrespective of whether it is taking any of the actions described in Section 6.01 or otherwise, make demand upon the Borrower to, and forthwith upon such demand the Borrower will, pay to the Agent on behalf of the Banks in same day funds at the Agent's office designated in such demand, for deposit in the L/C Cash Collateral Account, an amount equal to the aggregate Available Amount of all Letters of Credit then outstanding. If at any time the Agent determines that any funds held in the L/C Cash Collateral

Account are subject to any right or claim of any Person other than the Agents and the Banks or that the total amount of such funds is less than the aggregate Available Amount of all Letters of Credit, the Borrower will, forthwith upon demand by the Agent, pay to the Agent, as additional funds to be deposited and held in the L/C Cash Collateral Account, an amount equal to the excess of (a) such aggregate Available Amount over (b) the total amount of funds, if any, then held in the L/C Cash Collateral Account that the Agent determines to be free and clear of any such right and claim. Upon the drawing of any Letter of Credit for which funds are on deposit in the L/C Cash Collateral Account, such funds shall be applied to reimburse the relevant Issuing Bank or the Banks, as applicable, to the extent permitted by applicable law.

ARTICLE VII
THE AGENT

Section 7.01 Authorization and Action. Each Bank hereby appoints and authorizes the Agent to take such action as Agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Agent by the terms hereof or of any other Loan Document, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Banks and such instructions shall be binding upon all Banks and all holders of Notes; provided, however, that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to any Loan Document or applicable law. The Agent agrees to give to each Bank prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

Section 7.02 Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with any Loan Document, except for their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may consult with legal counsel (including, without limitation, counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations (whether written or oral) made in or in connection with any of the Loan Documents or any other instrument or document; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any of Loan Documents or any other instrument or document on the part of the Borrower or any Subsidiary of the Borrower or to inspect the Property (including the books and records) of the Borrower or any Subsidiary of the Borrower; (iv) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any of the Loan Documents or any other instrument or document; and (v) shall incur no liability under or in respect of any of Loan Documents or any other instrument or document by acting upon any notice (including telephonic notice), consent, certificate or other instrument or writing (which may be by facsimile, telegram or telex) believed by it to be genuine and signed, given or sent by the proper party or parties.

Section 7.03 The Agent and its Affiliates. With respect to its Commitment, the Advances owed to it and the Notes issued to it, each Bank which is also the Agent shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Agent; and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include any Bank serving as the Agent in its individual capacity. Any Bank serving as the Agent and its affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and

generally engage in any kind of business with, the Borrower, any Affiliate of the Borrower and any Person who may do business with or own securities of the Borrower or any Affiliate of the Borrower, all as if such Bank were not the Agent and without any duty to account therefor to the Banks.

Section 7.04 Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank and based on the Financial Statements and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents or any other instrument or document.

Section 7.05 Indemnification. The Banks agree to indemnify the Agent (to the extent not promptly reimbursed by the Borrower), ratably according to the respective principal amounts of the Notes then held by each of the Banks (or if no Advances are at the time outstanding or if any Notes are held by Persons which are not Banks, ratably according to either (a) the respective amounts of the Banks' Commitments, or (b) if no Commitments are at the time outstanding, the respective amounts of the Commitments immediately prior to the time the Commitments ceased to be outstanding), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith, or any action taken or omitted by the Agent under any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith ("Indemnified Costs"); provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct as found in a final, non-appealable judgment by a court of competent jurisdiction. Without limitation of the foregoing, each Bank agrees to reimburse the Agent promptly upon demand for such Bank's ratable share of any costs and expenses (including, without limitation, counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith to the extent that the Agent is not reimbursed for such expenses by the Borrower. In the case of any investigation, litigation or proceeding giving rise to any Indemnified Costs, this Section 7.05 applies whether any such investigation, litigation or proceeding is brought by the Agent, any other Agent, any Bank or a third party.

Section 7.06 Successor Agent. The Agent may resign at any time by giving written notice thereof to the Banks and the Borrower and may be removed at any time with or without cause by the Required Banks. Upon any such resignation or removal, the Required Banks shall have the right to appoint a successor Agent which, if such successor Agent is not a Bank, is approved by the Borrower (which approval will not be unreasonably withheld). If no successor Agent shall have been so appointed by the Required Banks (and, if not a Bank, approved by the Borrower), and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Required Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. After any retiring Agent's resignation or removal

hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

Section 7.07 Co-Lead Arrangers, Syndication Agent, Documentation Agent. The Co-Lead Arrangers, Syndication Agent and Documentation Agent shall have no duties, obligations or liabilities hereunder or in connection herewith.

ARTICLE VIII
MISCELLANEOUS

Section 8.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any Note or any other Loan Document, nor consent to any departure by any Loan Party therefrom, shall in any event be effective unless the same shall be in writing and signed (or in the case of the Collateral Documents or the Subsidiary Guaranty, consented to) by the Required Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall, unless in writing and signed by all the Banks, do any of the following: (a) waive any of the conditions specified in Section 3.01, (b) increase the Commitment of any Bank or subject any Bank to any additional obligations, (c) reduce the principal of, or interest on, the Advances or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Advances or any fees or other amounts payable hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Advances which shall be required for the Banks or any of them to take any action hereunder, (f) materially reduce or limit the obligations of the Subsidiary Guarantors under Section 1 of the Subsidiary Guaranty or otherwise limit the Subsidiary Guarantors' liability with respect to the Obligations owing to the Agents and the Banks (it being understood that (i) on the sale or merger of a Subsidiary Guarantor or the transfer of all or substantially all of its assets otherwise permitted hereunder, or (ii) on the request of the Borrower with respect to any Subsidiary Guarantor that provided a guaranty solely to comply with Section 5.02(b)(x), so long as such guaranty is no longer required in order to comply with such Section, such guaranty shall automatically be released), (g) release all or substantially all of the Collateral in any transaction or series of related transactions, except as contemplated by Section 8.09; or (h) amend Section 2.14 or this Section 8.01; and provided, further, that (x) no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Banks required above to take such action, affect the rights or duties of the Agent under this Agreement or any of the Notes and (y) no amendment, waiver or consent shall, unless in writing and signed by each Issuing Bank in addition to the Banks required above to take such action, affect the rights or obligations of the Issuing Banks under this Agreement.

Section 8.02 Notices, Etc. (a) All notices and other communications provided for hereunder shall be either (x) in writing (including facsimile communication) and mailed, telecopied, or delivered or (y) as and to the extent set forth in Section 8.02(b) and in the proviso to this Section 8.02(a), (i) if to the Borrower, at its address at 1401 McKinney, Suite 2400, Houston, Texas 77010-4035 Attention: Jerry H. Blurton, Vice President and Treasurer, Facsimile: (713) 759-2686; (ii) if to any Bank listed on the signature pages hereof, at its Domestic Lending Office specified opposite its name on Schedule III hereto; (iii) if to any other Banks, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it becomes a Bank; (iv) if to the Agent, at the addresses set forth below:

Citicorp North America, Inc.
Two Penns Way, Suite 200
New Castle, Delaware 19720
Facsimile No.: (302) 894-6120
Attention: Bank Loan Syndications Department

with a copy to:

Citicorp North America, Inc.
1200 Smith Street, Suite 2000
Houston, Texas 77002
Facsimile No.: (713) 654-2849
Attention: Amy Pincu, Vice President

(but references herein to the address of the Agent for purposes of payments or making available funds or for purposes of Section 8.08(c) shall not include the address to which copies are to be sent); or, as to the Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent, provided that materials required to be delivered pursuant to Section 5.01(d)(i), (ii), (iii) or (vi), unless delivered by posting to a website as provided in Section 5.01(d), shall be delivered to the Agent as specified in Section 8.02(b) or as otherwise specified to the Borrower by the Agent. Each such notice or communication shall be effective (i) if mailed, upon receipt, (ii) if delivered by hand, upon delivery with written receipt, and (iii) if telecopied, when receipt is confirmed by telephone, except that any notice or communication to the Agent pursuant to this Agreement shall not be effective until actually received by the Agent.

(b) So long as CNAI or any of its Affiliates is the Agent, materials required to be delivered pursuant to Section 5.01(d)(i), (ii), (iii) and (vi), unless delivered by posting to a website as provided in Section 5.01(d), shall be delivered to the Agent in an electronic medium in a format acceptable to the Agent and the Banks by e-mail at oploanswebadmin@citigroup.com. The Borrower agrees that the Agent may make such materials, as well as any other written information, documents, instruments and other material relating to the Borrower, any of its Subsidiaries or any other materials or matters relating to this Agreement, the Notes or any of the transactions contemplated hereby (collectively, the "Communications") available to the Banks by posting such notices on Intralinks, "e-Disclosure", the Agent's internet delivery system that is part of Fixed Income Direct, Global Fixed Income's primary web portal, or a substantially similar electronic system (the "Platform"). The Borrower acknowledges that (i) the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided "as is" and "as available" and (iii) neither the Agent nor any of its Affiliates warrants the accuracy, adequacy or completeness of the Communications or the Platform and each expressly disclaims liability for errors or omissions in the Communications or the Platform. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Agent or any of its Affiliates in connection with the Platform. Notices and other communications to the Banks and the Agent hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Agent and the applicable Bank. The Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) Each Bank agrees that notice to it (as provided in the next sentence) (a "Notice") specifying that any Communications have been posted to the Platform shall constitute effective delivery of such information, documents or other materials to such Bank for purposes of this Agreement; provided that if requested by any Bank the Agent shall deliver a copy of the Communications to such Bank by email or facsimile. Each Bank agrees (i) to notify the Agent in writing of such Bank's e-mail address to which a Notice may be sent by electronic transmission (including by electronic communication) on or

before the date such Bank becomes a party to this Agreement (and from time to time thereafter to ensure that the Agent has on record an effective e-mail address for such Bank) and (ii) that any Notice may be sent to such e-mail address.

Section 8.03 No Waiver; Remedies. No failure on the part of any Bank or the Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 8.04 Expenses and Taxes; Compensation. (a) The Borrower agrees to pay on demand (i) all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable fees and expenses of counsel) of the Co-Lead Arrangers and the Agent and each of their respective affiliates in connection with the preparation, execution, delivery and administration of the Loan Documents and the other documents and instruments delivered hereunder or in connection with any amendments, modifications, consents or waivers in connection with the Loan Documents, (ii) all reasonable fees and expenses of counsel for the Co-Lead Arrangers and the Agent, during the existence of any Event of Default, any Bank with respect to advising the Agent or, during the existence of any Event of Default, any Bank as to its rights and responsibilities under the Loan Documents and (iii) all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable fees and expenses of counsel) of the Co-Lead Arrangers, the Agent and each Bank in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of the Loan Documents (including the enforcement of rights under this Section 8.04(a)) and the other documents and instruments delivered hereunder and rights and remedies hereunder and thereunder.

(b) If any payment or purchase of principal of, or Conversion of, any Eurodollar Rate Advance is made other than on the last day of the Interest Period for such Advance, as a result of a payment, purchase or Conversion pursuant to Section 2.09, Section 2.10, Section 2.15, Section 2.16 or Section 2.17, acceleration of the maturity of the Advances pursuant to Section 6.01 or for any other reason, the Borrower shall, within 15 days after demand by any Bank (with a copy of such demand to the Agent), pay to the Agent for the account of such Bank any amounts required to compensate such Bank for any additional losses, costs or expenses which it may reasonably incur as a result of such payment, purchase or Conversion, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense reasonably incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Bank to fund or maintain such Advance. A certificate as to the amount of such additional losses, costs or expenses, submitted to the Borrower and the Agent by such Bank, shall be conclusive and binding for all purposes, absent manifest error.

(c) The Borrower agrees to indemnify and hold harmless the Agent, the Banks, the Co-Lead Arrangers and their respective directors, officers, employees, affiliates, advisors, attorneys and agents (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, fees and expenses of counsel) for which any of them may become liable or which may be incurred by or asserted against any of the Indemnified Parties in connection with or arising out of (i) any Loan Document or any other document or instrument delivered in connection herewith, (ii) the existence of any condition on any property of the Borrower or any of its Subsidiaries that constitutes a violation of any environmental protection law or any other law, rule, regulation or order, or (iii) any investigation, litigation, or proceeding, whether or not any of the Indemnified Parties is a party thereto, related to or in connection with any of the foregoing or any Loan Document, including, without limitation, any transaction in which any proceeds of any Advance or Letter of Credit are applied, including, without limitation, in each of the foregoing cases, any such claim, damage, loss, liability or expense resulting from the negligence of any Indemnified Party, but excluding any such claim, damage,

loss, liability or expense sought to be recovered by any Indemnified Party to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnified Party.

(d) Except as set forth in the next succeeding sentence, each of the Banks and the Agent and each of their respective directors, officers, employees, affiliates, advisors and agents shall not be liable to the Borrower for, and the Borrower agrees not to assert any claim for, amounts constituting special, indirect, consequential, punitive, treble or exemplary damages arising out of or in connection with any breach by such Bank or the Agent of any of its obligations hereunder. If the Borrower becomes liable to a third party for amounts constituting punitive, treble or exemplary damages as a result of a breach of an obligation hereunder by a Bank or the Agent, as the case may be, the Borrower shall be entitled to claim and recover (and does not waive its rights to claim and recover) such amounts from such Bank or the Agent, as the case may be, to the extent such Bank or the Agent, as the case may be, would be liable to the Borrower for such amounts but for the limitation set forth in the preceding sentence.

(e) Without prejudice to the survival of any other agreement of the Borrower hereunder, all obligations of the Borrower under Section 2.12, Section 2.13 and this Section 8.04 shall survive the termination of the Commitments and this Agreement and the payment in full of all amounts hereunder and under the Notes.

Section 8.05 Right of Set-Off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making by the Required Banks of the request or the granting by the Required Banks of the consent specified by Section 6.01 to authorize the Agent to declare the Advances due and payable pursuant to the provisions of Section 6.01, each Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank (or by any branch, agency, subsidiary or other Affiliate of such Bank, wherever located) to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement or any Note held by such Bank or any other Loan Document, whether or not such Bank shall have made any demand under this Agreement or any such Note or any other Loan Document and although such obligations may be unmatured. Each Bank agrees promptly to notify the Borrower after any such set-off and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of setoff) which such Bank may have.

Section 8.06 Limitation and Adjustment of Interest. (a) Notwithstanding anything to the contrary set forth herein, in any other Loan Document or in any other document or instrument, no provision of any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith is intended or shall be construed to require the payment or permit the collection of interest in excess of the maximum non-usurious rate permitted by applicable law. Accordingly, if the transactions with any Bank contemplated hereby would be usurious under applicable law, if any, then, in that event, notwithstanding anything to the contrary in any Note payable to such Bank, this Agreement or any other document or instrument, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under applicable law that is contracted for, taken, reserved, charged or received by such Bank under any Note payable to such Bank, this Agreement or any other document or instrument shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be canceled automatically and, if theretofore paid, shall, at the option of such Bank, be credited by such Bank on the principal amount of the indebtedness owed to such Bank by the Borrower or refunded by such Bank to the Borrower, and (ii) in the event that the maturity of any Note payable to such Bank is accelerated or in the event of any required or permitted prepayment, then such consideration that

constitutes interest under law applicable to such Bank may never include more than the maximum amount allowed by such applicable law and excess interest, if any, to such Bank provided for in this Agreement or otherwise shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall, at the option of such Bank, be credited by such Bank on the principal amount of the indebtedness owed to such Bank by the Borrower or refunded by such Bank to the Borrower. In determining whether or not the interest contracted for, taken, reserved, charged or received by any Bank exceeds the maximum non-usurious rate permitted by applicable law, such determination shall be made, to the extent that doing so does not result in a violation of applicable law, by amortizing, prorating, allocating and spreading, in equal parts during the period of the full stated term of the loans hereunder, all interest at any time contracted for, taken, charged, received or reserved by such Bank in connection with such loans.

(b) In the event that at any time the interest rate applicable to any Advance made by any Bank would exceed the maximum non-usurious rate allowed by applicable law, the rate of interest to accrue on the Advances by such Bank shall be limited to the maximum non-usurious rate allowed by applicable law, but shall accrue, to the extent permitted by law, on the principal amount of the Advances made by such Bank from time to time outstanding, if any, at the maximum non-usurious rate allowed by applicable law until the total amount of interest accrued on the Advances made by such Bank equals the amount of interest which would have accrued if the interest rates applicable to the Advances pursuant to Article II had at all times been in effect. In the event that upon the final payment of the Advances made by any Bank and termination of the Commitment of such Bank, the total amount of interest paid to such Bank hereunder and under the Notes is less than the total amount of interest which would have accrued if the interest rates applicable to such Advances pursuant to Article II had at all times been in effect, then the Borrower agrees to pay to such Bank, to the extent permitted by law, an amount equal to the excess of (a) the lesser of (i) the amount of interest which would have accrued on such Advances if the maximum non-usurious rate allowed by applicable law had at all times been in effect or (ii) the amount of interest which would have accrued on such Advances if the interest rates applicable to such Advances pursuant to Article II had at all times been in effect over (b) the amount of interest otherwise accrued on such Advances in accordance with this Agreement.

Section 8.07 Binding Effect. This Agreement shall become effective as provided in Section 3.01 hereof and thereafter shall be binding upon and inure to the benefit of the Borrower and the Agent and each Bank and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights or obligations hereunder or under any other Loan Document or any interest herein or therein without the prior written consent of all of the Banks.

Section 8.08 Assignments and Participations. (a) Each Bank may assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Notes held by it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement, (ii) except in the case of an assignment of all of a Bank's rights and obligations under this Agreement, the amount of the Commitment of the assigning Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than $5,000,000, (iii) each such assignment shall be to an Eligible Assignee, and (iv) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with the Notes subject to such assignment and a processing and recordation fee of $3,000. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank hereunder and (y) the Bank assignor thereunder shall, to the

extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with any Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith or the execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith; (ii) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any other Person or the performance or observance by the Borrower or any other Person of any of its respective obligations under any Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the Financial Statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement, any of the other Loan Documents or any other instrument or document; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as Agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with such powers and discretion as are reasonably incidental thereto; (vii) such assignee appoints and authorizes the Agent to take such action as the Agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with such powers and discretion as are reasonably incidental thereto and (viii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Bank.

(c) The Agent shall maintain at its address referred to in Section 8.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the Commitment of, and the principal amount of the Revolving Credit Advances owing to, each Bank from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of an Assignment and Acceptance executed by an assigning Bank and an assignee representing that it is an Eligible Assignee, together with the Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit E, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. Within five Business Days after its receipt of such notice, the Borrower shall execute and deliver to the Agent in exchange for the surrendered Notes a new Note payable to the order of such Eligible Assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Bank has retained a Commitment hereunder, a new Note payable to the order of the assigning Bank in an amount equal to the Commitment retained by it hereunder (such new Notes shall be in an

aggregate principal amount equal to the aggregate principal amount of such surrendered Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A).

(e) Each Bank may sell participations to one or more banks or other entities (other than the Borrower or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Notes held by it); provided, however, that (i) such Bank's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Bank shall remain the holder of any such Notes for all purposes of this Agreement, (iv) the Borrower, the Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement, and (v) the terms of any such participation shall not restrict such Bank's ability to make any amendment or waiver of this Agreement or any Note or such Bank's ability to consent to any departure by the Borrower therefrom without the approval of the participant, except that the approval of the participant may be required to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation.

(f) Each Issuing Bank may assign to an Eligible Assignee all of its rights and obligations under the undrawn portion of its Letter of Credit Commitment at any time; provided, however, that (i) each such assignment shall be to an Eligible Assignee and (ii) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with a processing and recordation fee of $3,500.

(g) Any Bank may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.08, disclose to the assignee or participant or proposed assignee or participant, any information relating to any Loan Party or any of its Subsidiaries furnished to such Bank by or on behalf of the Borrower or any of its Subsidiaries; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to comply with Section 8.15.

(h) Notwithstanding any other provision set forth in this Agreement, any Bank may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Revolving Credit Advances owing to it and the Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Federal Reserve Board.

Section 8.09 Release of Collateral. (a) Upon the sale, lease, transfer or other disposition of any item of Collateral of any Loan Party (including, without limitation, as a result of the sale or merger, in accordance with the terms of the Loan Documents, of the Loan Party that owns such Collateral) in accordance with the terms of the Loan Documents, the Agent will, at the Borrower's expense, execute and deliver to the Collateral Agent such documents as the Collateral Agent may reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted under the Collateral Documents in accordance with the terms of the Loan Documents.

(b) Upon the occurrence of the Collateral Release Date, the Agent will, at the Borrower's written request and expense, execute and deliver to the Collateral Agent such documents as the Collateral Agent may reasonably request to evidence the release of the Collateral from the assignment and security interest granted under the Collateral Documents.

Section 8.10 No Liability of Issuing Banks. The Borrower assumes all risks of the acts or omissions of any beneficiary or transferee of any Letter of Credit with respect to its use of such Letter of Credit. Neither any Issuing Bank nor any of its officers or directors shall be liable or responsible for: (a) the use that may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by such Issuing Bank against presentation of documents that do not comply with the terms of a Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit, except that the Borrower shall have a claim against such Issuing Bank, and such Issuing Bank shall be liable to the Borrower, to the extent of any direct, but not consequential, damages suffered by the Borrower that the Borrower proves were caused by (i) such Issuing Bank's willful misconduct or gross negligence as determined in a final, non-appealable judgment by a court of competent jurisdiction in determining whether documents presented under any Letter of Credit comply with the terms of the Letter of Credit or (ii) such Issuing Bank's willful failure to make lawful payment under a Letter of Credit after the presentation to it of a draft and certificates strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, such Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

Section 8.11 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile shall be as effective as delivery of a manually executed counterpart of this Agreement.

Section 8.12 Judgment (a) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in Dollars into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase Dollars with such other currency at Citibank's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

(b) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in a Foreign Currency into Dollars, the parties agree to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase such Foreign Currency with Dollars at Citibank's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

(c) The obligation of the Borrower in respect of any sum due from it in any currency (the "Primary Currency") to any Bank or the Agent hereunder shall, notwithstanding any judgment in any other currency, be discharged only to the extent that on the Business Day following receipt by such Bank or the Agent (as the case may be), of any sum adjudged to be so due in such other currency, such Bank or the Agent (as the case may be) may in accordance with normal banking procedures purchase the applicable Primary Currency with such other currency; if the amount of the applicable Primary Currency so purchased is less than such sum due to such Bank or the Agent (as the case may be) in the applicable Primary Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Bank or the Agent (as the case may be) against such loss, and if the amount of the applicable Primary Currency so purchased exceeds such sum due to any Bank or the Agent (as the case

may be) in the applicable Primary Currency, such Bank or the Agent (as the case may be) aggress to remit to the Borrower such excess.

Section 8.13 Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York. Without limiting the intent of the parties set forth above, (i) Chapter 346 of the Texas Finance Code (formerly known as Chapter 15, Subtitle 3, Title 79, of the Revised Civil Statutes of Texas, 1925), as amended (relating to revolving loans and revolving triparty accounts), shall not apply to this Agreement, the Notes or the transactions contemplated hereby, and (ii) to the extent that any Bank may be subject to Texas law limiting the amount of interest payable for its account, such Bank shall utilize the indicated (weekly) rate ceiling from time to time in effect as provided in Chapter 303 of the Texas Finance Code (formerly known as Article 5069-1.04 of the Revised Civil Statutes of Texas), as amended.

Section 8.14 Jurisdiction; Damages. To the fullest extent it may effectively do so under applicable law, (i) each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its Property, to the non-exclusive jurisdiction of any New York state court or federal court sitting in New York City, and any appellate court from any appeal thereof, in any action or proceeding arising out of or relating to this Agreement, any of the Notes, any other Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of such action or proceeding may be heard and determined in any such court; (ii) each of the parties hereto hereby irrevocably and unconditionally waives the defense of an inconvenient forum to the maintenance of such action or proceeding and any objection that it may now or hereafter have to the laying of venue of any such action or proceeding in any such court; (iii) the Borrower hereby agrees that service of copies of the summons and complaint and any other process which may be served in any such action or proceeding may be made by mailing or delivering a copy of such process to the Borrower at its address specified in Section 8.02; and (iv) each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing herein shall affect the rights of any Bank or the Agent to serve legal process in any other manner permitted by law or affect the right that any party hereto may otherwise have to bring any action or proceeding relating to this Agreement, any of the Notes or any other instrument or document furnished pursuant hereto or in connection herewith in the courts of any other jurisdiction. Each of the Borrower, the Agent and the Banks hereby irrevocably and unconditionally waives, to the fullest extent it may effectively do so under applicable law, any right it may have to claim or recover in any action or proceeding referred to in this Section 8.14 any exemplary or punitive damages. The Borrower hereby further irrevocably waives, to the fullest extent it may effectively do so under applicable law, any right it may have to claim or recover in any action or proceeding referred to in this Section 8.14 any special or consequential damages.

Section 8.15 Confidentiality. Each Bank agrees that it will use reasonable efforts, to the extent not inconsistent with practical business requirements, not to disclose without the prior consent of the Borrower (other than to employees, auditors, accountants, counsel or other professional advisors of the Agent or any Bank) any information with respect to the Borrower or its Subsidiaries or the Transaction which is furnished pursuant to this Agreement, provided that any Bank may disclose any such information (a) as has become generally available to the public, (b) as may be required or appropriate in any report, statement or testimony submitted to or required by any municipal, state or Federal regulatory body having or claiming to have jurisdiction over any Bank or submitted to or required by the Federal Reserve Board or the Federal Deposit Insurance Corporation or similar organizations (whether in the United States or elsewhere) or their successors, (c) as may be required or appropriate in response to any summons or subpoena in connection with any litigation, (d) in order to comply with any law, order, regulation or ruling applicable to any Bank, (e) to any assignee, participant, prospective assignee, or

prospective participant that has agreed to comply with this Section 8.15, (f) in connection with the exercise of any remedy by any Bank pertaining to this Agreement, any of the Notes or any other document or instrument delivered in connection herewith, (g) in connection with any litigation involving any Bank pertaining to any Loan Document or any other document or instrument delivered in connection herewith, (h) to any Bank or the Agent, or (i) to any Affiliate of any Bank. Notwithstanding anything herein to the contrary, the Borrower and its representatives, the Co-Lead Arrangers, Agent and Banks, and their representatives, may disclose to any and all persons, without limitation of any kind, the United States tax treatment and tax structure of the Transaction and all materials of any kind (including opinions or other tax analyses) that are provided to the Borrower, the Co-Lead Arrangers, Agent or Banks, as the case may be, relating to such United States tax treatment or tax structure.

Section 8.16 Prior Credit Facility. Each Bank which is a "Bank" under the Prior Credit Facility hereby (i) waives its right to receive any advance notice of termination required by the Prior Credit Facility and agrees that such Prior Credit Facility may be terminated by notice from the Borrower on the Effective Date and (ii) waives any default thereunder which may have occurred in connection with the Chapter 11 Cases.

[Remainder of page intentionally blank.]

Section 8.17 Waiver of Jury Trial. Each of the Borrower, the Agent and the Banks hereby irrevocably and unconditionally waives, to the fullest extent it may effectively do so under applicable law, any and all right to trial by jury in any action or proceeding arising out of or relating to this Agreement, any of the Notes, any other Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith or the transactions contemplated hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWER:

HALLIBURTON COMPANY

By: _____

Name:
Title:

EXHIBIT 10.3

EXECUTION COPY

U.S. $_____

MASTER LETTER OF CREDIT FACILITY AGREEMENT

Dated as of October 30, 2003

Among

HALLIBURTON COMPANY
KELLOGG BROWN & ROOT, INC.
DII INDUSTRIES, LLC

as Account Parties

THE BANKS NAMED HEREIN

as Banks,

CITICORP NORTH AMERICA, INC.

as Administrative Agent,

JPMORGAN CHASE BANK

as Syndication Agent,

and

ABN AMRO BANK, N.V.

as Documentation Agent

Co-Lead Arrangers:

CITIGROUP GLOBAL MARKETS INC.

and

J.P. MORGAN SECURITIES INC.

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MASTER LETTER OF CREDIT FACILITY AGREEMENT
Dated as of October 30, 2003

Halliburton Company, a Delaware corporation (the "Company"), Kellogg Brown & Root, Inc., a Delaware corporation ("KBR"), DII Industries, LLC, a Delaware limited liability company (together with the Company and KBR, collectively, the "Account Parties"), the lenders party hereto and Citicorp North America, Inc. ("CNAI"), as Administrative Agent hereunder, agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

Section 1.01 Certain Defined Terms. As used in this Agreement, the terms "Company", "Account Parties" and "CNAI" shall have the meanings set forth above and the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Additional Letter of Credit" has the meaning specified in Section 2.18.

"Advance" has the meaning specified in Section 2.02(a) and, except in the case of an Advance in respect of a Documentary Letter of Credit, refers to a Base Rate Advance or a Eurocurrency Rate Advance (each, a "Type" of Advance).

"Advance Date" has the meaning specified in Section 2.02(b).

"Affected Bank" has the meaning specified in Section 2.15.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or any Subsidiary of such Person.

"Agent" means CNAI in its capacity as Administrative Agent pursuant to Article VII and any successor in such capacity pursuant to Section 7.06.

"Agreement" means this Master Letter of Credit Facility Credit Agreement dated as of October 30, 2003 among the Company, the other Account Parties, the Banks and the Agent, as amended from time to time in accordance with the terms hereof.

"Allocation" means, with respect to each Bank, the Dollar amount (based on the Dollar Equivalent, where applicable) set forth for such Bank in the Register maintained by the Agent pursuant to Section 8.08(c), as the same may be increased or decreased pursuant to Section 2.18 and Section 8.08(d)(ii), including any portion of the Unused Allocation allocated to such Bank pursuant to the terms hereof. As of the date hereof, the "Allocation" of each Bank will be the amount set forth opposite such Bank's name on Schedule 4.01(k) to this Agreement.

"Applicable Lending Office" means, with respect to each Bank, (i) in the case of a Base Rate Advance, such Bank's Domestic Lending Office, and (ii) in the case of a Eurocurrency Rate Advance, such Bank's Eurocurrency Lending Office.

"Applicable Margin" has the meaning specified in Annex A.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Bank and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit E.

"Available Amount" of any Letter of Credit means, at any time, the Dollar Equivalent of the maximum amount available to be drawn under such Letter of Credit at such time (assuming compliance at such time with all conditions to drawing).

"Bankruptcy Court" means the U.S. Bankruptcy Court for the Western District of Pennsylvania.

"Banks" means (i) prior to the Term-Out Date, each of the Banks listed on the signature pages hereof and each of their Affiliates as provided in Section 8.11(b), and (ii) after the Term-Out Date, each Funding Bank.

"Barracuda Facility" means the $260,000,000 Second Amended and Restated Credit and Reimbursement Agreement, dated as of February 21, 2003, among Kellogg Brown & Root, Inc., as borrower, the banks named therein and ABN AMRO Bank, N.V., as administrative agent, as amended.

"Base Rate" means, for any period, a fluctuating interest rate per annum as shall be in effect from time to time which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate; and

(b) the sum (adjusted to the nearest 1/8 of 1% or, if there is no nearest 1/8 of 1%, to the next higher 1/8 of 1%) of (i)1/2 of one percent per annum plus (ii) the rate obtained by dividing (A) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average (adjusted to the basis of a year of 360 days) being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing selected by Citibank, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the Federal Reserve Board for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for Citibank with respect to liabilities consisting of or including (among other liabilities) three-month Dollar non-personal time deposits in the United States, plus (iii) the average during such three-week period of the annual assessment rates estimated by Citibank for determining the then current annual assessment payable by Citibank to the Federal Deposit Insurance Corporation (or any successor) for insuring Dollar deposits of Citibank in the United States; and

(c) the sum of 1/2 of one percent per annum plus the Federal Funds Rate in effect from time to time;

; provided, however, that in the case of any Advance made by a non-U.S. office of a Funding Bank, "Base Rate" shall mean, for each day, the "base rate" or other analogous "prime rate" of such office in effect for such day, or if there is no such rate, the cost of funds of such office for the period selected by such Bank, plus 1/2 of one percent per annum, in each case calculated in the manner customary for such interest rate in the relevant market.

"Base Rate Advance" means an Advance denominated in Dollars which bears interest as provided in Section 2.07(a).

"Beneficiary" means any beneficiary under a Letter of Credit.

"Business Day" means a day of the year on which banks are not required or authorized to close in New York City and, if the applicable Business Day relates to any Eurocurrency Rate Advance, on which dealings in Dollar deposits are carried on in the London interbank market.

"Chapter 11 Cases" means the cases to be filed by the Filing Entities under Chapter 11 of the Bankruptcy Code.

"Citibank" means Citibank, N.A., a national banking association.

"Co-Lead Arrangers" means Citigroup Global Markets Inc. and J.P. Morgan Securities Inc.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor Federal tax code, and the regulations promulgated and rulings issued thereunder, in each case as now or hereafter in effect, and any reference to any statutory provision shall be deemed to be a reference to any successor provision or provisions.

"Collateral" means all "Collateral" referred to in the Collateral Documents and all other property that is or is intended to be subject to any Lien in favor of the Collateral Agent for the benefit of the Secured Holders.

"Collateral Documents" means the Pledge Agreement, the Collateral Trust Agreement and any other agreement now or hereafter in effect that creates or purports to create a Lien in favor of the Collateral Agent for the benefit of the Secured Holders.

"Collateral Release Date" means the date on which each of the following statements shall be true and correct, and the Company shall have so certified to the Agent in writing:

(i) The Exit Date has occurred;

(ii) There exists no action, suit, investigation, litigation or proceeding pending or threatened in any court or before any arbitrator or governmental instrumentality that (i) could reasonably be expected to have a material adverse effect on the business, condition (financial or otherwise), operations, performance, properties or prospects of the Company and its subsidiaries on a consolidated basis other than the Disclosed Litigation (the "Pre-Closing Information") or (ii) purports to affect the legality, validity or enforceability of the Company's Obligations, or the rights and remedies of any of the Banks, relating to this Agreement and the Loan Documents, and there shall have been no material adverse change in the status, or financial effect on the Company and its subsidiaries on a consolidated basis, of the Disclosed Litigation from that described in the Pre-Closing Information;

(iii) The long-term senior unsecured debt of the Company has been recently confirmed by letter at BBB or higher (stable outlook) by S&P and Baa2 or higher (stable outlook) by Moody's;

(iv) There has occurred no material adverse change (which term shall not be deemed to refer to the commencement of the Chapter 11 Cases) since December 31, 2002 in the business, condition (financial or otherwise), operations, performance, properties or prospects of the Company and its subsidiaries on a consolidated basis, except as disclosed in the Company's report on Form 10-Q filing with the Securities and Exchange Commission for the fiscal quarter

ended June 30, 2003 and except for the accounting charges to be taken by the Company directly in connection with the Settlement Payments; and

(v) There exists no Default or Event of Default under any of the Loan Documents.

"Collateral Trust Agreement" means the Collateral Trust Agreement, dated as of November __, 2003, between the Company and Citibank, as Collateral Agent.

"Collateral Agent" means Citibank in its capacity as Collateral Agent under the Collateral Trust Agreement, together with its successors in interest and permitted assigns.

"Commitment" means, with respect to each Bank, at any time, the aggregate Available Amount at such time of Letters of Credit issued by such Bank.

"Consolidated Debt" means at any time the Debt of the Company and its consolidated subsidiaries calculated on a consolidated basis as of such time, determined in accordance with GAAP.

"Consolidated Debt to Total Consolidated Capitalization Ratio" means, as of any date of calculation, the ratio of the Company's Consolidated Debt outstanding on such date to the sum of (i) Consolidated Debt and (ii) Consolidated Net Worth outstanding on such date; provided, that during the period from the time that Net Asbestos and Silica Liability increases to account for the Settlement Payments until the time that the Company records the equity component of the Settlement Payments, the amount of such increase in Net Asbestos and Silica Liability and related reduction in equity shall be disregarded for purposes of calculating the Consolidated Debt to Total Consolidated Capitalization Ratio.

"Consolidated EBITDA" means, with reference to any period of time, the EBITDA of the Company and its consolidated subsidiaries calculated on a consolidated basis for such period, determined in accordance with GAAP.

"Consolidated Interest Expense" means, with reference to any period, the Interest Expense of the Company and its consolidated subsidiaries calculated on a consolidated basis for such period, determined in accordance with GAAP.

"Consolidated Net Worth" means at any time the consolidated stockholders' equity of the Company and its consolidated subsidiaries calculated on a consolidated basis as of such time (excluding treasury stock), determined in accordance with GAAP and excluding any aggregate charges for asbestos litigation claims.

"Convert", "Conversion" and "Converted" each refers to a conversion of Advances of one Type into Advances of the other Type pursuant to Section 2.08, 2.14 or 2.15.

"Convertible Notes" means the 3 1/8% Convertible Senior Notes of the Company due July 15, 2023, issued pursuant to the Convertible Notes Indenture.

"Convertible Notes Indenture" means the Indenture dated as of June 30, 2003 between the Company, as issuer and JPMCB, as Trustee.

"Debt" of any Person means (i) Indebtedness of such Person, plus (ii) obligations of such Person under direct third party guaranties for borrowed money, plus (iii) the aggregate face amount of all outstanding letters of credit in respect of which such Person has any reimbursement obligation (other than Performance Letters of Credit), plus (iv) 50% of the aggregate face amount of all outstanding

Performance Letters of Credit issued of such Person, plus (v) the Net Asbestos Liability, minus (vi) any Unrestricted Cash.

"Default" means any event or condition which with notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"DIP Facility" means the Revolving Credit Agreement among DII Industries, LLC and each other borrower named therein and the Company, as lender, as amended from time to time.

"Disclosed Litigation" means the litigation described in the information provided by or on behalf of the Company to the Agent for disclosure to the Banks prior to the Effective Date of this Agreement.

"Disclosure Statement" means the disclosure statement, dated as of September 18, 2003, with respect to the Plan of Reorganization proposed to be filed in connection with the Chapter 11 Cases as the same may be supplemented or restated prior to the Effective Date.

"Documentary Letter of Credit" means each letter of credit and bank guarantee listed on Schedule 4.01(l) hereto and each Additional Letter of Credit that is a documentary or trade letter of credit.

"Documentation Agent" means ABN AMRO Bank, N.V., solely in its capacity as documentation agent under the Agreement.

"Dollar Equivalent" means, on any date, (i) in relation to an amount denominated in a currency other than Dollars, the equivalent in Dollars of such currency determined by using the quoted spot rate at which the Agent's principal office in London offers to exchange Dollars for such currency in London prior to 4:00 P.M. (London time) on such date and (ii) in relation to an amount denominated in Dollars, such amount.

"Dollars" and "$" means lawful money of the United States of America.

"Domestic Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Domestic Lending Office" opposite its name on Schedule III hereto, in the Assignment and Acceptance pursuant to which it became a Bank, or such other office of such Bank as such Bank may from time to time specify to the Company and the Agent.

"EBITDA" means (a) Net Income plus (b) to the extent deducted in determining Net Income, (i) Interest Expense, (ii) taxes, and (iii) depreciation and amortization minus (c) to the extent added in determining Net Income, extraordinary gains (including gains from assets sales) for such period, plus (d) to the extent recognized in determining Net Income, extraordinary, non-recurring losses (excluding asbestos charges) for such period. EBITDA shall be calculated on a rolling four quarters basis using the financial results for the four-quarter period ending on the date as of which the calculation is made.

"Effective Date" means the date of satisfaction in full of the Conditions Precedent to Effectiveness set forth in Section 3.01.

"Eligible Assignee" means (i) any Bank, (ii) any Affiliate of any Bank and (iii) with the consent of the Agent (which consent shall not be unreasonably withheld) and, so long as no Event of Default under Section 6.01(a) or 6.01(e) shall have occurred and be continuing, the Company (which consent shall not be unreasonably withheld), any other Person not covered by clause (i) or (ii) of this definition; provided, however, that neither the Company nor any Affiliate of the Company shall be an Eligible Assignee.

"Equity Interests" means, with respect to any Person, shares of capital stock of (or other ownership or profit interests in) such Person, warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other interests), and other ownership or profit interests in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any Person that for purposes of Title IV of ERISA is a member of the Company's controlled group, or under common control with the Company, within the meaning of Section 414(a) or (b) of the Internal Revenue Code, and, for purposes of Section 412 of the Internal Revenue Code, Section 414(m) of the Internal Revenue Code.

"ERISA Event" means (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of the Company or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by the Company or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, a Plan; provided, however, that in no event shall the filing of the Chapter 11 Cases be an ERISA Event.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Federal Reserve Board, as in effect from time to time.

"Eurocurrency Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Eurocurrency Lending Office" opposite its name on Schedule III hereto, in the Assignment and Acceptance pursuant to which it became a Bank (or, if no such office is specified, its Domestic Lending Office), or such other office of such Bank as such Bank may from time to time specify to the Company and the Agent.

"Eurocurrency Rate" means, for any Interest Period for each Eurocurrency Rate Advance comprising part of the same Borrowing, an interest rate per annum (rounded upward to the nearest whole multiple of 1/100 of 1% per annum, if such rate per annum is not such a multiple) equal to the rate per annum at which deposits in Dollars or the applicable Included Currency are offered by the principal office

of Citibank in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to the principal amount of such Eurocurrency Rate Advance and for a period equal to such Interest Period.

"Eurocurrency Rate Advance" means an Advance which bears interest as provided in Section 2.07(b).

"Eurocurrency Rate Reserve Percentage" of any Bank for any Interest Period for all Eurocurrency Rate Advances comprising part of the same borrowing means the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such Bank with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.01.

"Excluded Dispositions" means (i) dispositions of assets in the ordinary course of business, (ii) dividends and distributions permitted by Section 5.02(c), (iii) dispositions to the Company or a Subsidiary of the Company, (iv) dispositions constituting investments and capital contributions, (v) dispositions of any fixed or capital asset pursuant to a sale/leaseback transaction which is consummated within 180 days of the Company or such Subsidiary acquiring or completing the construction of such asset and (vi) any Securitization Transaction.

"Existing Indebtedness" means Indebtedness of each Loan Party and its Subsidiaries outstanding immediately before the Effective Date.

"Exit Date" means the date on which (i) the Plan of Reorganization shall have been confirmed and (ii) the Order Entry shall have occurred.

"Existing LCs" means those letters of credit and bank guarantees listed on Schedules 4.01(j) and 4.01(l) hereto.

"Exposure" means, with respect to any Bank at any time, (i) prior to the Term-Out Date, the sum of (x) the aggregate Available Amount at such time of Letters of Credit issued by such Bank and (y) the Dollar Equivalent of the Advances made by such Bank and outstanding at such time and (ii) after the Term-Out Date, the Dollar Equivalent of the Advances made by such Bank and outstanding at such time.

"Federal Funds Rate" means, for any day, a fluctuating interest rate per annum equal for such day to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System or any successor thereof.

"Filing Entities" means the Company's Subsidiaries listed on Schedule II hereto.

"Financial Statements" means the consolidated balance sheet and other financial statements of the Company and its consolidated subsidiaries dated December 31, 2002 included in the Company's Form 10-K filing with the SEC for the fiscal year ended December 31, 2002, as amended prior to the Effective Date in order to reflect changes in the Company's segment reporting.

"Foreign Currency" means any lawful currency (other than Dollars) that is freely transferable or convertible into Dollars.

"Funding Bank" has the meaning specified in Section 2.01.

"GAAP" means generally accepted accounting principles in the United States of America.

"Guaranty Supplement" has the meaning specified in the Subsidiary Guaranty.

"HESI" means Halliburton Energy Services, Inc., a Delaware corporation.

"Hundred Year Notes Indenture" means the indenture, dated as of April 18, 1996, between Dresser Industries, Inc., as issuer, and Texas Commerce Bank National Association, as trustee.

"Immaterial LC" means any letter of credit or bank guarantee with a face amount of less than $1,000,000 (or the Dollar Equivalent thereof) issued for the account of the Company or any Subsidiary outstanding as of the Effective Date.

"Included Currency" means Euros, lawful currency of the United Kingdom of Great Britain and Northern Ireland, lawful currency of the Swiss Federation, lawful currency of Japan, lawful currency of the Dominion of Canada, lawful currency of the Commonwealth of Australia, lawful currency of the Kingdom of Denmark and lawful currency of New Zealand.

"Indebtedness" means, for any Person, (a) its liabilities for borrowed money or the deferred purchase price of property or services (other than current accounts and salaries payable or accrued in the ordinary course of business), (b) obligations of such Person for borrowed money evidenced by bonds, debentures, notes or other similar instruments and (c) all Indebtedness of others the payment, purchase or other acquisition or obligation of which such Person has assumed, or the payment, purchase or other acquisition or obligation of which such Person has otherwise become directly or contingently liable for.

"Indemnified Costs" has the meaning specified in Section 7.05.

"Indemnified Party" has the meaning specified in Section 8.04(c).

"Interest Charge Coverage Ratio" means, as of the end of any fiscal quarter, the ratio of (a) Consolidated EBITDA for the four-fiscal quarter period then ended (excluding, for each quarter through and including the quarter ending December 31, 2003, any non-cash charges related to the proposed global asbestos settlement contemplated in the Company's press release dated December 18, 2002) to (b) Consolidated Interest Expense (calculated in accordance with GAAP) for the four-fiscal quarter period then ended.

"Interest Expense" means for any period, interest expense, whether expensed or capitalized, paid, accrued or scheduled to be paid or accrued during such period, determined in accordance with GAAP, without duplication.

"Interest Period" means, for each Eurocurrency Rate Advance, the period commencing on the date such Advance is converted into a Eurocurrency Rate Advance and ending on the last day of the period selected by the Company pursuant to the provisions below and, thereafter, with respect to Eurocurrency Rate Advances, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Company pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months (or, as to any Interest Period, such other period as the Company and the relevant Funding Bank may agree to for such Interest Period), in each case as the Company may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period (or, as to any Interest Period, at such other time as the Company and the relevant Funding Bank may agree to for such Interest Period), select; provided, however, that:

(i) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day;

(ii) any Interest Period which begins on the last Business Day of the calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month in which it would have ended if there were a numerically corresponding day in such calendar month; and

(iii) the Company may not select an Interest Period for any Advance if the last day of such Interest Period would be later than the date on which the Advances are then payable in full or if any Event of Default under Section 6.01(a) shall have occurred and be continuing at the time of selection.

"Joint Venture Debt" has the meaning specified in Section 5.02(a)(x)(x).

"JPMCB" means JPMorgan Chase Bank, a New York banking corporation.

"June 2003 10-Q" means the Company's Form 10-Q filing with the SEC for the quarter ended on June 30, 2003.

"JV Subsidiary" means each Subsidiary of the Company (a) that, at any time, directly holds an Equity Interest in any joint venture (not a Subsidiary) and (b) that has no other material assets.

"L/C Cash Collateral Account" means the l/c cash collateral deposit account, Account No. ____, with _____ at its office at _____, New York, New York _____, in the name of _____ and under the sole control and dominion of the _____ and subject to the terms of this Agreement.

"LC Draw" has the meaning specified in Section 2.01.

"Letter of Credit" means each letter of credit and bank guarantee listed on Schedule 4.01(j) hereto (unless otherwise indicated), each Documentary Letter of Credit, each Immaterial LC issued by a Bank, and any Additional Letter of Credit.

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor, a statutory deemed trust and any easement, right of way or other encumbrance on title

to real property; provided, however, that for the avoidance of doubt, the interest of a Person as owner or lessor under charters or leases of property and the rights of setoff of banks shall not constitute a "Lien" on or in respect of the relevant property.

"Loan Documents" means this Agreement, the Notes, the Subsidiary Guaranty, and the Collateral Documents.

"Loan Party" means, (i) at any time prior the Collateral Release Date, each of the Company and each Subsidiary Guarantor and (ii) from and after the Collateral Release Date, the Company.

"Material Adverse Effect" means a material adverse effect on (a) the business, condition (financial or otherwise), operations, performance or properties of the Company and its Subsidiaries, taken as a whole, (b) the rights and remedies of any Agent or any Bank under any Loan Document or (c) the ability of the Company and any material Subsidiary which is a Loan Party to perform its Obligations under any Loan Document to which it is or is to be a party; provided, however, the filing of the Chapter 11 Cases shall not be deemed to constitute a Material Adverse Effect.

"Material LC Issuers" means those issuers that have issued letters of credit and bank guarantees outstanding as of October 28, 2003 for the account of the Company or any of its Subsidiaries in face amounts aggregating $2,500,000 or more (or the Dollar Equivalent thereof) for each such issuer, excluding any letter of credit or bank guarantee that is cash collateralized pursuant to existing arrangements as of October 28, 2003.

"Maturity Date" means November 1, 2004.

"Moody's" means Moody's Investors Service, Inc. or any successor to its debt ratings business.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Company or any ERISA Affiliate and at least one Person other than the Company and the ERISA Affiliates or (b) was so maintained and in respect of which the Company or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Net Asbestos and Silica Liability" means (a) estimated asbestos litigation claims and silica litigation claims minus (b) estimated insurance for asbestos litigation claims and silica litigation claims, in each case as reflected in the financial statements most recently delivered pursuant to Section 5.01(d)(i) and 5.01(d)(ii) (or, prior to such date, financial statements as filed in the June 2003 10-Q), to the extent that such liability is greater than zero.

"Net Cash Proceeds" means, with respect to any sale, lease, transfer or other disposition of any asset, the aggregate amount of cash received from time to time (whether as initial consideration or through payment or disposition of deferred consideration) by or on behalf of such Person in connection with such transaction after deducting therefrom only (without duplication) (a) reasonable and customary brokerage commissions, underwriting fees and discounts, legal fees, finder's fees and other similar fees and commissions, (b) the amount of taxes payable in connection with or as a result of such transaction, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid to a Person that is not an Affiliate of such Person or any Loan Party or any Affiliate of any Loan Party and are properly attributable to such transaction or to the asset that is the subject thereof and (c) the amount of all Indebtedness secured by assets subject to such disposition which is required to be prepaid as a result of such disposition.

"Net Income" means, for any period, the Company's net income for such period, as determined in accordance with GAAP.

"Note" means a promissory note of the Company payable to the order of any Bank, in substantially the form of Exhibit A hereto, evidencing the aggregate indebtedness of the Company to such Bank resulting from the Advances owing to such Bank.

"Notes Agreements" has the meaning specified in the Pledge Agreement.

"Notice of Advance" has the meaning specified in Section 2.02(b).

"Obligation" means, with respect to any Person, any payment, performance or other obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any proceeding referred to in Section 6.01(f). Without limiting the generality of the foregoing, the Obligations of any Loan Party under the Loan Documents include (a) the obligation to pay principal, interest, Letter of Credit commissions, charges, expenses, fees, attorneys' fees and disbursements, indemnities and other amounts payable by such Loan Party under any Loan Document and (b) the obligation of such Loan Party to reimburse any amount in respect of any of the foregoing that any Bank, in its sole discretion, may elect to pay or advance on behalf of such Loan Party.

"Order Entry" means the date on which (i) a final, non-appealable order shall have been entered in the Chapter 11 Cases approving the establishment of a trust pursuant to Section 524(g) of the Bankruptcy Code in order to dispose of the present asbestos claims and future demands against any of the Company's subsidiaries identified on Schedule 4.01(h) hereto arising out of exposure to asbestos and/or asbestos-related products prior to the date of entry of such order, which order (A) enjoins the assertion of such asbestos claims against the Company and such subsidiaries, (B) contains an injunction which is reasonably satisfactory in scope, nature and extent to the Co-Lead Arrangers and (C) incorporates the terms of the Plan of Reorganization and (ii) a final, non-appealable order reasonably satisfactory to the Co-Lead Arrangers shall have been entered in the Chapter 11 Cases approving the establishment of a trust pursuant to Section 105(a) of the Bankruptcy Code in order to dispose of the present silica claims and future demands against any of the Company's subsidiaries identified on Schedule 4.01(h) hereto arising out of exposure to silica and/or silica-related products prior to the date of entry of such order, which order (A) enjoins the assertion of such silica claims against the Company and such subsidiaries, (B) contains an injunction which is reasonably satisfactory in scope, nature and extent to the Co-Lead Arrangers and (C) incorporates the terms of the Plan of Reorganization.

"Original LC Governing Document" has the meaning specified in Section 2.02.

"Other Taxes" has the meaning specified in Section 2.13(b).

"Performance Letter of Credit" means a letter of credit qualifying as a "performance-based standby letter of credit" under 12 C.F.R. Part 3, Appendix A, Section 3(b)(2)(i) or any successor U.S. Comptroller of the Currency regulation.

"Permitted Liens" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced or, if commenced, have been stayed: (a) Liens for taxes, assessments and governmental charges or levies to the extent not required to be paid under Section 5.01(c); (b) Liens imposed by law, such as materialmen's, mechanics', carriers',

workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business securing obligations that individually or together with all other Permitted Liens outstanding on any date of determination do not materially adversely affect the use of the property to which they relate; (c) pledges or deposits to secure obligations under workers' compensation laws or similar legislation or to secure public or statutory obligations; (d) easements, rights of way and other encumbrances on title to real property that do not render title to the property encumbered thereby unmarketable or materially adversely affect the use of such property for its present purposes; (e) Liens to secure the performance of bids, trade contracts (other than for Indebtedness), leases (including permitted capitalized leases), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business; and (f) Liens with respect to joint ventures or other similar arrangements to secure the obligations of one joint venture party to another, provided that such Liens do not secure Indebtedness.

"Permitted Non-Recourse Indebtedness" means Indebtedness and other obligations of the Company or any Subsidiary incurred in connection with the acquisition or construction by the Company or such Subsidiary of any property with respect to which:

(a) the holders of such Indebtedness and other obligations agree that they will look solely to the property so acquired or constructed and securing such Indebtedness and other obligations, and neither the Company nor any Subsidiary (i) provides any direct or indirect credit support, including any undertaking, agreement or instrument that would constitute Indebtedness or (ii) is directly or indirectly liable for such Indebtedness; and

(b) no default with respect to such Indebtedness or obligations would cause, or permit (after notice or passage of time or otherwise), according to the terms thereof, any holder (or any representative of any such holder) of any other Indebtedness of the Company or such Subsidiary to declare a default on such Indebtedness or cause the payment, repurchase, redemption, defeasance or other acquisition or retirement for value thereof to be accelerated or payable prior to any scheduled principal payment, scheduled sinking fund or maturity.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof or any trustee, receiver, custodian or similar official.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Plan of Reorganization" means the plan of reorganization in the form attached as Exhibit B to the Disclosure Statement.

"Pledge Agreement" has the meaning specified in Section 3.01(e)(ii).

"Pledged Equity" has the meaning specified in the Pledge Agreement.

"Pre-Closing Information" has the meaning specified in clause (ii) of the definition of "Collateral Release Date".

"Prior Credit Facility" means the 5-Year Revolving Credit Agreement dated as of August 16, 2001 among the Company, Citibank, as paying agent, Citibank and JPMCB (as successor to The Chase Manhattan Bank), as co-administrative agents, and the lenders party thereto.

"Pro Rata Share" of any amount means, with respect to any Bank at any time, such amount times a fraction the numerator of which is the amount of such Bank's Exposure at such time and the denominator of which is the aggregate Exposure of all the Banks.

"Project Financing" means Indebtedness and other obligations that (a) are incurred by a Project Finance Subsidiary, (b) are secured by a Lien of the type permitted under clause (v) of Section 5.02(a) and (c) constitute Permitted Non-Recourse Indebtedness (other than recourse to the assets of, and Equity Interests in, any Project Finance Subsidiary).

"Project Finance Subsidiary" means a Subsidiary that is a special-purpose entity created solely to (i) construct or acquire any asset or project that will be or is financed solely with Project Financing for such asset or project and related equity investments in, loans to, or capital contributions in, such Subsidiary that are not prohibited hereby and/or (ii) own an interest in any such asset or project.

"Property" or "asset" (in each case, whether or not capitalized) means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Ratings Event" means at any time (a) the senior unsecured long-term debt of the Company (i) is rated lower than BBB- by S&P or (ii) is rated lower than Baa3 by Moody's or (b) either S&P or Moody's ceases to rate such senior unsecured long-term debt.

"RC Agent" means CNAI, in its capacity as agent under the Revolving Credit Agreement.

"RC Banks" means the Banks under and as defined in the Revolving Credit Agreement.

"Receivables Subsidiary" means (i) Oilfield Services Receivables Corporation, a Delaware corporation, and any other transferor under the transaction referred to in Section 5.02(a)(iii), including any replacement transaction and (ii) any other special purpose entity created in connection with a Securitization Transaction.

"Register" has the meaning specified in Section 8.08(c).

"Regulation U" means Regulation U of the Federal Reserve Board, as the same is from time to time in effect, and all official rulings and interpretations thereunder or thereof.

"Required Banks" means at any time Banks owed or holding a majority in interest of the aggregate Exposure at such time.

"Responsible Officer" means each of the chairman and chief executive officer, the president, the chief financial officer, the treasurer, the secretary or any vice president (whether or not further described by other terms, such as, for example, senior vice president or vice president-operations) of the Company or, if any such office is vacant, any Person performing any of the functions of such office.

"Revolving Credit Agreement" means the senior secured revolving credit facility agreement, dated as of October 30, 2003, among the Company, the banks party thereto, CNAI, as agent, and Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as co-lead arrangers, as amended from time to time.

"S&P" means Standard & Poor's Ratings Service Group, a division of The McGraw-Hill Companies, Inc. on the date hereof, or any successor to its debt ratings business.

"SEC" means the Securities and Exchange Commission or any successor thereof.

"Securitization Transaction" means any transfer by the Company or any Subsidiary of accounts receivable or interests therein (including, without limitation, all collateral securing such accounts receivable, all contracts and guarantees or other obligations in respect of such accounts receivable, the proceeds of such receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations involving accounts receivable), or grant of a security interest therein, (a) to a trust, in part, directly or indirectly, by the incurrence or issuance by the transferee or any successor transferee of Indebtedness or securities that are to receive payments from, or that represent interests in, the cash flow derived from such accounts receivable or interests, or (b) directly to one or more investors or other purchasers.

"Secured Holders" has the meaning specified in the Collateral Trust Agreement.

"Senior Unsecured Credit Facility Agreement" means the credit agreement dated as of October 30, 2003 among the Company, the lenders party thereto, CNAI, as administrative agent, JPMCB, as syndication agent, ABN AMRO Bank, N.V., as documentation agent and Citigroup Global Markets Inc., Goldman Sachs Capital Partners L.P. and J.P. Morgan Securities Inc., as co-lead arrangers, as amended from time to time.

"Settlement Payments" means payments by the Company of approximately $2.775 billion to asbestos and silica claimants as described in the Disclosure Statement.

"Shared Collateral Account" means the account of the Company with Citibank at its office at _____ in the name of the Collateral Agent and under the sole dominion and control of the Collateral Agent and subject to the terms of the Pledge Agreement and the Collateral Trust Agreement.

"Shared Collateral Obligations" has the meaning specified in the Collateral Trust Agreement.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Company or any ERISA Affiliate and no Person other than the Company and the ERISA Affiliates or (b) was so maintained and in respect of which the Company or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"Specified Subsidiary" has the meaning specified in Section 5.01(i)(ii).

"Stock Agreement" means the Stock Agreement among DII Industries, LLC, HESI and the Company, as amended from time to time.

"Subsidiary" of any Person means any corporation (including a business trust), partnership, joint stock company, trust, unincorporated association, joint venture or other entity of which more than 50% of the outstanding capital stock, securities or other ownership interests having ordinary voting power to elect directors of such corporation or, in the case of any other entity, others performing similar functions (irrespective of whether or not at the time capital stock, securities or other ownership interests of any other class or classes of such corporation or such other entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person, by such Person and one or more other Subsidiaries of such Person or by one or more other Subsidiaries of such Person.

"Subsidiary Guarantor" means, during such time as such Subsidiary is a party to the Subsidiary Guaranty or a Guaranty Supplement, each of the Subsidiaries of the Company listed on Schedule IV

hereto and each other Subsidiary of the Company that shall be required to execute and deliver a Guaranty Supplement pursuant to Section 5.01(i) and each other Subsidiary of the Company which voluntarily executes and delivers a Guaranty Supplement.

"Subsidiary Guaranty" has the meaning specified in Section 3.01(e)(iii)

"Syndication Agent" means JPMCB, solely in its capacity as syndication agent under the Agreement.

"Taxes" has the meaning specified in Section 2.13(a).

"Term-Out Date" means the earlier of (x) June 30, 2004 and (y) Exit Date.

"Transaction" means the consummation of the Plan of Reorganization, the creation of the Trusts, the Settlement Payments and related transactions.

"Trusts" means the trusts to be organized pursuant to Section 524(g) and 105(a) of the Bankruptcy Code as provided in the Plan of Reorganization.

"Type" has the meaning specified in the definition of Advance.

"Unrestricted Cash" means cash not subject to a security interest granted by a Person to a third party (other than the Collateral Agent for the benefit of the Secured Holders). For the avoidance of doubt, contractual and statutory offset rights are not considered to be security interests for the purposes of this definition.

"Unused Allocation" means $250,000,000, as such amount may be increased from time to time due to reductions in Banks' Allocations or decreased from time to time due to increases in Banks' Allocations, in each case as provided in Section 2.18 and Section 8.08(d)(ii).

Section 1.02 Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

Section 1.03 Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Company notifies the Agent that the Company requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Agent notifies the Company that the Required Banks request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

Section 1.04 Miscellaneous. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section, Schedule and Exhibit references are to Articles and Sections of and Schedules and Exhibits to this Agreement, unless otherwise specified.

Section 1.05 Ratings. A rating, whether public or private, by S&P or Moody's shall be deemed to be in effect on the date of announcement or publication by S&P or Moody's, as the case may be, of such rating or, in the absence of such announcement or publication, on the effective date of such rating and will remain in effect until the announcement or publication of, or (in the absence of such announcement or publication) the effective date of, any change in such rating. In the event the standards for any rating by Moody's or S&P are revised, or such rating is designated differently (such as by changing letter designations to numerical designations), then the references herein to such rating shall be deemed to refer to the revised or redesignated rating for which the standards are closest to, but not lower than, the standards at the date hereof for the rating which has been revised or redesignated, all as determined by the Required Banks in good faith. Long-term debt supported by a letter of credit, guaranty or other similar credit enhancement mechanism shall not be considered as senior unsecured long-term debt. If either Moody's or S&P has at any time more than one rating applicable to senior unsecured long-term debt of any Person, the lowest such rating shall be applicable for purposes hereof. For example, if Moody's rates some senior unsecured long-term debt of the Company Baa1 and other such debt of the Company Baa2, the senior unsecured long-term debt of the Company shall be deemed to be rated Baa2 by Moody's.

ARTICLE II
AMOUNTS AND TERMS OF THE ADVANCES

Section 2.01 Letter of Credit Draws. Each Bank severally agrees that its obligation to fund, from time to time on any Business Day, in accordance with the terms of each Letter of Credit issued by it, any draft (an "LC Draw") made by the Beneficiary under such Letter of Credit, remains unaffected by the effectiveness of this Agreement, and accordingly agrees to fund any such LC Draw in accordance with the terms of the applicable Letter of Credit. Each Bank that so funds an LC Draw on any day during the period from the Effective Date through the Term-Out Date is referred to herein as a "Funding Bank".

Section 2.02 The Advances. (a) Each Funding Bank and the Company agree that, notwithstanding any other document or agreement to the contrary between or among such Funding Bank or any Affiliate thereof and any of the Company or any Subsidiary of the Company (including the account party in respect of any Letter of Credit) (any such agreement, an "Original LC Governing Document"), the funding by such Funding Bank of any LC Draw pursuant to Section 2.01 hereof shall be deemed for all purposes of this Agreement to constitute the making by such Funding Bank of an advance (an "Advance") to the Company in a principal amount equal to (i) if such LC Draw is in Dollars or an Included Currency, the amount of such LC Draw and (ii) if such LC Draw is in a Foreign Currency other than an Included Currency, the Dollar Equivalent of such LC Draw. Each Bank that funds an LC Draw in a Foreign Currency other than an Included Currency shall promptly redenominate such Advance in, and thereafter maintain such advance in, Dollars. Each Advance (other than an Advance in respect of a Documentary Letter of Credit) shall initially be a Base Rate Advance or a Eurocurrency Rate Advance, at the option of the Funding Bank, subject to the Company's right to convert Advances as provided in Section 2.16. The Company and any Funding Bank may agree at any time that such Funding Bank will redenominate any Advance in an Included Currency in Dollars, and the Company and the applicable Funding Bank shall provide prompt written notice to the Agent of any such redenomination.

(b) Within five Business Days after the making of any Advance pursuant to Section 2.02(a), the applicable Funding Bank shall deliver a notice to the Company with (except in the case of an Advance in respect of a Documentary Letter of Credit) a copy to the Agent (each, a "Notice of Advance") in substantially the form of Exhibit A hereto, specifying therein (i) the amount and currency of such Advance, (ii) the date that funds in respect of such Advance were made available to the applicable Beneficiary (the "Advance Date"), (iii) the Letter of Credit in respect of which such Advance was made, (iv) the per annum rate used to calculate any fee payable under the Original LC Governing Documents

applicable to such Letter of Credit and (v) whether such Funding Bank has funded such Advance as a Base Rate Advance or a Eurocurrency Rate Advance; provided, that the failure of any Funding Bank to deliver a Notice of Advance shall not affect the obligations of the Company hereunder with respect to such Advance.

(c) The obligation of each Bank hereunder to make Advances from time to time in respect of Letters of Credit issued by it is several and not joint. The failure of any Bank to make an Advance in respect of a Letter of Credit issued by it shall not relieve any other Bank of the responsibility to make any Advance in respect of a Letter of Credit issued by it, but no Bank shall be responsible for the failure of any other Bank to make any Advance to be made by such other Bank at any time in respect of a Letter of Credit issued by such other Bank.

(d) Promptly after its receipt of a Notice of Advance, the Agent shall notify the Company and the applicable Funding Bank of the rate of interest applicable to such Advance, which shall be calculated as set forth in Section 2.07(a).

Section 2.03 Incremental LC Fee; Acceptance Fee. (a) The Company agrees to pay to each Bank (including each Documentary Letter of Credit Bank), in addition to fees payable pursuant to the Original LC Governing Documents applicable to Letters of Credit issued by such Bank, an incremental Letter of Credit fee equal to 0.50% per annum on the amount of such Bank's Commitment (the "Incremental LC Fee") during the period from the Effective Date to and including the Term-Out Date. Such fee shall be payable on the dates and in the manner otherwise provided in the Original LC Governing Documents or, if no manner for payment is provided, quarterly in arrears within three Business Days after receipt of an invoice therefor.

(b) Each Bank shall receive an acceptance fee equal to 0.25% of the Dollar Equivalent of the full face amount of the Letters of Credit issued by such Bank, such fee to be due and payable upon the execution of this Agreement.

Section 2.04 Termination and Reduction of Commitments and Allocations. (a) Upon the expiration in accordance with its terms of any Letter of Credit, the Commitment of the Bank that issued such Letter of Credit shall be reduced by an amount equal to the Available Amount of such expired Letter of Credit immediately prior to such expiration; provided that the Allocation of such Bank shall remain unchanged unless reduced in accordance with Section 2.18. Any such reduction of any of the Commitments shall be permanent, except to the extent that any Bank agrees, in its sole discretion, to issue an Additional Letter of Credit pursuant to Section 2.18.

(b) The obligation of each Bank to fund LC Draws shall cease to be deemed a "Commitment" hereunder on the Term-Out Date.

(c) No Bank shall have any Allocation hereunder from and after the Term-Out Date

Section 2.05 Term-Out Date. (a) On the Term-Out Date, (i) each Bank that is not a Funding Bank shall cease to be a party to this Agreement and shall no longer have any rights or obligations hereunder, except for those obligations which by their terms survive the termination of this Agreement; (ii) each Funding Bank shall remain a "Bank" under this Agreement, but only with respect to the aggregate amount of Advances made by it prior to the Term-Out Date which have not been repaid prior to the Term-Out Date and (iii) each Letter of Credit then outstanding shall revert to being governed by the terms of the Original LC Governing Document applicable to such Letter of Credit immediately prior to the Effective Date (and, in the case of Additional Letters of Credit, the terms that governed Letters of Credit issued by the relevant Increasing Bank for the account of the Company and its Subsidiaries prior to

the Term-Out Date), except (A) for any such terms that are permanently waived pursuant to this Agreement and (B) that any Advances then outstanding shall continue to be governed by the terms of this Agreement.

(b) Each Bank agrees that prior to the Term-Out Date, the terms of the Loan Documents and the applicable Letters of Credit shall exclusively govern the transactions contemplated hereby and shall override any Original LC Governing Document, provided that each Funding Bank agrees that the Loan Documents shall continue to exclusively govern any Advances by it outstanding on the Term-Out Date until such Advances are repaid. Each Bank permanently waives any default, event of default, collateralization rights or other right or remedy under the Original LC Governing Documents which would otherwise be triggered by the execution, delivery and performance of the Loan Documents, the Transaction or the filing of the Chapter 11 Cases and any corporate action authorizing the same. Notwithstanding any provision to the contrary herein, nothing contained in this Agreement is intended to override or render ineffective any waiver of defenses to payment by the Company or any of its Subsidiaries contained in any Original LC Governing Document.

Section 2.06 Repayment of the Advances; Required Cash Collateral. (a) Subject to Section 2.06(b), the Company shall repay to each Bank the principal amount of Advances owing to such Bank on the Maturity Date or on such earlier date as may be applicable pursuant hereto. At any time that the Advances have been paid in full, the Available Amount of Letters of Credit has been cash collateralized and the Commitments have been terminated, if at such time the Collateral Release Date has not occurred, the Agent agrees to provide to the Collateral Agent a written notification to such effect.

(b) With respect to Documentary Letters of Credit, the Company shall repay to each Bank that issued a Documentary Letter of Credit the principal amount of each Advance in respect of such Documentary Letter of Credit, together with interest thereon if applicable, within the time period specified in the applicable Original LC Governing Documents.

(c) Prior to the Collateral Release Date, (i) 100% of the Net Cash Proceeds received by the Company or any of its Subsidiaries (or, in the case of a non-wholly-owned Subsidiary, the pro rata share attributable to the Company's (direct or indirect) percentage interest in such Subsidiary) from dispositions of Collateral shall be deposited to the Shared Collateral Account as collateral for the Shared Collateral Obligations and (ii) 100% of the Net Cash Proceeds received by the Company or any of its Subsidiaries (other than a Project Finance Subsidiary) (or, in the case of a non-wholly-owned Subsidiary, the pro rata share attributable to the Company's (direct or indirect) percentage interest in such Subsidiary) from the disposition of other assets shall be deposited to the L/C Cash Collateral Account; provided, that the Company shall not be required to deposit Net Cash Proceeds:

(x) of an Excluded Disposition (unless such Excluded Disposition was a disposition of Collateral prior to the occurrence of a Ratings Event); or

(y) of dispositions of assets (other than Collateral prior to a Ratings Event) which do not exceed $5 million in a single transaction or a series of related transactions;

and provided, further, that an aggregate amount of up to $150 million of Net Cash Proceeds which would otherwise be required to be applied as a prepayment (other than Net Cash Proceeds from sales of Collateral prior to the occurrence of a Ratings Event) may be retained by the Company and its Subsidiaries. Upon the Collateral Release Date, the Collateral shall be released as provided in Section 8.09 and amounts in the Shared Collateral Account and the L/C Cash Collateral Account applied to prepay Advances outstanding hereunder ratably to each Funding Bank in accordance with its Exposure as of the date of such prepayment. Upon the occurrence of any Event of Default, the Agent shall transfer

amounts held in the L/C Cash Collateral Account pursuant to clause (ii) above to the Shared Collateral Account as collateral for the Shared Collateral Obligations. For purposes of this Section 2.06(c), if the Company's (direct or indirect) percentage ownership in any consolidated Subsidiary whose Equity Interests constitute part of the Collateral is reduced (whether due to an issuance of equity by such Person or otherwise) then the portion of the net cash proceeds received by such Person attributable to such reduction shall be deemed to be proceeds received by the Company or one of its Subsidiaries from a disposition of Collateral pursuant to this Section and shall be subject to the prepayment provisions hereof.

Section 2.07 Interest on Advances. (a) The Company shall pay interest on the unpaid principal amount of each Advance (other than an Advance in respect of a Documentary Letter of Credit) from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) During such periods as such Advance is a Base Rate Advance, a rate per annum equal at all times to the Base Rate plus the greater of (x) the sum of (A) the per annum rate used to calculate the commission fee attributable to such Bank payable on undrawn Letters of Credit pursuant to the Original LC Governing Document plus (B) 0.50% or (y) the Applicable Margin in effect from time to time, payable quarterly in arrears on the last day of each March, June, September and December and on the date such Base Rate Advance shall be Converted or paid in full; provided, that any amount of principal of a Base Rate Advance which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest, from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to the sum of the rate of interest applicable to Base Rate Advances in effect from time to time plus 2%.

(ii) During such periods as such Advance is a Eurocurrency Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of the Eurocurrency Rate for such Interest Period for such Advance plus the greater of (x) the sum of (A) the per annum rate used to calculate the commission fee attributable to such Bank payable on undrawn Letters of Credit pursuant to the Original LC Governing Document plus (B) 0.50% or (y) the Applicable Margin in effect from time to time, payable on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Advance shall be Converted or paid in full; provided, that any amount of principal of a Eurocurrency Rate Advance which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest, payable on demand, (i) from the date on which such amount is due until the end of the Interest Period for such Advance, at a rate per annum equal at all times to the sum of the Eurocurrency Rate for such Interest Period plus the Applicable Margin in effect from time to time plus 2%, and (ii) from the end of such Interest Period until such amount is paid in full, at a rate per annum equal at all times to the sum of the rate of interest applicable to Base Rate Advances in effect from time to time plus 2%.

(iii) Upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), the Company shall pay simple interest, to the fullest extent permitted by law, on the amount of any interest, fee or other amount (other than principal of Advances which is covered by Sections 2.06(a) and 2.06(b) payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to the sum of the rate of interest applicable to Base Rate Advances in effect from time to time plus 2% per annum.

(b) With respect to Advances in respect of Documentary Letters of Credit, the Company shall, if the applicable Original LC Governing Documents so provide, pay interest on the unpaid principal amount of any such Advance from the date of any such Advance until such principal amount shall be paid in full, at the rate specified in the Original LC Governing Documents.

Section 2.08 Additional Interest on Eurocurrency Rate Advances. (a) The Company shall pay to each Bank, so long as such Bank shall be required under regulations of the Federal Reserve Board to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Advance of such Bank during such periods as such Advance is a Eurocurrency Rate Advance, from the date of such Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the Eurocurrency Rate for the Interest Period then in effect for such Eurocurrency Rate Advance from (ii) the rate obtained by dividing such Eurocurrency Rate by a percentage equal to 100% minus the Eurocurrency Rate Reserve Percentage of such Bank for such Interest Period, payable on each date on which interest is payable on such Eurocurrency Rate Advance. Such additional interest shall be determined by such Bank and notified to the Company through the Agent.

(b) The Company shall pay to each Bank, so long as such Bank shall be required under regulations of the Bank of England, the Financial Services Authority of the United Kingdom or any successor authority to comply with mandatory liquid asset pledge requirements with respect to any Advance made by such Bank, until such principal amount is paid in full, such additional interest as such Bank shall determine and shall certify to the Company through the Agent, setting forth its calculations in reasonable detail.

Section 2.09 Interest Rate Determination. (a) After receipt by the Agent of any notice of Conversion of an Advance to a Eurocurrency Rate Advance pursuant to Section 2.16, the Agent shall give prompt notice to the Company and the applicable Funding Bank of the applicable interest rate determined by the Agent for purposes of Section 2.07(a)(ii).

(b) If the Agent is unable to determine the Eurocurrency Rate for any Eurocurrency Rate Advances:

(i) the Agent shall forthwith notify the Company and the Banks that the interest rate cannot be determined for such Eurocurrency Rate Advances,

(ii) each such Eurocurrency Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance (or if such Advance is then a Base Rate Advance, will continue as a Base Rate Advance), and

(iii) the obligation of the Banks to make Eurocurrency Rate Advances or to Convert Advances into Eurocurrency Rate Advances shall be suspended until the Agent shall notify the Company and the Banks that the circumstances causing such suspension no longer exist.

(c) If, with respect to any Eurocurrency Rate Advances, the Required Banks notify the Agent (A) that the Eurocurrency Rate for any Interest Period for such Advances will not adequately reflect the cost to such Required Banks of making, funding or maintaining their respective Eurocurrency Rate Advances for such Interest Period or (B) that Dollar deposits for the relevant amounts and Interest Period for their respective Advances are not available to them in the London interbank market, the Agent shall forthwith so notify the Company and the Banks, whereupon

(i) each Eurocurrency Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance, and

(ii) the obligation of the Banks to make, or to Convert Advances into, Eurocurrency Rate Advances shall be suspended until the Agent shall notify the Company and the Banks that the circumstances causing such suspension no longer exist.

(d) If the Company shall fail to select the duration of any Interest Period for any Eurocurrency Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify the Company and the Banks and such Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances (or if such Advances are then Base Rate Advances, will continue as Base Rate Advances).

(e) On the date on which the aggregate unpaid principal amount of Eurocurrency Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than $10,000,000, such Advances shall automatically Convert into Base Rate Advances, and on and after such date the right of the Company to Convert such Advances into Eurocurrency Rate Advances shall terminate.

(f) Upon the occurrence and during the continuance of any Event of Default under Section 6.01(a), (i) each Eurocurrency Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (ii) the obligation of the Banks to make, or to Convert Advances into, Eurocurrency Rate Advances shall be suspended.

Section 2.10 Prepayments. (a) The Company may, upon notice given to the Agent before 10:00 A.M. (New York City time) on the fifth Business Day prior to the date of prepayment stating the proposed date (which shall be a Business Day) and aggregate principal amount of the prepayment, and if such notice is given the Company shall, prepay its Obligations hereunder in whole or ratably in part, together with accrued interest to the date of such prepayment on the outstanding principal amount prepaid; provided, however, that (x) each partial prepayment shall be in an aggregate principal amount not less than $10,000,000 and in integral multiples of $1,000,000; and (y) in the case of any such prepayment of a Eurocurrency Rate Advance, such prepayment shall be required to be made at the last day of the Interest Period then applicable to such Eurocurrency Rate Advance.

(b) Each prepayment by the Company pursuant to Section 2.10 shall be applied (i) before the Term-Out Date, ratably to all Banks in accordance with their Commitments, with that portion allocable to Funding Banks being used to prepay Advances (pro rata according to the amount of outstanding Advances made by such Funding Bank in relation to the aggregate amount of Advances outstanding at such time) and the remainder deposited in the L/C Cash Collateral Account for the ratable benefit of all Banks (according to their unfunded Commitments) at such time and (ii) after the Term-Out Date, ratably to the Funding Banks in accordance with the Advances owing to them.

Section 2.11 Payments and Computations. (a) The Company shall make each payment hereunder and under the Notes not later than 11:00 A.M. (New York City time) on the day when due in Dollars to the Agent (except that payments under Section 2.08 shall be paid directly to the Bank entitled thereto) at Two Penns Way, Suite 200, New Castle, Delaware 19720, in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal and interest ratably (except amounts payable pursuant to Section 2.12 or Section 2.13 and except that any Bank may receive less than its ratable share of interest to the extent Section 8.06 is applicable to it) to the Banks for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any

other amount payable to any Bank to such Bank for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.08(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Bank assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves. At the time of each payment of any interest on any Advance to the Agent, the Company shall notify the Agent of the Advance to which such payment shall apply.

(b) All computations of interest based on the Base Rate (except during such times as the Base Rate is determined pursuant to clause (c) of the definition thereof) and of Incremental LC Fees shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurocurrency Rate, the Federal Funds Rate or, during such times as the Base Rate is determined pursuant to clause (c) of the definition thereof, the Base Rate shall be made by the Agent, and all computations of interest pursuant to Section 2.07 shall be made by a Bank, on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Agent (or in the case of Section 2.07, by a Bank) of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest and Incremental LC Fees, as the case may be; provided, however, if such extension would cause payment of interest on or principal of Eurocurrency Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Agent shall have received notice from the Company prior to the date on which any payment is due to the Banks hereunder that the Company will not make such payment in full, the Agent may assume that the Company has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Company shall not have so made such payment in full to the Agent, each Bank shall repay to the Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Federal Funds Rate.

Section 2.12 Increased Costs and Capital Requirements. (a) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements included in the Eurocurrency Rate Reserve Percentage) in or in the interpretation of any law or regulation by any governmental authority charged with the interpretation or administration thereof or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Bank of agreeing to make or making, funding or maintaining any Eurocurrency Rate Advance or of agreeing to issue or of issuing or maintaining or participating in Letters of Credit or of agreeing to make or of making or maintaining Advances (excluding, for purposes of this Section 2.12, any such increased costs resulting from (x) Taxes or Other Taxes (as to which Section 2.13 shall govern) and (y) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Bank is organized or has its Applicable Lending Office or any political subdivision thereof), then the Company shall from time to time, within 15 days after demand by such Bank (with a

copy of such demand to the Agent), pay to the Agent for the account of such Bank additional amounts sufficient to compensate such Bank for such increased cost; provided, however, that the Company shall not be required to pay to such Bank any portion of such additional amounts that are incurred more than 90 days prior to any such demand, unless such additional amounts had not been imposed or were not determinable on the date that is 90 days prior to such demand. A certificate setting forth in reasonable detail the amount of such increased cost, submitted to the Company and the Agent by such Bank, shall be conclusive and binding for all purposes, absent manifest error.

(b) If following the introduction of or any change in any applicable law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) any Bank determines that compliance by such Bank with any such law or regulation or guideline or request regarding capital adequacy affects or would affect the amount of capital required or expected to be maintained by such Bank or any Person controlling such Bank and that the amount of such capital is increased by or based upon the existence of such Bank's commitment to treat LC Draws as Advances hereunder or the maintenance of Letters of Credit (or similar contingent obligations), then, within 15 days after demand by such Bank (with a copy of such demand to the Agent), the Company shall pay to the Agent for the account of such Bank, from time to time as specified by such Bank, additional amounts sufficient to compensate such Bank or such Person in the light of such circumstances, to the extent that such Bank reasonably determines such increase in capital to be allocable to the existence of such Bank's commitment to treat LC Draws as Advances hereunder or to the maintenance of any Letters of Credit; provided, however, that the Company shall not be required to pay to such Bank any portion of such additional amounts that are incurred more than 90 days prior to any such demand, unless such additional amounts had not been imposed or were not determinable on the date that is 90 days prior to such demand. A certificate setting forth in reasonable detail such amounts submitted to the Company and the Agent by such Bank shall be conclusive and binding for all purposes, absent manifest error.

(c) Each Bank shall make reasonable efforts (consistent with its internal policies and legal and regulatory restrictions) to select a jurisdiction for its Applicable Lending Office or change the jurisdiction of its Applicable Lending Office, as the case may be, so as to avoid the imposition of any increased costs under this Section 2.12 or to eliminate the amount of any such increased cost which may thereafter accrue; provided that no such selection or change of the jurisdiction for its Applicable Lending Office shall be made if, in the reasonable judgment of such Bank, such selection or change would be disadvantageous to such Bank.

Section 2.13 Taxes. (a) Any and all payments by the Company hereunder or under the Notes shall be made, in accordance with Section 2.11, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges and withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank and the Agent, taxes imposed on its overall net income (including branch profits), and franchise taxes imposed on or measured by net income, by the jurisdiction under the laws of which such Bank or the Agent (as the case may be) is organized or any political subdivision thereof, and all liabilities with respect thereto and, in the case of each Bank, taxes imposed on its overall net income (including branch profits), and franchise taxes imposed on or measured by net income, by the jurisdiction of such Bank's Applicable Lending Office or principal executive office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"), except as may otherwise be required by law. If the Company shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Bank or the Agent, (i) the sum payable shall be increased by such amount (an "Additional Amount") as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.13) such Bank or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Company shall make such deductions and (iii) the Company shall pay the

full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. Any such payment by the Company shall be made in the name of the relevant Bank or the Agent (as the case may be).

(b) In addition, the Company agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or any of the Notes (hereinafter referred to as "Other Taxes").

(c) The Company will indemnify each Bank and the Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.13) imposed on or paid by such Bank or the Agent (as the case may be) and any liability (including penalties, interest and reasonable expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Payments under any indemnification provided for in this Section 2.13(c) shall be made within 30 days from the date such Bank or the Agent (as the case may be) makes written demand therefor describing such Taxes or Other Taxes in reasonable detail.

(d) If the Agent or a Bank reasonably determines that it has finally and irrevocably received a refund in respect of any Taxes or Other Taxes as to which it has been indemnified by the Company, or with respect to which the Company has paid Additional Amounts, pursuant to this Section 2.13, it shall within 30 days from the date of such receipt pay over such refund to the Company (but only to the extent such refund is attributable, as reasonably determined by such Agent or Bank, to such indemnity payments made, or Additional Amounts paid, by the Company under this Section 2.13 with respect to the Taxes or Other Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses of the Agent or Bank and without interest (other than interest paid by the relevant taxation authority with respect to such refund); provided, however, that the Company, upon the request of the Agent or Bank, agrees to repay the amount paid over to the Company (plus penalties, interest or other charges, if any, imposed by the relevant taxation authority in respect of such repayment) to the Agent or Bank in the event the Agent or Bank is required to repay such refund to the applicable taxation authority. Nothing contained in this Section 2.13(d) shall interfere with the right of the Agent or any Bank to arrange its tax affairs in whatever manner it determines appropriate nor oblige the Agent or any Bank to claim any tax credit or to disclose any information relating to its tax affairs or any computations in respect thereof or require the Agent or any Bank to do anything that would prejudice its ability to benefit from any other tax relief to which it may be entitled.

(e) Within 30 days after the date of any payment of Taxes, the Company will furnish to the Agent, at its address referred to in Section 8.02, the original or a certified copy of a receipt evidencing payment thereof (or other evidence of payment reasonably satisfactory to the Agent). In the case of any payment hereunder or under the Notes by or on behalf of the Company through an account or branch outside the United States or by or on behalf of the Company by a payor that is not a United States person, if the Company determines that no Taxes are payable in respect thereof, the Company shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel reasonably acceptable to the Agent stating that such payment is exempt from Taxes imposed by the jurisdiction from which such payment is made. For purposes of this Section 2.13(e) and Section 2.13(f), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Code.

(f) Each Bank organized under the laws of a jurisdiction outside the United States, (i) on or prior to the date of the Initial Extension of Credit in the case of each such Bank listed on the signature pages hereof, (ii) on the date of the Assignment and Acceptance pursuant to which it becomes a Bank, (iii) on or before the date, if any, it changes its Applicable Lending Office, and (iv) from time to time

thereafter if reasonably requested in writing by the Company or the Agent or promptly upon the obsolescence or invalidity of any form previously delivered by such Bank (but only so long as such Bank remains lawfully able to do so), shall provide the Agent and the Company with two original Internal Revenue Service Forms W-8BEN or W-8ECI (or, in the case of a Bank that is entitled to claim exemption from withholding of United States federal income tax under Section 871(h) or 881(c) of the Code, (A) a certificate representing that such Bank is not a "bank" for purposes of Section 881(c) of the Code, is not a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of the Company and is not a controlled foreign corporation related to the Company (within the meaning of Section 864(d)(4) of the Code) and (B) Internal Revenue Service Form W-8BEN), as appropriate, or any successor or other form prescribed by the Internal Revenue Service, properly completed and duly executed by such Bank, certifying that such Bank is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes (or, in the case of a Bank providing the certificate described in clause (A), certifying that such Bank is a foreign corporation, partnership, estate or trust). If the forms provided by a Bank at the time such Bank first becomes a party to this Agreement indicate or require a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes for purposes of this Section 2.13 unless and until such Bank provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such forms; provided, however, that if, at the effective date of the Assignment and Acceptance pursuant to which a Bank becomes a party to this Agreement (or the date, if any, a Bank changes its Applicable Lending Office), the Bank assignor (or such Bank) was entitled to payments under subsection (a) of this Section 2.13 in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes, subject to the provisions of this subsection (f)) United States withholding tax, if any, applicable with respect to the Bank assignee (or such Bank) on such date.

(g) For any period with respect to which a Bank has failed to provide the Company with the appropriate form described in subsection (f) above (other than if such failure is due to a change in law, or in the interpretation or application thereof by any governmental authority charged with the interpretation or application thereof, occurring after the date on which a form originally was required to be provided or if such form otherwise is not required under subsection (f) above), such Bank shall not be entitled to indemnification or payment of an Additional Amount under subsection (a) or (c) of this Section 2.13 with respect to Taxes imposed by the United States to the extent such United States Taxes exceed the United States Taxes that would have been imposed had such form been provided; provided, however, that should a Bank become subject to Taxes because of its failure to deliver a form required hereunder, the Company shall take such steps as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(h) Any Bank claiming any indemnity payment or Additional Amounts payable pursuant to this Section 2.13 shall use commercially reasonable efforts (consistent with its generally applicable internal policy and legal and regulatory restrictions) to file any certificate or document reasonably requested in writing by the Company or to designate a different Applicable Lending Office following the reasonable request in writing of the Company if the making of such a filing or change would avoid the need for or reduce the amount of any such indemnity payment or Additional Amounts that may thereafter accrue and would not, in the sole determination of such Bank, require the disclosure of information that the Bank reasonably considers confidential, or be otherwise disadvantageous to such Bank.

Section 2.14 Sharing of Payments, Etc. Prior to the Exit Date, if any Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the principal of or interest on the Advances owing to it (other than a Documentary Letter of Credit Bank with respect to Advances in respect of Documentary Letters of Credit) (except amounts

payable pursuant to Sections 2.08, 2.12 or 2.13, and except that any Bank may receive less than its ratable share of interest to the extent Section 8.06 is applicable to it) in excess of its ratable share of payments on account of the principal of or interest on the Advances obtained by all the Banks, such Bank shall forthwith purchase from the other Banks such participations in the Advances owing to them as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them, provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, such purchase from each Bank shall be rescinded and such Bank shall repay to the purchasing Bank the purchase price to the extent of such Bank's ratable share (according to the proportion of (i) the amount of the participation purchased from such Bank as a result of such excess payment to (ii) the total amount of such excess payment) of such recovery together with an amount equal to such Bank's ratable share (according to the proportion of (i) the amount of such Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Company agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 2.14 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Company in the amount of such participation.

Section 2.15 Illegality. Notwithstanding any other provision of this Agreement, if any Bank ("Affected Bank") shall notify the Company and the Agent that the introduction of or any change in any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Bank, or its Eurocurrency Lending Office, to perform its obligations hereunder to fund or maintain Eurocurrency Rate Advances hereunder, (i) the obligation of the Affected Bank to Convert Advances into Eurocurrency Rate Advances shall forthwith be suspended until the Affected Bank shall notify the Company, the Banks and the Agent that the circumstances causing such suspension no longer exist and (ii) forthwith after such notice from an Affected Bank to the Agent and the Company, all Eurocurrency Rate Advances of such Affected Bank shall be deemed to be redenominated in Dollars and Converted to Base Rate Advances; provided, however, that, before making any such demand, such Bank agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Eurocurrency Lending Office if the making of such a designation would allow such Bank or its Eurocurrency Lending Office to continue to perform its obligations to fund or maintain Eurocurrency Rate Advances and would not, in the judgment of such Bank, be otherwise materially disadvantageous to such Bank. In the event any Bank shall notify the Agent of the occurrence of any circumstance contemplated under this Section 2.15, all payments and prepayments of principal that would otherwise have been applied to repay the Eurocurrency Rate Advances that would have been made by such Bank or the Converted Eurocurrency Rate Advances shall instead be applied to repay the Base Rate Advances made by such Bank in lieu of such Eurocurrency Rate Advances or resulting from the Conversion of such Eurocurrency Rate Advances and shall be made at the time that payments on the Eurocurrency Rate Advances of the Banks that are not Affected Banks are made. Each Bank that has delivered a notice of illegality pursuant to this Section 2.15 above agrees that it will notify the Company as soon as practicable if the conditions giving rise to the illegality cease to exist.

Section 2.16 Conversion of Advances. The Company may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.02(b), 2.09 and 2.15, Convert any Advance of one Type denominated in Dollars into an Advance of the other Type denominated in Dollars; provided, however, that (i) any Conversion of any Eurocurrency Rate Advances into Base Rate Advances shall be made on, and only on, the last day of an Interest Period for such Eurocurrency Rate Advances, except as provided in Section 2.15, and (ii) Advances may not be Converted into Eurocurrency Rate Advances if the outstanding principal amount of such Advance is less than $10,000,000 or if any Event of Default under Section 6.01(a) shall have occurred and be continuing on the date the related

notice of Conversion would otherwise be given pursuant to this Section 2.16. Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Advances to be Converted, and (iii) if such Conversion is into Eurocurrency Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be irrevocable and binding on the Company. If any Event of Default under Section 6.01(a) shall have occurred and be continuing on the third Business Day prior to the last day of any Interest Period for any Eurocurrency Rate Advances, the Company agrees to Convert all such Advances into Base Rate Advances on the last day of such Interest Period. For greater certainty it is understood that this Section 2.16 is not applicable to Advances in respect of Documentary Letters of Credit.

Section 2.17 Evidence of Indebtedness. Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Company to such Bank resulting from each Advance owing to such Bank from time to time, including the amounts of principal and interest payable and paid to such Bank from time to time hereunder. The Company agrees that upon notice by any Bank to the Company (with a copy of such notice to the Agent) to the effect that a promissory note or other evidence of indebtedness is required or appropriate in order for such Bank to evidence (whether for purposes of pledge, enforcement or otherwise) the Advances owing to such Bank, the Company shall promptly execute and deliver to such Bank, with a copy to the Agent, a Note in substantially the form of Exhibit A hereto, payable to the order of such Bank in a principal amount equal to the amount of the Advance made by such Bank. All references to Notes in the Loan Documents shall mean Notes, if any, to the extent issued hereunder.

Section 2.18 Additional Letters of Credit; Changes in Allocations.(a) The Company may, at any time prior to the date which is five Business Days prior to the Term-Out Date, request that any one or more Banks issue one or more additional letters of credit, bank guarantees or documentary letters of credit (each, an "Additional Letter of Credit") under this Agreement or increase the face amount of any Letter of Credit issued by such Bank. Each Bank that is willing, in its sole discretion, to issue an Additional Letter of Credit or increase the face amount of a Letter of Credit issued by it (each, an "Increasing Bank"), may issue one or more Additional Letters of Credit or increase the face amount of one or more Letters of Credit issued by it; provided, however that in no event shall the aggregate Available Amount of Letters of Credit issued by any Bank and outstanding at any time exceed such Bank's Allocation at such time. An Additional Letter of Credit may be issued in any currency agreed upon by the Company and the applicable Increasing Bank. No Bank shall be obligated to issue an Additional Letter of Credit or to increase the face amount of a Letter of Credit, but each Bank may, in its discretion, within the limits of the Dollar Equivalent of its Allocation, issue, increase or renew Letters of Credit from time to time upon request by the Company.

(b) Each Bank agrees that it will, upon request by the Company, execute and deliver to the Agent a notice of reduction of such Bank's Allocation; provided that in no event shall a Bank's Allocation be reduced to any amount less than such Bank's Commitment as of such time.

(c) Any reduction in a Bank's Allocation shall give rise to a corresponding increase in the Unused Allocation, and any increase in a Bank's Allocation shall give rise to a corresponding reduction in the Unused Allocation. The Company may, in a written notice directed to the Agent as set forth in Section 8.08(d)(ii), allocate any portion of the Unused Allocation to any Bank. For the avoidance of doubt, regardless of the amount of its Allocation, no Bank shall be obligated to renew a Letter of Credit, increase the Available Amount of a Letter of Credit, or issue an Additional Letter of Credit.

ARTICLE III
CONDITIONS OF LENDING

Section 3.01 Conditions Precedent to Effectiveness. This Agreement shall become effective on and as of the first date (the "Effective Date") on which the Agent shall have received counterparts of this Agreement duly executed by the Company and all of the Banks and the following additional conditions precedent shall have been satisfied, except that Section 2.03(b), Section 2.18 and Section 8.08(d)(ii) shall become effective as of the first date on which the Agent shall have received counterparts of this Agreement duly executed by the Account Parties and all of the Banks:

(a) The Company shall have notified the Agent in writing as to the proposed Effective Date.

(b) The Chapter 11 Cases shall have been filed.

(c) Banks holding at least 90% of the aggregate face amount of the Existing LCs shall have executed this Agreement.

(d) Each of the Agent, the Syndication Agent and the Documentation Agent shall be reasonably satisfied in all material respects with (i) the structure of the Plan of Reorganization and the other aspects of the Transaction (excluding the terms of the settlement contemplated thereby and the amount of the Settlement Payments to the extent, in each case, such terms and amount are not materially different from those set forth in the June 2003 10-Q) and all related tax, legal and accounting matters, (ii) the capitalization, corporate or organizational, and legal structure and equity ownership of the Company and its material Subsidiaries (including, without limitation, the charters and bylaws of each of the Company and its material Subsidiaries and each agreement or instrument relating thereto) after giving effect to the Transaction and (iii) the projected financial condition of the Company and its subsidiaries on a consolidated basis following the consummation of the Plan of Reorganization.

(e) Each of the Agent, the Syndication Agent and the Documentation Agent shall be reasonably satisfied that there has been no material adverse change since August 18, 2003 (which shall not be deemed to refer to the contemplated restructurings disclosed to the Co-Lead Arrangers prior to such date) in either (i) the corporate and legal structure and capitalization of the Company and its material Subsidiaries, including, without limitation, the charters and bylaws of each of the Company and each of its material Subsidiaries and each agreement or instrument relating thereto or (ii) the projected financial condition of the Company and its subsidiaries on a consolidated basis following the Order Entry.

(f) The Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance reasonably satisfactory to the Agent, the Syndication Agent and the Documentation Agent and (except for the Notes) in sufficient copies for each Bank:

(i) The Notes to the order of the Banks to the extent requested by any Bank pursuant to Section 2.18.

(ii) A share pledge agreement in substantially the form of Exhibit F hereto (together with each other pledge agreement and pledge agreement supplement delivered pursuant to Section 5.01(i), in each case as amended, the "Pledge Agreement"), duly executed by the Company and HESI in favor of the Collateral Agent, together with:

(A) to the extent such Pledged Equity is certificated, certificates representing the Pledged Equity referred to therein accompanied by undated stock powers executed in blank;

(B) financing statements in proper form for filing under the Uniform Commercial Code of all jurisdictions that the Agent may deem necessary or desirable in order to perfect and protect the first priority liens and security interests created under the Pledge Agreement, covering the Collateral described in the Pledge Agreement;

(C) completed requests for information, dated on or before the date of the Initial Extension of Credit, listing all effective financing statements filed in the jurisdictions referred to in clause (B) above that name any Loan Party as debtor, together with copies of such other financing statements; and

(D) except for the filing of financing statements to occur after the Effective Date and except as otherwise permitted by the Loan Documents, evidence that all other action that the Agent may reasonably deem necessary or desirable in order to perfect and protect the first priority liens and security interests created under the Pledge Agreement has been taken.

(iii) A subsidiary guaranty in substantially the form of Exhibit G hereto (together with each other subsidiary guaranty supplement delivered by a Subsidiary Guarantor pursuant to Section 5.01(i), in each case as amended, the "Subsidiary Guaranty"), duly executed by each Subsidiary Guarantor in favor of the Agent, the Banks, the RC Agent and the RC Banks.

(iv) A collateral trust agreement in substantially the form of Exhibit H hereto (together with each other collateral trust agreement supplement delivered by a Loan Party pursuant to Section 5.01(i), in each case as amended, the "Collateral Trust Agreement"), duly executed by the Company, HESI and the Collateral Agent.

(v) Certified copies of the resolutions of the Board of Directors, members or partners of each Loan Party approving each Loan Document to which such Loan Party is or is to be a party, and of all documents evidencing other necessary corporate or organizational action and governmental approvals, if any, with respect to each Loan Document to which such Loan Party is or is to be a party.

(vi) A certificate of the Secretary or an Assistant Secretary of each Loan Party certifying the names and true signatures of the officers of such Loan Party authorized to sign each Loan Document to which such Loan Party is or is to be a party and the other documents to be delivered by such Loan Party hereunder.

(vii) A certificate of an officer of the Company stating the respective ratings by each of S&P and Moody's, respectively, of the senior unsecured long-term debt of the Company as in effect on the Effective Date.

(viii) A letter addressed to the Agent from the Company with respect to the Prior Credit Facility stating that (i) all the "Commitments" (as defined in the Prior Credit Facility) of the "Banks" (as defined in the Prior Credit Facility) have been terminated, (ii) no "Advances" (as defined in the Prior Credit Facility) are outstanding under the Prior

Credit Facility, and (iii) all fees and other amounts known by the Company to be payable under the Prior Credit Facility have been paid in full.

(ix) A favorable opinion of Bruce A. Metzinger, Assistant Secretary and Assistant General Counsel for the Company, in substantially the form of Exhibit B-1 hereto.

(x) A favorable opinion of Baker Botts LLP, counsel for the Loan Parties, in substantially the form of Exhibit B-2 hereto.

(xi) A solvency opinion of Houlihan Lokey Howard & Zukin in form and substance satisfactory to the Agent, the Syndication Agent and the Documentation Agent.

(xii) A favorable opinion of Shearman & Sterling, counsel for the Agent, in form and substance satisfactory to the Agent.

(g) Each of the Agent, the Syndication Agent and the Documentation Agent shall be satisfied that the investigation of the Company by the Securities and Exchange Commission has been concluded or will be concluded without (i) giving rise to a Material Adverse Effect, including, without limitation, the obligation to restate prior reported earnings or (ii) adversely affecting the Company's ability to access the capital markets in the reasonable judgment of any of the Co-Lead Arrangers.

(h) There shall exist no action, suit, investigation, litigation or proceeding pending or threatened in any court or before any arbitrator or governmental instrumentality that (i) could reasonably be expected to have a Material Adverse Effect other than the Disclosed Litigation or (ii) purports to affect the legality, validity or enforceability of the Company's or any Subsidiary Guarantor's obligations or the rights and remedies of the Banks relating to the Agreement and the other Loan Documents, and except as set forth in Schedule 4.01(f) to this Agreement there shall have been no material adverse change in the status, or financial effect on the Company and its subsidiaries on a consolidated basis, of the Disclosed Litigation from that described to the Agent prior to August 18, 2003.

(i) There shall have occurred no material adverse change (which term shall not be deemed to refer to the commencement of the Chapter 11 Cases) in the business, condition (financial or otherwise), operations, performance or properties of the Company and its subsidiaries, on a consolidated basis, since December 31, 2002, except as disclosed in the June 2003 10-Q and except for the accounting charges to be taken by the Company directly in connection with the Settlement Payments and except as set forth in Schedule 4.01(f) to this Agreement, and the Agent shall have received a certificate signed by a Responsible Officer of the Company stating that the condition in this Section 3.01(i) has been satisfied as of the Effective Date.

(j) Each of the Agent, the Syndication Agent and the Documentation Agent shall be satisfied that the Company and its subsidiaries are not subject to material contractual or other restrictions that would be violated by the Transaction, including the incurrence of indebtedness under this Agreement, the Revolving Credit Agreement and the Senior Unsecured Credit Facility Agreement, the granting of guarantees and collateral and the payment of dividends by subsidiaries.

(k) Consent solicitations or tender or exchange offers with respect to the event of default arising from the filing of the Chapter 11 Cases under the Hundred Year Notes Indenture shall have been successfully completed, and the result shall be that the covenants in the Hundred Year Notes Indenture are replaced with covenants no more restrictive than those in the Convertible Notes Indenture.

(l) The Revolving Credit Agreement shall have become effective or substantially simultaneously with the Effective Date shall become effective.

(m) The Senior Unsecured Credit Facility Agreement shall have been executed and delivered.

(n) Except as otherwise permitted by the Loan Documents, all governmental and third party consents and approvals necessary in connection with the transactions contemplated hereby shall have been obtained (without the imposition of any conditions that are not reasonably acceptable to the Agent, the Syndication Agent and the Documentation Agent) and shall remain in effect, and no law or regulation shall be applicable in the reasonable judgment of the Agent, the Syndication Agent and the Documentation Agent that restrains, prevents or imposes materially adverse conditions upon the transactions contemplated hereby.

(o) On the Effective Date, the following statements shall be true and the Agent shall have received a certificate signed by a duly authorized officer of the Company, dated the Effective Date, stating that:

(i) The representations and warranties contained in Section 4.01 are correct on and as of the Effective Date,

(ii) No event has occurred and is continuing that constitutes a Default,

(iii) Any default under the Company's or any of its material Subsidiaries' material debt instruments that would be triggered by the filing of the Chapter 11 Cases and related transactions has been permanently waived or amended,

(iv) The Company has disclosed to the Agents (A) all material potential cash collateral and/or reimbursement obligations under letters of credit and (B) all material potential liabilities with respect to sureties, in each case, existing prior to the date hereof, that might arise as a result of the filing of the Chapter 11 Cases and related transactions, and

(v) To the Company's knowledge, the Company will not be required for any reason to cause its consolidated financial statements for fiscal year 2001 or 2002 to be reaudited or restated after the date hereof, except in order to reflect changes in the Company's segment reporting.

(p) The Barracuda Facility shall have been amended such that the maximum "Leverage Ratio" (as such term is defined in the Barracuda Facility) permitted thereunder is 0.55:1.00 or a higher ratio.

(q) All accrued fees and reasonable out-of-pocket expenses of the Co-Lead Arrangers (including the reasonable fees and expenses of counsel to the Co-Lead Arrangers for which invoices have been submitted) shall have been paid.

(r) The Company shall have paid all accrued fees and reasonable out-of-pocket expenses of the Agent (including reasonable fees and expenses of counsel for which invoices have been submitted).

Section 3.02 Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, the Agent, the Co-Lead Arrangers and each Bank shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to such Persons unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Person prior to the date that the Company, by notice to the Agent, designates as the proposed Effective Date, specifying its objection thereto. The Agent shall promptly notify the Banks and the Company of the occurrence of the Effective Date, which notice shall be conclusive and binding.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

Section 4.01 Representations and Warranties of the Company. The Company represents and warrants as of the Effective Date as follows:

(a) Each Loan Party and each of its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite organizational power and authority to own its properties, to conduct its business as now being conducted and to execute, deliver and perform each Loan Document to which it is or is to be a party, except for any failures to be so organized, existing, qualified to do business or in good standing or to have such power and authority as would not, individually or in the aggregate, have a Material Adverse Effect.

(b) The execution, delivery and performance by each Loan Party of each Loan Document to which it is or is to be a party and the consummation of the transactions contemplated hereby (including, without limitation, the Transaction, Advances hereunder and the use of the proceeds thereof) and the transactions contemplated thereby (i) are within such Loan Party's organizational power, (ii) have been duly authorized by all necessary organizational action, and (iii) do not contravene (A) such Loan Party's certificate of organization or by-laws, (B) any law, rule, regulation, order, writ, injunction or decree, or (C) any contractual restriction under any material agreements binding on or affecting such Loan Party or any Subsidiary of such Loan Party or any other contractual restriction the contravention of which would have a Material Adverse Effect.

(c) No authorization, approval, consent, license or other action by, and no notice to or filing with, any governmental authority, regulatory body or other Person is required for the due execution, delivery and performance by each Loan Party of each Loan Document to which it is or is to be a party, or for the consummation of the transactions contemplated hereby (including, without limitation, the Transaction (other than the Order Entry), Advances hereunder and the use of the proceeds thereof) and the transactions contemplated thereby, except (i) consents, authorizations, filings and notices which have been obtained or made and are in full force and effect, (ii) the UCC filings referred to in Section 3.01, (iii) approvals that would be required under agreements that are not material agreements and (iv) as otherwise permitted by the Loan Documents.

(d) This Agreement has been, and each other Loan Document when delivered hereunder will have been, duly executed and delivered by each Loan Party thereto and constitute legal, valid and binding obligations of such Loan Party enforceable against such Loan Party in accordance

with their respective terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally.

(e) The Financial Statements have been reported on by KPMG LLP and fairly present the consolidated financial position of the Company and its consolidated subsidiaries as at such date and the consolidated results of their operations and cash flows for the year then ended, all in accordance with GAAP. The unaudited consolidated balance sheet of the Company and its consolidated subsidiaries as at June 30, 2003 and the related unaudited consolidated statements of income and cash flows of the Company and its consolidated subsidiaries for the six months then ended, included in the Company's June 2003 10-Q, fairly present, subject to year-end audit adjustments, the consolidated financial position of the Company and its consolidated subsidiaries as at such date and the consolidated results of their operations and cash flows for the six months ended on such date, all in accordance with GAAP. Since December 31, 2002 through October 30, 2003 there has been no material adverse change (which shall not be deemed to refer to the filing of the Chapter 11 Cases or to the accounting charge to be taken by the Company directly in connection with the Settlement Payments) in the condition (financial or otherwise), operations or business of the Company and its Subsidiaries, taken as a whole except as disclosed in the June 2003 10-Q.

(f) Except as set forth in the Company's Form 10-K for the year ended December 31, 2002, the June 2003 10-Q and Schedule 4.01(f) to this Agreement, there is no litigation, investigation or proceeding pending or, to the Company's knowledge, threatened against or affecting the Company, any of its Subsidiaries or any of its or their respective rights or properties before any court or by or before any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, (i) that could reasonably be expected to have a Material Adverse Effect or (ii) that in any manner draws into question or purports to affect (A) the Transaction (other than objections to the Plan of Reorganization and appeals of the confirmation order entered by the Bankruptcy Court in connection therewith) or (B) any other transaction contemplated hereby or the legality, validity, binding effect or enforceability of any Loan Document.

(g) Schedule 4.01(g) hereto constitutes a complete and accurate list of all pending non-US lawsuits as of October 30, 2003 against the Company and its Subsidiaries (including, without limitation, claims arising through a Subsidiary not listed on Schedule II hereto) asserting exposure to asbestos, asbestos-related products, silica and/or silica-related products and, except as set forth in such Schedule 4.01(g) and other non-material asbestos or silica claims disclosed to the Co-Lead Arrangers in writing prior to October 30, 2003, the Company has not been notified of (A) any claims against the Company and its Subsidiaries asserting exposure to asbestos, asbestos-related products, silica and/or silica-related products which will not be resolved pursuant to the Order Entry or (B) any adoption or change of any statute, rule or regulation affecting such claims or future claims against the Company and its Subsidiaries asserting exposure to asbestos, asbestos-related products, silica and/or silica-related products, in each case, which could be reasonably expected to have a Material Adverse Effect.

(h) Schedule 4.01(h) hereto lists all of the Company's domestic Subsidiaries as of October 30, 2003.

(i) Neither any Loan Party nor any Subsidiary of a Loan Party is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U). Following the application of the proceeds of each Advance and each Letter of

Credit, (i) not more than 25% of the value of the assets of the Company that are subject to any arrangement with the Agent or any Bank (herein or otherwise) whereby the Company's right or ability to sell, pledge or otherwise dispose of assets is in any way restricted (or pursuant to which the exercise of any such right is or may be cause for accelerating the maturity of all or any portion of the Advances or any other amount payable hereunder or under any such other arrangement), will be margin stock (within the meaning of Regulation U); and (ii) not more than 25% of the value of the assets of the Company and its Subsidiaries that are subject to any arrangement with the Agent or any Bank (herein or otherwise) whereby the right or ability of the Company or any of its Subsidiaries to sell, pledge or otherwise dispose of assets is in any way restricted (or pursuant to which the exercise of any such right is or may be cause for accelerating the maturity of all or any portion of the Advances or any other amount payable hereunder or under any such other arrangement), will be any such margin stock. No proceeds of any Advance or any Letter of Credit will be used in any manner that is not permitted by Section 5.02.

(j) Schedule 4.01(j) hereto together with Schedule 4.01(l) hereto lists all letters of credit and bank guarantees in respect of which the Company or any of its Subsidiaries is obligated to reimburse the issuer for drawings, other than any Immaterial LC or any letter of credit or bank guarantee that is cash collateralized pursuant to existing arrangements, as of October 28, 2003.

(k) To the best of the Company's knowledge, Schedule 4.01(k) lists all Material LC Issuers as of October 28, 2003.

(l) No Loan Party is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(m) Neither any Loan Party nor any of its Subsidiaries is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

(n) No statement or information contained in this Agreement or any other document, certificate or statement furnished to the Agent or the Banks by or on behalf of the Company for use in connection with the transactions contemplated by this Agreement or the Notes (as modified or supplemented by other information furnished) contains as of the date such statement, information, document or certificate was so furnished any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made, provided, however, that, with respect to any such information, exhibit or report consisting of statements, estimates, pro forma financial information, forward-looking statements and projections regarding the future performance of the Company or any of its Subsidiaries ("Projections"), no representation or warranty is made other than that such Projections have been prepared in good faith based upon assumptions believed to be reasonable at the time.

ARTICLE V
COVENANTS OF THE COMPANY

Section 5.01 Affirmative Covenants. So long as any Advance or any other amount payable by any Loan Party hereunder or under any other Loan Document shall remain unpaid or any Bank shall have any Commitment or Allocation hereunder, the Company will, unless the Required Banks shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, with all applicable law, rules, regulations and orders (including, without limitation, ERISA and environmental laws and permits) except to the extent that failure to so comply (in the aggregate for all such failures) could not reasonably be expected to have a Material Adverse Effect.

(b) Preservation of Corporate or Organizational Existence, Etc. (i) Preserve and maintain and cause each of its Subsidiaries to preserve and maintain (unless, in the case of any Subsidiary, (A) such Loan Party or Subsidiary determines that such preservation and maintenance is no longer necessary in the conduct of the business of the Company and its Subsidiaries, taken as a whole, and (B) the failure to so preserve and maintain would not impair the Collateral in any material respect), its corporate or organizational existence, rights (charter and statutory), franchises, permits, licenses, approvals and privileges in the jurisdiction of its organization; provided, however, that such Loan Party and its Subsidiaries may consummate any merger or consolidation permitted under Section 5.02(d) and provided further that neither such Loan Party nor any of its Subsidiaries shall be required to preserve any right, permit, license, approval, privilege or franchise the failure to do so would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and (ii) qualify and remain qualified and cause each of its Subsidiaries to qualify and remain qualified, as a foreign organization in each jurisdiction in which qualification is necessary or desirable in view of its business and operations or the ownership of its Properties, except where the failure to so qualify or remain qualified could not, individually or in the aggregate, reasonably be expected to give rise to a Material Adverse Effect.

(c) Payment of Taxes, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all taxes, assessments, charges and like levies levied or imposed upon it or upon its income, profits or Property prior to the date on which penalties attach thereto and (ii) all lawful claims that, if unpaid, might by law become a Lien upon its Property; provided that neither the Company nor any Subsidiary shall be required to pay and discharge any such tax, assessment, charge, levy or claim if the failure to do so (in the aggregate for all such failures) could not reasonably be expected to have a Material Adverse Effect.

(d) Reporting Requirements. Furnish to the Agent:

(i) not later than 60 days after the end of each of the first three quarters of each fiscal year of the Company, (1) the consolidated and, prior to the Collateral Release Date, consolidating (provided that such statements prepared on a consolidating basis need not be audited and shall only relate to each of the "Energy Services Group" and the "Engineering and Construction Group") balance sheets of the Company and its consolidated subsidiaries as at the end of such quarter and the consolidated and, prior to the Collateral Release Date, consolidating (with respect only to each of the "Energy Services Group" and the "Engineering and Construction Group") statements of income and cash flows of the Company and its consolidated subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, all in reasonable detail, and (2) a copy of the Company's Form 10-Q for such quarter as filed with the SEC and copies of each Form 8-K (other than press releases) filed by the Company with the SEC during such quarter;

(ii) not later than 120 days after the end of each fiscal year of the Company, (1) copies of the audited consolidated balance sheet and, prior to the Collateral Release Date, unaudited consolidating balance sheet (with respect only to each of the "Energy

Services Group" and the "Engineering and Construction Group") of the Company and its consolidated subsidiaries as at the end of such fiscal year and audited consolidated statements and, prior to the Collateral Release Date, unaudited consolidating statements (provided that such statements prepared on a consolidating basis need not be audited and shall only relate to each of the "Energy Services Group" and the "Engineering and Construction Group") of income, retained earnings and cash flows of the Company and its consolidated subsidiaries for such fiscal year, and (2) a copy of the Company's Form 10-K for such year as filed with the SEC and copies of each Form 8-K filed by the Company with the SEC during such year (other than those Forms 8-K previously delivered to the Banks in accordance with Section 5.01(d)(i) and press releases);

(iii) within five Business Days after filing with the SEC, copies of all registration statements (other than on Form S-8), proxy statements and Schedules 13-D filed by, or in respect of, the Company or any of its Subsidiaries with the SEC;

(iv) as soon as possible, and in any event within ten days after any Responsible Officer has obtained knowledge of the occurrence of any Default or Event of Default, written notice thereof setting forth details of such Default or Event of Default and the actions that the Company has taken and proposes to take with respect thereto;

(v) promptly (and in any event within five Business Days) after any change in, or withdrawal or termination of, the rating of any senior unsecured long-term debt of the Company by S&P or Moody's, notice thereof;

(vi) promptly after the sending or filing thereof, copies of all reports that the Company sends to any of its holders of common stock;

(vii) prior to the Collateral Release Date, promptly after the receipt thereof, notice of all actions and proceedings before any court, governmental or agency or arbitrator affecting the Company or any of its Subsidiaries of the type described in Section 4.01(f); and

(viii) such other information as any Bank through the Agent may from time to time reasonably request.

Information required to be delivered pursuant to Sections 5.01(d)(i), 5.01(d)(ii), 5.01(d)(iii) or 5.01(d)(vi) shall be deemed to have been delivered on the date on which the Company provides notice to the Agent that such information has been posted on the Company's website on the Internet at www.halliburton.com, at sec.gov/edaux/searches.htm or at another website identified in such notice and accessible by the Banks without charge; provided that the Company shall deliver paper copies of the information referred to in such Sections to the Agent for distribution to (x) any Bank to which the above referenced websites are for any reason not available if such Bank has so notified the Company and (y) any Bank that has notified the Company that it desires paper copies of all such information; provided further that the Agent shall notify the Banks as provided in Section 8.02 of any materials delivered pursuant to this paragraph.

(e) Inspections. At any reasonable time and from time to time, in each case upon reasonable notice to the Company and subject to any applicable restrictions or limitations on access to any facility or information that is classified or restricted by contract or by law, regulation or governmental guidelines, permit each Bank to visit and inspect the properties of the Company or any Subsidiary of the Company, and to examine and make copies of and abstracts

from the records and books of account of the Company and its Subsidiaries and discuss the affairs, finances and accounts of the Company and its Subsidiaries with its and their officers and independent accountants provided, however, that advance notice of any discussion with such independent public accountants shall be given to the Loan Parties, and the Loan Parties shall have the opportunity to be present at any such discussion.

(f) Keeping of Books. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Company and each such Subsidiary in accordance with GAAP.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its material properties that are used or useful in the conduct of the business of the Company and its Subsidiaries, taken as a whole, in good working order and condition, ordinary wear and tear excepted.

(h) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under this Agreement with any of their Affiliates on terms that are fair and reasonable and, if a comparable arm's-length transaction is known by the Company, no less favorable to the Company or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate; provided, however, that the foregoing restriction shall not apply to

(i) transactions between or among the Company and its subsidiaries;

(ii) transactions or payments pursuant to any employment arrangements or employee, officer or director benefit plans or arrangements entered into by the Company or any of its Subsidiaries in the ordinary course of business;

(iii) to the extent permitted by law, customary loans, advances, fees and compensation paid to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Company or any of its Subsidiaries;

(iv) any transactions pursuant to agreements among the Company and/or its Subsidiaries and the Trusts entered into in connection with the Plan of Reorganization;

(v) transactions pursuant to any contract or agreement in effect on the date hereof, as the same may be amended, modified or replaced from time to time, so long as any such contract or agreement as so amended, modified or replaced is, taken as a whole, no less favorable to the Company and its Subsidiaries in any material respect than the contract or agreement as in effect on the date hereof;

(vi) any transaction or series of transactions between the Company or any Subsidiary and any of their joint ventures, provided that (a) such transaction or series of transactions is in the ordinary course of business and consistent with past practices of the Company, and/or its Subsidiaries and their joint ventures and (b) such Affiliate transaction involves aggregate consideration paid to such Affiliate not in excess of $35 million; or

(vii) any payment, distribution or other transaction of the type described in 5.02(c) and permitted thereunder.

(i) Covenant to Guarantee Obligations and Give Security. (i) Subject to Section 5.01(i)(ii), upon the formation or acquisition after the date hereof and prior to the Collateral Release Date, of any new first-tier Subsidiaries by the Company or HESI, the Company shall, and, if applicable, shall cause HESI to, at the Company's or HESI's expense:

(A) within 20 days after such formation or acquisition, cause each such wholly-owned Subsidiary organized under the laws of a state of the United States, to duly execute and deliver to the Agent a Guaranty Supplement, guaranteeing the other Loan Parties' obligations under the Loan Documents; provided that no Project Finance Subsidiary, JV Subsidiary or Receivables Subsidiary shall be required to execute and deliver a Guaranty Supplement,

(B) within 20 days after such formation or acquisition, duly execute and deliver, to the Agent, Pledge Agreement supplements (together with certificates representing, in the case of such a Subsidiary organized under the laws of a state of the United States, 100% of the equity interests of such Subsidiary owned by the Company or HESI and, in the case of such a foreign Subsidiary, 66% of the equity interests of such foreign Subsidiary owned by the Company or HESI (excluding, in each case, the equity interests in any Project Finance Subsidiary or any Receivables Subsidiary), in each case accompanied by undated stock powers executed in blank), securing payment of all the Obligations of all Loan Parties under the Loan Documents and constituting Liens on all such properties,

(C) within 20 days after such formation or acquisition, take, and cause such Subsidiary to take whatever action (including, without limitation, the filing of Uniform Commercial Code financing statements and the giving of notices) may be necessary or advisable in the reasonable opinion of the Agent to vest in the Agent (or in any representative of the Agent designated by it) valid and subsisting Liens on the properties purported to be subject to the Pledge Agreement supplements delivered pursuant to this Section 5.01(i), enforceable against all third parties in accordance with their terms,

(D) within 60 days after such formation or acquisition, deliver to the Agent, upon the reasonable request of the Agent, a signed copy of a favorable opinion, addressed to the Agent and the other Secured Holders, of in-house counsel of the Company or other counsel for the Loan Parties reasonably acceptable to the Agent as to the matters contained in clauses (A), (B) and (C) above, as to such Guaranty Supplements and Pledge Agreement supplements being legal, valid and binding obligations of each Loan Party party thereto enforceable in accordance with their terms, as to such recordings, filings, notices, endorsements and other actions being sufficient to create valid perfected Liens on such properties, and as to such other matters as the Agent may reasonably request, and

(E) at any time and from time to time, promptly execute and deliver any and all further instruments and documents and take all such other action as the Agent may reasonably deem necessary or desirable in obtaining the full benefits of, or in perfecting and preserving the Liens of, such guaranties and Pledge Agreement supplements.

(ii) Prior to the occurrence of the Collateral Release Date, upon (x) the occurrence of a Ratings Event and (y)(1) the formation or acquisition at any time after a Ratings Event of any new direct or indirect Specified Subsidiaries (as defined below) by any Loan Party or (2) the acquisition at any time after a Ratings Event of any property by any Loan Party, and such property, in the judgment of the Agent, shall not already be subject to a perfected first priority (subject to Liens permitted by Section 5.02(a)) security interest in favor of the Agent for the benefit of the Secured Holders, then the Company shall, and/or shall cause each Loan Party to, in each case at the Company's expense, and in each case subject to such reasonable and customary exceptions as the Agent may agree:

(A) in connection with the formation or acquisition of a domestic Subsidiary directly or indirectly wholly-owned by the Company or HESI (each such Subsidiary other than DII Industries LLC, Halliburton Affiliates LLC and each of their respective Subsidiaries, any Project Finance Subsidiary, any JV Subsidiary, any dormant Subsidiary and any Receivables Subsidiary being a "Specified Subsidiary"), within 20 days after such formation or acquisition, cause each such Specified Subsidiary, to duly execute and deliver to the Agent a Guaranty Supplement, guaranteeing the other Loan Parties' obligations under the Loan Documents,

(B) within 20 days after such Ratings Event, formation or acquisition, furnish to the Agent a description of the real and personal properties of the Loan Parties and their respective Subsidiaries or such new Specified Subsidiary, as the case may be in detail reasonably satisfactory to the Agent,

(C) within 20 days after such Ratings Event, formation or acquisition, duly execute and deliver, and cause each such new Specified Subsidiary, if applicable (and each direct parent of such new Specified Subsidiary or JV Subsidiary shall pledge its equity in such Specified Subsidiary or JV Subsidiary) (if it has not already done so) to duly execute and deliver, to the Agent pledges, assignments, Pledge Agreement supplements and other security agreements, as specified by and in form and substance reasonably satisfactory to the Agent, securing payment of all the Obligations of the applicable Loan Party, such new Specified Subsidiary or such parent, as the case may be, under the Loan Documents and constituting Liens on all such properties of the Loan Parties and Specified Subsidiaries, including, without limitation, bank accounts; provided that (1) no JV Subsidiary shall be required to execute and deliver a pledge of its Equity Interest in a joint venture to the extent that the applicable joint venture agreement prohibits such a pledge, (2) no Project Finance Subsidiary, JV Subsidiary or Receivables Subsidiary shall be required to grant a security interest in its assets (3) no pledge of Equity Interests in a Project Finance Subsidiary or a Receivables Subsidiary shall be required, (4) no such encumbrance shall be required as to property that is subject to a Lien permitted by Section 5.02(a) or that is already subject to an agreement (otherwise permitted by this Agreement), in each case, that prohibits the granting of Liens on such specific property and (5) no more than 66% of the equity interests owned by such Person in any foreign Subsidiary shall be required to be pledged,

(D) within 20 days after such Ratings Event, formation or acquisition, take, and cause such new Specified Subsidiary, if applicable, or such parent to

take, whatever action (including, without limitation, the filing of Uniform Commercial Code financing statements, the giving of notices and the endorsement of notices on title documents) may be necessary or advisable in the opinion of the Agent to vest in the Agent (or in any representative of the Agent designated by it) valid and subsisting Liens on the properties purported to be subject to the pledges, assignments, Pledge Agreement supplements and security agreements delivered pursuant to this Section 5.01(i)(ii), enforceable against all third parties in accordance with their terms,

(E) within 45 days after such Ratings Event, formation or acquisition, deliver to the Agent, deeds of trust, trust deeds, mortgages, leasehold mortgages and leasehold deeds of trust on the real property of the Loan Parties located in the United States with a value in excess of $1,000,000, except real property that is subject to a Lien permitted by Section 5.02(a) or that is already subject to an agreement (otherwise permitted by this Agreement), in each case, that prohibits the granting of such Liens on such specific property,

(F) within 60 days after such Ratings Event, formation or acquisition, deliver to the Agent, upon the reasonable request of the Agent in its sole discretion, a signed copy of a favorable opinion, addressed to the Agent and the other Secured Holders, of counsel for the Loan Parties reasonably acceptable to the Agent as to the matters contained in clauses (A), (C), (D) and (E) above, as to such guaranties, guaranty supplements, mortgages, pledges, assignments, Pledge Agreement supplements and security agreements being legal, valid and binding obligations of each Loan Party party thereto enforceable in accordance with their terms, as to the matters contained in clauses (D) and (E) above, as to such recordings, filings, notices, endorsements and other actions being sufficient to create valid perfected Liens on such properties, and as to such other matters as the Agent may reasonably request,

(G) as promptly as practicable after such Ratings Event, request, formation or acquisition, deliver, upon the reasonable request of the Agent, with respect to each parcel of real property to be so mortgaged, owned or held by the entity that is the subject of such request, formation or acquisition title reports, surveys and engineering, soils and other reports, and environmental assessment reports, each in scope, form and substance reasonably satisfactory to the Agent, provided, however, that to the extent that any Loan Party or any of its Subsidiaries shall have otherwise received any of the foregoing items with respect to such real property, such items shall, promptly after the receipt thereof, be delivered to the Agent, and

(H) at any time and from time to time, promptly execute and deliver any and all further instruments and documents and take all such other action as the Agent may reasonably deem necessary or desirable in obtaining the full benefits of, or in perfecting and preserving the Liens of, such guaranties, mortgages, pledges, assignments, Pledge Agreement supplements and security agreements.

The time periods required by this Section 5.01(i)(ii) may, upon the Company's request, be extended at the option of the Agent by up to 15 Business Days in the event the Company is exercising commercially reasonable efforts to perform the actions required by such time periods but additional time is required to complete such actions. The granting and perfection of Collateral under this Section 5.01(i) (including,

without limitation, Collateral consisting of foreign Subsidiary stock pledges) will be subject to cost efficiency determinations reasonably made by the Co-Lead Arrangers in consultation with the Company, taking into account, among other things, adverse tax consequences, administrative procedures required by local law or practice, and other parameters to be agreed.

(j) Further Assurances. At any time that the Banks are entitled to be secured by Collateral under the provisions of the Loan Documents,

(i) promptly upon request by any Agent, or any Bank through the Agent, correct, and cause each other Loan Party promptly to correct, any material defect or error that may be discovered in any Loan Document or in the execution, acknowledgment, filing or recordation thereof, and

(ii) promptly upon request by any Agent, or any Bank through the Agent, do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, conveyances, pledge agreements, mortgages, deeds of trust, trust deeds, assignments, financing statements and continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments as any Agent, or any Bank through the Agent, may reasonably require from time to time in order to (A) carry out more effectively the purposes of the Loan Documents, (B) to the fullest extent permitted by applicable law, subject any Loan Party's or any of its Subsidiaries' properties, assets, rights or interests to the Liens now or hereafter intended to be covered by any of the Collateral Documents, (C) perfect and maintain the validity, effectiveness and priority of any of the Collateral Documents and any of the Liens intended to be created thereunder and (D) assure, convey, grant, assign, transfer, preserve, protect and confirm more effectively unto the Banks the rights granted or now or hereafter intended to be granted to the Secured Holders under any Loan Document or under any other instrument executed in connection with any Loan Document to which any Loan Party or any of its Subsidiaries is or is to be a party, and cause each of its Subsidiaries to do so.

Section 5.02 Negative Covenants. So long as any Advance or any other amount payable by any Loan Party hereunder or under any other Loan Document shall remain unpaid or any Bank shall have any Commitment or Allocation hereunder, the Company will not, without the written consent of the Required Banks:

(a) Liens, Etc. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist,

(x) prior to the Collateral Release Date, any Lien on or with respect to any of its Properties whether now owned or hereafter acquired, or assign, or permit any of its Subsidiaries to assign, any accounts or other right to receive income, except:

(i) Liens created under the Loan Documents;

(ii) Permitted Liens;

(iii) Liens incurred pursuant to (A) the transactions contemplated by the Receivables Transfer Agreement, dated as of April 15, 2002, by and among Oilfield Services Receivables Corporation, a Delaware corporation, as transferor, Halliburton Energy Services, Inc., a Delaware corporation, individually and as collection agent and the other parties thereto, and any replacement, extension or renewal thereof, and the receivables purchase agreement related thereto and (B) other Securitization Transactions;

(iv) Liens on or with respect to any of the properties of the Loan Parties and any of their Subsidiaries existing on the date hereof;

(v) (A) Liens upon or in property acquired (including acquisition through merger or consolidation) or constructed or improved by the Company or any of its Subsidiaries including general intangibles, proceeds and improvements, accessories and upgrades thereto and created contemporaneously with, or within 12 months after, such acquisition or the completion of construction or improvement to secure or provide for the payment of all or a portion of the purchase price of such property or the cost of construction or improvement thereof (including any Indebtedness incurred to finance such acquisition, construction or improvement), as the case may be and (B) Liens on property (including any unimproved portion of partially improved property) of the Company or any of its Subsidiaries created within 12 months of completion of construction of a new plant or plants on such property to secure all or part of the cost of such construction (including any Indebtedness incurred to finance such construction) if, in the opinion of the Company, such property or such portion thereof was prior to such construction substantially unimproved for the use intended by the Company; provided, however, no such Lien shall extend to or cover any property other than the property being acquired, constructed or improved (including any unimproved portion of a partially improved property) including general intangibles, proceeds and improvements, accessories and upgrades thereto;

(vi) Liens arising in connection with capitalized leases permitted hereunder, provided that no such Lien shall extend to or cover any Collateral or assets other than the assets subject to such capitalized leases; and proceeds (including, without limitation, proceeds from associated contracts and insurances) of, and improvements, accessories and upgrades to, the property leased pursuant thereto;

(vii) any Lien existing on any property including general intangibles, proceeds and improvements, accessories and upgrades thereto prior to the acquisition (including acquisition through merger or consolidation) thereof by any Loan Party or any of their respective Subsidiaries or existing on any property of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary, provided that such a Lien is not created in contemplation or in connection with such acquisition or such Person becoming a Subsidiary and no such Lien shall be extended to cover property other than the asset being acquired including general intangibles, proceeds and improvements, accessories and upgrades thereto;

(viii) Liens to secure any extension, renewal, refunding or replacement (or successive extensions, renewals, refinancing, refundings or replacements), in whole or in part, of any Indebtedness or other obligation secured by any Lien referred to in the foregoing clauses (ii), (iv), (v), (vi) and (vii), provided that (A) the principal amount of the Indebtedness or other obligation secured thereby is no greater than the outstanding principal amount of such Indebtedness or other obligation immediately before such extension, renewal, refinancing, refunding or replacement and (B) such Lien shall only extend to such assets as are already subject to a Lien in respect of such Indebtedness or other obligation;

(ix) Liens pursuant to merger agreements, stock purchase agreements, asset sale agreements, option agreements and similar agreements in respect of the disposition of property or assets of the Company and its Subsidiaries (but in any event not securing

Indebtedness), to the extent such dispositions are permitted hereunder and such Liens relate only to the assets or properties to be disposed of;

(x) Liens arising in connection with the pledge of any Equity Interests in any joint venture (that is not a Subsidiary), and liens on the assets of a JV Subsidiary, in each case to secure Joint Venture Debt of such joint venture and/or such JV Subsidiary. For purposes hereof, "Joint Venture Debt" shall mean Indebtedness and other obligations as to which the lenders will not, pursuant to the terms in the agreements governing such Indebtedness, have any recourse to the stock or assets of the Company or any Subsidiary, other than such pledged assets of such JV Subsidiary;

(xi) Lien on assets of the Filing Entities securing the DIP Credit Facility;

(xii) Liens on the Equity Interests of DII and Mid-Valley, Inc. in favor of the Trusts;

(xiii) Liens arising in connection with the pledge of any Equity Interests in any Project Finance Subsidiary, so long as such Liens secure only Project Financing;

(xiv) prejudgment Liens which are being contested in good faith by appropriate proceedings;

(xv) judgment Liens which are being contested in good faith by appropriate proceedings and Liens securing appeal or similar surety bonds therefor; provided that no Event of Default exists under Section 6.01(f) relating thereto;

(xvi) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(xvii) netting provisions and setoff rights in favor of counterparties securing obligations under hedge agreements;

(xviii) Liens on assets under construction securing progress or partial payments relating to such assets;

(xix) the interest of a lessor or licensor under an operating lease or license under which the Company or any Subsidiary are lessee, sublessee or licensee, including protective financing statement filings; and

(xx) other Liens securing Indebtedness and obligations under hedge agreements outstanding in principal amount (in the case of Indebtedness) and mark-to-market value (in the case of hedge agreements) not to exceed $100,000,000 for all such secured Indebtedness and hedge agreements; provided, that no such Lien shall extend to or cover any Collateral; and

(y) from and after the Collateral Release Date, any Lien on or with respect to any of its Properties whether now owned or hereafter acquired to secure Indebtedness or reimbursement obligations in respect of letters of credit, or assign, or permit any of its Subsidiaries to assign, any accounts or other right to receive income, except:

(i) Liens of the type identified in clause (iii) of Section 5.02(a)(x);

(ii) Liens of the type identified in clauses (iv), (v), (vi) and (vii) of Section 5.02(a)(x);

(iii) Liens to secure any extension, renewal, refunding or replacement (or successive extensions, renewals, refinancing, refundings or replacements), in whole or in part, of any Indebtedness or other obligation secured by any Lien referred to in the foregoing clause (ii), provided that (A) the principal amount of the Indebtedness or other obligation secured thereby is no greater than the outstanding principal amount of such Indebtedness or other obligation immediately before such extension, renewal, refinancing, refunding or replacement and (B) such Lien shall only extend to such assets as are already subject to a Lien in respect of such Indebtedness or other obligation;

(iv) Liens of the type identified in clauses (x), (xii) and (xiii) of Section 5.02(a)(x);

(v) Liens securing other Indebtedness and obligations under hedge agreements, provided that at the time of the creation, incurrence or assumption of any Indebtedness or obligation under a hedge agreement secured by such Liens and after giving effect thereto, the sum of the principal amount of such Indebtedness and the mark-to-market value of such obligations under hedge agreements secured by Liens permitted by this clause (v) shall not exceed, when taken together with the aggregate principal amount of Indebtedness of Subsidiaries outstanding pursuant to Section 5.02(b)(xi), 15% of Consolidated Net Worth as reflected in the most recent financial statements delivered pursuant to Section 5.01(d)(i) and (ii); and

(vi) Liens securing other Indebtedness provided that the Obligations of the Loan Parties hereunder and under the other Loan Documents are secured equally and ratably with such other Indebtedness.

(b) Indebtedness of Subsidiaries. Permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Indebtedness except;

(i) Indebtedness incurred in the ordinary course of business and consistent with the past practices of the Company's Subsidiaries;

(ii) Existing Indebtedness, including any extension, renewal, refinancing or replacement thereof;

(iii) Project Financing;

(iv) Indebtedness of any Person that becomes a Subsidiary after the date hereof; provided that such Indebtedness exists at the time such Person becomes a Subsidiary and is not created in contemplation of or in connection with such Person becoming a Subsidiary;

(v) Indebtedness referred to in clauses (v) and (vi) of Section 5.02(a)(x) and secured by Liens permitted thereby;

(vi) Indebtedness of the Filing Entities incurred pursuant to the DIP Facility;

(vii) During such time as the Obligations of the Loan Parties under the Loan Documents are guaranteed by the Subsidiary Guarantors, guarantees of Obligations of the Company by such Subsidiary Guarantors under the Notes Agreements;

(viii) Indebtedness under the Loan Documents;

(ix) Indebtedness under Securitization Transactions;

(x) Indebtedness of Subsidiary Guarantors so long as such Subsidiary remains a Subsidiary Guarantor for so long as such Indebtedness is outstanding or such Indebtedness is otherwise permitted by this Section 5.02(b);

(xi) From and after the Collateral Release Date, additional Indebtedness; provided that at the time of the creation, incurrence or assumption of such Indebtedness, the aggregate principal amount thereof taken together with the aggregate principal amount of outstanding Indebtedness incurred in reliance on this clause (xi) and the aggregate principal amount of outstanding Indebtedness secured by Liens permitted under clause (v) of Section 5.02(a)(y), shall not exceed 15% of Consolidated Net Worth, as reflected in the most recent financial statements delivered pursuant to Section 5.01(d)(i) and (ii);

(xii) Indebtedness of Subsidiaries that are special-purpose business trusts under trust preferred securities that are guaranteed by the Company; and

(xiii) Indebtedness under the Revolving Credit Agreement.

(c) Restricted Payments. Prior to the date on which (i) the Collateral Release Date shall have occurred and (ii) the Senior Unsecured Credit Facility Agreement and all commitments thereunder shall have been terminated and all amounts outstanding thereunder shall have been repaid in full, declare or pay any dividends, purchase, redeem, retire, defease or otherwise acquire for value any of its Equity Interests now or hereafter outstanding, return any capital to its stockholders, partners or members (or the equivalent Persons thereof) as such, make any distribution of assets, Equity Interests, obligations or securities to its stockholders, partners or members (or the equivalent Persons thereof) as such or permit any of its Subsidiaries to do any of the foregoing, or permit any of its Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any Equity Interests in the Company or to issue or sell any Equity Interests therein, except that:

(i) the Company may declare and may pay, once declared, dividends and distributions payable on stock of the Company only at levels per outstanding share in effect as of the Effective Date (such amount to be appropriately adjusted to reflect any stock split, reverse stock split, stock dividend or similar transactions made after the date hereof so that the aggregate amount of dividends payable after such transaction is the same as the amount payable immediately prior to such transaction); provided that (i) if an Event of Default shall have occurred and be continuing or shall result therefrom, no such declaration shall be permitted if any Advances are then outstanding and (ii) if an Event of Default under Section 6.01(a) shall have occurred and be continuing, no such payment or distribution shall be permitted if any Advances are then outstanding;

(ii) any Subsidiary of the Company may declare and pay dividends and distributions to the Company or any other Loan Party of which it is a Subsidiary;

(iii) any Subsidiary of the Company may pay dividends or distributions to all holders of a class of Equity Interests of such Subsidiary on a pro rata basis or on a basis that is more favorable to the Company;

(iv) the Company or any Subsidiary may redeem, repurchase, retire or otherwise acquire any of its Equity Interests in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Company) of, Equity Interests of the Company;

(v) the Company or any Subsidiary of the Company may redeem, repurchase, retire or otherwise acquire any of its Equity Interests in connection with a compensation plan, program or practice; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed $20 million in any fiscal year of the Company; and

(vi) DII may purchase common stock of the Company from HESI pursuant to the Stock Agreement.

(vii) the Company and any Subsidiary of the Company may grant, issue, distribute or dividend Equity Interests to its directors, officers and employees and make or permit the vesting, lapse, exercise or payment of Equity Interests in options, restricted stock, performance awards (in the form of either cash or stock of the Company), and other similar grants and awards pursuant to existing (or substantially similar replacement or amended) compensation plans, programs or practices; and

For purposes of clarification, it is agreed and understood that Section 5.02(c) does not restrict the issuance, grant, dividend or distribution of Equity Interest.

(d) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions, all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person, or, prior to the Collateral Release Date, permit any of its material Subsidiaries to do so; provided, however, that (i) this Section 5.02(d) shall not prohibit any such merger or consolidation if (1) at the time of, and immediately after giving effect to, such merger or consolidation, no Default or Event of Default exists or would result therefrom, (2) the Company is the surviving corporation in such merger or consolidation, and (3) the Company shall continue to have senior unsecured long-term debt rated at least BBB- by S&P and Baa3 by Moody's and (ii) any Subsidiary of the Company may transfer assets to, or merge into or consolidate with, the Company or any other Subsidiary of the Company, provided that in the case of any such merger or consolidation to which a Subsidiary Guarantor is a party, the Person formed by such merger or consolidation shall be the Company or a Subsidiary Guarantor.

(e) Use of Proceeds. Use the proceeds of any Advance or any Letter of Credit for any purpose other than for general corporate purposes of the Company or use any such proceeds (i) in a manner which violates or results in a violation of any law or regulation, (ii) to purchase or carry any margin stock (as defined in Regulation U), except that this clause (ii) shall not prohibit the Company from using proceeds of the Advances to purchase its own common stock if the aggregate amount of all such proceeds so used does not exceed $100,000,000 and if each Notice of Borrowing pertaining to such Advances specified that such proceeds would be so used, (iii) to extend credit to others for the purpose of purchasing or carrying any margin stock (as defined in

Regulation U), or (iv) to acquire any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended.

Section 5.03 Financial Covenants. So long as any Advance shall remain unpaid or any Bank shall have any Commitment or Allocation hereunder, the Company will:

(a) Interest Charge Coverage Ratio. Not permit the Interest Charge Coverage Ratio as of the end of a fiscal quarter to be less than 3.50 to 1.00.

(b) Consolidated Debt to Total Consolidated Capitalization Ratio. Maintain at all times a maximum Consolidated Debt to Total Consolidated Capitalization Ratio of:

(i) Prior to the Exit Date: 0.60 to 1.00; and

(ii) On and after the Exit Date: 0.55 to 1.00.

ARTICLE VI
EVENTS OF DEFAULT

Section 6.01 Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) (i) The Company shall fail to pay any principal of any Advance when the same becomes due and payable, whether at the due date thereof or by acceleration thereof or otherwise or (ii) the Company shall fail to pay any interest on any Advance or any fees hereunder or other amount payable hereunder or any Loan Party shall fail to make any other payment under any Loan Document, in each case under this clause (ii), within five Business Days of when the same becomes due and payable, whether at the due date thereof or by acceleration thereof or otherwise; or

(b) Any representation, warranty or certification made by any Loan Party (or any of its officers) herein pursuant to or in connection with any Loan Document or in any certificate or document furnished to any Bank pursuant to or in connection with any Loan Document shall prove to have been incorrect or misleading in any material respect when made; or

(c) (i) The Company shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(b), (d), (e), or (i), 5.02 or 5.03 of this Agreement; or (ii) the Company shall fail to perform or observe any other term, covenant or agreement contained in Section 5.01 or any Loan Party shall fail to perform or observe any other term, covenant or agreement contained in any Loan Document on its part to be performed or observed (other than any term, covenant or agreement covered by Section 6.01(a)) and, in each case under this clause (ii), such failure shall remain unremedied for 30 days after notice thereof shall have been given to the Company by the Agent or by any Bank; or

(d) The Company or any material Subsidiary of the Company shall default in the payment when due (subject to any applicable grace period), whether by acceleration or otherwise, of any Debt (other than Project Financing or Permitted Non-Recourse Debt) (whether principal, interest, premium or otherwise) of, or directly or indirectly guaranteed by, the Company or any such material Subsidiary, as the case may be, in excess of $75,000,000 or the Company or any material Subsidiary of the Company shall default in the performance or observance of any obligation or condition with respect to any such Debt (other than Project Financing or Permitted

Non-Recourse Debt) if the effect of such default is to accelerate the maturity of or require the posting of cash collateral with respect to any such Debt or, in any case, any such Debt shall become due prior to its stated maturity (other than by a regularly-scheduled required payment and mandatory prepayments from proceeds of asset sales, debt incurrence, excess cash flow, equity issuances and insurance proceeds); provided that for the avoidance of doubt the parties acknowledge and agree that (i) any payment required to be made under a guaranty or letter of credit reimbursement agreement described in the definition herein of Debt shall be due and payable at the time such payment is due and payable under the terms of such guaranty or letter of credit reimbursement agreement (taking into account any applicable grace period) and such payment shall not be deemed to have been accelerated or have become due as a result of the obligation guaranteed having become due and (ii) the conversion of the Convertible Notes shall not be a Default or Event of Default hereunder; or

(e) The Company or any material Subsidiary of the Company (other than a Filing Entity in connection with the filing of the Chapter 11 Cases) shall be adjudicated a bankrupt or insolvent by a court of competent jurisdiction, or generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Company or any such material Subsidiary seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its Property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 120 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its Property) shall occur; or the Company or any such material Subsidiary shall take any corporate or organizational action to authorize any of the actions set forth above in this subsection (e) (other than in connection with the filing of the Chapter 11 Cases); or

(f) Any final, non-appealable judgment or order by a court of competent jurisdiction for the payment of money in excess of $75,000,000 over and above the amount of insurance coverage available from a financially sound insurer that has acknowledged coverage shall be rendered against the Company or any material Subsidiary of the Company and not discharged within 30 days after such order or judgment becomes final; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against a substantial part of the property of the Company or any material Subsidiary of the Company and such judgment, writ, warrant of attachment or execution or similar process shall not be released, stayed, vacated or fully bonded within 30 days after its issue or levy; or

(g) Any Collateral Document or financing statement after delivery thereof pursuant to Section 3.01, 5.01(i) or 5.01(j) shall for any reason (other than pursuant to the terms thereof or due to the action or inaction of the Collateral Agent) cease to create a valid and perfected first priority (other than prior Liens permitted under the Loan Documents) lien on and security interest in the Collateral purported to be covered thereby or any Loan Party shall so state in writing and, if such security interest was granted pursuant to Section 5.01(i)(ii), such situation shall remain unremedied for 30 days; or

(h) The Plan of Reorganization shall be amended, modified or supplemented after the Effective Date in any manner materially adverse to (i) the Banks or (ii) the ability of the

Company or any material Subsidiary which is a Loan Party to perform its Obligations under any Loan Document to which it is or is to be a party, in each case without the consent of the Required Banks; or

(i) The Company or any of its ERISA Affiliates shall incur, or, in the reasonable opinion of the Required Lenders, shall be reasonably likely to incur liability in excess of $75,000,000 in the aggregate as a result of one or more of the following: (i) the occurrence of any ERISA Event; (ii) the partial or complete withdrawal of the Company or any of its ERISA Affiliates from a Multiemployer Plan; or (iii) the reorganization or termination of a Multiemployer Plan;

then, and in any such event, the Agent shall at the request, or may with the consent, of the Required Banks, by notice to the Company, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such other amounts shall become and be forthwith due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or any other notice of any kind, all of which are hereby expressly waived by the Company; provided, however, that in the event of any actual or deemed entry of an order for relief with respect to the Company under the Bankruptcy Code, the Advances, all interest thereon and all other amounts payable under this Agreement shall automatically and immediately become and be due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration, or any other notice of any kind, all of which are hereby expressly waived by the Company.

Section 6.02 Actions in Respect of the Letters of Credit upon Default. If any Event of Default shall have occurred and be continuing, the Agent may, or shall at the request of the Required Banks, irrespective of whether it is taking any of the actions described in Section 6.01 or otherwise, make demand upon the Company to, and forthwith upon such demand the Company will, pay to the Agent on behalf of the Banks in same day funds at the Agent's office designated in such demand, for deposit in the L/C Cash Collateral Account, an amount equal to the aggregate Available Amount of all Letters of Credit then outstanding. If at any time the Agent determines that any funds held in the L/C Cash Collateral Account are subject to any right or claim of any Person other than the Agents and the Banks or that the total amount of such funds is less than the aggregate Available Amount of all Letters of Credit, the Company will, forthwith upon demand by the Agent, pay to the Agent, as additional funds to be deposited and held in the L/C Cash Collateral Account, an amount equal to the excess of (a) such aggregate Available Amount over (b) the total amount of funds, if any, then held in the L/C Cash Collateral Account that the Agent determines to be free and clear of any such right and claim. Upon the drawing of any Letter of Credit for which funds are on deposit in the L/C Cash Collateral Account, such funds shall be applied to reimburse the relevant Funding Bank ratably in accordance with the aggregate Exposure at such time, to the extent permitted by applicable law.

ARTICLE VII
THE AGENT

Section 7.01 Authorization and Action. Each Bank hereby appoints and authorizes the Agent to take such action as Agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Agent by the terms hereof or of any other Loan Document, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Banks and such instructions shall be binding upon all Banks and all holders of Notes; provided, however, that the Agent shall not be required to take any action which exposes the Agent to personal liability or

which is contrary to any Loan Document or applicable law. The Agent agrees to give to each Bank prompt notice of each notice given to it by the Company pursuant to the terms of this Agreement.

Section 7.02 Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with any Loan Document, except for their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may consult with legal counsel (including, without limitation, counsel for the Company), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations (whether written or oral) made in or in connection with any of the Loan Documents or any other instrument or document; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any of Loan Documents or any other instrument or document on the part of the Company or any Subsidiary of the Company or to inspect the Property (including the books and records) of the Company or any Subsidiary of the Company; (iv) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any of the Loan Documents or any other instrument or document; and (v) shall incur no liability under or in respect of any of Loan Documents or any other instrument or document by acting upon any notice (including telephonic notice), consent, certificate or other instrument or writing (which may be by facsimile, telegram or telex) believed by it to be genuine and signed, given or sent by the proper party or parties.

Section 7.03 The Agent and its Affiliates. With respect to its Commitment, the Advances owed to it and the Notes issued to it, each Bank which is also the Agent shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Agent; and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include any Bank serving as the Agent in its individual capacity. Any Bank serving as the Agent and its affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Company, any Affiliate of the Company and any Person who may do business with or own securities of the Company or any Affiliate of the Company, all as if such Bank were not the Agent and without any duty to account therefor to the Banks.

Section 7.04 Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank and based on the Financial Statements and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents or any other instrument or document.

Section 7.05 Indemnification. The Banks agree to indemnify the Agent (to the extent not promptly reimbursed by the Company), ratably according to the respective principal amounts of the Notes then held by each of the Banks (or if no Advances are at the time outstanding or if any Notes are held by Persons which are not Banks, ratably according to either (a) the respective amounts of the Banks' Commitments, or (b) if no Commitments are at the time outstanding, the respective amounts of the Commitments immediately prior to the time the Commitments ceased to be outstanding), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith, or any action taken or

omitted by the Agent under any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith ("Indemnified Costs"); provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Agent's gross negligence or willful misconduct as found in a final, non-appealable judgment by a court of competent jurisdiction. Without limitation of the foregoing, each Bank agrees to reimburse the Agent promptly upon demand for such Bank's ratable share of any costs and expenses (including, without limitation, counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith to the extent that the Agent is not reimbursed for such expenses by the Company. In the case of any investigation, litigation or proceeding giving rise to any Indemnified Costs, this Section 7.05 applies whether any such investigation, litigation or proceeding is brought by the Agent, any other Agent, any Bank or a third party.

Section 7.06 Successor Agent. The Agent may resign at any time by giving written notice thereof to the Banks and the Company and may be removed at any time with or without cause by the Required Banks. Upon any such resignation or removal, the Required Banks shall have the right to appoint a successor Agent which, if such successor Agent is not a Bank, is approved by the Company (which approval will not be unreasonably withheld). If no successor Agent shall have been so appointed by the Required Banks (and, if not a Bank, approved by the Company), and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Required Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

Section 7.07 Co-Lead Arrangers, Syndication Agent, Documentation Agent. The Co-Lead Arrangers, Syndication Agent and Documentation Agent shall have no duties, obligations or liabilities hereunder or in connection herewith.

ARTICLE VIII
MISCELLANEOUS

Section 8.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any Note or any other Loan Document, nor consent to any departure by any Loan Party therefrom, shall in any event be effective unless the same shall be in writing and signed (or in the case of the Collateral Documents or the Subsidiary Guaranty, consented to) by the Required Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall, unless in writing and signed by all the Banks, do any of the following: (a) waive any of the conditions specified in Section 3.01, (b) increase the Commitment of any Bank or subject any Bank to any additional obligations, (c) reduce the principal of, or interest on, the Advances or any fees or other amounts payable hereunder, (d) postpone the Term-Out Date or any date fixed for any payment of principal of, or interest on, the Advances or any fees or other amounts payable hereunder, (e) change the percentage of the Exposure which shall be required for the Banks or any of them to take any action hereunder, (f) materially reduce or limit the obligations of the

Subsidiary Guarantors under Section 1 of the Subsidiary Guaranty or otherwise limit the Subsidiary Guarantors' liability with respect to the Obligations owing to the Agent and the Banks (it being understood that (i) on the sale or merger of a Subsidiary Guarantor or the transfer of all or substantially all of its assets otherwise permitted hereunder, or (ii) on the request of the Company with respect to any Subsidiary Guarantor that provided a guaranty solely to comply with Section 5.02(b)(x), so long as such guaranty is no longer required in order to comply with such Section, such guaranty shall automatically be released), (g) release all or substantially all of the Collateral in any transaction or series of related transactions, except as contemplated by Section 8.09; or (h) amend Section 2.14 or this Section 8.01; provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Banks required above to take such action, affect the rights or duties of the Agent under this Agreement or any of the Notes and provided, further, that no amendment, waiver or consent shall, unless in writing and signed by each Documentary Letter of Credit Bank in addition to the Banks required above to take such action, affect the rights or duties expressly granted to a Documentary Letter of Credit Bank hereunder. Notwithstanding any provision in this Agreement to the contrary, if at any time the account party in respect of any Letter of Credit is neither the Company nor one of its Subsidiaries, the Company and the Bank that issued such Letter of Credit may agree that such Letter of Credit will no longer be a "Letter of Credit" hereunder and will cease to be governed by the terms hereof.

Section 8.02 Notices, Etc. (a) All notices and other communications provided for hereunder shall be either (x) in writing (including facsimile communication) and mailed, telecopied, or delivered or (y) as and to the extent set forth in Section 8.02(b) and in the proviso to this Section 8.02(a), (i) if to the Company, at its address at 1401 McKinney, Suite 2400, Houston, Texas 77010-4035 Attention: Jerry H. Blurton, Vice President and Treasurer, Facsimile: (713) 759-2686; (ii) if to any Bank listed on the signature pages hereof, at its Domestic Lending Office specified opposite its name on Schedule III hereto; (iii) if to any other Banks, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it becomes a Bank; (iv) if to the Agent, at the addresses set forth below:

Citicorp North America, Inc.
Two Penns Way, Suite 200
New Castle, Delaware 19720
Facsimile No.: (302) 894-6120
Attention: Bank Loan Syndications Department

with a copy to:

Citicorp North America, Inc.
1200 Smith Street, Suite 2000
Houston, Texas 77002
Facsimile No.: (713) 654-2849
Attention: Amy Pincu, Vice President

(but references herein to the address of the Agent for purposes of payments or making available funds or for purposes of Section 8.08(c) shall not include the address to which copies are to be sent); or, as to the Company or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Company and the Agent, provided that materials required to be delivered pursuant to Section 5.01(d)(i), (ii), (iii) or (vi), unless delivered by posting to a website as provided in Section 5.01(d), shall be delivered to the Agent as specified in Section 8.02(b) or as otherwise specified to the Company by the Agent. Each such notice or communication shall be effective (i) if mailed, upon receipt, (ii) if delivered by hand, upon delivery with written receipt, and (iii) if telecopied, when receipt is

confirmed by telephone, except that any notice or communication to the Agent pursuant to this Agreement shall not be effective until actually received by the Agent.

(b) So long as CNAI or any of its Affiliates is the Agent, materials required to be delivered pursuant to Section 5.01(d)(i), (ii), (iii) and (vi), unless delivered by posting to a website as provided in Section 5.01(d), shall be delivered to the Agent in an electronic medium in a format acceptable to the Agent and the Banks by e-mail at oploanswebadmin@citigroup.com. The Company agrees that the Agent may make such materials, as well as any other written information, documents, instruments and other material relating to the Company, any of its Subsidiaries or any other materials or matters relating to this Agreement, the Notes or any of the transactions contemplated hereby (collectively, the "Communications") available to the Banks by posting such notices on Intralinks, "e-Disclosure", the Agent's internet delivery system that is part of Fixed Income Direct, Global Fixed Income's primary web portal, or a substantially similar electronic system (the "Platform"). The Company acknowledges that (i) the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided "as is" and "as available" and (iii) neither the Agent nor any of its Affiliates warrants the accuracy, adequacy or completeness of the Communications or the Platform and each expressly disclaims liability for errors or omissions in the Communications or the Platform. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose, non-infringement of third party rights or freedom from viruses or other code defects, is made by the Agent or any of its Affiliates in connection with the Platform. Notices and other communications to the Banks and the Agent hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Agent and the applicable Bank. The Agent or the Company may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) Each Bank agrees that notice to it (as provided in the next sentence) (a "Notice") specifying that any Communications have been posted to the Platform shall constitute effective delivery of such information, documents or other materials to such Bank for purposes of this Agreement; provided that if requested by any Bank the Agent shall deliver a copy of the Communications to such Bank by email or facsimile. Each Bank agrees (i) to notify the Agent in writing of such Bank's e-mail address to which a Notice may be sent by electronic transmission (including by electronic communication) on or before the date such Bank becomes a party to this Agreement (and from time to time thereafter to ensure that the Agent has on record an effective e-mail address for such Bank) and (ii) that any Notice may be sent to such e-mail address.

Section 8.03 No Waiver; Remedies. No failure on the part of any Bank or the Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 8.04 Expenses and Taxes; Compensation. (a) The Company agrees to pay on demand (i) all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable fees and expenses of counsel) of the Co-Lead Arrangers and the Agent and each of their respective affiliates in connection with the preparation, execution, delivery and administration of the Loan Documents and the other documents and instruments delivered hereunder or in connection with any amendments, modifications, consents or waivers in connection with the Loan Documents, (ii) all reasonable fees and expenses of counsel for the Co-Lead Arrangers and the Agent, during the existence of any Event of

Default, any Bank with respect to advising the Agent or, during the existence of any Event of Default, any Bank as to its rights and responsibilities under the Loan Documents and (iii) all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable fees and expenses of counsel) of the Co-Lead Arrangers, the Agent and each Bank in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of the Loan Documents (including the enforcement of rights under this Section 8.04(a)) and the other documents and instruments delivered hereunder and rights and remedies hereunder and thereunder.

(b) If any payment or purchase of principal of, or Conversion of, any Eurocurrency Rate Advance is made other than on the last day of the Interest Period for such Advance, as a result of a payment, purchase or Conversion pursuant to Section 2.09, Section 2.10, Section 2.15 or Section 2.16, acceleration of the maturity of the Advances pursuant to Section 6.01 or for any other reason, the Company shall, within 15 days after demand by any Bank (with a copy of such demand to the Agent), pay to the Agent for the account of such Bank any amounts required to compensate such Bank for any additional losses, costs or expenses which it may reasonably incur as a result of such payment, purchase or Conversion, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense reasonably incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Bank to fund or maintain such Advance. A certificate as to the amount of such additional losses, costs or expenses, submitted to the Company and the Agent by such Bank, shall be conclusive and binding for all purposes, absent manifest error.

(c) The Company agrees to indemnify and hold harmless the Agent, the Banks, the Co-Lead Arrangers and their respective directors, officers, employees, affiliates, advisors, attorneys and agents (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, fees and expenses of counsel) for which any of them may become liable or which may be incurred by or asserted against any of the Indemnified Parties in connection with or arising out of (i) any Loan Document or any other document or instrument delivered in connection herewith, (ii) the existence of any condition on any property of the Company or any of its Subsidiaries that constitutes a violation of any environmental protection law or any other law, rule, regulation or order, or (iii) any investigation, litigation, or proceeding, whether or not any of the Indemnified Parties is a party thereto, related to or in connection with any of the foregoing or any Loan Document, including, without limitation, any transaction in which any proceeds of any Advance or Letter of Credit are applied, including, without limitation, in each of the foregoing cases, any such claim, damage, loss, liability or expense resulting from the negligence of any Indemnified Party, but excluding any such claim, damage, loss, liability or expense sought to be recovered by any Indemnified Party to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnified Party.

(d) Each of the Banks and the Agent and each of their respective directors, officers, employees, affiliates, advisors and agents shall not be liable to the Company for, and the Company agrees not to assert any claim for, amounts constituting special, indirect, consequential, punitive, treble or exemplary damages arising out of or in connection with any breach by such Bank or the Agent of any of its obligations hereunder.

(e) Without prejudice to the survival of any other agreement of the Company hereunder, all obligations of the Company under Section 2.12, Section 2.13 and this Section 8.04 shall survive the termination of the Commitments, the Allocations and this Agreement and the payment in full of all amounts hereunder and under the Notes.

Section 8.05 Right of Set-Off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making by the Required

Banks of the request or the granting by the Required Banks of the consent specified by Section 6.01 to authorize the Agent to declare the Advances due and payable pursuant to the provisions of Section 6.01, each Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank (or by any branch, agency, subsidiary or other Affiliate of such Bank, wherever located) to or for the credit or the account of the Company against any and all of the obligations of the Company now or hereafter existing under this Agreement or any Note held by such Bank or any other Loan Document, whether or not such Bank shall have made any demand under this Agreement or any such Note or any other Loan Document and although such obligations may be unmatured. Each Bank agrees promptly to notify the Company after any such set-off and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of setoff) which such Bank may have.

Section 8.06 Limitation and Adjustment of Interest. (a) Notwithstanding anything to the contrary set forth herein, in any other Loan Document or in any other document or instrument, no provision of any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith is intended or shall be construed to require the payment or permit the collection of interest in excess of the maximum non-usurious rate permitted by applicable law. Accordingly, if the transactions with any Bank contemplated hereby would be usurious under applicable law, if any, then, in that event, notwithstanding anything to the contrary in any Note payable to such Bank, this Agreement or any other document or instrument, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under applicable law that is contracted for, taken, reserved, charged or received by such Bank under any Note payable to such Bank, this Agreement or any other document or instrument shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be canceled automatically and, if theretofore paid, shall, at the option of such Bank, be credited by such Bank on the principal amount of the indebtedness owed to such Bank by the Company or refunded by such Bank to the Company, and (ii) in the event that the maturity of any Note payable to such Bank is accelerated or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to such Bank may never include more than the maximum amount allowed by such applicable law and excess interest, if any, to such Bank provided for in this Agreement or otherwise shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall, at the option of such Bank, be credited by such Bank on the principal amount of the indebtedness owed to such Bank by the Company or refunded by such Bank to the Company. In determining whether or not the interest contracted for, taken, reserved, charged or received by any Bank exceeds the maximum non-usurious rate permitted by applicable law, such determination shall be made, to the extent that doing so does not result in a violation of applicable law, by amortizing, prorating, allocating and spreading, in equal parts during the period of the full stated term of the loans hereunder, all interest at any time contracted for, taken, charged, received or reserved by such Bank in connection with such loans.

(b) In the event that at any time the interest rate applicable to any Advance made by any Bank would exceed the maximum non-usurious rate allowed by applicable law, the rate of interest to accrue on the Advances by such Bank shall be limited to the maximum non-usurious rate allowed by applicable law, but shall accrue, to the extent permitted by law, on the principal amount of the Advances made by such Bank from time to time outstanding, if any, at the maximum non-usurious rate allowed by applicable law until the total amount of interest accrued on the Advances made by such Bank equals the amount of interest which would have accrued if

the interest rates applicable to the Advances pursuant to Article II had at all times been in effect. In the event that upon the final payment of the Advances made by any Bank and termination of the Commitment of such Bank, the total amount of interest paid to such Bank hereunder and under the Notes is less than the total amount of interest which would have accrued if the interest rates applicable to such Advances pursuant to Article II had at all times been in effect, then the Company agrees to pay to such Bank, to the extent permitted by law, an amount equal to the excess of (a) the lesser of (i) the amount of interest which would have accrued on such Advances if the maximum non-usurious rate allowed by applicable law had at all times been in effect or (ii) the amount of interest which would have accrued on such Advances if the interest rates applicable to such Advances pursuant to Article II had at all times been in effect over (b) the amount of interest otherwise accrued on such Advances in accordance with this Agreement.

Section 8.07 Binding Effect. This Agreement shall become effective as provided in Section 3.01 hereof and thereafter shall be binding upon and inure to the benefit of the Company and the Agent and each Bank and their respective successors and assigns, except that the Company shall not have the right to assign its rights or obligations hereunder or under any other Loan Document or any interest herein or therein without the prior written consent of all of the Banks.

Section 8.08 Assignments and Participations. (a) Each Bank may assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of the Advances owing to it and the Notes held by it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement, (ii) except in the case of an assignment of all of a Bank's rights and obligations under this Agreement, the amount of the Advances of the assigning Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than $5,000,000, (iii) each such assignment shall be to an Eligible Assignee, and (iv) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with the Notes subject to such assignment and a processing and recordation fee of $3,000. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank hereunder and (y) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with any Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith or the execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith; (ii) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Company or any other Person or the performance or observance by the Company or any other Person of any of its respective obligations under any Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the Financial Statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement, any of the

other Loan Documents or any other instrument or document; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as Agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with such powers and discretion as are reasonably incidental thereto; (vii) such assignee appoints and authorizes the Agent to take such action as the Agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with such powers and discretion as are reasonably incidental thereto and (viii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Bank.

(c) The Agent shall maintain at its address referred to in Section 8.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the Commitment of, the Allocation of, and the principal amount of the Advances owing to, each Bank from time to time and the Unused Allocation (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Company, the Agent and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Company or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(d) (i) Upon its receipt of an Assignment and Acceptance executed by an assigning Bank and an assignee representing that it is an Eligible Assignee, together with the Notes subject to such assignment, if any, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit E, (A) accept such Assignment and Acceptance, (B) record the information contained therein in the Register and (C) give prompt notice thereof to the Company. Within five Business Days after its receipt of such notice, the Company shall, if requested by such Eligible Assignee, execute and deliver to the Agent in exchange for the surrendered Notes a new Note payable to the order of such Eligible Assignee in an amount equal to the Advance assumed by it pursuant to such Assignment and Acceptance and, if the assigning Bank has retained an Advance hereunder, a new Note payable to the order of the assigning Bank in an amount equal to the Advance retained by it hereunder (such new Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A).

(ii) Upon its receipt of a written notice signed by the Company and any Bank stating that (x) such Bank's Allocation has been reduced or (y) such Bank's Allocation has been increased, the Agent shall (A) accept such notice by countersigning, (B) record the information contained in such notice with respect to such Bank in the Register and (C) record the corresponding increase or reduction in the Unused Allocation in the Register. The Company shall pay to the Agent a processing and recordation fee of $3,000 on each date that changes in Allocations are recorded by the Agent. Each such increase or reduction of Allocations hereunder shall be in a minimum amount of $1,000,000 or such lesser amount as may constitute a Bank's entire Allocation. In furtherance of this clause and of Section 2.18, each Bank and the Company agrees to provide to the Agent such information as the Agent may reasonably request from time to time regarding Immaterial LCs issued by a Bank.

(e) Each Bank may sell participations to one or more banks or other entities (other than the Company or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Notes held by it); provided, however, that (i) such Bank's obligations under this Agreement (including, without limitation, its Commitment to the Company hereunder) shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such

obligations, (iii) such Bank shall remain the holder of any such Notes for all purposes of this Agreement, (iv) the Company, the Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement, and (v) the terms of any such participation shall not restrict such Bank's ability to make any amendment or waiver of this Agreement or any Note or such Bank's ability to consent to any departure by the Company therefrom without the approval of the participant, except that the approval of the participant may be required to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Advances or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation.

(f) Any Bank may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.08, disclose to the assignee or participant or proposed assignee or participant, any information relating to any Loan Party or any of its Subsidiaries furnished to such Bank by or on behalf of the Company or any of its Subsidiaries; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to comply with Section 8.13.

(g) Notwithstanding any other provision set forth in this Agreement, any Bank may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and the Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Federal Reserve Board.

Section 8.09 Release of Collateral. (a) Upon the sale, lease, transfer or other disposition of any item of Collateral of any Loan Party (including, without limitation, as a result of the sale or merger, in accordance with the terms of the Loan Documents, of the Loan Party that owns such Collateral) in accordance with the terms of the Loan Documents, the Agent will, at the Company's expense, execute and deliver to the Collateral Agent such documents as the Collateral Agent may reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted under the Collateral Documents in accordance with the terms of the Loan Documents.

(b) Upon the occurrence of the Collateral Release Date, the Agent will, at the Company's written request and expense, execute and deliver to the Collateral Agent such documents as the Collateral Agent may reasonably request to evidence the release of the Collateral from the assignment and security interest granted under the Collateral Documents.

Section 8.10 No Liability of Banks with Respect to Letters of Credit. The Company assumes all risks of the acts or omissions of any beneficiary or transferee of any Letter of Credit with respect to its use of such Letter of Credit. Neither any Bank nor any of its officers or directors shall be liable or responsible for: (a) the use that may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by such Bank against presentation of documents that do not comply with the terms of a Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit, except that the Company shall have a claim against such Bank, and such Bank shall be liable to the Company, to the extent of any direct, but not consequential, damages suffered by the Company that the Company proves were caused by (i) such Bank's willful misconduct or gross negligence as determined in a final, non-appealable judgment by a court of competent jurisdiction in determining whether documents presented under any Letter of Credit comply with the terms of the Letter of Credit or (ii) such Bank's willful failure to make lawful

payment under a Letter of Credit after the presentation to it of a draft and certificates strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, such Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

Section 8.11 Execution in Counterparts; Affiliates. (a) This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile shall be as effective as delivery of a manually executed counterpart of this Agreement.

(b) Except as the Company and a Bank may otherwise agree, each of the banks executing this Agreement, by its execution hereof, hereby (i) represents and warrants that it is authorized to bind each of its Affiliates that has issued a Letter of Credit to the terms hereof, including without limitation Section 2.05(b) hereof and (ii) acknowledges that each such Affiliate shall be deemed to be a "Bank" for all purposes hereunder.

Section 8.12 Judgment (a) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in Dollars into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase Dollars with such other currency at Citibank's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

(b) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in a Foreign Currency into Dollars, the parties agree to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Agent could purchase such Foreign Currency with Dollars at Citibank's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

(c) The obligation of the Company in respect of any sum due from it in any currency (the "Primary Currency") to any Bank or the Agent hereunder shall, notwithstanding any judgment in any other currency, be discharged only to the extent that on the Business Day following receipt by such Bank or the Agent (as the case may be), of any sum adjudged to be so due in such other currency, such Bank or the Agent (as the case may be) may in accordance with normal banking procedures purchase the applicable Primary Currency with such other currency; if the amount of the applicable Primary Currency so purchased is less than such sum due to such Bank or the Agent (as the case may be) in the applicable Primary Currency, the Company agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Bank or the Agent (as the case may be) against such loss, and if the amount of the applicable Primary Currency so purchased exceeds such sum due to any Bank or the Agent (as the case may be) in the applicable Primary Currency, such Bank or the Agent (as the case may be) aggress to remit to the Company such excess.

Section 8.13 Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York. Without limiting the intent of the parties set forth above, (i) Chapter 346 of the Texas Finance Code (formerly known as Chapter 15, Subtitle 3, Title 79, of the Revised Civil Statutes of Texas, 1925), as amended (relating to revolving loans and revolving triparty accounts), shall not apply to this Agreement, the Notes or the transactions contemplated hereby, and (ii) to the extent that any Bank may be subject to Texas law limiting the amount of interest payable for its account, such Bank shall utilize the indicated (weekly) rate ceiling from time to

time in effect as provided in Chapter 303 of the Texas Finance Code (formerly known as Article 5069-1.04 of the Revised Civil Statutes of Texas), as amended.

Section 8.14 Jurisdiction; Damages. To the fullest extent it may effectively do so under applicable law, (i) each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its Property, to the non-exclusive jurisdiction of any New York state court or federal court sitting in New York City, and any appellate court from any appeal thereof, in any action or proceeding arising out of or relating to this Agreement, any of the Notes, any other Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of such action or proceeding may be heard and determined in any such court; (ii) each of the parties hereto hereby irrevocably and unconditionally waives the defense of an inconvenient forum to the maintenance of such action or proceeding and any objection that it may now or hereafter have to the laying of venue of any such action or proceeding in any such court; (iii) the Company hereby agrees that service of copies of the summons and complaint and any other process which may be served in any such action or proceeding may be made by mailing or delivering a copy of such process to the Company at its address specified in Section 8.02; and (iv) each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing herein shall affect the rights of any Bank or the Agent to serve legal process in any other manner permitted by law or affect the right that any party hereto may otherwise have to bring any action or proceeding relating to this Agreement, any of the Notes or any other instrument or document furnished pursuant hereto or in connection herewith in the courts of any other jurisdiction. Each of the Company, the Agent and the Banks hereby irrevocably and unconditionally waives, to the fullest extent it may effectively do so under applicable law, any right it may have to claim or recover in any action or proceeding referred to in this Section 8.14 any exemplary or punitive damages. The Company hereby further irrevocably waives, to the fullest extent it may effectively do so under applicable law, any right it may have to claim or recover in any action or proceeding referred to in this Section 8.14 any special or consequential damages.

Section 8.15 Confidentiality. Each Bank agrees that it will use reasonable efforts, to the extent not inconsistent with practical business requirements, not to disclose without the prior consent of the Company (other than to employees, auditors, accountants, counsel or other professional advisors of the Agent or any Bank) any information with respect to the Company or its Subsidiaries or the Transaction which is furnished pursuant to this Agreement, provided that any Bank may disclose any such information (a) as has become generally available to the public, (b) as may be required or appropriate in any report, statement or testimony submitted to or required by any municipal, state or Federal regulatory body having or claiming to have jurisdiction over any Bank or submitted to or required by the Federal Reserve Board or the Federal Deposit Insurance Corporation or similar organizations (whether in the United States or elsewhere) or their successors, (c) as may be required or appropriate in response to any summons or subpoena in connection with any litigation, (d) in order to comply with any law, order, regulation or ruling applicable to any Bank, (e) to any assignee, participant, prospective assignee, or prospective participant that has agreed to comply with this Section 8.15, (f) in connection with the exercise of any remedy by any Bank pertaining to this Agreement, any of the Notes or any other document or instrument delivered in connection herewith, (g) in connection with any litigation involving any Bank pertaining to any Loan Document or any other document or instrument delivered in connection herewith, (h) to any Bank or the Agent, or (i) to any Affiliate of any Bank. Notwithstanding anything herein to the contrary, the Company and its representatives, the Co-Lead Arrangers, Agent and Banks, and their representatives, may disclose to any and all persons, without limitation of any kind, the United States tax treatment and tax structure of the Transaction and all materials of any kind (including opinions or other tax analyses) that are provided to the Company, the Co-Lead Arrangers, Agent or Banks, as the case may be, relating to such United States tax treatment or tax structure.

Section 8.16 Waiver of Jury Trial. Each of the Company, the Agent and the Banks hereby irrevocably and unconditionally waives, to the fullest extent it may effectively do so under applicable law, any and all right to trial by jury in any action or proceeding arising out of or relating to this Agreement, any of the Notes, any other Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith or the transactions contemplated hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

COMPANY:

HALLIBURTON COMPANY

By: _____
Name:
Title:

ACCOUNT PARTIES:

KELLOGG BROWN & ROOT, INC.

By: _____
Name:
Title:

DII INDUSTRIES, LLC

By: _____
Name:
Title:

EXECUTION COPY

EXHIBIT 10.4

U.S. $1,000,000,000

SENIOR UNSECURED CREDIT FACILITY AGREEMENT

Dated as of November 3, 2003

Among

HALLIBURTON COMPANY

as Borrower,

THE BANKS NAMED HEREIN

as Banks,

CITICORP NORTH AMERICA, INC.

as Administrative Agent,

JPMORGAN CHASE BANK

as Syndication Agent,

and

ABN AMRO BANK, N.V.

as Documentation Agent

Co-Lead Arrangers:

CITIGROUP GLOBAL MARKETS INC.,

GOLDMAN SACHS CREDIT PARTNERS L.P.

and

J.P. MORGAN SECURITIES INC.

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Exhibit D - Form of Assignment and Acceptance

SENIOR UNSECURED CREDIT FACILITY AGREEMENT
Dated as of November 3, 2003

Halliburton Company, a Delaware corporation (the "Borrower"), the lenders party hereto and Citicorp North America, Inc. ("CNAI"), as Administrative Agent hereunder, agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

Section 1.01 Certain Defined Terms. As used in this Agreement, the terms "Borrower" and "CNAI" shall have the meanings set forth above and the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Advance" has the meaning specified in Section 2.01 and refers to a Base Rate Advance or a Eurodollar Rate Advance (each, a "Type" of Advance).

"Affected Bank" has the meaning specified in Section 2.15.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or any Subsidiary of such Person.

"Agent" means CNAI in its capacity as Administrative Agent pursuant to Article VII and any successor in such capacity pursuant to Section 7.06.

"Agent's Account" means the account of the Agent maintained by the Agent with _____ at its office at _____, New York, New York _____, Account No. _____, Attention: _____, or such other account as the Agent shall specify in writing to the Banks.

"Agreement" means this Senior Unsecured Credit Facility Agreement dated as of October 30, 2003 among the Borrower, the Banks and the Agent, as amended from time to time in accordance with the terms hereof.

"Applicable Commitment Fee Rate" has the meaning specified in Annex A.

"Applicable Lending Office" means, with respect to each Bank, (i) in the case of a Base Rate Advance, such Bank's Domestic Lending Office, and (ii) in the case of a Eurodollar Rate Advance, such Bank's Eurodollar Lending Office.

"Applicable Margin" has the meaning specified in Annex A.

"Asset Sale" means any sale, lease or other disposition by the Borrower or any of its Subsidiaries of any asset but excluding (i) dispositions of assets in the ordinary course of business, (ii) dividends and distributions permitted by Section 5.02(c), (iii) dispositions to the Borrower or a Subsidiary of the Borrower, (iv) dispositions constituting investments and capital contributions, (v) dispositions of any fixed or capital asset pursuant to a sale/leaseback transaction which is consummated within 180 days of the Borrower or such Subsidiary acquiring or completing the construction of such asset, and (vi) dispositions of "Collateral" under and as defined in the Revolving Credit Facility and the Master LC Facility which are required to be deposited in the Shared Collateral Account or the L/C Cash Collateral Account. For the avoidance of doubt, a Securitization Transaction does not constitute an Asset Sale.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Bank and an Eligible Assignee, and accepted by the Agent, in substantially the form of Exhibit D.

"Availability Date" means the date, on or before the Termination Date, of satisfaction in full of the Conditions Precedent to Effectiveness set forth in Section 3.01.

"Bankruptcy Court" means the U.S. Bankruptcy Court for the Western District of Pennsylvania.

"Banks" means the Banks party hereto from time to time as lenders, including each Eligible Assignee that becomes a party hereto pursuant to Section 8.08(a), (b) and (d).

"Base Rate" means, for any period, a fluctuating interest rate per annum as shall be in effect from time to time which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate; and

(b) the sum (adjusted to the nearest 1/8 of 1% or, if there is no nearest 1/8 of 1%, to the next higher 1/8 of 1%) of (i) 1/2 of one percent per annum plus (ii) the rate obtained by dividing (A) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average (adjusted to the basis of a year of 360 days) being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three-week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing selected by Citibank, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three-week period by the Federal Reserve Board for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for Citibank with respect to liabilities consisting of or including (among other liabilities) three-month Dollar non-personal time deposits in the United States, plus (iii) the average during such three-week period of the annual assessment rates estimated by Citibank for determining the then current annual assessment payable by Citibank to the Federal Deposit Insurance Corporation (or any successor) for insuring Dollar deposits of Citibank in the United States; and

(c) the sum of 1/2 of one percent per annum plus the Federal Funds Rate in effect from time to time.

"Base Rate Advance" means an Advance which bears interest as provided in Section 2.07(a).

"Borrowing" means a borrowing consisting of Advances of the same Type made on the same day by the Banks pursuant to Section 2.01 and, if such Advances are Eurodollar Rate Advances, having Interest Periods of the same duration.

"Business Day" means a day of the year on which banks are not required or authorized to close in New York City and, if the applicable Business Day relates to any Eurodollar Rate Advance, on which dealings in Dollar deposits are carried on in the London interbank market.

"Chapter 11 Cases" means the cases to be filed by the Filing Entities under Chapter 11 of the Bankruptcy Code.

"Citibank" means Citibank, N.A., a national banking association.

"Co-Lead Arrangers" means Citigroup Global Markets Inc., GSCP and J.P. Morgan Securities Inc.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor Federal tax code, and the regulations promulgated and rulings issued thereunder, in each case as now or hereafter in effect, and any reference to any statutory provision shall be deemed to be a reference to any successor provision or provisions.

"Collateral Trust Agreement" means the Collateral Trust Agreement, dated as of November __, 2003, between the Borrower and the Collateral Trustee.

"Collateral Trustee" means Citibank, N.A., in its capacity as collateral trustee under the Collateral Trust Agreement.

"Commitment" means, with respect to any Bank at any time, the amount set forth opposite such Bank's name on Schedule I hereto, as such amount may be reduced at or prior to such time pursuant to Section 2.04.

"Commitment Fee" has the meaning specified in Section 2.06(a).

"Consolidated Debt" means at any time the Debt of the Borrower and its consolidated subsidiaries calculated on a consolidated basis as of such time, determined in accordance with GAAP.

"Consolidated Debt to Total Consolidated Capitalization Ratio" means, as of any date of calculation, the ratio of the Borrower's Consolidated Debt outstanding on such date to the sum of (i) Consolidated Debt and (ii) Consolidated Net Worth outstanding on such date.

"Consolidated EBITDA" means, with reference to any period of time, the EBITDA of the Borrower and its consolidated subsidiaries calculated on a consolidated basis for such period, determined in accordance with GAAP.

"Consolidated Interest Expense" means, with reference to any period, the Interest Expense of the Borrower and its consolidated subsidiaries calculated on a consolidated basis for such period, determined in accordance with GAAP.

"Consolidated Net Worth" means at any time the consolidated stockholders' equity of the Borrower and its consolidated subsidiaries calculated on a consolidated basis as of such time (excluding treasury stock), determined in accordance with GAAP and excluding any aggregate charges for asbestos litigation claims.

"Convert", "Conversion" and "Converted" each refers to a conversion of Advances of one Type into Advances of the other Type pursuant to Section 2.08, 2.14 or 2.15.

"Convertible Notes" means the 3 1/8% Convertible Senior Notes of the Borrower due July 15, 2023, issued pursuant to the Convertible Notes Indenture.

"Convertible Notes Indenture" means the Indenture dated as of June 30, 2003 between the Borrower, as issuer and JPMCB, as Trustee.

"Debt" of any Person means (i) Indebtedness of such Person, plus (ii) obligations of such Person under direct third party guaranties for borrowed money, plus (iii) the aggregate face amount of all outstanding letters of credit in respect of which such Person has any reimbursement obligation (other than Performance Letters of Credit), plus (iv) 50% of the aggregate face amount of all outstanding Performance Letters of Credit issued of such Person, plus (v) the Net Asbestos Liability, minus (vi) any Unrestricted Cash.

"Debt Incurrence" means the issuance to unaffiliated third parties by the Borrower or any of its Subsidiaries of any Indebtedness in a public or private transaction, excluding Indebtedness (i) incurred pursuant to the Revolving Credit Facility or the Master LC Facility, (ii) incurred pursuant to a Working Capital Facility, (iii) of the type described in Section 5.02(a)(iii) or Section 5.02(b)(iii), (iv) constituting Permitted Non-Recourse Indebtedness, (v) constituting capital leases or (vi) constituting a guaranty of Indebtedness of a type described in clauses (i) through (v) of this definition.

"Default" means any event or condition which with notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Disclosed Litigation" means the litigation described in the information provided by or on behalf of the Borrower to the Agent for disclosure to the Banks prior to the Availability Date of this Agreement.

"Disclosure Statement" means the disclosure statement, dated as of September 18, 2003, with respect to the Plan of Reorganization proposed to be filed in connection with the Chapter 11 Cases as may be supplemented or restated prior to the date of filing of the Chapter 11 Cases.

"Documentation Agent" means ABN AMRO Bank, N.V., solely in its capacity as documentation agent under the Agreement.

"Dollars" and "$" means lawful money of the United States of America.

"Domestic Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Domestic Lending Office" opposite its name on Schedule I hereto, in the Assignment and Acceptance pursuant to which it became a Bank, or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Agent.

"EBITDA" means (a) Net Income plus (b) to the extent deducted in determining Net Income, (i) Interest Expense, (ii) taxes, and (iii) depreciation and amortization minus (c) to the extent added in determining Net Income, extraordinary gains (including gains from assets sales) for such period, plus (d) to the extent recognized in determining Net Income, extraordinary, non-recurring losses (excluding asbestos charges) for such period. EBITDA shall be calculated on a rolling four quarters basis using the financial results for the four-quarter period ending on the date as of which the calculation is made.

"Eligible Assignee" means (i) any Bank, (ii) any Affiliate of any Bank and (iii) with the consent of the Agent (which consent shall not be unreasonably withheld) and, so long as no Event of Default under Section 6.01(a) or 6.01(e) shall have occurred and be continuing, the Borrower (which consent shall not be unreasonably withheld), any other Person not covered by clause (i) or (ii) of this definition; provided, however, that neither the Borrower nor any Affiliate of the Borrower shall be an Eligible Assignee.

"Equity Interests" means, with respect to any Person, shares of capital stock of (or other ownership or profit interests in) such Person, warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other interests), and other ownership or profit interests in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

"Equity Issuance" means any issuance in a capital markets transaction (public or private) of Equity Interests of the Borrower or any Subsidiary of the Borrower to unaffiliated third parties, excluding (i) Equity Interests issued pursuant to plans, programs and practices described in Section 5.02(c)(v) and (vii), (ii) Equity Interests issued as consideration for a business acquisition, (iii) Equity Interests issued in connection with the Stock Agreement and (iv) Equity Interests issued in a conversion of the Convertible Notes in accordance with their terms.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA Affiliate" means any Person that for purposes of Title IV of ERISA is a member of the Borrower's controlled group, or under common control with the Borrower, within the meaning of Section 414(a) or (b) of the Internal Revenue Code, and, for purposes of Section 412 of the Internal Revenue Code, Section 414(m) of the Internal Revenue Code.

"ERISA Event" means (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of subsection (1) of Section 4043(b) of ERISA (without regard to subsection (2) of such Section) are met with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of the Borrower or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by the Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for the imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, a Plan; provided, however, that in no event shall the filing of the Chapter 11 Cases be an ERISA Event.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Federal Reserve Board, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto, in the Assignment and Acceptance pursuant to which it became a Bank (or, if no such office is specified, its Domestic Lending

Office), or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Agent.

"Eurodollar Rate" means, for any Interest Period for each Eurodollar Rate Advance comprising part of the same Borrowing, an interest rate per annum (rounded upward to the nearest whole multiple of 1/100 of 1% per annum, if such rate per annum is not such a multiple) equal to the rate per annum at which deposits in Dollars are offered by the principal office of Citibank in London, England to prime banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to Citibank's Eurodollar Rate Advance comprising part of such Borrowing and for a period equal to such Interest Period.

"Eurodollar Rate Advance" means an Advance which bears interest as provided in Section 2.07(b).

"Eurodollar Rate Reserve Percentage" of any Bank for any Interest Period for all Eurodollar Rate Advances comprising part of the same borrowing means the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for such Bank with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"Events of Default" has the meaning specified in Section 6.01.

"Existing Indebtedness" means Indebtedness of each Borrower and its Subsidiaries outstanding immediately before the date of filing of the Chapter 11 Cases.

"Exit Date" means the date on which (i) the Plan of Reorganization shall have been confirmed and (ii) the Order Entry shall have occurred.

"Federal Funds Rate" means, for any day, a fluctuating interest rate per annum equal for such day to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three Federal funds brokers of recognized standing selected by it.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System or any successor thereof.

"Filing Entities" means the Borrower's Subsidiaries listed on Schedule II hereto.

"Financial Statements" means the consolidated balance sheet and other financial statements of the Borrower and its consolidated subsidiaries dated December 31, 2002 included in the Borrower's Form 10-K filing with the SEC for the fiscal year ended December 31, 2002, as amended prior to the date of filing of the Chapter 11 Cases in order to reflect changes in the Borrower's segment reporting.

"First Advance" has the meaning specified in Section 2.01.

"First Drawdown Date" has the meaning specified in Section 2.01.

"GAAP" means generally accepted accounting principles in the United States of America.

"GSCP" means Goldman Sachs Credit Partners L.P.

"HESI" means Halliburton Energy Services, Inc., a Delaware corporation.

"Indebtedness" means, for any Person, (a) its liabilities for borrowed money or the deferred purchase price of property or services (other than current accounts and salaries payable or accrued in the ordinary course of business), (b) obligations of such Person for borrowed money evidenced by bonds, debentures, notes or other similar instruments and (c) all Indebtedness of others the payment, purchase or other acquisition or obligation of which such Person has assumed, or the payment, purchase or other acquisition or obligation of which such Person has otherwise become directly or contingently liable for.

"Indemnified Costs" has the meaning specified in Section 7.05.

"Indemnified Party" has the meaning specified in Section 8.04(c).

"Interest Charge Coverage Ratio" means, as of the end of any fiscal quarter, the ratio of (a) Consolidated EBITDA for the four-fiscal quarter period then ended (excluding, for each quarter through and including the quarter ending December 31, 2003, any non-cash charges related to the proposed global asbestos settlement contemplated in the Borrower's press release dated December 18, 2002) to (b) Consolidated Interest Expense (calculated in accordance with GAAP) for the four-fiscal quarter period then ended.

"Interest Expense" means for any period, interest expense, whether expensed or capitalized, paid, accrued or scheduled to be paid or accrued during such period, determined in accordance with GAAP, without duplication.

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same Borrowing, the period commencing on the date of such Eurodollar Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurodollar Rate Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, with respect to Eurodollar Rate Advances, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months (or, as to any Interest Period, such other period as the Borrower and the Banks may agree to for such Interest Period), in each case as the Borrower may, upon notice received by the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period (or, as to any Interest Period, at such other time as the Borrower and the Banks may agree to for such Interest Period), select; provided, however, that:

(i) Interest Periods commencing on the same date for Advances comprising part of the same Borrowing shall be of the same duration;

(ii) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day;

(iii) any Interest Period which begins on the last Business Day of the calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month in which it would have ended if there were a numerically corresponding day in such calendar month; and

(iv) the Borrower may not select an Interest Period for any Advance if the last day of such Interest Period would be later than the date on which the Advances are then payable in full or if any Event of Default under Section 6.01(a) shall have occurred and be continuing at the time of selection.

"Joint Venture Debt" has the meaning specified in Section 5.02(a)(vii).

"JPMCB" means JPMorgan Chase Bank, a New York banking corporation.

"June 2003 10-Q" means the Borrower's Form 10-Q filing with the SEC for the quarter ended on June 30, 2003.

"JV Subsidiary" means each Subsidiary of the Borrower (a) that, at any time, directly holds an Equity Interest in any joint venture (not a Subsidiary) and (b) that has no other material assets.

"Lien" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including, without limitation, the lien or retained security title of a conditional vendor, a statutory deemed trust and any easement, right of way or other encumbrance on title to real property; provided, however, that for the avoidance of doubt, the interest of a Person as owner or lessor under charters or leases of property and the rights of setoff of banks shall not constitute a "Lien" on or in respect of the relevant property.

"Loan Documents" means this Agreement and the Notes.

"Master LC Facility Agreement" means the senior secured master letter of credit facility agreement, dated as of October 30, 2003, among the Borrower, the Borrower's subsidiaries party thereto, the banks party thereto, CNAI, as agent, and Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as co-lead arrangers.

"Material Adverse Effect" means a material adverse effect on (a) the business, condition (financial or otherwise), operations, performance or properties of the Borrower and its Subsidiaries, taken as a whole, (b) the rights and remedies of any Agent or any Bank under any Loan Document or (c) the ability of the Borrower to perform its Obligations under any Loan Document to which it is or is to be a party; provided, however, the filing of the Chapter 11 Cases shall not be deemed to constitute a Material Adverse Effect.

"Maturity Date" means the date which is 364 days after the First Drawdown Date.

"Moody's" means Moody's Investors Service, Inc. or any successor to its debt ratings business.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and at least one Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Net Asbestos Liability" means (a) estimated asbestos litigation claims minus (b) estimated insurance for asbestos litigation claims, in each case as reflected in the financial statements most recently delivered pursuant to Section 5.01(d)(i) and 5.01(d)(ii) (or, prior to such date, financial statements as filed in the June 2003 10-Q), to the extent that such liability is greater than zero.

"Net Cash Proceeds" means, with respect to any Reduction Event, an amount equal to the cash proceeds received by the Borrower or any of its Subsidiaries from or in respect of such Reduction Event (whether as initial consideration or through payment or disposition of deferred consideration), less (at the option of the Borrower) (without duplication):

(a) reasonable and customary brokerage commissions, underwriting fees and discounts, legal fees, finder's fees and other similar fees and commissions;

(b) the amount of taxes payable in connection with or as a result of such transaction, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid to a Person that is not an Affiliate of the Borrower of the Affiliate or any Borrower and are properly attributable to such transaction or to the asset that is the subject thereof;

(c) if such Reduction Event is an Asset Sale, (i) the amount of all Indebtedness secured by an assets subject to that Asset Sale and subject to mandatory prepayment as a result of that Asset Sale, and (ii) up to $150,000,000 (less the aggregate amount deducted from Net Cash Proceeds in reliance on this subclause (ii) in connection with one or more prior Asset Sales consummated on or after the date hereof) of such cash proceeds.

"Net Income" means, for any period, the Borrower's net income for such period, as determined in accordance with GAAP.

"Note" means a promissory note of the Borrower payable to the order of any Bank, in substantially the form of Exhibit A hereto, evidencing the aggregate indebtedness of the Borrower to such Bank resulting from the Advances owing to such Bank.

"Notice of Borrowing" has the meaning specified in Section 2.02(a).

"Obligation" means, with respect to any Person, any payment, performance or other obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any proceeding referred to in Section 6.01(e). Without limiting the generality of the foregoing, the Obligations of the Borrower under the Loan Documents include (a) the obligation to pay principal, interest, Letter of Credit commissions, charges, expenses, fees, attorneys' fees and disbursements, indemnities and other amounts payable by the Borrower under any Loan Document and (b) the obligation of the Borrower to reimburse any amount in respect of any of the foregoing that any Bank, in its sole discretion, may elect to pay or advance on behalf of the Borrower.

"Offering Document" has the meaning specified in Section 3.01(p).

"Order Entry" has the meaning specified in Section 3.01(m).

"Other Taxes" has the meaning specified in Section 2.13(b).

"Performance Letter of Credit" means a letter of credit qualifying as a "performance-based standby letter of credit" under 12 C.F.R. Part 3, Appendix A, Section 3(b)(2)(i) or any successor U.S. Comptroller of the Currency regulation.

"Permitted Non-Recourse Indebtedness" means Indebtedness and other obligations of the Borrower or any Subsidiary incurred in connection with the acquisition or construction by the Borrower or such Subsidiary of any property with respect to which:

(a) the holders of such Indebtedness and other obligations agree that they will look solely to the property so acquired or constructed and securing such Indebtedness and other obligations, and neither the Borrower nor any Subsidiary (i) provides any direct or indirect credit support, including any undertaking, agreement or instrument that would constitute Indebtedness or (ii) is directly or indirectly liable for such Indebtedness; and

(b) no default with respect to such Indebtedness or obligations would cause, or permit (after notice or passage of time or otherwise), according to the terms thereof, any holder (or any representative of any such holder) of any other Indebtedness of the Borrower or such Subsidiary to declare a default on such Indebtedness or cause the payment, repurchase, redemption, defeasance or other acquisition or retirement for value thereof to be accelerated or payable prior to any scheduled principal payment, scheduled sinking fund or maturity.

"Person" means an individual, partnership, corporation (including a business trust), joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof or any trustee, receiver, custodian or similar official.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Plan of Reorganization" means the plan of reorganization in the form attached as Exhibit B to the Disclosure Statement.

"Pro Rata Share" of any amount means, with respect to any Bank at any time, such amount times a fraction (a) the numerator of which is the sum of (x) the amount of such Bank's Commitment at such time plus (y) the aggregate principal amount of Advances made by such Bank and outstanding at such time and (b) the denominator of which is the sum of (x) the aggregate Commitments at such time plus (y) the aggregate principal amount of Advances outstanding at such time.

"Project Financing" means Indebtedness and other obligations that (a) are incurred by a Project Finance Subsidiary, (b) are secured by a Lien of the type permitted under clause (iii) of Section 5.02(a) and (c) constitute Permitted Non-Recourse Indebtedness (other than recourse to the assets of, and Equity Interests in, any Project Finance Subsidiary).

"Project Finance Subsidiary" means a Subsidiary that is a special-purpose entity created solely to (i) construct or acquire any asset or project that will be or is financed solely with Project Financing for such asset or project and related equity investments in, loans to, or capital contributions in, such Subsidiary that are not prohibited hereby and/or (ii) own an interest in any such asset or project.

"Projections" has the meaning assigned thereto in Section 4.01(l).

"Property" or "asset" (in each case, whether or not capitalized) means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Receivables Subsidiary" means (i) Oilfield Services Receivables Corporation, a Delaware corporation, and any other transferor under the transaction referred to in Section 5.02(a)(i), including any replacement transaction and (ii) any other special purpose entity created in connection with a Securitization Transaction.

"Reduction Event" mean (i) any Asset Sale (other than an Asset Sale, the Net Cash Proceeds of which, when aggregated with the Net Cash Proceeds of any related Asset Sale, do not exceed $5,000,000), (ii) any Debt Incurrence, or (iii) any Equity Issuance.

"Register" has the meaning specified in Section 8.08(c).

"Regulation U" means Regulation U of the Federal Reserve Board, as the same is from time to time in effect, and all official rulings and interpretations thereunder or thereof.

"Required Banks" means at any time Banks owed or holding at least 66 2/3% of the sum of (i) the aggregate principal amount of the Advances outstanding at such time and (ii) the aggregate Commitments at such time.

"Responsible Officer" means each of the chairman and chief executive officer, the president, the chief financial officer, the treasurer, the secretary or any vice president (whether or not further described by other terms, such as, for example, senior vice president or vice president-operations) of the Borrower or, if any such office is vacant, any Person performing any of the functions of such office.

"Revolving Credit Agreement" means the 3-Year Revolving Credit Agreement dated as of October 30, 2003 among the Borrower, the banks party thereto and CNAI, as Administrative Agent.

"S&P" means Standard & Poor's Ratings Service Group, a division of The McGraw-Hill Companies, Inc. on the date hereof, or any successor to its debt ratings business.

"SEC" means the Securities and Exchange Commission or any successor thereof.

"Second Advance" has the meaning specified in Section 2.01.

"Second Drawdown Date" has the meaning specified in Section 2.01.

"Secured Holders" has the meaning specified under the Collateral Trust Agreement.

"Securitization Transaction" means any transfer by the Borrower or any Subsidiary of accounts receivable or interests therein (including, without limitation, all collateral securing such accounts receivable, all contracts and guarantees or other obligations in respect of such accounts receivable, the proceeds of such receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations involving accounts receivables), or grant of a security interest therein, (a) to a trust, in part, directly or indirectly, by the incurrence or issuance by the transferee or any successor transferee of Indebtedness or securities that are to receive payments from, or that represent interests in, the cash flow derived from such accounts receivable or interests, or (b) directly to one or more investors or other purchasers.

"Settlement Payments" means payments by the Borrower of approximately $2.775 billion to asbestos and silica claimants as described in the Disclosure Statement.

"Shared Collateral Account" means the account of the Borrower with Citibank, N.A. at its office at _____ in the name of the Collateral Trustee and under its sole dominion and control, and subject to the terms of the Pledge Agreement, dated as of November __, 2003, made by the Borrower and Halliburton Energy Services, Inc. in favor of the Collateral Trustee, and the Collateral Trust Agreement.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and no Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"Subsidiary" of any Person means any corporation (including a business trust), partnership, joint stock company, trust, unincorporated association, joint venture or other entity of which more than 50% of the outstanding capital stock, securities or other ownership interests having ordinary voting power to elect directors of such corporation or, in the case of any other entity, others performing similar functions (irrespective of whether or not at the time capital stock, securities or other ownership interests of any other class or classes of such corporation or such other entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person, by such Person and one or more other Subsidiaries of such Person or by one or more other Subsidiaries of such Person.

"Subsidiary Guarantor" means a Subsidiary of the Borrower that has executed a guaranty of the Borrower's Obligations hereunder in form and substance satisfactory to the Agent.

"Syndication Agent" means JPMCB, solely in its capacity as syndication agent under the Agreement.

"Take-Out Bankers" means one or more investment bankers reasonably satisfactory to CNAI, GSCP and JPMCB.

"Take-Out Securities" means debt or equity-linked securities of the Borrower intended to finance the Settlement Payments or refinance the Advances under this Agreement.

"Taxes" has the meaning specified in Section 2.13(a).

"Termination Date" means June 30, 2004, or the earlier date of termination in whole of the Commitments pursuant to Section 2.04 or Section 6.01.

"Transaction" means the consummation of the Plan of Reorganization, the creation of the Trusts, the Settlement Payments and related transactions.

"Trusts" means the trusts to be organized pursuant to Section 524(g) and 105(a) of the Bankruptcy Code as provided in the Plan of Reorganization.

"Type" has the meaning specified in the definition of Advance.

"Unrestricted Cash" means cash not subject to a security interest granted by a Person to a third party (other than the Collateral Trustee for the benefit of the Secured Holders). For the avoidance of doubt, contractual and statutory offset rights are not considered to be security interests for the purposes of this definition.

"Working Capital Facility" means a committed or uncommitted revolving credit agreement facility entered into by the Borrower or a Subsidiary of the Borrower to obtain working capital financing in the ordinary course of business.

Section 1.02 Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding".

Section 1.03 Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Agent notifies the Borrower that the Required Banks request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

Section 1.04 Miscellaneous. The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section, Schedule and Exhibit references are to Articles and Sections of and Schedules and Exhibits to this Agreement, unless otherwise specified.

Section 1.05 Ratings. A rating, whether public or private, by S&P or Moody's shall be deemed to be in effect on the date of announcement or publication by S&P or Moody's, as the case may be, of such rating or, in the absence of such announcement or publication, on the effective date of such rating and will remain in effect until the announcement or publication of, or (in the absence of such announcement or publication) the effective date of, any change in such rating. In the event the standards for any rating by Moody's or S&P are revised, or such rating is designated differently (such as by changing letter designations to numerical designations), then the references herein to such rating shall be deemed to refer to the revised or redesignated rating for which the standards are closest to, but not lower than, the standards at the date hereof for the rating which has been revised or redesignated, all as determined by the Required Banks in good faith. Long-term debt supported by a letter of credit, guaranty or other similar credit enhancement mechanism shall not be considered as senior unsecured long-term debt. If either Moody's or S&P has at any time more than one rating applicable to senior unsecured long-term debt of any Person, the lowest such rating shall be applicable for purposes hereof. For example, if Moody's rates some senior unsecured long-term debt of the Borrower Baa1 and other such debt of the Borrower Baa2, the senior unsecured long-term debt of the Borrower shall be deemed to be rated Baa2 by Moody's.

ARTICLE II
AMOUNTS AND TERMS OF THE ADVANCES

Section 2.01 The Advances. Each Bank severally agrees, on the terms and conditions hereinafter set forth, to make (i) a single advance (the "First Advance") to the Borrower on a date (the "First Drawdown Date") designated in writing by the Borrower, which shall be a date on or after the Availability Date but prior to the Termination Date, in an amount not to (x) exceed such Bank's Commitment or (y) be less than 50% of such Bank's Commitment, in each case as of the First Drawdown Date and (ii) a second advance (the "Second Advance" and, together with the First Advance, the "Advances" and each, an "Advance") to the Borrower on a date (the "Second Drawdown Date")

designated in writing by the Borrower, which shall be a date not later than 90 days after the First Drawdown Date and in no event later than the Termination Date, in an amount not to exceed such Bank's Commitment as of the Second Drawdown Date. Amounts borrowed under this Section 2.01 and repaid or prepaid may not be reborrowed.

Section 2.02 Making the Advances. (a) Each Borrowing shall be made on notice in the form of Exhibit B (a "Notice of Borrowing"), given not later than 11:00 A.M. (New York City time) (i) on the date of a proposed Borrowing comprised of Base Rate Advances and (ii) on the third Business Day prior to the date of a proposed Borrowing comprised of Eurodollar Rate Advances, by the Borrower to the Agent, which shall give to each Bank prompt notice thereof by facsimile. Each Notice of Borrowing shall be by facsimile, confirmed immediately in writing, in substantially the form of Exhibit B, specifying therein the requested (i) date of such Borrowing, (ii) Type of Advances comprising such Borrowing, (iii) aggregate amount of such Borrowing, and (iv) if such Borrowing is to be comprised of Eurodollar Rate Advances, the initial Interest Period for each such Advance. Each Bank shall, before 2:00 p.m. (New York City time) on the date of such Borrowing, make available for the account of its Applicable Lending Office to the Agent at its address referred to in Section 8.02, in same day funds, such Bank's ratable portion of such Borrowing. After the Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Agent will make such funds available to the Borrower at the Agent's aforesaid address.

(b) Each Notice of Borrowing shall be irrevocable and binding on the Borrower. In the case of any Borrowing that the related Notice of Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Bank against any loss, cost or expense incurred by such Bank as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund the Advance to be made by such Bank as part of such Borrowing when such Advance, as a result of such failure, is not made on such date.

(c) Unless the Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Agent such Bank's ratable portion of such Borrowing, the Agent may assume that such Bank has made such portion available to the Agent on the date of such Borrowing in accordance with subsection (a) of this Section 2.02 and the Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such ratable portion available to the Agent, such Bank and the Borrower severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid to the Agent, at (i) in the case of the Borrower, the interest rate applicable at the time to Advances comprising such Borrowing and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's Advance as part of such Borrowing for all purposes.

(d) The failure of any Bank to make the Advance to be made by it as part of any Borrowing shall not relieve any other Bank of its obligation, if any, hereunder to make its Advance on the date of such Borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Advance to be made by such other Bank on the date of any Borrowing.

Section 2.03 Repayment of Advances. The Borrower shall repay to the Agent for the ratable account of the Banks the aggregate outstanding principal amount of the Advances (which amount shall be reduced as a result of the application of prepayments in accordance with Section 2.05) as follows: (a) 50% of the aggregate outstanding principal amount of the Advances on the date which is 120 days after the

First Drawdown Date and (b) the remaining aggregate outstanding principal amount of the Advances on the Maturity Date.

Section 2.04 Termination and Reduction of Commitments. (a) Optional. The Borrower shall have the right, upon at least five Business Days' notice to the Agent, to terminate in whole or reduce ratably in part the Commitments; provided that each partial reduction shall be in the minimum aggregate amount of $10,000,000 and in an integral multiple of $1,000,000. Any termination or reduction of any of the Commitments shall be permanent.

(b) Mandatory. (i) On the First Drawdown Date, after giving effect to the First Advance, the Commitment of each Bank shall be automatically and permanently reduced by an amount equal to the portion of the First Advance advanced by such Bank.

(ii) On the Second Drawdown Date, after giving effect to the Second Advance, the aggregate Commitments of the Banks shall automatically and permanently terminate.

(iii) Prior to the First Drawdown Date, the Commitments of the Banks shall be automatically and permanently reduced on each date of receipt by the Borrower or any of its Subsidiaries of Net Cash Proceeds of a type referred to in Section 2.05(b), by an amount equal to the amount of such Net Cash Proceeds so received.

(iv) The Commitments shall automatically and permanently terminate on the Termination Date.

Section 2.05 Prepayments. (a) Optional. The Borrower may upon at least five Business Days' notice to the Agent, stating the proposed date (which shall be a Business Day) and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding principal amounts of the Advances comprising part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment shall be in an aggregate principal amount not less than $10,000,000 or an integral multiple of $1,000,000 in excess thereof and (y) in the case of any such prepayment of a Eurodollar Rate Advance on a day other than the last day of the Interest Period applicable to such Advance, the Borrower shall be obligated to reimburse the Banks in respect thereof pursuant to Section 8.04(b).

(b) Mandatory. Within five Business Days after the date of receipt by the Borrower or any of its Subsidiaries (other than a Project Finance Subsidiary) (or, in the case of a non-wholly-owned Subsidiary, the pro rata share attributable to the Borrower's (direct or indirect) percentage interest in such Subsidiary) of any of the following amounts, the Borrower shall prepay the outstanding principal amounts of the Advances comprising part of the same Borrowing by an amount equal to the amount so received:

(i) Net Cash Proceeds from a Reduction Event;

(ii) Net Cash Proceeds remaining in the Shared Collateral Account or released to the Borrower or one of its Subsidiaries therefrom after prepayment of "Advances" under and as defined in the Master LC Facility pursuant to the terms of the Master LC Facility; and

(iii) Net Cash Proceeds of insurance received by the Borrower or any of its Subsidiaries in respect of asbestos or silica claims.

If this subsection (b) would otherwise require prepayment of Eurodollar Rate Advances or portions thereof prior to the last day of the then current Interest Period therefore, each such prepayment may, if the Borrower so elects and unless the Agent otherwise notifies the Borrower upon the instructions of the Required Banks, be deferred to such last day of the related Interest Period. The Borrower shall, on the date such prepayment would have been required but for the provisions of the preceding sentence, deposit the amounts that would have been required as a prepayment to an account under the sole dominion and control of the Agent, and the Agent shall distribute such funds in accordance with Section 2.11 on the last day of such Interest Period.

Section 2.06 Fees. (a) Commitment Fees. The Borrower agrees to pay to the Agent for the account of each Bank a commitment fee to but excluding the earlier of (x) the Second Drawdown Date and (y) the Termination Date on the amount of such Bank's Commitment, payable quarterly in arrears on the last day of each March, June, September and December hereafter, commencing December 31, 2003, and on the Termination Date, at a rate per annum equal to the Applicable Commitment Fee Rate (the "Commitment Fee").

(b) Other Fees. The Borrower agrees to pay to the Agent, the Co-Lead Arrangers, and the Banks such other fees as may be separately agreed to in writing.

Section 2.07 Interest. The Borrower shall pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(a) During such periods as such Advance is a Base Rate Advance, a rate per annum equal at all times to the Base Rate in effect from time to time plus the Applicable Margin in effect from time to time, payable quarterly in arrears on the last day of each March, June, September and December and on the date such Base Rate Advance shall be Converted or paid in full; provided, that any amount of principal of a Base Rate Advance which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest, from the date on which such amount is due until such amount is paid in full, payable on demand, at a rate per annum equal at all times to the sum of the rate otherwise payable thereon plus 2%.

(b) During such periods as such Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of the Eurodollar Rate for such Interest Period plus the Applicable Margin in effect from time to time, payable on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Revolving Credit Advance shall be Converted or paid in full; provided, that any amount of principal of a Eurodollar Rate Advance which is not paid when due (whether at stated maturity, by acceleration or otherwise) shall bear interest, payable on demand, (i) from the date on which such amount is due until the end of the Interest Period for such Revolving Credit Advance, at a rate per annum equal at all times to the sum of the Eurodollar Rate for such Interest Period plus the Applicable Margin in effect from time to time plus 2%, and (ii) from the end of such Interest Period until such amount is paid in full, at a rate per annum equal at all times to the sum of the rate of interest in effect from time to time for Base Rate Advances plus 2%.

(c) Upon the occurrence and during the continuance of an Event of Default under Section 6.01(a), the Borrower shall pay simple interest, to the fullest extent permitted by law, on the amount of any interest, fee or other amount (other than principal of Advances which is covered by Sections 2.07(a) and 2.07(b)) payable hereunder that is not paid when due, from the

date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to the sum of the rate of interest in effect from time to time for Base Rate Advances plus 2% per annum.

Section 2.08 Additional Interest on Eurodollar Rate Advances. The Borrower shall pay to each Bank, so long as such Bank shall be required under regulations of the Federal Reserve Board to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, additional interest on the unpaid principal amount of each Advance of such Bank during such periods as such Advance is a Eurodollar Rate Advance, from the date of such Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the Eurodollar Rate for the Interest Period then in effect for such Eurodollar Rate Advance from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage of such Bank for such Interest Period, payable on each date on which interest is payable on such Eurodollar Rate Advance. Such additional interest shall be determined by such Bank and notified to the Borrower through the Agent.

Section 2.09 Interest Rate Determination. (a) The Agent shall give prompt notice to the Borrower and the Banks of the applicable interest rate determined by the Agent for purposes of Section 2.07(b).

(b) If the Agent is unable to determine the Eurodollar Rate for any Eurodollar Rate Advances:

(i) the Agent shall forthwith notify the Borrower and the Banks that the interest rate cannot be determined for such Eurodollar Rate Advances,

(ii) each such Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance (or if such Advance is then a Base Rate Advance, will continue as a Base Rate Advance), and

(iii) the obligation of the Banks to make Eurodollar Rate Advances or to Convert Advances into Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist.

(c) If, with respect to any Eurodollar Rate Advances, the Required Banks notify the Agent (A) that the Eurodollar Rate for any Interest Period for such Advances will not adequately reflect the cost to such Required Banks of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period or (B) that Dollar deposits for the relevant amounts and Interest Period for their respective Advances are not available to them in the London interbank market, the Agent shall forthwith so notify the Borrower and the Banks, whereupon

(i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance, and

(ii) the obligation of the Banks to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended until the Agent shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist.

(d) If the Borrower shall fail to select the duration of any Interest Period for any Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Agent will forthwith so notify the Borrower and the Banks and such

Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances (or if such Advances are then Base Rate Advances, will continue as Base Rate Advances).

(e) On the date on which the aggregate unpaid principal amount of Eurodollar Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than $10,000,000, such Advances shall automatically Convert into Base Rate Advances, and on and after such date the right of the Borrower to Convert such Advances into Eurodollar Rate Advances shall terminate.

(f) Upon the occurrence and during the continuance of any Event of Default under Section 6.01(a), (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (ii) the obligation of the Banks to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended.

Section 2.10 Payments and Computations. (a) The Borrower shall make each payment hereunder and under the Notes not later than 11:00 A.M. (New York City time) on the day when due in Dollars to the Agent (except that payments under Section 2.08 shall be paid directly to the Bank entitled thereto) at Two Penns Way, Suite 200, New Castle, Delaware 19720, in same day funds. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest or Commitment Fees ratably (except amounts payable pursuant to Section 2.11 or Section 2.12 and except that any Bank may receive less than its ratable share of interest to the extent Section 8.06 is applicable to it) to the Banks for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Bank to such Bank for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.08(c), from and after the effective date specified in such Assignment and Acceptance, the Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Bank assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves. At the time of each payment of any principal of or interest on any Borrowing to the Agent, the Borrower shall notify the Agent of the Borrowing to which such payment shall apply. In the absence of such notice the Agent may specify the Borrowing to which such payment shall apply.

(b) All computations of interest based on the Base Rate (except during such times as the Base Rate is determined pursuant to clause (c) of the definition thereof) and of Commitment Fees shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate, the Federal Funds Rate or, during such times as the Base Rate is determined pursuant to clause (c) of the definition thereof, the Base Rate shall be made by the Agent, and all computations of interest pursuant to Section 2.08 shall be made by a Bank, on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Agent (or in the case of Section 2.08, by a Bank) of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest and Commitment Fees, as the case may be; provided, however, if such extension would cause payment of interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Banks hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Borrower shall not have so made such payment in full to the Agent, each Bank shall repay to the Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Federal Funds Rate.

Section 2.11 Increased Costs and Capital Requirements. (a) If, due to either (i) the introduction of or any change (other than any change by way of imposition or increase of reserve requirements included in the Eurodollar Rate Reserve Percentage) in or in the interpretation of any law or regulation by any governmental authority charged with the interpretation or administration thereof or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Bank of agreeing to make or making, funding or maintaining any Eurodollar Rate Advance (excluding, for purposes of this Section 2.11, any such increased costs resulting from (x) Taxes or Other Taxes (as to which Section 2.12 shall govern) and (y) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Bank is organized or has its Applicable Lending Office or any political subdivision thereof),, then the Borrower shall from time to time, within 15 days after demand by such Bank (with a copy of such demand to the Agent), pay to the Agent for the account of such Bank additional amounts sufficient to compensate such Bank for such increased cost; provided, however, that the Borrower shall not be required to pay to such Bank any portion of such additional amounts that are incurred more than 90 days prior to any such demand, unless such additional amounts had not been imposed or were not determinable on the date that is 90 days prior to such demand. A certificate setting forth in reasonable detail the amount of such increased cost, submitted to the Borrower and the Agent by such Bank, shall be conclusive and binding for all purposes, absent manifest error.

(b) If following the introduction of or any change in any applicable law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) any Bank determines that compliance by such Bank with any such law or regulation or guideline or request regarding capital adequacy affects or would affect the amount of capital required or expected to be maintained by such Bank or any Person controlling such Bank and that the amount of such capital is increased by or based upon the existence of such Bank's commitment to lend hereunder and other commitments of this type, then, within 15 days after demand by such Bank (with a copy of such demand to the Agent), the Borrower shall pay to the Agent for the account of such Bank, from time to time as specified by such Bank, additional amounts sufficient to compensate such Bank or such Person in the light of such circumstances, to the extent that such Bank reasonably determines such increase in capital to be allocable to the existence of such Bank's commitment to lend hereunder; provided, however, that the Borrower shall not be required to pay to such Bank any portion of such additional amounts that are incurred more than 90 days prior to any such demand, unless such additional amounts had not been imposed or were not determinable on the date that is 90 days prior to such demand. A certificate setting forth in reasonable detail such amounts submitted to the Borrower and the Agent by such Bank shall be conclusive and binding for all purposes, absent manifest error.

(c) Each Bank shall make reasonable efforts (consistent with its internal policies and legal and regulatory restrictions) to select a jurisdiction for its Applicable Lending Office or change the jurisdiction of its Applicable Lending Office, as the case may be, so as to avoid the imposition of any increased costs under this Section 2.11 or to eliminate the amount of any such increased cost which may

thereafter accrue; provided that no such selection or change of the jurisdiction for its Applicable Lending Office shall be made if, in the reasonable judgment of such Bank, such selection or change would be disadvantageous to such Bank.

Section 2.12 Taxes. (a) Any and all payments by the Borrower hereunder or under the Notes shall be made, in accordance with Section 2.10, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges and withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank and the Agent, taxes imposed on its overall net income (including branch profits), and franchise taxes imposed on or measured by net income, by the jurisdiction under the laws of which such Bank or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Bank, taxes imposed on its overall net income (including branch profits), and franchise taxes imposed on or measured by net income, by the jurisdiction of such Bank's Applicable Lending Office or principal executive office or any political subdivision thereof, and all liabilities with respect thereto (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"), except as may otherwise be required by law. If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Bank or the Agent, (i) the sum payable shall be increased by such amount (an "Additional Amount") as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.12) such Bank or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. Any such payment by the Borrower shall be made in the name of the relevant Bank or the Agent (as the case may be).

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, performing under, or otherwise with respect to, this Agreement or any of the Notes (hereinafter referred to as "Other Taxes").

(c) The Borrower will indemnify each Bank and the Agent for the full amount of Taxes and Other Taxes (including, without limitation, any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.12) imposed on or paid by such Bank or the Agent (as the case may be) and any liability (including penalties, interest and reasonable expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. Payments under any indemnification provided for in this Section 2.12(c) shall be made within 30 days from the date such Bank or the Agent (as the case may be) makes written demand therefor describing such Taxes or Other Taxes in reasonable detail.

(d) If the Agent or a Bank reasonable determines that it has finally and irrevocably received a refund in respect of any Taxes or Other Taxes as to which it has been indemnified by the Borrower, or with respect to which the Borrower has paid Additional Amounts, pursuant to this Section 2.12, it shall within 30 days from the date of such receipt pay over such refund to the Borrower (but only to the extent such refund is attributable, as reasonably determined by such Agent or Bank, to such indemnity payments made, or Additional Amounts paid, by the Borrower under this Section 2.12 with respect to the Taxes or Other Taxes giving rise to such refund), net of all reasonable out-of-pocket expenses of the Agent or Bank and without interest (other than interest paid by the relevant taxation authority with respect to such refund); provided, however, that the Borrower, upon the request of the Agent or Bank, agrees to repay the amount paid over to the Borrower (plus penalties, interest or other charges, if any, imposed by the relevant taxation authority in respect of such repayment) to the Agent or

Bank in the event the Agent or Bank is required to repay such refund to the applicable taxation authority. Nothing contained in this Section 2.12(d) shall interfere with the right of the Agent or any Bank to arrange its tax affairs in whatever manner it determines appropriate nor oblige the Agent or any Bank to claim any tax credit or to disclose any information relating to its tax affairs or any computations in respect thereof or require the Agent or any Bank to do anything that would prejudice its ability to benefit from any other tax relief to which it may be entitled.

(e) Within 30 days after the date of any payment of Taxes, the Borrower will furnish to the Agent, at its address referred to in Section 8.02, the original or a certified copy of a receipt evidencing payment thereof (or other evidence of payment reasonably satisfactory to the Agent). In the case of any payment hereunder or under the Notes by or on behalf of the Borrower through an account or branch outside the United States or by or on behalf of the Borrower by a payor that is not a United States person, if the Borrower determines that no Taxes are payable in respect thereof, the Borrower shall furnish, or shall cause such payor to furnish, to the Agent, at such address, an opinion of counsel reasonably acceptable to the Agent stating that such payment is exempt from Taxes imposed by the jurisdiction from which such payment is made. For purposes of this Section 2.12(e) and Section 2.12(f), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Code.

(f) Each Bank organized under the laws of a jurisdiction outside the United States, (i) on or prior to the date of the Initial Extension of Credit in the case of each such Bank listed on the signature pages hereof, (ii) on the date of the Assignment and Acceptance pursuant to which it becomes a Bank, (iii) on or before the date, if any, it changes its Applicable Lending Office, and (iv) from time to time thereafter if reasonably requested in writing by the Borrower or the Agent or promptly upon the obsolescence or invalidity of any form previously delivered by such Bank (but only so long as such Bank remains lawfully able to do so), shall provide the Agent and the Borrower with two original Internal Revenue Service Forms W-8BEN or W-8ECI (or, in the case of a Bank that is entitled to claim exemption from withholding of United States federal income tax under Section 871(h) or 881(c) of the Code, (A) a certificate representing that such Bank is not a "bank" for purposes of Section 881(c) of the Code, is not a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Code) of the Borrower and is not a controlled foreign corporation related to the Borrower (within the meaning of Section 864(d)(4) of the Code) and (B) Internal Revenue Service Form W-8BEN), as appropriate, or any successor or other form prescribed by the Internal Revenue Service, properly completed and duly executed by such Bank, certifying that such Bank is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes (or, in the case of a Bank providing the certificate described in clause (A), certifying that such Bank is a foreign corporation, partnership, estate or trust). If the forms provided by a Bank at the time such Bank first becomes a party to this Agreement indicate or require a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes for purposes of this Section 2.12 unless and until such Bank provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such forms; provided, however, that if, at the effective date of the Assignment and Acceptance pursuant to which a Bank becomes a party to this Agreement (or the date, if any, a Bank changes its Applicable Lending Office), the Bank assignor (or such Bank) was entitled to payments under subsection (a) of this Section 2.12 in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes, subject to the provisions of this subsection (f)) United States withholding tax, if any, applicable with respect to the Bank assignee (or such Bank) on such date.

(g) For any period with respect to which a Bank has failed to provide the Borrower with the appropriate form described in subsection (f) above (other than if such failure is due to a change

in law, or in the interpretation or application thereof by any governmental authority charged with the interpretation or application thereof, occurring after the date on which a form originally was required to be provided or if such form otherwise is not required under subsection (f) above), such Bank shall not be entitled to indemnification or payment of an Additional Amount under subsection (a) or (c) of this Section 2.12 with respect to Taxes imposed by the United States to the extent such United States Taxes exceed the United States Taxes that would have been imposed had such form been provided; provided, however, that should a Bank become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(h) Any Bank claiming any indemnity payment or Additional Amounts payable pursuant to this Section 2.12 shall use commercially reasonable efforts (consistent with its generally applicable internal policy and legal and regulatory restrictions) to file any certificate or document reasonably requested in writing by the Borrower or to designate a different Applicable Lending Office following the reasonable request in writing of the Borrower if the making of such a filing or change would avoid the need for or reduce the amount of any such indemnity payment or Additional Amounts that may thereafter accrue and would not, in the sole determination of such Bank, require the disclosure of information that the Bank reasonably considers confidential, or be otherwise disadvantageous to such Bank.

Section 2.13 Sharing of Payments, Etc. If any Bank shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of the principal of or interest on the Advances owing to it (except amounts payable pursuant to Sections 2.08, 2.11 or 2.12, and except that any Bank may receive less than its ratable share of interest to the extent Section 8.06 is applicable to it) in excess of its ratable share of payments on account of the principal of or interest on the Advances obtained by all the Banks, such Bank shall forthwith purchase from the other Banks such participations in the Advances owing to them as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them, provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, such purchase from each Bank shall be rescinded and such Bank shall repay to the purchasing Bank the purchase price to the extent of such Bank's ratable share (according to the proportion of (i) the amount of the participation purchased from such Bank as a result of such excess payment to (ii) the total amount of such excess payment) of such recovery together with an amount equal to such Bank's ratable share (according to the proportion of (i) the amount of such Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 2.13 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation.

Section 2.14 Illegality. Notwithstanding any other provision of this Agreement, if any Bank ("Affected Bank") shall notify the Borrower and the Agent that the introduction of or any change in any law or regulation makes it unlawful, or any central bank or other governmental authority asserts that it is unlawful, for any Bank, or its Eurodollar Lending Office, to perform its obligations hereunder to make Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances hereunder, (i) the obligation of the Affected Bank to make, or to Convert Advances into, Eurodollar Rate Advances shall forthwith be suspended (and any request by the Borrower for a Borrowing comprised of Eurodollar Rate Advances shall, as to each Affected Bank, be deemed a request for a Base Rate Advance to be made on the same day as the Eurodollar Rate Advances of the Banks that are not Affected Banks and such Base Rate Advance shall be considered as part of such Borrowing) until the Affected Bank shall notify the Borrower, the Banks and the Agent that the circumstances causing such suspension no longer exist and

(ii) forthwith after such notice from an Affected Bank to the Agent and the Borrower, all Eurodollar Rate Advances of such Affected Bank shall be deemed to be Converted to Base Rate Advances (but will otherwise continue to be considered as a part of the respective Borrowings that they were a part of prior to such Conversion); provided, however, that, before making any such demand, such Bank agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Eurodollar Lending Office if the making of such a designation would allow such Bank or its Eurodollar Lending Office to continue to perform its obligations to make Eurodollar Rate Advances or to continue to fund or maintain Eurodollar Rate Advances and would not, in the judgment of such Bank, be otherwise materially disadvantageous to such Bank. In the event any Bank shall notify the Agent of the occurrence of any circumstance contemplated under this Section 2.14, all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Rate Advances that would have been made by such Bank or the Converted Eurodollar Rate Advances shall instead be applied to repay the Base Rate Advances made by such Bank in lieu of such Eurodollar Rate Advances or resulting from the Conversion of such Eurodollar Rate Advances and shall be made at the time that payments on the Eurodollar Rate Advances of the Banks that are not Affected Banks are made. Each Bank that has delivered a notice of illegality pursuant to this Section 2.14 above agrees that it will notify the Borrower as soon as practicable if the conditions giving rise to the illegality cease to exist.

Section 2.15 Conversion of Advances. The Borrower may on any Business Day, upon notice given to the Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.02(b), 2.09 and 2.14, Convert all Advances of one Type comprising the same Borrowing into Advances of the other Type; provided, however, that (i) any Conversion of any Eurodollar Rate Advances into Base Rate Advances shall be made on, and only on, the last day of an Interest Period for such Eurodollar Rate Advances, except as provided in Section 2.15, and (ii) Advances comprising a Borrowing may not be Converted into Eurodollar Rate Advances if the outstanding principal amount of such Borrowing is less than $10,000,000 or if any Event of Default under Section 6.01(a) shall have occurred and be continuing on the date the related notice of Conversion would otherwise be given pursuant to this Section 2.15. Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Advances to be Converted, and (iii) if such Conversion is into Eurodollar Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be irrevocable and binding on the Borrower. If any Event of Default under Section 6.01(a) shall have occurred and be continuing on the third Business Day prior to the last day of any Interest Period for any Eurodollar Rate Advances, the Borrower agrees to Convert all such Advances into Base Rate Advances on the last day of such Interest Period.

Section 2.16 Replacement or Removal of Bank. In the event that any Bank shall claim payment of any increased costs pursuant to Section 2.11 or any additional amounts pursuant to Section 2.12, or exercises its rights under Section 2.14, the Borrower shall have the right, if no Default or Event of Default then exists, to (a) replace such Bank with an Eligible Assignee in accordance with Section 8.08(a), (b) and (d) (including execution of an appropriate Assignment and Acceptance); provided that such Eligible Assignee (i) shall unconditionally offer in writing (with a copy to the Agent) to purchase on a date therein specified all of such Bank's rights hereunder and interest in the Advances owing to such Bank and the Note held by such Bank without recourse at the principal amount of such Note plus interest, Commitment Fees and Letter of Credit Fees accrued thereon to the date of such purchase, and (ii) shall execute and deliver to the Agent an Assignment and Acceptance, as assignee, pursuant to which such Eligible Assignee becomes a party hereto with a Commitment equal to that of the Bank being replaced (plus, if such Eligible Assignee is already a Bank, the amount of its Commitment prior to such replacement), provided, further, that no Bank or other Person shall have any obligation to increase its Commitment or otherwise to replace, in whole or in part, any Bank or (b) remove such Bank without replacing it; provided that the Borrower may not remove a Bank pursuant to this clause (b) if the aggregate

Commitments of all Banks so removed would exceed $100,000,000. Upon satisfaction of the requirements set forth in the first sentence of this Section 2.16, acceptance of such offer to purchase by the Bank to be replaced, payment to such Bank of the purchase price in immediately available funds by the Eligible Assignee replacing such Bank, execution of such Assignment and Acceptance by such Bank, such Eligible Assignee and the Agent, the payment by the Borrower of all requested costs accruing to the date of purchase which the Borrower is obligated to pay under Section 8.04 and all other amounts owed by the Borrower to such Bank (other than Commitment Fees and Letter of Credit Fees accrued for the account of such Bank and the principal of and interest on the Advances of such Bank purchased by such Eligible Assignee) and notice by the Borrower to the Agent that such payment has been made, such Eligible Assignee shall constitute a "Bank" hereunder with a Commitment as so specified and the Bank being so replaced shall no longer constitute a "Bank" hereunder except that the rights under Sections 2.08, 2.11, 2.12 and 8.04 of the Bank being so replaced shall continue with respect to events and occurrences before or concurrently with its ceasing to be a "Bank" hereunder. If, however, (x) a Bank accepts such an offer and such Eligible Assignee fails to purchase such rights and interest on such specified date in accordance with the terms of such offer or such Eligible Assignee or the Agent fails to execute the relevant Assignment and Acceptance, the Borrower shall continue to be obligated to pay the increased costs to such Bank pursuant to Section 2.11 or the additional amounts pursuant to Section 2.12, as the case may be, or (y) the Bank proposed to be replaced fails to accept such purchase offer or to execute the relevant Assignment and Acceptance, the Borrower shall not be obligated to pay to such Bank such increased costs or additional amounts incurred or accrued from and after the date of such purchase offer.

Section 2.17 Evidence of Indebtedness. Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Bank resulting from each Advance owing to such Bank from time to time, including the amounts of principal and interest payable and paid to such Bank from time to time hereunder. The Borrower agrees that upon notice by any Bank to the Borrower (with a copy of such notice to the Agent) to the effect that a promissory note or other evidence of indebtedness is required or appropriate in order for such Bank to evidence (whether for purposes of pledge, enforcement or otherwise) the Advances owing to, or to be made by, such Bank, the Borrower shall promptly execute and deliver to such Bank, with a copy to the Agent, a Note in substantially the form of Exhibit A hereto, payable to the order of such Bank in a principal amount equal to the Commitment of such Bank. All references to Notes in the Loan Documents shall mean Notes, if any, to the extent issued hereunder.

ARTICLE III
CONDITIONS OF LENDING

Section 3.01 Conditions Precedent to Effectiveness. This Agreement shall become effective on and as of the first date (the "Availability Date") on which the Agent shall have received counterparts of this Agreement duly executed by the Borrower and all of the Banks and the following additional conditions precedent shall have been satisfied, except that Section 2.04, Section 2.06 and Section 5.01(i) shall become effective as of the first date on which the Agent shall have received counterparts of this Agreement duly executed by the Borrower and all of the Banks:

(a) The Borrower shall have notified the Agent in writing as to the proposed Availability Date, and the Availability Date shall occur no later than June 30, 2004.

(b) Each of the Co-Lead Arrangers shall be reasonably satisfied that there has been no material adverse change since August 18, 2003 (which shall not be deemed to refer to the contemplated restructurings disclosed to the Co-Lead Arrangers prior to such date) in either (i) the corporate and legal structure and capitalization of the Borrower and its material Subsidiaries, including, without limitation, the charters and bylaws of each of the Borrower and each of its

material Subsidiaries and each agreement or instrument relating thereto or (ii) the projected financial condition of the Borrower and its Subsidiaries on a consolidated basis following the Order Entry.

(c) The Agent shall have received on or before the Availability Date the following, each dated such day, in form and substance reasonably satisfactory to the Agent and (except for the Notes) in sufficient copies for each Bank:

(i) The Notes to the order of the Banks to the extent requested by any Bank pursuant to Section 2.17.

(ii) Certified copies of the resolutions of the Board of Directors of the Borrower approving each Loan Document to which the Borrower is or is to be a party, and of all documents evidencing other necessary corporate or organizational action and governmental approvals, if any, with respect to each Loan Document to which the Borrower is or is to be a party.

(iii) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying the names and true signatures of the officers of the Borrower authorized to sign each Loan Document to which the Borrower is or is to be a party and the other documents to be delivered by the Borrower hereunder.

(iv) A favorable opinion of Bruce A. Metzinger, Assistant Secretary and Assistant General Counsel for the Borrower, in substantially the form of Exhibit C-1 hereto.

(v) A favorable opinion of Baker Botts LLP, counsel for the Borrower, in substantially the form of Exhibit C-2 hereto.

(vi) A solvency opinion of Houlihan Lokey Howard & Zukin in form and substance satisfactory to the Co-Lead Arrangers.

(vii) A favorable opinion of Shearman & Sterling, counsel for the Agent, in form and substance satisfactory to the Agent.

(d) Each of the Co-Lead Arrangers shall be satisfied that the investigation of the Borrower by the Securities and Exchange Commission has been concluded or will be concluded without (i) giving rise to a Material Adverse Effect, including, without limitation, the obligation to restate prior reported earnings or (ii) adversely affecting the Borrower's ability to access the capital markets in the reasonable judgment of any of the Co-Lead Arrangers.

(e) There shall exist no action, suit, investigation, litigation or proceeding pending or threatened in any court or before any arbitrator or governmental instrumentality that (i) could reasonably be expected to have a Material Adverse Effect other than the Disclosed Litigation or (ii) purports to affect the legality, validity or enforceability of the Borrower's obligations or the rights and remedies of the Banks relating to the Agreement and the other Loan Documents, and except as set forth in Schedule 4.01(f) to this Agreement there shall have been no material adverse change in the status, or financial effect on the Borrower and its subsidiaries on a consolidated basis, of the Disclosed Litigation from that described to the Agent prior to August 18, 2003.

(f) There shall have occurred no material adverse change (which term shall not be deemed to refer to the commencement of the Chapter 11 Cases) in the business, condition (financial or otherwise), operations, performance, properties or prospects of the Borrower and its subsidiaries, on a consolidated basis, since December 31, 2002, except as disclosed in the June 2003 10-Q and except for the accounting charges to be taken by the Borrower directly in connection with the Settlement Payments and except as set forth in Schedule 4.01(f) to this Agreement, and the Agent shall have received a certificate signed by a Responsible Officer of the Company stating that the condition in this Section 3.01(f) has been satisfied as of the Effective Date.

(g) Each of the Co-Lead Arrangers shall be satisfied that the Borrower and its subsidiaries are not subject to material contractual or other restrictions that would be violated by the Transaction, including the incurrence of indebtedness under this Agreement, the Master LC Facility Agreement and the Revolving Credit Agreement, the granting of guarantees and collateral and the payment of dividends by subsidiaries.

(h) The Master LC Facility Agreement shall be effective unless terminated in accordance with its terms.

(i) The Revolving Credit Agreement shall be effective in accordance with its terms.

(j) Except as otherwise permitted by the Loan Documents, all governmental and third party consents and approvals necessary in connection with the transactions contemplated hereby shall have been obtained (without the imposition of any conditions that are not reasonably acceptable to the Co-Lead Arrangers) and shall remain in effect, and no law or regulation shall be applicable in the reasonable judgment of the Co-Lead Arrangers that restrains, prevents or imposes materially adverse conditions upon the transactions contemplated hereby.

(k) The Plan of Reorganization shall have been confirmed, including without limitation the economic and other terms of the settlement contemplated thereby, without any material changes not approved by each of the Co-Lead Arrangers.

(l) A final, non-appealable order reasonably satisfactory to the Co-Lead Arrangers shall have been entered in the Chapter 11 Cases approving the establishment of one or more trusts pursuant to Section 524(g) of the Bankruptcy Code in order to resolve the present asbestos claims and future demands against any of the Borrower's subsidiaries identified on Schedule 4.01(h) hereto, arising from exposure to asbestos and/or asbestos-related products prior to the date of entry of such order, which order (i) enjoins the assertion of such asbestos claims against the Borrower and such subsidiaries, (ii) contains an injunction which is reasonably satisfactory in scope, nature and extent to each of the Co-Lead Arrangers and (iii) incorporates the terms of the Plan of Reorganization.

(m) A final, non-appealable order reasonably satisfactory to each of the Co-Lead Arrangers shall have been entered in the Chapter 11 Cases approving the establishment of one or more trusts pursuant to Section 105(a) of the Bankruptcy Code in order to resolve the present silica claims and future demands against any of the Borrower's subsidiaries identified on Schedule 4.01(h) hereto, arising from exposure to silica and/or silica related products prior to the date of entry of such order, which order (i) enjoins the assertion of such silica claims against the Borrower and such subsidiaries, (ii) contains an injunction which is reasonably satisfactory in scope, nature and extent to each of the Co-Lead Arrangers and (iii) incorporates the terms of the

Plan of Reorganization. The entries of the orders referred to in clauses (m) and (n) of this Section 3.01 are collectively referred to as the "Order Entry".

(n) The long-term senior unsecured debt of the Borrower shall have been recently confirmed by letter at BBB or higher (stable outlook) by S&P and Baa2 or higher (stable outlook) by Moody's, provided, that if all other conditions precedent to funding under the Senior Unsecured Credit Facility have been met and S&P and/or Moody's has stated in writing that the only condition remaining to be met in order for the Borrower to attain such ratings is the funding of the Settlement Payments, the Co-Lead Arrangers will deliver a letter to S&P and/or Moody's, as the case may be, to the effect that the Settlement Payments will be funded immediately upon receipt of written confirmation of such ratings.

(o) (i) At least $300 million of the "Revolving Credit Commitments" under and as defined in the Revolving Credit Agreement shall on the Availability Date be available to be drawn, and such commitments shall not be scheduled to terminate before the date which is at least eighteen months after the proposed Availability Date and (ii) the Borrower shall not have indebtedness in excess of $300 million due on or before the first anniversary of the Availability Date (excluding indebtedness under this Agreement).

(p) The Borrower shall have delivered, at least 30 days before the date of the First Drawdown Date, a complete initial draft of a preliminary prospectus or preliminary offering memorandum or preliminary private placement memorandum (an "Offering Document") to the Take-Out Bankers (with a copy to the Co-Lead Arrangers) relating to the then-contemplated Take-Out Securities, which Offering Document contains all financial statements and other data to be included therein (including all audited financial statements, all unaudited financial statements (which shall have been reviewed by the independent accountants as provided in Statement on Auditing Standards No. 71) and all appropriate pro forma financial statements prepared in accordance with, or reconciled to, GAAP and prepared in accordance with Regulation S-X under the Securities Act of 1933 and all other data (including selected financial data) that the Securities and Exchange Commission would require in a registered public offering of the Take-Out Securities), and can arrange for the delivery of a customary comfort letter in connection therewith satisfactory to the Take-Out Bankers.

(q) An engagement letter in connection with the offering of equity or debt securities described therein (including, without limitation, the Take-Out Securities) among the Borrower and the Take Out Bankers shall be in full force and effect.

(r) On the Availability Date, the following statements shall be true and the Agent shall have received a certificate signed by a duly authorized officer of the Borrower, dated the Availability Date, stating that:

(i) The representations and warranties contained in Section 4.01 are correct on and as of the Availability Date,

(ii) No event has occurred and is continuing that constitutes a Default,

(iii) Any default under the Borrower's or any of its material Subsidiaries' material debt instruments that would be triggered by the filing of the Chapter 11 Cases and related transactions has been permanently waived or amended, and

(iv) To the Borrower's knowledge, the Borrower will not be required for any reason to cause its consolidated financial statements for fiscal year 2001 or 2002 to be reaudited or restated after the date hereof, except in order to reflect changes in the Borrower's segment reporting.

(s) All accrued fees and reasonable out-of-pocket expenses of the Co-Lead Arrangers (including the reasonable fees and expenses of counsel to the Co-Lead Arrangers for which invoices have been submitted) shall have been paid.

(t) The Borrower shall have paid all accrued fees and reasonable out-of-pocket expenses of the Agent (including reasonable fees and expenses of counsel for which invoices have been submitted).

Section 3.02 Conditions Precedent to Each Advance. The obligation of each Bank to make an Advance (including the First Advance and the Second Advance) shall be subject to the further conditions precedent that each of the Co-Lead Arrangers shall be satisfied that there are no material asbestos or silica claims against the Borrower and its Subsidiaries, including any Subsidiary not listed on Schedule 4.01(h) hereto, asserting exposure to asbestos, asbestos-related products, silica and/or silica-related products prior to the date of the Order Entry, that were not resolved pursuant to the Order Entry which could reasonably be expected to have a Material Adverse Effect and on the date of such Advance, the following statements shall be true (and each of the giving of the applicable Notice of Borrowing and the acceptance by the Borrower of the proceeds of the Borrowing of which such Advance is a part shall constitute a representation and warranty by the Borrower that on the date of such Advance such statements are true):

(i) the representations and warranties contained in Section 4.01 are correct on and as of the date of such Advance (other than those representations and warranties that expressly relate solely to a specific earlier date, which shall remain correct as of such earlier date), before and after giving effect to such Borrowing and to the application of the proceeds therefrom, as though made on and as of such date;

(ii) no event has occurred and is continuing, or would result from such Borrowing or from the application of the proceeds therefrom, which constitutes a Default or an Event of Default; and

(iii) there exists no request or directive issued by any governmental authority, central bank or comparable agency, injunction, stay, order, litigation or proceeding purporting to affect or calling into question the legality, validity or enforceability of any Loan Document or the consummation of any transaction (including any Advance or proposed Advance) contemplated hereby.

Section 3.03 Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, the Agent, the Co-Lead Arrangers and each Bank shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to such Persons unless an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Person prior to the date that the Borrower, by notice to the Agent, designates as the proposed Availability Date, specifying its objection thereto. The Agent shall promptly notify the Banks and the Borrower of the occurrence of the Availability Date, which notice shall be conclusive and binding.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

Section 4.01 Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) The Borrower and each of its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite organizational power and authority to own its properties, to conduct its business as now being conducted and to execute, deliver and perform each Loan Document to which it is or is to be a party, except for any failures to be so organized, existing, qualified to do business or in good standing or to have such power and authority as would not, individually or in the aggregate, have a Material Adverse Effect.

(b) The execution, delivery and performance by the Borrower of each Loan Document to which it is or is to be a party and the consummation of the transactions contemplated hereby (including, without limitation, the Transaction, each Borrowing and the use of the proceeds thereof) and the transactions contemplated thereby (i) are within the Borrower's organizational power, (ii) have been duly authorized by all necessary organizational action, and (iii) do not contravene (A) the Borrower's certificate of organization or by-laws, (B) any law, rule, regulation, order, writ, injunction or decree, or (C) any contractual restriction under any material agreements binding on or affecting the Borrower or any Subsidiary of the Borrower or any other contractual restriction the contravention of which would have a Material Adverse Effect.

(c) No authorization, approval, consent, license or other action by, and no notice to or filing with, any governmental authority, regulatory body or other Person is required for the due execution, delivery and performance by the Borrower of each Loan Document to which it is or is to be a party, or for the consummation of the transactions contemplated hereby (including, without limitation, the Transaction, each Borrowing and the use of the proceeds thereof) and the transactions contemplated thereby, except consents, authorizations, filings and notices which have been obtained or made and are in full force and effect.

(d) This Agreement has been, and each other Loan Document when delivered hereunder will have been, duly executed and delivered by the Borrower and constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally.

(e) The Financial Statements have been reported on by KPMG LLP and fairly present the consolidated financial position of the Borrower and its consolidated subsidiaries as at such date and the consolidated results of their operations and cash flows for the year then ended, all in accordance with GAAP. The unaudited consolidated balance sheet of the Borrower and its consolidated subsidiaries as at June 30, 2003 and the related unaudited consolidated statements of income and cash flows of the Borrower and its consolidated subsidiaries for the six months then ended, included in the Borrower's June 2003 10-Q, fairly present, subject to year-end audit adjustments, the consolidated financial position of the Borrower and its consolidated subsidiaries as at such date and the consolidated results of their operations and cash flows for the six months ended on such date, all in accordance with GAAP. Since December 31, 2002 there has been no material adverse change (which shall not be deemed to refer to the filing of the Chapter 11 Cases or to the accounting charge to be taken by the Borrower directly in connection with the

Settlement Payments) in the condition (financial or otherwise), operations, business or prospects of the Borrower and its Subsidiaries, taken as a whole except as disclosed in the June 2003 10-Q.

(f) Except as set forth in the Borrower's Form 10-K for the year ended December 31, 2002, the June 2003 10-Q and Schedule 4.01(f) to this Agreement and except for litigation, investigations and proceedings arising after the date hereof that are described in reasonable detail in a notice from the Borrower to the Agent, there is no litigation, investigation or proceeding pending or, to the Borrower's knowledge, threatened against or affecting the Borrower, any of its Subsidiaries or any of its or their respective rights or properties before any court or by or before any governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, (i) that could reasonably be expected to have a Material Adverse Effect or (ii) that in any manner draws into question or purports to affect any transaction contemplated hereby or the legality, validity, binding effect or enforceability of any Loan Document.

(g) Schedule 4.01(g) hereto constitutes a complete and accurate list of all pending non-US lawsuits as of October 30, 2003 against the Borrower and its Subsidiaries (including, without limitation, claims arising through a Subsidiary not listed on Schedule II hereto) asserting exposure to asbestos, asbestos-related products, silica and/or silica-related products and, except as set forth in such Schedule 4.01(g) and other non-material asbestos or silica claims disclosed to the Co-Lead Arrangers in writing prior to October 30, 2003, the Borrower has not been notified of (A) any claims against the Borrower and its Subsidiaries asserting exposure to asbestos, asbestos-related products, silica and/or silica-related products which will not be resolved pursuant to the Order Entry or (B) any adoption or change of any statute, rule or regulation affecting such claims or future claims against the Borrower and its Subsidiaries asserting exposure to asbestos, asbestos-related products, silica and/or silica-related products, in each case, which could be reasonably expected to have a Material Adverse Effect.

(h) Schedule 4.01(h) hereto lists all of the Borrower's domestic Subsidiaries as of October 30, 2003.

(i) Neither the Borrower nor any Subsidiary of the Borrower is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U). Following the application of the proceeds of each Advance, (i) not more than 25% of the value of the assets of the Borrower that are subject to any arrangement with the Agent or any Bank (herein or otherwise) whereby the Borrower's right or ability to sell, pledge or otherwise dispose of assets is in any way restricted (or pursuant to which the exercise of any such right is or may be cause for accelerating the maturity of all or any portion of the Advances or any other amount payable hereunder or under any such other arrangement), will be margin stock (within the meaning of Regulation U); and (ii) not more than 25% of the value of the assets of the Borrower and its Subsidiaries that are subject to any arrangement with the Agent or any Bank (herein or otherwise) whereby the right or ability of the Borrower or any of its Subsidiaries to sell, pledge or otherwise dispose of assets is in any way restricted (or pursuant to which the exercise of any such right is or may be cause for accelerating the maturity of all or any portion of the Advances or any other amount payable hereunder or under any such other arrangement), will be any such margin stock. No proceeds of any Advance will be used in any manner that is not permitted by Section 5.02.

(j) The Borrower is not an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(k) Neither the Borrower nor any of its Subsidiaries is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended.

(l) No statement or information contained in this Agreement or any other document, certificate or statement furnished to the Agent or the Banks by or on behalf of the Borrower for use in connection with the transactions contemplated by this Agreement or the Notes (as modified or supplemented by other information furnished) contains as of the date such statement, information, document or certificate was so furnished any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made; provided, however, that, with respect to any such information, exhibit or report consisting of statements, estimates, pro forma financial information, forward-looking statements and projections regarding the future performance of the Borrower or any of its Subsidiaries ("Projections"), no representation or warranty is made other than that such Projections have been prepared in good faith based upon assumptions believed to be reasonable at the time.

ARTICLE V
COVENANTS OF THE BORROWER

Section 5.01 Affirmative Covenants. So long as any Advance or any other amount payable by the Borrower hereunder or under any other Loan Document shall remain unpaid or any Bank shall have any Commitment hereunder, the Borrower will, unless the Required Banks shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, with all applicable law, rules, regulations and orders (including, without limitation, ERISA and environmental laws and permits) except to the extent that failure to so comply (in the aggregate for all such failures) could not reasonably be expected to have a Material Adverse Effect.

(b) Preservation of Corporate Existence, Etc. (i) Preserve and maintain and cause each of its Subsidiaries to preserve and maintain (unless, in the case of any Subsidiary, the Borrower or such Subsidiary determines that such preservation and maintenance is no longer necessary in the conduct of the business of the Borrower and its Subsidiaries, taken as a whole) its corporate existence, rights (charter and statutory), franchises, permits, licenses, approvals and privileges in the jurisdiction of its organization; provided, that neither the Borrower nor any of its Subsidiaries shall be required to preserve any right, permit, license, approval, privilege or franchise the failure to do so would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and (ii) qualify and remain qualified as a foreign organization in each jurisdiction in which qualification is necessary or desirable in view of its business and operations or the ownership of its Properties, except where the failure to so qualify or remain qualified could not, individually or in the aggregate, reasonably be expected to give rise to a Material Adverse Effect.

(c) Payment of Taxes, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all taxes, assessments, charges and like levies levied or imposed upon it or upon its income, profits or Property prior to the date on which penalties attach thereto and (ii) all lawful claims that, if unpaid, might by law become a Lien upon its Property; provided that neither the Borrower nor any Subsidiary shall be required to

pay and discharge any such tax, assessment, charge, levy or claim if the failure to do so (in the aggregate for all such failures) could not reasonably be expected to have a Material Adverse Effect.

(d) Reporting Requirements. Furnish to the Agent:

(i) not later than 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, (1) the consolidated balance sheet of the Borrower and its consolidated subsidiaries as at the end of such quarter and the consolidated statements of income and cash flows of the Borrower and its consolidated subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, all in reasonable detail, and (2) a copy of the Borrower's Form 10-Q for such quarter as filed with the SEC and copies of each Form 8-K (other than press releases) filed by the Borrower with the SEC during such quarter;

(ii) not later than 120 days after the end of each fiscal year of the Borrower, (1) copies of the audited consolidated balance sheet of the Borrower and its consolidated subsidiaries as at the end of such fiscal year and audited consolidated statements of income, retained earnings and cash flows of the Borrower and its consolidated subsidiaries for such fiscal year, and (2) a copy of the Borrower's Form 10-K for such year as filed with the SEC and copies of each Form 8-K filed by the Borrower with the SEC during such year (other than those Forms 8-K previously delivered to the Banks in accordance with Section 5.01(d)(i) and press releases);

(iii) within five Business Days after filing with the SEC, copies of all registration statements (other than on Form S-8), proxy statements and Schedules 13-D filed by, or in respect of, the Borrower or any of its Subsidiaries with the SEC;

(iv) as soon as possible, and in any event within ten days after any Responsible Officer has obtained knowledge of the occurrence of any Default or Event of Default, written notice thereof setting forth details of such Default or Event of Default and the actions that the Borrower has taken and proposes to take with respect thereto;

(v) promptly (and in any event within five Business Days) after any change in, or withdrawal or termination of, the rating of any senior unsecured long-term debt of the Borrower by S&P or Moody's, notice thereof;

(vi) promptly after the sending or filing thereof, copies of all reports that the Borrower sends to any of its holders of common stock; and

(vii) such other information as any Bank through the Agent may from time to time reasonably request.

Information required to be delivered pursuant to Sections 5.01(d)(i), 5.01(d)(ii), 5.01(d)(iii) or 5.01(d)(vi) shall be deemed to have been delivered on the date on which the Borrower provides notice to each Agent that such information has been posted on the Borrower's website on the Internet at www.halliburton.com, at sec.gov/edaux/searches.htm or at another website identified in such notice and accessible by the Banks without charge; provided that the Borrower shall deliver paper copies of the information referred to in such Sections to the Agent for distribution to (x) any Bank to which the above referenced websites are for any reason not available if such

Bank has so notified the Borrower and (y) any Bank that has notified the Borrower that it desires paper copies of all such information.

(e) Inspections. At any reasonable time and from time to time, in each case upon reasonable notice to the Borrower and subject to any applicable restrictions or limitations on access to any facility or information that is classified or restricted by contract or by law, regulation or governmental guidelines, permit each Bank to visit and inspect the properties of the Borrower or any Subsidiary of the Borrower, and to examine and make copies of and abstracts from the records and books of account of the Borrower and its Subsidiaries and discuss the affairs, finances and accounts of the Borrower and its Subsidiaries with its and their officers and independent accountants provided, however, that advance notice of any discussion with such independent public accountants shall be given to the Borrower, and the Borrower shall have the opportunity to be present at any such discussion.

(f) Keeping of Books. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and each such Subsidiary in accordance with GAAP.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its material properties that are used or useful in the conduct of the business of the Borrower and its Subsidiaries, taken as a whole, in good working order and condition, ordinary wear and tear excepted.

(h) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under this Agreement with any of their Affiliates on terms that are fair and reasonable and, if a comparable arm's-length transaction is known by the Borrower, no less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate; provided, however, that the foregoing restriction shall not apply to

(i) transactions between or among the Borrower and its subsidiaries;

(ii) transactions or payments pursuant to any employment arrangements or employee, officer or director benefit plans or arrangements entered into by the Borrower or any of its Subsidiaries in the ordinary course of business;

(iii) to the extent permitted by law, customary loans, advances, fees and compensation paid to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Borrower or any of its Subsidiaries;

(iv) any transactions pursuant to agreements among the Borrower and/or its Subsidiaries and the Trusts entered into in connection with the Plan of Reorganization;

(v) transactions pursuant to any contract or agreement in effect on the date hereof, as the same may be amended, modified or replaced from time to time, so long as any such contract or agreement as so amended, modified or replaced is, taken as a whole, no less favorable to the Borrower and its Subsidiaries in any material respect than the contract or agreement as in effect on the date hereof;

(vi) any transaction or series of transactions between the Borrower or any Subsidiary and any of their joint ventures, provided that (a) such transaction or series of transactions is in the ordinary course of business and consistent with past practices of the Borrower, and/or its Subsidiaries and their joint ventures and (b) such Affiliate transaction involves aggregate consideration paid to such Affiliate not in excess of $35 million; or

(vii) any payment, distribution or other transaction of the type described in 5.02(c) and permitted thereunder.

(i) Use its best efforts to effect, as promptly as practicable after the date hereof, one or more capital markets issuances of debt (and, after the date which is 180 days after the Availability Date, equity-linked) offerings or placements in aggregate amount sufficient to (i) reduce the Commitments hereunder to zero and/or repay the Advances in full (it being understood that this covenant shall not create an obligation on the part of the Borrower to refinance the Commitments and Advances hereunder in their entirety or substantially in their entirety with equity-linked securities) and (ii) repay "Advances" (as defined in the Master LC Facility Agreement) in full under the Master LC Facility Agreement.

Section 5.02 Negative Covenants. So long as any Advance or any other amount payable by the Borrower hereunder or under any other Loan Document shall remain unpaid or any Bank shall have any Commitment hereunder, the Borrower will not, without the written consent of the Required Banks:

(a) Liens, Etc. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien on or with respect to any of its Properties whether now owned or hereafter acquired to secure Indebtedness or reimbursement obligations in respect of letters of credit, or assign, or permit any of its Subsidiaries to assign, any accounts or other right to receive income, except:

(i) Liens incurred pursuant to (A) the transactions contemplated by the Receivables Transfer Agreement, dated as of April 15, 2002, by and among Oilfield Services Receivables Corporation, a Delaware corporation, as transferor, Halliburton Energy Services, Inc., a Delaware corporation, individually and as collection agent, other parties thereto, and any replacement, extension or renewal thereof, and the receivables purchase agreement related thereto and (B) other Securitization Transactions;

(ii) Liens on or with respect to any of the properties of the Borrower and any of its Subsidiaries existing on the date hereof;

(iii) (A) Liens upon or in property acquired (including acquisition through merger or consolidation) or constructed or improved by the Borrower or any of its Subsidiaries including general intangibles, proceeds and improvements, accessories and upgrades thereto and created contemporaneously with, or within 12 months after, such acquisition or the completion of construction or improvement to secure or provide for the payment of all or a portion of the purchase price of such property or the cost of construction or improvement thereof (including any Indebtedness incurred to finance such acquisition, construction or improvement), as the case may be and (B) Liens on property (including any unimproved portion of partially improved property) of the Borrower or any of its Subsidiaries created within 12 months of completion of construction of a new plant or plants on such property to secure all or part of the cost of such construction (including any Indebtedness incurred to finance such construction) if,

in the opinion of the Borrower, such property or such portion thereof was prior to such construction substantially unimproved for the use intended by the Borrower; provided, however, no such Lien shall extend to or cover any property other than the property being acquired, constructed or improved (including any unimproved portion of a partially improved property) including general intangibles, proceeds and improvements, accessories and upgrades thereto;

(iv) Liens arising in connection with capitalized leases permitted hereunder, provided that no such Lien shall extend to or cover any assets other than the assets subject to such capitalized leases; and proceeds (including, without limitation, proceeds from associated contracts and insurances) of, and improvements, accessories and upgrades to, the property leased pursuant thereto;

(v) any Lien existing on any property including general intangibles, proceeds and improvements, accessories and upgrades thereto prior to the acquisition (including acquisition through merger or consolidation) thereof by the Borrower or any of its Subsidiaries or existing on any property of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary, provided that such a Lien is not created in contemplation or in connection with such acquisition or such Person becoming a Subsidiary and no such Lien shall be extended to cover property other than the asset being acquired including general intangibles, proceeds and improvements, accessories and upgrades thereto;

(vi) Liens to secure any extension, renewal, refunding or replacement (or successive extensions, renewals, refinancing, refundings or replacements), in whole or in part, of any Indebtedness or other obligation secured by any Lien referred to in the foregoing clauses (ii), (iii), (iv) and (v), provided that (A) the principal amount of the Indebtedness or other obligation secured thereby is no greater than the outstanding principal amount of such Indebtedness or other obligation immediately before such extension, renewal, refinancing, refunding or replacement and (B) such Lien shall only extend to such assets as are already subject to a Lien in respect of such Indebtedness or other obligation;

(vii) Liens arising in connection with the pledge of any Equity Interests in any joint venture (that is not a Subsidiary), and liens on the assets of a JV Subsidiary, in each case to secure Joint Venture Debt of such joint venture and/or such JV Subsidiary. For purposes hereof, "Joint Venture Debt" shall mean Indebtedness and other obligations as to which the lenders will not, pursuant to the terms in the agreements governing such Indebtedness, have any recourse to the stock or assets of the Borrower or any Subsidiary, other than such pledged assets of such JV Subsidiary

(viii) Liens on the Equity Interests of DII and Mid-Valley, Inc. in favor of the Trusts;

(ix) Liens securing other Indebtedness and obligations under hedge agreements, provided that at the time of the creation, incurrence or assumption of any Indebtedness or obligation under a hedge agreement secured by such Liens and after giving effect thereto, the sum of the principal amount of such Indebtedness and the mark-to-market value of such obligations under hedge agreements secured by Liens permitted by this clause (ix) shall not exceed, when taken together with the aggregate principal amount of Indebtedness of Subsidiaries outstanding pursuant to Section 5.02(b)(vii), 15%

of Consolidated Net Worth as reflected in the most recent financial statements delivered pursuant to Section 5.01(d)(i) and (ii);

(x) Liens securing other Indebtedness provided that the Obligations of the Borrower and its Subsidiaries hereunder and under the other Loan Documents are secured equally and ratably with such other Indebtedness; and

(xi) Liens arising in connection with the pledge of any Equity Interests in any Project Finance Subsidiary, so long as such Liens secure only Project Financing.

(b) Indebtedness of Subsidiaries. Permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Indebtedness except:

(i) Indebtedness incurred in the ordinary course of business and consistent with the past practices of the Borrower's Subsidiaries;

(ii) Existing Indebtedness, including any extension, renewal, refinancing or replacement thereof;

(iii) Project Financing;

(iv) Indebtedness of any Person that becomes a Subsidiary after the date hereof; provided that such Indebtedness exists at the time such Person becomes a Subsidiary and is not created in contemplation of or in connection with such Person becoming a Subsidiary;

(v) Indebtedness referred to in Section 5.02(a)(iii) and 5.02(a)(iv) and secured by Liens permitted thereby;

(vi) Indebtedness under Securitization Transactions;

(vii) Additional Indebtedness, provided that at the time of the creation, incurrence or assumption of such Indebtedness, the aggregate principal amount thereof taken together with the aggregate principal amount of outstanding Indebtedness incurred in reliance on this clause (vii) and the aggregate principal amount of outstanding Indebtedness secured by Liens permitted under clause (ix) of Section 5.02(a), shall not exceed 15% of Consolidated Net Worth, as reflected in the most recent financial statements delivered pursuant to Section 5.01(d)(i) and (ii);

(viii) Indebtedness of Subsidiaries that are special-purpose business trusts under trust preferred securities that are guaranteed by the Borrower;

(ix) Indebtedness of Subsidiary Guarantors so long as such Subsidiary's guaranty remains in effect for so long as such Indebtedness is outstanding; and

(x) Indebtedness under the Revolving Credit Agreement and the Master LC Facility Agreement.

(c) Restricted Payments. Declare or pay any dividends, purchase, redeem, retire, defease or otherwise acquire for value any of its Equity Interests now or hereafter outstanding, return any capital to its stockholders, partners or members (or the equivalent Persons thereof) as

such, make any distribution of assets, Equity Interests, obligations or securities to its stockholders, partners or members (or the equivalent Persons thereof) as such or permit any of its Subsidiaries to do any of the foregoing, or permit any of its Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any Equity Interests in the Borrower or to issue or sell any Equity Interests therein, except that:

(i) the Borrower may declare and may pay, once declared, dividends and distributions payable on stock of the Borrower only at levels per outstanding share in effect as of the Availability Date (such amount to be appropriately adjusted to reflect any stock split, reverse stock split, stock dividend or similar transactions made after the date hereof so that the aggregate amount of dividends payable after such transaction is the same as the amount payable immediately prior to such transaction); provided that (i) if an Event of Default shall have occurred and be continuing or shall result therefrom, no such declaration shall be permitted if any Advances are then outstanding and (ii) if an Event of Default under Section 6.01(a) shall have occurred and be continuing, no payment or distribution shall be permitted if any Advances are then outstanding;

(ii) any Subsidiary of the Borrower may declare and pay dividends and distributions to the Borrower;

(iii) any Subsidiary of the Borrower may pay dividends or distributions to all holders of a class of Equity Interests of such Subsidiary on a pro rata basis or on a basis that is more favorable to the Borrower;

(iv) the Borrower or any Subsidiary may redeem, repurchase, retire or otherwise acquire any of its Equity Interests in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Borrower) of, Equity Interests of the Borrower;

(v) the Borrower or any Subsidiary of the Borrower may redeem, repurchase, retire or otherwise acquire any of its Equity Interests in connection with a compensation plan, program or practice; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed $20 million in any fiscal year of the Borrower;

(vi) DII may purchase common stock of the Borrower from HESI pursuant to the Stock Agreement; and

(vii) the Borrower and any Subsidiary of the Borrower may grant, issue, distribute or dividend Equity Interests to its directors, officers and employees and make or permit the vesting, lapse, exercise or payment of Equity Interests in options, restricted stock, performance awards (in the form of either cash or stock of the Borrower), and other similar grants and awards pursuant to existing (or substantially similar replacement or amended) compensation plans, programs or practices.

For purposes of clarification, it is agreed and understood that Section 5.02(c) does not restrict the issuance, grant, dividend or distribution of Equity Interests.

(d) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions, all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person; provided, however,

that this Section 5.02(d) shall not prohibit any such merger or consolidation if (1) at the time of, and immediately after giving effect to, such merger or consolidation, no Default or Event of Default exists or would result therefrom, (2) the Borrower is the surviving corporation in such merger or consolidation, and (3) the Borrower shall continue to have senior unsecured long-term debt rated at least BBB- by S&P and Baa3 by Moody's.

(e) Use of Proceeds. Use the proceeds of any Advance or any Letter of Credit for any purpose other than for general corporate purposes of the Borrower or use any such proceeds (i) in a manner which violates or results in a violation of any law or regulation, (ii) to purchase or carry any margin stock (as defined in Regulation U), except that this clause (ii) shall not prohibit the Borrower from using proceeds of the Advances to purchase its own common stock if the aggregate amount of all such proceeds so used does not exceed $100,000,000 and if each Notice of Borrowing pertaining to such Advances specified that such proceeds would be so used, (iii) to extend credit to others for the purpose of purchasing or carrying any margin stock (as defined in Regulation U), or (iv) to acquire any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended.

(f) Prepayments, Etc. of Indebtedness. Prepay, redeem, purchase, defease or otherwise satisfy in cash prior to the scheduled maturity thereof in any manner any Indebtedness, or permit any of its Subsidiaries to do so, except (i) the prepayment of the Advances in accordance with the terms of this Agreement, (ii) regularly scheduled or required prepayments or redemptions of Indebtedness that is otherwise permitted under this Agreement, (iii) the payment of intercompany Indebtedness, (iv) the payment of Project Financing by a Project Finance Subsidiary and (v) the prepayment of any Indebtedness provided that the aggregate principal amount of such prepayments as to any single item of Indebtedness shall not exceed $1,000,000, or amend, modify or change in any manner any term or condition relating to repayment or redemption of the principal amount of any such Indebtedness if the result of such amendment or modification would be to cause any principal payment to be due prior to the Maturity Date which prior to such amendment or modification was due after the Maturity Date.

Section 5.03 Financial Covenants. So long as any Advance shall remain unpaid or any Bank shall have any Commitment hereunder, the Borrower will:

(a) Interest Charge Coverage Ratio. Not permit the Interest Charge Coverage Ratio as of the end of a fiscal quarter to be less than 3.50 to 1.00.

(b) Consolidated Debt to Total Consolidated Capitalization Ratio. Maintain at all times a maximum Consolidated Debt to Total Consolidated Capitalization Ratio of 0.55 to 1.00.

ARTICLE VI
EVENTS OF DEFAULT

Section 6.01 Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) (i) The Borrower shall fail to pay any principal of any Advance when the same becomes due and payable, whether at the due date thereof or by acceleration thereof or otherwise or (ii) the Borrower shall fail to pay any interest on any Advance or any fees hereunder or other amount payable hereunder or the Borrower shall fail to make any other payment under any Loan Document, in each case under this clause (ii), within five Business Days of when the same

becomes due and payable, whether at the due date thereof or by acceleration thereof or otherwise; or

(b) Any representation, warranty or certification made by the Borrower (or any of its officers) herein pursuant to or in connection with any Loan Document or in any certificate or document furnished to any Bank pursuant to or in connection with any Loan Document, or any representation or warranty deemed to have been made by the Borrower pursuant to Section 3.02, shall prove to have been incorrect or misleading in any material respect when made or so deemed to have been made; or

(c) (i) The Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 5.01(b), (d), (e), or (i), 5.02 or 5.03 of this Agreement; or (ii) the Borrower shall fail to perform or observe any other term, covenant or agreement contained in Section 5.01 or any other term, covenant or agreement contained in any Loan Document (other than any term, covenant or agreement covered by Section 6.01(a)) and, in each case under this clause (ii), such failure shall remain unremedied for 30 days after notice thereof shall have been given to the Borrower by the Agent or by any Bank; or

(d) The Borrower or any material Subsidiary of the Borrower shall default in the payment when due (subject to any applicable grace period), whether by acceleration or otherwise, of any Debt (other than Project Financing or Permitted Non-Recourse Debt) (whether principal, interest, premium or otherwise) of, or directly or indirectly guaranteed by, the Borrower or any such material Subsidiary, as the case may be, in excess of $75,000,000 or the Borrower or any material Subsidiary of the Borrower shall default in the performance or observance of any obligation or condition with respect to any such Debt (other than Project Financing or Permitted Non-Recourse Debt) if the effect of such default is to accelerate the maturity of or require the posting of cash collateral with respect to any such Debt or, in any case, any such Debt shall become due prior to its stated maturity (other than by a regularly-scheduled required payment and mandatory prepayments from proceeds of asset sales, debt incurrence, excess cash flow, equity issuances and insurance proceeds); provided that for the avoidance of doubt the parties acknowledge and agree that (i) any payment required to be made under a guaranty or letter of credit reimbursement agreement described in the definition herein of Debt shall be due and payable at the time such payment is due and payable under the terms of such guaranty or letter of credit reimbursement agreement (taking into account any applicable grace period) and such payment shall not be deemed to have been accelerated or have become due as a result of the obligation guaranteed having become due and (ii) the conversion of the Convertible Notes shall not be a Default or Event of Default hereunder; or

(e) The Borrower or any material Subsidiary of the Borrower (other than a Filing Entity in connection with the filing of the Chapter 11 Cases) shall be adjudicated a bankrupt or insolvent by a court of competent jurisdiction, or generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any such material Subsidiary seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its Property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 120 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against,

or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its Property) shall occur; or the Borrower or any such material Subsidiary shall take any corporate or organizational action to authorize any of the actions set forth above in this subsection (e) (other than in connection with the filing of the Chapter 11 Cases); or

(f) Any final, non-appealable judgment or order by a court of competent jurisdiction for the payment of money in excess of $75,000,000 over and above the amount of insurance coverage available from a financially sound insurer that has acknowledged coverage shall be rendered against the Borrower or any material Subsidiary of the Borrower and not discharged within 30 days after such order or judgment becomes final; or any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against a substantial part of the property of the Borrower or any material Subsidiary of the Borrower and such judgment, writ, warrant of attachment or execution or similar process shall not be released, stayed, vacated or fully bonded within 30 days after its issue or levy; or

(g) The Borrower or any of its ERISA Affiliates shall incur, or, in the reasonable opinion of the Required Banks, shall be reasonably likely to incur liability in excess of $75,000,000 in the aggregate as a result of one or more of the following: (i) the occurrence of any ERISA Event; (ii) the partial or complete withdrawal of the Borrower or any of its ERISA Affiliates from a Multiemployer Plan; or (iii) the reorganization or termination of a Multiemployer Plan;

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the Required Banks, by notice to the Borrower, declare the obligation of each Bank to make Advances to be terminated, whereupon the same (and all of the Commitments) shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Banks, by notice to the Borrower, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such other amounts shall become and be forthwith due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or any other notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of any actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code, (A) the Commitment of each Bank and the obligation of each Bank to make Advances shall automatically be terminated, and (B) the Advances, all interest thereon and all other amounts payable under this Agreement shall automatically and immediately become and be due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration, or any other notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VII
THE AGENT

Section 7.01 Authorization and Action. Each Bank hereby appoints and authorizes the Agent to take such action as Agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Agent by the terms hereof or of any other Loan Document, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the Notes), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Banks and such instructions shall be binding upon all Banks and all holders of Notes; provided, however, that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to any Loan Document or applicable law. The Agent agrees to give to each Bank prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

Section 7.02 Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with any Loan Document, except for their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may consult with legal counsel (including, without limitation, counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations (whether written or oral) made in or in connection with any of the Loan Documents or any other instrument or document; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any of Loan Documents or any other instrument or document on the part of the Borrower or any Subsidiary of the Borrower or to inspect the Property (including the books and records) of the Borrower or any Subsidiary of the Borrower; (iv) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of any of the Loan Documents or any other instrument or document; and (v) shall incur no liability under or in respect of any of Loan Documents or any other instrument or document by acting upon any notice (including telephonic notice), consent, certificate or other instrument or writing (which may be by facsimile, telegram or telex) believed by it to be genuine and signed, given or sent by the proper party or parties.

Section 7.03 The Agent and its Affiliates. With respect to its Commitment, the Advances owed to it and the Notes issued to it, each Bank which is also the Agent shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it were not the Agent; and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include any Bank serving as the Agent in its individual capacity. Any Bank serving as the Agent and its affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Borrower, any Affiliate of the Borrower and any Person who may do business with or own securities of the Borrower or any Affiliate of the Borrower, all as if such Bank were not the Agent and without any duty to account therefor to the Banks.

Section 7.04 Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank and based on the Financial Statements and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents or any other instrument or document.

Section 7.05 Indemnification. The Banks agree to indemnify the Agent (to the extent not promptly reimbursed by the Borrower), ratably according to the respective principal amounts of the Notes then held by each of the Banks (or if no Advances are at the time outstanding or if any Notes are held by Persons which are not Banks, ratably according to either (a) the respective amounts of the Banks' Commitments, or (b) if no Commitments are at the time outstanding, the respective amounts of the Commitments immediately prior to the time the Commitments ceased to be outstanding), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses and disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith, or any action taken or omitted by the Agent under any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith ("Indemnified Costs"); provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs,

expenses or disbursements resulting from the Agent's gross negligence or willful misconduct as found in a final, non-appealable judgment by a court of competent jurisdiction. Without limitation of the foregoing, each Bank agrees to reimburse the Agent promptly upon demand for such Bank's ratable share of any costs and expenses (including, without limitation, counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith to the extent that the Agent is not reimbursed for such expenses by the Borrower. In the case of any investigation, litigation or proceeding giving rise to any Indemnified Costs, this Section 7.05 applies whether any such investigation, litigation or proceeding is brought by the Agent, any other Agent, any Bank or a third party.

Section 7.06 Successor Agent. The Agent may resign at any time by giving written notice thereof to the Banks and the Borrower and may be removed at any time with or without cause by the Required Banks. Upon any such resignation or removal, the Required Banks shall have the right to appoint a successor Agent which, if such successor Agent is not a Bank, is approved by the Borrower (which approval will not be unreasonably withheld). If no successor Agent shall have been so appointed by the Required Banks (and, if not a Bank, approved by the Borrower), and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Required Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

Section 7.07 Co-Lead Arrangers, Syndication Agent, Documentation Agent. The Co-Lead Arrangers, Syndication Agent and Documentation Agent shall have no duties, obligations or liabilities hereunder or in connection herewith.

ARTICLE VIII
MISCELLANEOUS

Section 8.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any Note or any other Loan Document, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall, unless in writing and signed by all the Banks, do any of the following: (a) waive any of the conditions specified in Section 3.01, (b) increase the Commitment of any Bank or subject any Bank to any additional obligations, (c) reduce the principal of, or interest on, the Advances or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of principal of, or interest on, the Advances or any fees or other amounts payable hereunder, (e) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Advances which shall be required for the Banks or any of them to take any action hereunder or (f) amend Section 2.13 or this Section 8.01; and provided, further, that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Banks required above to take such action, affect the rights or duties of the Agent under this Agreement or any of the Notes.

Section 8.02 Notices, Etc. (a) All notices and other communications provided for hereunder shall be either (x) in writing (including facsimile communication) and mailed, telecopied, or delivered or (y) as and to the extent set forth in Section 8.02(b) and in the proviso to this Section 8.02(a), (i) if to the Borrower, at its address at 1401 McKinney, Suite 2400, Houston, Texas 77010-4035 Attention: Jerry H. Blurton, Vice President and Treasurer, Facsimile: (713) 759-2686; (ii) if to any Bank listed on the signature pages hereof, at its Domestic Lending Office specified opposite its name on Schedule III hereto; (iii) if to any other Banks, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it becomes a Bank; (iv) if to the Agent, at the addresses set forth below:

Citicorp North America, Inc.
Two Penns Way, Suite 200
New Castle, Delaware 19720
Facsimile No.: (302) 894-6120
Attention: Bank Loan Syndications Department

with a copy to:

Citicorp North America, Inc.
1200 Smith Street, Suite 2000
Houston, Texas 77002
Facsimile No.: (713) 654-2849
Attention: Amy Pincu, Vice President

(but references herein to the address of the Agent for purposes of payments or making available funds or for purposes of Section 8.08(c) shall not include the address to which copies are to be sent); or, as to the Borrower or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Agent, provided that materials required to be delivered pursuant to Section 5.01(d)(i), (ii), (iii) or (vi), unless delivered by posting to a website as provided in Section 5.01(d), shall be delivered to the Agent as specified in Section 8.02(b) or as otherwise specified to the Borrower by the Agent. Each such notice or communication shall be effective (i) if mailed, upon receipt, (ii) if delivered by hand, upon delivery with written receipt, and (iii) if telecopied, when receipt is confirmed by telephone, except that any notice or communication to the Agent pursuant to this Agreement shall not be effective until actually received by the Agent.

(b) So long as CNAI or any of its Affiliates is the Agent, materials required to be delivered pursuant to Section 5.01(d)(i), (ii), (iii) or (vi), unless delivered by posting to a website as provided in Section 5.01(d), shall be delivered to the Agent in an electronic medium in a format acceptable to the Agent and the Banks by e-mail at oploanswebadmin@citigroup.com. The Borrower agrees that the Agent may make such materials, as well as any other written information, documents, instruments and other material relating to the Borrower, any of its Subsidiaries or any other materials or matters relating to this Agreement, the Notes or any of the transactions contemplated hereby (collectively, the "Communications") available to the Banks by posting such notices on Intralinks, "e-Disclosure", the Agent's internet delivery system that is part of Fixed Income Direct, Global Fixed Income's primary web portal, or a substantially similar electronic system (the "Platform"). The Borrower acknowledges that (i) the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution, (ii) the Platform is provided "as is" and "as available" and (iii) neither the Agent nor any of its Affiliates warrants the accuracy, adequacy or completeness of the Communications or the Platform and each expressly disclaims liability for errors or omissions in the Communications or the Platform. No warranty of any kind, express, implied or statutory, including, without limitation, any warranty of merchantability, fitness for a particular purpose,

non-infringement of third party rights or freedom from viruses or other code defects, is made by the Agent or any of its Affiliates in connection with the Platform. Notices and other communications to the Banks and the Agent hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Agent and the applicable Bank. The Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) Each Bank agrees that notice to it (as provided in the next sentence) (a "Notice") specifying that any Communications have been posted to the Platform shall constitute effective delivery of such information, documents or other materials to such Bank for purposes of this Agreement; provided that if requested by any Bank the Agent shall deliver a copy of the Communications to such Bank by email or facsimile. Each Bank agrees (i) to notify the Agent in writing of such Bank's e-mail address to which a Notice may be sent by electronic transmission (including by electronic communication) on or before the date such Bank becomes a party to this Agreement (and from time to time thereafter to ensure that the Agent has on record an effective e-mail address for such Bank) and (ii) that any Notice may be sent to such e-mail address.

Section 8.03 No Waiver; Remedies. No failure on the part of any Bank or the Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 8.04 Expenses and Taxes; Compensation. (a) The Borrower agrees to pay on demand (i) all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable fees and expenses of counsel) of the Co-Lead Arrangers and the Agent and each of their respective affiliates in connection with the preparation, execution, delivery and administration of the Loan Documents and the other documents and instruments delivered hereunder or in connection with any amendments, modifications, consents or waivers in connection with the Loan Documents, (ii) all reasonable fees and expenses of counsel for the Co-Lead Arrangers and the Agent, during the existence of any Event of Default, any Bank with respect to advising the Agent or, during the existence of any Event of Default, any Bank as to its rights and responsibilities under the Loan Documents and (iii) all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable fees and expenses of counsel) of the Co-Lead Arrangers, the Agent and each Bank in connection with the enforcement (whether through negotiations, legal proceedings or otherwise) of the Loan Documents (including the enforcement of rights under this Section 8.04(a)) and the other documents and instruments delivered hereunder and rights and remedies hereunder and thereunder.

(b) If any payment or purchase of principal of, or Conversion of, any Eurodollar Rate Advance is made other than on the last day of the Interest Period for such Advance, as a result of a payment, purchase or Conversion pursuant to Section 2.08, Section 2.09, Section 2.14, Section 2.15 or Section 2.16, acceleration of the maturity of the Advances pursuant to Section 6.01 or for any other reason, the Borrower shall, within 15 days after demand by any Bank (with a copy of such demand to the Agent), pay to the Agent for the account of such Bank any amounts required to compensate such Bank for any additional losses, costs or expenses which it may reasonably incur as a result of such payment, purchase or Conversion, including, without limitation, any loss (excluding loss of anticipated profits), cost or expense reasonably incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Bank to fund or maintain such Advance. A certificate as to the amount of such

additional losses, costs or expenses, submitted to the Borrower and the Agent by such Bank, shall be conclusive and binding for all purposes, absent manifest error.

(c) The Borrower agrees to indemnify and hold harmless the Agent, the Banks, the Co-Lead Arrangers and their respective directors, officers, employees, affiliates, advisors, attorneys and agents (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, fees and expenses of counsel) for which any of them may become liable or which may be incurred by or asserted against any of the Indemnified Parties in connection with or arising out of (i) any Loan Document or any other document or instrument delivered in connection herewith, (ii) the existence of any condition on any property of the Borrower or any of its Subsidiaries that constitutes a violation of any environmental protection law or any other law, rule, regulation or order, or (iii) any investigation, litigation, or proceeding, whether or not any of the Indemnified Parties is a party thereto, related to or in connection with any of the foregoing or any Loan Document, including, without limitation, any transaction in which any proceeds of any Advance are applied, including, without limitation, in each of the foregoing cases, any such claim, damage, loss, liability or expense resulting from the negligence of any Indemnified Party, but excluding any such claim, damage, loss, liability or expense sought to be recovered by any Indemnified Party to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnified Party.

(d) Except as set forth in the next succeeding sentence, each of the Banks and the Agent and each of their respective directors, officers, employees, affiliates, advisors and agents shall not be liable to the Borrower for, and the Borrower agrees not to assert any claim for, amounts constituting special, indirect, consequential, punitive, treble or exemplary damages arising out of or in connection with any breach by such Bank or the Agent of any of its obligations hereunder. If the Borrower becomes liable to a third party for amounts constituting punitive, treble or exemplary damages as a result of a breach of an obligation hereunder by a Bank or the Agent, as the case may be, the Borrower shall be entitled to claim and recover (and does not waive its rights to claim and recover) such amounts from such Bank or the Agent, as the case may be, to the extent such Bank or the Agent, as the case may be, would be liable to the Borrower for such amounts but for the limitation set forth in the preceding sentence.

(e) Without prejudice to the survival of any other agreement of the Borrower hereunder, all obligations of the Borrower under Section 2.11, Section 2.12 and this Section 8.04 shall survive the termination of the Commitments and this Agreement and the payment in full of all amounts hereunder and under the Notes.

Section 8.05 Right of Set-Off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making by the Required Banks of the request or the granting by the Required Banks of the consent specified by Section 6.01 to authorize the Agent to declare the Advances due and payable pursuant to the provisions of Section 6.01, each Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank (or by any branch, agency, subsidiary or other Affiliate of such Bank, wherever located) to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement or any Note held by such Bank or any other Loan Document, whether or not such Bank shall have made any demand under this Agreement or any such Note or any other Loan Document and although such obligations may be unmatured. Each Bank agrees promptly to notify the Borrower after any such set-off and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of setoff) which such Bank may have.

Section 8.06 Limitation and Adjustment of Interest. (a) Notwithstanding anything to the contrary set forth herein, in any other Loan Document or in any other document or instrument, no provision of any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith is intended or shall be construed to require the payment or permit the collection of interest in excess of the maximum non-usurious rate permitted by applicable law. Accordingly, if the transactions with any Bank contemplated hereby would be usurious under applicable law, if any, then, in that event, notwithstanding anything to the contrary in any Note payable to such Bank, this Agreement or any other document or instrument, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under applicable law that is contracted for, taken, reserved, charged or received by such Bank under any Note payable to such Bank, this Agreement or any other document or instrument shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be canceled automatically and, if theretofore paid, shall, at the option of such Bank, be credited by such Bank on the principal amount of the indebtedness owed to such Bank by the Borrower or refunded by such Bank to the Borrower, and (ii) in the event that the maturity of any Note payable to such Bank is accelerated or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to such Bank may never include more than the maximum amount allowed by such applicable law and excess interest, if any, to such Bank provided for in this Agreement or otherwise shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall, at the option of such Bank, be credited by such Bank on the principal amount of the indebtedness owed to such Bank by the Borrower or refunded by such Bank to the Borrower. In determining whether or not the interest contracted for, taken, reserved, charged or received by any Bank exceeds the maximum non-usurious rate permitted by applicable law, such determination shall be made, to the extent that doing so does not result in a violation of applicable law, by amortizing, prorating, allocating and spreading, in equal parts during the period of the full stated term of the loans hereunder, all interest at any time contracted for, taken, charged, received or reserved by such Bank in connection with such loans.

(b) In the event that at any time the interest rate applicable to any Advance made by any Bank would exceed the maximum non-usurious rate allowed by applicable law, the rate of interest to accrue on the Advances by such Bank shall be limited to the maximum non-usurious rate allowed by applicable law, but shall accrue, to the extent permitted by law, on the principal amount of the Advances made by such Bank from time to time outstanding, if any, at the maximum non-usurious rate allowed by applicable law until the total amount of interest accrued on the Advances made by such Bank equals the amount of interest which would have accrued if the interest rates applicable to the Advances pursuant to Article II had at all times been in effect. In the event that upon the final payment of the Advances made by any Bank and termination of the Commitment of such Bank, the total amount of interest paid to such Bank hereunder and under the Notes is less than the total amount of interest which would have accrued if the interest rates applicable to such Advances pursuant to Article II had at all times been in effect, then the Borrower agrees to pay to such Bank, to the extent permitted by law, an amount equal to the excess of (a) the lesser of (i) the amount of interest which would have accrued on such Advances if the maximum non-usurious rate allowed by applicable law had at all times been in effect or (ii) the amount of interest which would have accrued on such Advances if the interest rates applicable to such Advances pursuant to Article II had at all times been in effect over (b) the amount of interest otherwise accrued on such Advances in accordance with this Agreement.

Section 8.07 Binding Effect. This Agreement shall become effective as provided in Section 3.01 hereof and thereafter shall be binding upon and inure to the benefit of the Borrower and the Agent and each Bank and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights or obligations hereunder or under any other Loan Document or any interest herein or therein without the prior written consent of all of the Banks.

Section 8.08 Assignments and Participations. (a) Each Bank may assign to one or more banks or other entities all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Notes held by it); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement, (ii) except in the case of an assignment of all of a Bank's rights and obligations under this Agreement, the amount of the Commitment of the assigning Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than $5,000,000, (iii) each such assignment shall be to an Eligible Assignee, and (iv) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with the Notes subject to such assignment and a processing and recordation fee of $3,000. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Bank hereunder and (y) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(b) By executing and delivering an Assignment and Acceptance, the Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with any Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith or the execution, legality, validity, enforceability, genuineness, sufficiency or value of any Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith; (ii) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any other Person or the performance or observance by the Borrower or any other Person of any of its respective obligations under any Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the Financial Statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Agent, such assigning Bank or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement, any of the other Loan Documents or any other instrument or document; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to take such action as Agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with such powers and discretion as are reasonably incidental thereto; (vii) such assignee appoints and authorizes the Agent to take such action as the Agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to the Agent by the terms hereof or thereof, together with such powers and discretion as are reasonably incidental thereto and (viii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Bank.

(c) The Agent shall maintain at its address referred to in Section 8.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the Commitment of, and the principal amount of the Revolving Credit Advances owing to, each Bank from time to time (the "Register"). The entries in the Register shall

be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agent and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Bank at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of an Assignment and Acceptance executed by an assigning Bank and an assignee representing that it is an Eligible Assignee, together with the Notes subject to such assignment, the Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit D, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower. Within five Business Days after its receipt of such notice, the Borrower shall execute and deliver to the Agent in exchange for the surrendered Notes a new Note payable to the order of such Eligible Assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance and, if the assigning Bank has retained a Commitment hereunder, a new Note payable to the order of the assigning Bank in an amount equal to the Commitment retained by it hereunder (such new Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A).

(e) Each Bank may sell participations to one or more banks or other entities (other than the Borrower or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Notes held by it); provided, however, that (i) such Bank's obligations under this Agreement (including, without limitation, its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Bank shall remain the holder of any such Notes for all purposes of this Agreement, (iv) the Borrower, the Agent and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement, and (v) the terms of any such participation shall not restrict such Bank's ability to make any amendment or waiver of this Agreement or any Note or such Bank's ability to consent to any departure by the Borrower therefrom without the approval of the participant, except that the approval of the participant may be required to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation.

(f) Any Bank may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.08, disclose to the assignee or participant or proposed assignee or participant, any information relating to any Borrower or any of its Subsidiaries furnished to such Bank by or on behalf of the Borrower or any of its Subsidiaries; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to comply with Section 8.11.

(g) Notwithstanding any other provision set forth in this Agreement, any Bank may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Revolving Credit Advances owing to it and the Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Federal Reserve Board.

Section 8.09 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same

agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile shall be as effective as delivery of a manually executed counterpart of this Agreement.

Section 8.10 Jurisdiction; Damages. To the fullest extent it may effectively do so under applicable law, (i) each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its Property, to the non-exclusive jurisdiction of any New York state court or federal court sitting in New York City, and any appellate court from any appeal thereof, in any action or proceeding arising out of or relating to this Agreement, any of the Notes, any other Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of such action or proceeding may be heard and determined in any such court; (ii) each of the parties hereto hereby irrevocably and unconditionally waives the defense of an inconvenient forum to the maintenance of such action or proceeding and any objection that it may now or hereafter have to the laying of venue of any such action or proceeding in any such court; (iii) the Borrower hereby agrees that service of copies of the summons and complaint and any other process which may be served in any such action or proceeding may be made by mailing or delivering a copy of such process to the Borrower at its address specified in Section 8.02; and (iv) each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing herein shall affect the rights of any Bank or the Agent to serve legal process in any other manner permitted by law or affect the right that any party hereto may otherwise have to bring any action or proceeding relating to this Agreement, any of the Notes or any other instrument or document furnished pursuant hereto or in connection herewith in the courts of any other jurisdiction. Each of the Borrower, the Agent and the Banks hereby irrevocably and unconditionally waives, to the fullest extent it may effectively do so under applicable law, any right it may have to claim or recover in any action or proceeding referred to in this Section 8.11 any exemplary or punitive damages. The Borrower hereby further irrevocably waives, to the fullest extent it may effectively do so under applicable law, any right it may have to claim or recover in any action or proceeding referred to in this Section 8.11 any special or consequential damages.

Section 8.11 Confidentiality. Each Bank agrees that it will use reasonable efforts, to the extent not inconsistent with practical business requirements, not to disclose without the prior consent of the Borrower (other than to employees, auditors, accountants, counsel or other professional advisors of the Agent or any Bank) any information with respect to the Borrower or its Subsidiaries or the Transaction which is furnished pursuant to this Agreement, provided that any Bank may disclose any such information (a) as has become generally available to the public, (b) as may be required or appropriate in any report, statement or testimony submitted to or required by any municipal, state or Federal regulatory body having or claiming to have jurisdiction over any Bank or submitted to or required by the Federal Reserve Board or the Federal Deposit Insurance Corporation or similar organizations (whether in the United States or elsewhere) or their successors, (c) as may be required or appropriate in response to any summons or subpoena in connection with any litigation, (d) in order to comply with any law, order, regulation or ruling applicable to any Bank, (e) to any assignee, participant, prospective assignee, or prospective participant that has agreed to comply with this Section 8.12, (f) in connection with the exercise of any remedy by any Bank pertaining to this Agreement, any of the Notes or any other document or instrument delivered in connection herewith, (g) in connection with any litigation involving any Bank pertaining to any Loan Document or any other document or instrument delivered in connection herewith, (h) to any Bank or the Agent, or (i) to any Affiliate of any Bank. Notwithstanding anything herein to the contrary, the Borrower and its representatives, the Co-Lead Arrangers, Agent and Banks, and their representatives, may disclose to any and all persons, without limitation of any kind, the United States tax treatment and tax structure of the Transaction and all materials of any kind (including opinions or other tax analyses) that are provided to the Borrower, the Co-Lead Arrangers, Agent or Banks, as the case may be, relating to such United States tax treatment or tax structure.

Section 8.12 Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York. Without limiting the intent of the parties set forth above, (i) Chapter 346 of the Texas Finance Code (formerly known as Chapter 15, Subtitle 3, Title 79, of the Revised Civil Statutes of Texas, 1925), as amended (relating to revolving loans and revolving triparty accounts), shall not apply to this Agreement, the Notes or the transactions contemplated hereby, and (ii) to the extent that any Bank may be subject to Texas law limiting the amount of interest payable for its account, such Bank shall utilize the indicated (weekly) rate ceiling from time to time in effect as provided in Chapter 303 of the Texas Finance Code (formerly known as Article 5069-1.04 of the Revised Civil Statutes of Texas), as amended.

[Remainder of page intentionally blank.]

Section 8.13 Waiver of Jury Trial. Each of the Borrower, the Agent and the Banks hereby irrevocably and unconditionally waives, to the fullest extent it may effectively do so under applicable law, any and all right to trial by jury in any action or proceeding arising out of or relating to this Agreement, any of the Notes, any other Loan Document or any other instrument or document furnished pursuant hereto or in connection herewith or the transactions contemplated hereby.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWER:

HALLIBURTON COMPANY

By: _____
Name:
Title:

Exhibit 12

HALLIBURTON COMPANY
Computation of Ratio of Earnings to Fixed Charges
(in millions of dollars, except for ratios)
(Unaudited)

	For the nine months ended September 2003	Year Ended December 31, 2002	2001	2000	1999	1998
Earnings available for fixed charges:						
Income (loss) from continuing operations before income taxes, minority interests, and cumulative effects of accounting changes, net:	$ 352	$ (228)	$ 954	$ 335	$ 307	$ 55
Add:						
Distributed Earnings from equity in unconsolidated affiliates	70	19	25	27	57	93
Fixed charges	127	168	209	203	194	195
Subtotal	$ 549	$ (41)	$1,188	$ 565	$ 558	$ 343
Less:						
Undistributed equity in earnings and losses of unconsolidated affiliates	13	74	107	88	99	154
Total	$ 536	$ (115)	$1,081	$ 477	$ 459	$ 189
Fixed Charges :						
Interest expense	$ 85	$ 113	$ 147	$ 146	$ 141	$ 134
Rental expense representative of interest	42	55	62	57	53	61
Total	$ 127	$ 168	$ 209	$ 203	$ 194	$ 195
Ratio of Earnings to Fixed Charges	4.2	(a)	5.2	2.3	2.4	(a)

(a) For the years ended December 31, 2002 and 1998, earnings were inadequate to cover fixed charges by $283 million and $6 million, respectively.

EXHIBIT 31.1

CERTIFICATION

I, David J. Lesar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Halliburton Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2003

/s/ David J. Lesar

David J. Lesar
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, C. Christopher Gaut, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Halliburton Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2003

/s/ C. Christopher Gaut

C. Christopher Gaut
Executive Vice President and
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Halliburton Company (the "Company") on Form 10-Q for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David J. Lesar, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David J. Lesar

David J. Lesar
Chief Executive Officer
November 6, 2003

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Halliburton Company (the "Company") on Form 10-Q for the period ending September 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, C. Christopher Gaut, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ C. Christopher Gaut

C. Christopher Gaut
Chief Financial Officer
November 6, 2003