UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

Current Report
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (date of earliest event reported): November 20, 2006

HALLIBURTON COMPANY

(Exact Name of Registrant as Specified in Its Charter)

Delaware		
(State or Other Jurisdiction of Incorporation)		
1-3492		**No. 75-2677995**
(Commission File Number)		**(IRS Employer Identification No.)**
1401 McKinney, Suite 2400, Houston, Texas		**77010**
(Address of Principal Executive Offices)		**(Zip Code)**

(713) 759-2600
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

INFORMATION TO BE INCLUDED IN REPORT

ITEM 1.01. Entry into a Material Definitive Agreement.

On November 20, 2006, Halliburton Company entered into a master separation agreement with KBR, Inc. and a tax sharing agreement with KBR in connection with KBR's initial public offering of its common stock, which offering closed on November 21, 2006. The master separation agreement provides for the separation of KBR's assets and businesses from those of Halliburton and also contains agreements relating to the conduct of KBR's initial public offering and future transactions, and governs the relationship between Halliburton and KBR subsequent to the separation and KBR's initial public offering. These agreements will continue in accordance with their terms after any distribution by Halliburton of KBR's common stock to its stockholders. Summaries of the master separation agreement and the tax sharing agreement are set forth below, and these agreements are filed as exhibits to this current report. Halliburton is the majority stockholder of KBR, owning approximately 81% of KBR's outstanding common stock following the completion of KBR's initial public offering. References herein to "Halliburton" mean Halliburton Company or Halliburton Company and its subsidiaries, excluding KBR, as applicable. References herein to "KBR" mean KBR, Inc. or KBR, Inc. and its subsidiaries, as applicable.

Master Separation Agreement

Potential Future Transactions

Concurrent with the execution and delivery of the master separation agreement, KBR entered into a registration rights agreement with Halliburton pursuant to which KBR granted to Halliburton certain registration rights for the registration and sale of shares of KBR's common stock Halliburton owns

following completion of KBR's initial public offering. KBR also agreed in the registration rights agreement to cooperate with registrations and related offerings of Halliburton's and certain of its transferees' shares.

In addition to KBR's agreements with Halliburton contained in the registration rights agreement, KBR has agreed in the master separation agreement that KBR and KBR's affiliates, at KBR's expense, will use reasonable best efforts to assist Halliburton in the transfer (whether in a public or private sale, exchange or other transaction) of all or any portion of its KBR common stock and to vest in the transferee all related rights and obligations that Halliburton assigns to it under the master separation agreement or any ancillary agreement.

Furthermore, KBR has agreed to cooperate, at KBR's expense, with Halliburton to accomplish a tax-free distribution by Halliburton to its stockholders of shares of KBR's common stock, and KBR has agreed to promptly take any and all actions necessary or desirable to effect any such distribution, including, without limitation, entering into a distribution agreement in form and substance acceptable to Halliburton. A form of distribution agreement is attached to the master separation agreement and addresses, among other things, the elimination of any remaining intercompany arrangements between KBR and Halliburton and KBR's cash management arrangement with Halliburton, the conditions to a distribution and the mechanics of the distribution. The terms and conditions of any distribution agreement will supplement the provisions of the master separation agreement. The distribution may occur through a dividend, exchange or other transaction. Halliburton will determine, in its sole discretion, whether such distribution shall occur, the date of the distribution and the form, structure and all other terms of any transaction, exchange or offering to effect the distribution. A distribution may not occur at all. At any time prior to completion of the distribution, Halliburton may decide to abandon the distribution, or may modify or change the terms of the distribution, which could have the effect of accelerating or delaying the timing of the distribution.

Indemnification

General Indemnification and Mutual Release. The master separation agreement provides for cross-indemnities that generally place the financial responsibility on KBR and KBR's subsidiaries for all liabilities associated with the current and historical KBR businesses and operations, and generally place on Halliburton and its subsidiaries (other than KBR) the financial responsibility for liabilities associated with all of Halliburton's other current and historical businesses and operations, in each case regardless of the time those liabilities arise. The master separation agreement also contains indemnification provisions under which KBR and Halliburton each indemnify the other with respect to breaches of the master separation agreement or any ancillary agreement.

In addition to KBR's general indemnification obligations described above relating to the current and historical KBR business and operations, KBR has agreed to indemnify Halliburton for liabilities under various outstanding and certain additional credit support instruments relating to KBR's businesses and for liabilities under litigation matters related to KBR's business. KBR has also agreed to indemnify Halliburton against liabilities arising from misstatements or omissions in the prospectus for KBR's initial public offering or the registration statement of which it is a part, except for misstatements or omissions relating to information that Halliburton provided to KBR specifically for inclusion in the prospectus for KBR's initial public offering or the registration statement of which it forms a part. KBR has also agreed to indemnify Halliburton for any misstatements or omissions in KBR's subsequent SEC filings and for information KBR provides to Halliburton specifically for inclusion in Halliburton's annual or quarterly reports following the completion of KBR's initial public offering.

In addition to Halliburton's general indemnification obligations described above relating to the current and historical Halliburton business and operations, Halliburton will indemnify KBR for liabilities under litigation matters related to Halliburton's business and for liabilities arising from misstatements or omissions with respect to information that Halliburton provided to KBR specifically for inclusion in the prospectus for KBR's initial public offering or the registration statement of which it forms a part.

For liabilities arising from events occurring on or before the separation of the companies at the time of KBR's initial public offering, the master separation agreement contains a general release. Under this provision, KBR has released Halliburton and its subsidiaries, successors and assigns, and Halliburton has released KBR and KBR's subsidiaries, successors and assigns, from any liabilities arising from events between KBR and/or KBR's subsidiaries on the one hand, and Halliburton and/or its subsidiaries (other than KBR) on the other hand, occurring on or before the separation of the companies at the time of KBR's initial public offering, including in connection with the activities to implement KBR's separation from Halliburton, KBR's initial public offering and any distribution of KBR's shares by Halliburton to its stockholders. The general release does not apply to liabilities allocated between the parties under the master separation agreement or any ancillary agreement or to specified ongoing contractual arrangements.

FCPA Indemnification. Halliburton has been cooperating with the SEC and DOJ investigations and with other investigations in France, Nigeria and Switzerland into the Bonny Island project in Rivers State, Nigeria. KBR is also aware that the Serious Frauds Office in the United Kingdom is conducting an investigation relating to the activities of TSKJ. Halliburton's Board of Directors has appointed a committee of independent directors to oversee and direct the FCPA investigations. Halliburton, acting through its committee of independent directors, will continue to oversee and direct the investigations after KBR's initial public offering, and a special committee of KBR's directors that are independent of Halliburton and KBR will monitor the continuing investigations directed by Halliburton.

Halliburton has agreed to indemnify KBR and any of KBR's greater than 50%-owned subsidiaries as of the date of the master separation agreement for fines or other monetary penalties or direct monetary damages, including disgorgement, as a result of a claim made or assessed by a governmental authority of the United States, the United Kingdom, France, Nigeria, Switzerland or Algeria, or a settlement thereof, relating to alleged or actual violations occurring prior to the date of the master separation agreement of the FCPA or particular, analogous applicable foreign statutes and regulations identified in the master separation agreement by KBR or KBR's current or former directors, officers, employees, agents, representatives or subsidiaries in connection with the construction and subsequent expansion by TSKJ of a natural gas liquefaction complex and related facilities at Bonny Island or in connection with any other project, whether located inside or outside of Nigeria, including without limitation the use of agents in connection with such projects, identified by a governmental authority of the United States, the United Kingdom, France, Nigeria, Switzerland or Algeria in connection with the current investigations in those jurisdictions. The Halliburton indemnity would not apply to any fines or other monetary penalties or direct monetary damages, including disgorgement, assessed by governmental authorities in jurisdictions other than the United States, the United Kingdom, France, Nigeria, Switzerland or Algeria, or a settlement thereof, or assessed against entities such as TSKJ or Brown & Root-Condor Spa in which KBR does not have an interest greater than 50%. With respect to any greater than 50%-owned subsidiary of KBR's that is not directly or indirectly wholly owned, the Halliburton indemnity is limited to the proportionate share of any fines or other monetary penalties or direct monetary damages, including disgorgement, equal to KBR's ownership interest in such subsidiary as of the date of the master separation agreement.

The Halliburton indemnity will not cover, and KBR will be responsible for, all other losses in connection with the FCPA investigations. These other losses could include, but are not limited to, KBR's costs, losses or expenses relating to:

- any monitor required by or agreed to with a governmental authority appointed to review future practices for compliance with FCPA law and any other actions required by governmental authorities;
- third party claims against KBR, which would include any claims against KBR by persons other than governmental authorities;
- special, indirect, derivative or consequential damages, which are typically damages other than actual damages, such as lost profits;
- claims by directors, officers, employees, affiliates, advisors, attorneys, agents, debt holders or other interest holders or constituents of KBR and KBR's subsidiaries in their capacity as such, including any indemnity claims by individuals and claims for breach of contract;
- damage to KBR's business or reputation;
- adverse effect on KBR's cash flow, assets, goodwill, results of operations, business, prospects, profits or business value, whether present or future;
- threatened or actual suspension or debarment from bidding or continued activity under government contracts; and
- alleged or actual adverse consequences in obtaining, continuing or terminating financing for current or future construction projects in which KBR is involved or for which KBR intend to submit bids.

With respect to third party claims, KBR understands that the government of Nigeria gave notice in 2004 to the magistrate overseeing the investigation in France of a civil claim as an injured party in that proceeding. KBR is not aware of any further developments with respect to this claim.

KBR has agreed with Halliburton that Halliburton in its sole discretion will continue to control the investigation, defense and/or settlement negotiations regarding the FCPA investigations to which Halliburton's indemnification is applicable. KBR has the right to assume control of the investigation, defense and/or settlement negotiations regarding these FCPA investigations. However, in such case, Halliburton may terminate the indemnity with respect to FCPA fines, penalties and damages described above. Furthermore, Halliburton may terminate the indemnity if KBR refuses to agree to a settlement of these FCPA investigations negotiated and presented by Halliburton to KBR or if KBR enters into a settlement of these FCPA investigations without Halliburton's consent. In addition, Halliburton may terminate the indemnity if KBR materially breaches KBR's obligation to consistently implement and maintain, for five years following KBR's separation from Halliburton, currently adopted business practices and standards relating to the use of foreign agents. KBR has agreed with Halliburton that no settlement by KBR of any claims relating to the FCPA investigations to which Halliburton's indemnification is applicable effected without the prior written consent of Halliburton will be binding on Halliburton. KBR also has agreed with Halliburton that no settlement by Halliburton of any claims relating to these FCPA investigations that is effected without KBR's prior written consent will be binding on KBR. Notwithstanding the foregoing, a minority-owned KBR subsidiary as of the date of the master separation agreement may control the investigation, defense and/or settlement of these FCPA investigations solely with respect to such subsidiary, and may agree to a settlement of claims relating to these FCPA investigations solely with respect to such subsidiary without the prior written consent of Halliburton, and any such control or agreement to a settlement shall not allow Halliburton to terminate its indemnity of KBR and KBR's greater than 50%-owned subsidiaries with respect to FCPA fines, penalties and damages, including disgorgement, described above.

KBR has agreed, at all times during the term of the master separation agreement and whether or not KBR decides to assume control over the investigation, defense and/or settlement negotiations regarding the FCPA investigations to which the Halliburton indemnity applies, to assist, at Halliburton's expense, with Halliburton's full cooperation with any governmental authority in Halliburton's investigation and defense of FCPA Matters. KBR's ongoing obligation to cooperate with Halliburton's defense will require KBR to, among other things, at Halliburton's request:

- make disclosures to Halliburton and governmental authorities regarding the activities of KBR, Halliburton and the current and former directors, officers, employees, agents, distributors and affiliates of KBR and Halliburton relating to these FCPA investigations;
- make available documents, records or other tangible evidence and electronic data in KBR's possession, custody or control relating to these FCPA investigations and to preserve, maintain and retain such evidence;
- provide access to KBR's documents and records in KBR's possession, custody or control relating to these FCPA investigations and use reasonable best efforts to provide access to KBR's documents and records in the custody or control of KBR's current and former directors, officers, employees, agents, distributors, attorneys and affiliates;
- use reasonable best efforts to make available any of KBR's current and former directors, officers, employees, agents, distributors, attorneys and affiliates who may have been involved in the activities under investigation and whose cooperation is requested by Halliburton or any governmental authority; to recommend that such persons cooperate fully with these FCPA investigations or any prosecution of individuals or entities; and to take appropriate disciplinary action with respect to those persons who do not cooperate or cease to cooperate fully;
- provide testimony and other information deemed necessary by Halliburton to authenticate information to be admitted into evidence in any criminal or other proceeding;
- use reasonable best efforts to provide access to KBR's outside accounting and legal consultants whose work includes or relates to these FCPA investigations and their records, reports and documents relating thereto; and
- refrain from asserting a claim of attorney-client or work-product privilege as to certain documents related to these FCPA investigations or related to transactions or events underlying these FCPA investigations.

KBR has agreed to inform and disclose promptly to Halliburton any developments, communications or negotiations between KBR, on the one hand, and any governmental authority or third party, on the other hand, with respect to these FCPA investigations, except as prohibited by law or legal restraint. Halliburton may terminate its indemnification relating to FCPA Matters upon a material breach by KBR of KBR's cooperation obligations.

Until such time, if ever, that KBR exercises its right to assume control over the investigation, defense and/or settlement of the FCPA investigations to which the Halliburton indemnity applies, Halliburton, at its sole expense, will bear all legal and non-legal fees, expenses and other costs incurred on behalf of Halliburton and KBR in the investigation, defense and/or settlement of these matters (other than indemnification and advancement of expenses for KBR's current and former employees under contract or charter or bylaw requirements). Thereafter, Halliburton and KBR will each be responsible for their own fees, expenses and other costs.

KBR and Halliburton have agreed to provide to each other, upon request, information relating to the FCPA investigations to which the Halliburton indemnity applies. Until such time, if ever, that KBR exercises KBR's right to assume control over the investigation, defense and/or settlement of these FCPA investigations, the attorneys, accountants, consultants or other advisors of the Halliburton board of directors or any special committee of independent directors thereof will, from time to time and upon reasonable request, brief KBR's board of directors or any special committee of independent directors thereof formed for purposes of monitoring these FCPA investigations concerning the status of or issues arising under or relating to Halliburton's investigation of the FCPA Matters and its defense and/or settlement of FCPA Matters. KBR also has agreed with Halliburton that each party is subject to the duty of good faith and fair dealing in the performance of such party's rights and obligations under the master separation agreement.

A special committee of KBR's board of directors, composed of members independent of Halliburton and KBR, will monitor, at KBR's cost, the FCPA investigations by the SEC and the DOJ and other governments and governmental agencies, Halliburton's investigation, defense and/or settlement thereof, and KBR's cooperation with Halliburton. These directors will have access to separate advisors and counsel to assist in their monitoring, the cost of which will be borne by KBR. Any decision to take control over the investigation, defense and/or settlement, to refuse to agree to a settlement of FCPA Matters negotiated by Halliburton or to discontinue cooperation with Halliburton would be made by this independent committee.

Enforceability of Halliburton FCPA Indemnification. Under the indemnity with Halliburton with respect to FCPA Matters, KBR's share of any liabilities for fines or other monetary penalties or direct monetary damages, including disgorgement, as a result of governmental claims or assessments relating to FCPA Matters would be funded by Halliburton and would not be borne by KBR or KBR's public stockholders. KBR's indemnification from Halliburton for FCPA Matters may not be enforceable as a result of being against governmental policy. KBR believes that the proposed Halliburton indemnification does not contravene the terms of any statutes, rules, regulations, or policies on indemnity for securities law violations promulgated by the SEC or Congress, and KBR has stated it will vigorously defend the enforceability of the indemnification. However, the SEC, the DOJ and/or a court of competent jurisdiction may not agree that the indemnification from Halliburton is enforceable.

Barracuda-Caratinga Indemnification. Halliburton has agreed to indemnify KBR and any of KBR's greater than 50%-owned subsidiaries as of the date of the master separation agreement for all out-of-pocket cash costs and expenses, or cash settlements or cash arbitration awards in lieu thereof, KBR may incur after the effective date of the master separation agreement as a result of the replacement of the subsea flow-line bolts installed in connection with the Barracuda-Caratinga project, which are referred to as "B-C Matters." The Halliburton indemnity will not cover, and KBR will be responsible for, all other losses in connection with the Barracuda-Caratinga project. These other losses include, but are not limited to, warranty claims on the Barracuda-Caratinga project, damage claims as a result of any failure on the Barracuda-Caratinga vessels and other losses relating to certain third party claims, losses that are special, indirect, derivative or consequential in nature, losses relating to alleged or actual damage to KBR's business or reputation, losses or adverse effect on KBR's cash flow, assets, goodwill, results of operations, business, prospects, profits or business value, whether present or future, or alleged or actual adverse consequences in obtaining, continuing or terminating of financing for current or future projects.

KBR will at its cost continue to control the defense, counterclaim and/or settlement of B-C Matters, but Halliburton will have discretion to determine whether to agree to any settlement or other resolution of these matters. Halliburton has the right to assume control over the defense, counterclaim and/or settlement of B-C Matters at any time. If Halliburton assumes control over the defense, counterclaim and/or settlement of B-C Matters, and KBR refuses a settlement proposed by Halliburton, Halliburton may terminate the indemnity relating to B-C Matters. KBR has agreed to inform and disclose promptly to Halliburton any developments, communications or negotiations between KBR, on the one hand, and Petrobras and its affiliates or any third party, on the other hand, with respect to B-C Matters, except as prohibited by law or legal restraint. Halliburton may terminate the indemnity relating to B-C Matters upon a material breach by KBR of its obligations to cooperate with Halliburton or upon KBR's entry into a settlement of any claims relating to B-C Matters without Halliburton's consent.

KBR has agreed at its cost to disclose to Halliburton any developments, negotiation or communication with respect to B-C Matters. KBR will be entitled to retain the cash proceeds of any arbitration award entered in KBR's favor or in favor of Halliburton, or any cash settlement or compromise in lieu thereof (other than with respect to recovery of Halliburton's attorneys' fees or recovery of cash costs and expenses advanced to KBR by Halliburton pursuant to Halliburton's indemnity for B-C Matters). KBR has agreed with Halliburton that no settlement by KBR of any claims relating to B-C Matters effected without the prior written consent of Halliburton will be binding on Halliburton. KBR has also agreed with Halliburton that no settlement by Halliburton of any claims relating to B-C Matters that is effected without KBR's prior written consent will be binding on KBR.

Until such time, if ever, that Halliburton exercises its right to assume control over the defense, counterclaim and/or settlement of B-C Matters, KBR, at its sole expense, will bear all legal and non-legal expenses incurred on behalf of Halliburton and KBR in the defense, counterclaim and/or settlement of B-C Matters.

Bidding Practices Investigations

The master separation agreement provides that both Halliburton and KBR will use their respective reasonable best efforts to assist each other in fully cooperating with certain ongoing bidding practices investigations, and the defense and/or settlement of any claims made by governmental authorities relating to or arising out of such investigations, although Halliburton's indemnity to KBR does not apply to liabilities, if any, for fines, monetary damages or other potential losses arising out of the bidding practices investigations. KBR and Halliburton have agreed, for the term of the master separation agreement and with respect to the bidding practices investigations, to provide each other with access to relevant information, to preserve, maintain and retain relevant documents and records, to make available and encourage the cooperation of personnel and to inform each other of relevant developments, communications or negotiations.

Corporate Governance

The master separation agreement also contains several provisions regarding KBR's corporate governance that apply for so long as Halliburton owns specified percentages of KBR's common stock. KBR will use its reasonable best efforts to avail itself of exemptions from certain corporate governance requirements of the New York Stock Exchange while Halliburton owns a majority of KBR's outstanding voting stock. As permitted under these exemptions, KBR has agreed that, so long as Halliburton owns a majority of KBR's voting stock, Halliburton will have the right to:

- designate for nomination by KBR's board of directors, or a nominating committee of the board, a majority of the members of the board, including KBR's chairman; and
- designate for appointment by the board of directors at least a majority of the members of any committee of KBR's board of directors (other than the audit committee or a special committee of independent directors).

If Halliburton's beneficial ownership of KBR's common stock is reduced to a level of at least 15% but less than a majority of KBR's outstanding voting stock, Halliburton will have the right to:

- designate for nomination a number of directors proportionate to its voting power; and
- designate for appointment by the board of directors at least one member of any committee of KBR's board of directors, to the extent permitted by law or stock exchange requirements (other than the audit committee or a special committee of independent directors).

KBR has also agreed to use its reasonable best efforts to cause Halliburton's nominees to be elected.

Pursuant to the master separation agreement, for so long as Halliburton beneficially owns a majority of KBR's outstanding voting stock, KBR's board of directors will have an executive committee consisting solely of Halliburton designees. If Halliburton's beneficial ownership is reduced to less than a majority but at least 15% of KBR's outstanding voting stock, Halliburton will be entitled to designate at least one Halliburton designee to the executive committee. The executive committee will exercise the authority of the board of directors when the full board of directors is not in session in reviewing and approving the analysis, preparation and submission of significant project bids; managing the review, negotiation and implementation of significant project contracts; and reviewing KBR's business and affairs. In addition, as long as Halliburton beneficially owns a majority of KBR's outstanding voting stock, Halliburton's board of directors will review and approve all of KBR's projects that have an estimated value in excess of $250 million.

KBR has agreed in the master separation agreement that, until the earlier to occur of a distribution by Halliburton to its stockholders of its stock in KBR or the date that Halliburton ceases to control KBR for U.S. tax purposes, KBR will not, without Halliburton's prior written consent, issue any stock, or any securities, options, warrants or rights convertible into or exercisable or exchangeable for KBR's stock, if such issuance would cause Halliburton to fail to control KBR within the meaning of Section 368(c) of the Internal Revenue Code, cause Halliburton to fail to satisfy the stock ownership requirements of Section 1504(a)(2) of the Internal Revenue Code with respect to KBR, or cause a change of control under the provisions of Section 355(e) of the Internal Revenue Code. KBR has also agreed that, until the earliest to occur of a distribution by Halliburton to its stockholders of its stock in KBR or the date that Halliburton ceases to control KBR for U.S. tax purposes, KBR will refrain from issuing any of KBR's stock (or any securities, options, warrants or rights convertible into or exercisable or exchangeable for KBR's stock) in settlement of any award pursuant to any stock option or other executive or employee benefit or compensation plan maintained by KBR, including without limitation any restricted stock unit, phantom stock, option or stock appreciation right.

KBR has also agreed that for so long as Halliburton owns 15% or more of KBR's outstanding voting stock, KBR will not make discretionary changes to KBR's accounting principles and practices, and KBR will not select a different accounting firm than Halliburton's, which is currently KPMG LLP, to serve as KBR's independent registered public accountants.

KBR has agreed to grant to Halliburton a continuing subscription right to purchase from KBR, at the times set forth in the master separation agreement:

- such number of shares of KBR's voting stock as is necessary to allow Halliburton to maintain its then-current voting percentage; and
- such number of shares of KBR's non-voting stock as is necessary to allow Halliburton to maintain its then-current ownership percentage (or 80% of the shares of each new class of non-voting stock that KBR may issue in the future).

The subscription right terminates, with respect to KBR's voting stock, if Halliburton owns less than 80% of KBR's outstanding voting stock at any time and, with respect to KBR's non-voting stock, if Halliburton owns less than 80% of KBR's non-voting stock at any time. The subscription right does not apply with respect to, among other things, certain issuances of shares by KBR pursuant to any stock option or other employee benefit plan to the extent the issuance would not result in Halliburton's loss of control over KBR within the meaning of Section 368(c) of the Internal Revenue Code, Halliburton's failure to satisfy stock ownership requirements of Section 1504(a)(2) of the Internal Revenue Code with respect to KBR, or a change of control under the provisions of Section 355(e) of the Internal Revenue Code.

Halliburton may transfer all or any portion of its contractual corporate governance rights described above to a transferee from Halliburton which holds at least 15% of KBR's outstanding voting stock.

KBR has agreed that, for so long as Halliburton beneficially owns a majority of KBR's outstanding voting stock, KBR will consistently implement and maintain Halliburton's business practices and standards with respect to internal controls and the Halliburton Code of Business Conduct.

Halliburton has also agreed, for so long as Halliburton owns at least 20% or more of KBR's outstanding voting stock, to renounce, to the fullest extent permitted by applicable law, any and all rights it may have with respect to each investment, commercial activity or other opportunity that is a "restricted opportunity" (as such term is defined in KBR's certificate of incorporation).

Credit Support Instruments

In the ordinary course of KBR's business, KBR enters into letters of credit, surety bonds, performance guarantees, financial guarantees and other credit support instruments. Prior to KBR's separation from Halliburton, Halliburton and certain of its affiliates agreed to be primary or secondary obligors on most of KBR's currently outstanding credit support instruments. KBR and Halliburton have agreed that these credit support instruments will remain in full force and effect until the earlier of: (1) the expiration of such instrument in accordance with its terms or the release of such instrument by KBR's customer, or (2) the termination of the project contract to which such instrument relates or the termination of KBR's obligations under the contract.

In addition, KBR and Halliburton have agreed that until December 31, 2009, Halliburton will provide or cause to be provided additional guarantees and indemnification or reimbursement commitments, or extensions of existing guarantees and indemnification or reimbursement commitments, for KBR's benefit in connection with (a) letters of credit necessary to comply with KBR's EBIC contract, KBR's Allenby & Connaught contract and all other contracts that were in place as of December 15, 2005; (b) surety bonds issued to support new task orders pursuant to the Allenby & Connaught contract, two existing job order contracts for KBR's G&I segment and all other contracts that KBR had in place as of December 15, 2005; and (c) performance guarantees in support of these contracts.

KBR has agreed to use its reasonable best efforts to attempt to release or replace Halliburton's liability under the outstanding credit support instruments and any additional credit support instruments for which Halliburton may become liable following KBR's initial public offering for which such release or replacement is reasonably available. For so long as Halliburton or its affiliates remain liable with respect to any credit support instrument, KBR has agreed to pay the underlying obligation as and when it becomes due. KBR has agreed to indemnify Halliburton for all liabilities in connection with KBR's outstanding credit support instruments and any additional credit support instruments relating to KBR's business for which Halliburton may become obligated following KBR's initial public offering. Furthermore, KBR has agreed to pay a carry charge for continuance of Halliburton's obligations with respect to KBR's letters of credit and surety bonds. For so long as any letter of credit for which Halliburton may be obligated remains outstanding prior to December 31, 2009, KBR will pay to Halliburton a quarterly carry charge for continuance of the letters of credit equal to the sum of: (i) 0.40% per annum of the then outstanding aggregate principal amount of all letters of credit for such quarter meeting the definition of "Performance Letters of Credit" or "Commercial Letters of Credit" (as such terms are defined by KBR's revolving credit agreement), and (ii) 0.80% per annum of the then outstanding aggregate principal

amount of all letters of credit constituting financial letters of credit for such quarter. Thereafter, following December 31, 2009, these quarterly carry charges for letters of credit will increase to 0.90% per annum and 1.65% per annum, respectively. For so long as any surety bond for which Halliburton may be obligated remains outstanding prior to December 31, 2009, KBR will pay to Halliburton a quarterly carry charge for continuance of the surety bonds equal to 0.25% per annum of the then outstanding aggregate principal amount of such surety bonds for such quarter. Thereafter, following December 31, 2009, the quarterly carry charge for continuance of surety bonds increases to 0.50% per annum.

The master separation agreement provides that, except in connection with the existing credit support instruments, any additional credit support instruments relating to KBR's business described above for which Halliburton may become obligated, or as otherwise contemplated by KBR's cash management arrangement with Halliburton and KBR's intercompany notes with Halliburton, Halliburton will have no obligation to, but may at its sole discretion, provide or continue any credit support to, or advance any funds to or on behalf of, KBR following the completion of KBR's initial public offering.

Dispute Resolution

The master separation agreement contains provisions that govern the resolution of disputes, controversies or claims that may arise between KBR and Halliburton under the master separation agreement and the related ancillary agreements, or between KBR and Halliburton for a period of ten years after completion of KBR's initial public offering relating to KBR's commercial or economic relationship to Halliburton. These provisions contemplate that efforts will be made to resolve disputes by escalation of the matter to senior management representatives of KBR and Halliburton who have not previously been directly engaged in the dispute. If such efforts are not successful, either KBR or Halliburton may submit the dispute to final, binding arbitration.

Expenses

Except as otherwise provided in the master separation agreement, the ancillary agreements or any other agreement between KBR and Halliburton relating to the separation or KBR's initial public offering, Halliburton will pay all out-of-pocket costs and expenses incurred in connection with the separation of KBR's business from Halliburton, KBR's initial public offering, and any future distribution of KBR shares to Halliburton's stockholders, and in connection with preparing the master separation agreement and the ancillary agreements. KBR will pay all underwriting fees, discounts and commissions and other direct costs incurred in connection with KBR's initial public offering.

Other Agreements

The master separation agreement provides that KBR will continue to perform certain contracts relating to Halliburton's energy services group and that Halliburton will continue to perform certain contracts relating to KBR's business, with the benefits, liabilities and costs of such performance to be for the account of, respectively, Halliburton and KBR. The master separation agreement also contains provisions relating to, among other matters, confidentiality and the exchange of information, provision of financial information and assistance with respect to financial matters, preservation of legal privileges and the production of witnesses, cooperation with respect to the investigation, litigation, defense and/or settlement of certain litigation, and a one-year mutual agreement to refrain from soliciting for employment the current employees of KBR or Halliburton, as applicable.

Tax Sharing Agreement

KBR has entered into a tax sharing agreement with Halliburton to govern the allocation of U.S. income tax liabilities and to set forth agreements with respect to other tax matters. Under the Internal Revenue Code, KBR will cease to be a member of the Halliburton consolidated group (a deconsolidation) if at any time Halliburton owns less than 80% of the vote or 80% of the value of KBR's outstanding capital stock, whether by issuance of additional shares by KBR, by Halliburton's sale of KBR's stock, by Halliburton's spin-off distributions of KBR's stock, by Halliburton's split-off offerings of KBR's stock or by a combination of these transactions. Halliburton will be responsible for filing any U.S. income tax returns required to be filed for any company or group of companies of the Halliburton consolidated group through the date of the deconsolidation. Halliburton will also be responsible for paying the taxes related to the returns it is responsible for filing. KBR will pay Halliburton KBR's allocable share of such taxes. KBR is obligated to pay Halliburton for the utilization of net operating losses, if any, generated by Halliburton prior to the deconsolidation to offset KBR's consolidated federal income tax liability.

Halliburton will determine all tax elections for tax periods during which KBR is a member of the Halliburton consolidated group consistent with past practice. KBR will prepare and file all tax returns required to be filed by KBR and pay all taxes related to such returns for all tax periods after KBR ceases to be a member of the Halliburton consolidated group.

Generally, if there are tax adjustments related to KBR arising after the deconsolidation date, which relate to a tax return filed for a pre-deconsolidation period, KBR will be responsible for any increased taxes and KBR will receive the benefit of any tax refunds. KBR has agreed to cooperate with and assist Halliburton in any tax audits, litigation or appeals that involve, directly or indirectly, tax returns filed for pre-deconsolidation periods and to provide Halliburton with information related to such periods. KBR and Halliburton have agreed to indemnify each other for any tax liabilities resulting from the failure to pay any amounts due under the terms of the tax sharing agreement.

KBR and Halliburton have agreed that, except as described in the following paragraph, any and all taxes arising from KBR's deconsolidation with the Halliburton consolidated group will be the responsibility of Halliburton. KBR has also agreed that KBR will elect to not carry back net operating losses KBR generates in KBR's tax years after deconsolidation to tax years when KBR was part of the Halliburton consolidated group. KBR may utilize such net operating losses in KBR's tax years after deconsolidation (subject to the applicable carryforward limitation periods) but only to the extent of KBR's income in such tax years.

If Halliburton distributes KBR's stock to its stockholders, KBR and Halliburton will be required to comply with representations that are made to Halliburton's tax counsel in connection with the tax opinion expected to be issued to Halliburton regarding the tax-free nature of the distribution of KBR's stock by Halliburton to Halliburton stockholders. In addition, KBR and Halliburton will be required to comply with representations that are made to the Internal Revenue Service in connection with Halliburton's request for a private letter ruling with respect to the distribution. Further, KBR has agreed not to enter into transactions for two years after the distribution date that would result in a more than immaterial possibility of a change of control of KBR pursuant to a plan unless a ruling is obtained from the Internal Revenue Service or an opinion is obtained from a nationally recognized law firm that the transaction will not affect the tax-free nature of the distribution. For these purposes, certain transactions are deemed to create a more than immaterial possibility of a change of control of KBR pursuant to a plan, and thus require such a ruling or opinion, including, without limitation, the merger of KBR with or into any other corporation, stock issuances (regardless of size) other than in connection with KBR employee incentive plans, or the redemption or repurchase of any of KBR's capital stock (other than in connection with future employee benefit plans or pursuant to a future market purchase program involving 5% or less of

KBR's publicly traded stock). If KBR takes any action which results in the distribution becoming a taxable transaction, KBR will be required to indemnify Halliburton for any and all taxes incurred by Halliburton or any of its affiliates, on an after-tax basis, resulting from such actions.

Depending on the facts and circumstances, if Halliburton distributes KBR's stock to its stockholders, the distribution may be taxable to Halliburton if KBR undergoes a 50% or greater change in stock ownership within two years after any distribution. Under the tax sharing agreement, Halliburton is entitled to reimbursement of any tax costs incurred by Halliburton as a result of a change in control of KBR after any distribution. Halliburton would be entitled to such reimbursement even in the absence of any specific action by KBR, and even if actions of Halliburton (or any of its officers, directors or authorized representatives) contributed to a change in control of KBR. Actions by a third party after any distribution causing a 50% or greater change in KBR's stock ownership could also cause the distribution by Halliburton to be taxable and require reimbursement by KBR.

ITEM 9.01. Financial Statements and Exhibits.

(d) Exhibits.

10.1 Master Separation Agreement between Halliburton Company and KBR, Inc. dated as of November 20, 2006.

10.2 Tax Sharing Agreement, dated as of January 1 , 2006, by and between Halliburton Company, KBR Holdings LLC, and KBR, Inc.

SIGNATURE

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

HALLIBURTON COMPANY

Date: November 27, 2006

By: /s/ Margaret E. Carriere
Margaret E. Carriere
Senior Vice President and Secretary

EXHIBIT INDEX

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
10.1	Master Separation Agreement between Halliburton Company and KBR, Inc. dated as of November 20, 2006.
10.2	Tax Sharing Agreement, dated as of January 1 , 2006, by and between Halliburton Company, KBR Holdings LLC, and KBR, Inc.

EXHIBIT 10.1

MASTER SEPARATION AGREEMENT

BETWEEN

HALLIBURTON COMPANY

AND

KBR, INC.

Dated as of November 20, 2006

TABLE OF CONTENTS

MASTER SEPARATION AGREEMENT

THIS MASTER SEPARATION AGREEMENT (this "Agreement") is entered into as of November 20, 2006 by and between Halliburton Company, a Delaware corporation ("Halliburton"), and KBR, Inc., a Delaware corporation ("KBR"). Capitalized terms used herein and not otherwise defined shall have the meanings set forth in Article I hereof.

RECITALS

WHEREAS, KBR is an indirect wholly-owned subsidiary of Halliburton;

WHEREAS, KBR, together with its direct and indirect U.S. and foreign subsidiaries, provides a wide range of services, including global engineering, procurement, construction, technology and other services, to energy and industrial customers and government entities worldwide;

WHEREAS, the Board of Directors of Halliburton has determined that it is appropriate and desirable, on the terms and conditions contemplated hereby, to initiate the separation of the KBR Group from the Halliburton Group, and has approved this Agreement and the transactions contemplated hereby;

WHEREAS, Halliburton currently contemplates that KBR will effect an initial public offering ("IPO") of less than 20% of the shares of KBR Common Stock pursuant to a registration statement on Form S-1 filed with the Commission pursuant to the Securities Act;

WHEREAS, the parties intend to set forth in this Agreement, including the Schedules hereto and the Ancillary Agreements contemplated hereby, the principal arrangements between and among them and the members of their respective Groups regarding the separation of the KBR Group from the Halliburton Group, the IPO and certain future transactions.

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth below, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

The following terms used in this Agreement are defined as set forth below or in the sections indicated, as applicable:

"AAA" has the meaning set forth in Section 7.4.

"Action" means any demand, action, suit, countersuit, arbitration, inquiry, proceeding or investigation by or before any federal, state, local, foreign or international Governmental Authority or any arbitration or mediation tribunal.

An "Affiliate" of any Person means another Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. For this purpose "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the Person controlled, whether through ownership of voting securities, by contract or otherwise. Notwithstanding anything herein to the contrary, no member of the KBR Group shall be deemed to be an Affiliate of any member of the Halliburton Group, and no member of the Halliburton Group shall be deemed to be an Affiliate of any member of the KBR Group.

"Agreement" has the meaning given such term in the Preamble.

"Ancillary Agreements" has the meaning set forth in Section 2.3.

"Antitrust Matters" are alleged or actual violations of antitrust, competition or other applicable Law that occurred prior to the date of this Agreement relating to investigations by the DOJ or other Governmental Authorities into whether in the conduct of the KBR Business (including, without limitation, conduct by a member of the KBR Group or its current or former directors, officers, employees, agents or representatives) coordinated bidding with one or more competitors on projects occurred, as described under the heading "Bidding practices investigation" in Note 12 of the condensed consolidated financial statements included in the Halliburton Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.

"Applicable FCPA Law" means (a) the Council of Europe Criminal Law Convention on Corruption entered into force July 1, 2002, (b) Council of Europe Civil Law Convention on Corruption entered into force November 1, 2003, (c) Organization of American States Inter-American Convention against Corruption adopted on March 29, 1996, (d) African Union Convention on Preventing and Combating Corruption adopted July 11, 2003, (e) United Nations Convention against Corruption adopted October 31, 2003, (f) OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions adopted November 21, 1997, (g) the FCPA and (h) any and all implementing legislation in respect of clauses (a) through (g) above, including, without limitation, any laws, statutes, regulations and rules issued by any Governmental Authority of similar purpose and scope.

"Applicable Deadline" has the meaning set forth in Section 7.3.

"Arbitration Demand Date" has the meaning set forth in Section 7.3.

"Arbitration Demand Notice" has the meaning set forth in Section 7.3.

"Barracuda-Caratinga Bolts Matter" means threatened, pending or future claims against any KBR B-C Indemnitee by Barracuda & Caratinga Leasing Company B.V. and/or Petrobras or its Affiliates, and threatened, pending or future claims by any KBR B-C Indemnitee against Barracuda & Caratinga Leasing Company B.V. and/or Petrobras or its Affiliates, arising out of the subsea flow-line bolts installed in connection with the Barracuda-Caratinga Project.

"Barracuda-Caratinga Project" means the turnkey engineering, procurement and construction contract, dated as of June 30, 2000, as amended, and related agreements by and among members of the KBR Group, Barracuda & Caratinga Leasing Company B.V., Petrobras or its Affiliates relating to the development of the Barracuda and Caratinga oilfields located in the Campos Basin offshore of Brazil.

"best efforts" means a Person's good faith best efforts to achieve such goal as expeditiously as possible, which may require the incurrence of expense or hardship in order to achieve the reasonable expectations of the parties as agreed hereunder.

"Business Day" means a day other than a Saturday, a Sunday or a day on which banking institutions located in the State of Texas are authorized or obligated by law or executive order to close.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"Commission" means the U.S. Securities and Exchange Commission.

"Confidential Information" has the meaning set forth in Section 8.11.

"Credit Support Agreements" means any and all surety bonds, letters of credit, reimbursement agreements, surety contracts, performance guarantees, financial guarantees, indemnities and other credit support instruments and agreements relating to or for the benefit of the KBR Business or a customer or lender thereof for which a member of the Halliburton Group is a primary obligor, secondary obligor, guarantor, indemnitor, account party or otherwise may become liable (i) entered into or obtained prior to the Separation Date and (ii) entered into or obtained following the Separation Date as provided under Section 8.10(b) hereof or at Halliburton's sole discretion. Non-exclusive lists of certain Credit Support Agreements are set forth on Schedule C-1 (Surety Bonds and Related Indemnity Agreements), Schedule C-2 (Letters of Credit and Related Reimbursement Agreements), Schedule C-3 (Performance and Financial Guarantees) and Schedule C-4 (Other Credit Support Agreements).

"Current Investigations" means the investigations ongoing as of the date hereof by (a) the DOJ, (b) the Commission, (c) the Tribunal de Grande Instance de Paris (investigation number: 25/03 and Public Prosecution Service ID: P 02/29192509) in the French Republic, (d) the Serious Frauds Office in the United Kingdom, (e) officials at the Federal Police Office (proceeding B 0152492 BOT) of the Swiss Confederation, (f) the Economic and Financial Crimes Commission, an agency of the executive branch of the government of the Federal Republic of Nigeria, (g) the Committee on Public Petitions of the House of Representatives of the Federal Republic of Nigeria, and (h) a public prosecutor or an investigating judge in the People's Democratic Republic of Algeria with respect to contracts awarded to Brown & Root - Condor Spa.

"Disposition" means any resolution or termination of any Proceeding, whether adjudicated or consensual.

"Distribution" means a tax-free distribution under Section 355 of the Code or any corresponding provision of any successor statute of all or any portion of the KBR Common Stock beneficially owned by Halliburton to Halliburton stockholders by way of a dividend, exchange or otherwise.

"DOJ" means the United States Department of Justice.

"Employee Matters Agreement" means the Employee Matters Agreement dated the date hereof between Halliburton and KBR.

"Environmental Law" means any and all Laws or determinations of any Governmental Authority (including common law duties established by courts or other Governmental Authorities) pertaining to pollution or the protection of human health, the environment, natural resources or plant or animal species including Laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants or chemical, industrial, hazardous, radioactive, or toxic materials or wastes into ambient or indoor air, surface water, ground water or lands or otherwise relating to the manufacture, processing, distribution (including the sale or marketing of goods containing), use, treatment, storage, disposal, transportation or handling of pollutants, contaminants or chemical, industrial, hazardous. radioactive, or toxic materials or wastes, in any jurisdiction, federal, state, local or foreign, in which the Halliburton Business or KBR Business is or has operated; including, without limitation, in United States jurisdictions the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 *et seq.* ("CERCLA"), the Superfund Amendments Reauthorization Act, 42 U.S.C. Section 11001 *et seq.*, the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 *et seq.*, the Clean Air Act, 42 U.S.C. Section 7401 *et seq.*, the Federal Water Pollution Control Act, 33 U.S.C. Section 1251 *et seq.*, the Oil Pollution Act of 1990, 33 U.S.C. Section 2701 *et seq.*, the Toxic Substances Control Act, 15 U.S.C. Section 2601 *et seq.*, and the Safe Drinking Water Act, 42 U.S.C. Section 300f *et seq.*, other similar state or local laws or laws or decrees in non-U.S. jurisdictions, and all other environmental conservation and protection laws, both foreign and domestic, and any applicable state or local statutes, and the regulations promulgated thereto, as each has been and may be amended and supplemented from time to time, *provided*, *however*, that Environmental Laws shall not include Laws pertaining primarily to workplace safety, such as the Occupational Safety and Health Act, except to the extent such Laws govern environmental conditions, including the management of asbestos-containing materials, or employee exposure or potential exposure to pollutants, contaminants or chemical, industrial, hazardous, radioactive, or toxic materials or wastes.

"Escalation Notice" has the meaning set forth in Section 7.2.

"Excess Director Number" has the meaning set forth in Section 5.2.

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

"Existing Authority" has the meaning set forth in Section 8.9.

"FCPA" means the United States Foreign Corrupt Practices Act of 1977, as amended.

"FCPA Subject Matters" are alleged or actual violations of the FCPA or other Applicable FCPA Law that occurred prior to the date of this Agreement in the conduct of the KBR Business (including, without limitation, conduct by a member of the KBR Group or its current or former directors, officers, employees, agents or representatives) in connection with (a) the construction and subsequent expansion by TSKJ of a natural gas liquefaction complex and

related facilities at Bonny Island in Rivers State, Nigeria or (b) such other projects, whether located inside or outside of Nigeria, in each case including without limitation the use of agents in connection with such projects, that are identified by Governmental Authorities of the United States, France, the United Kingdom, Switzerland, Nigeria or Algeria in connection with the Current Investigations and the continuation of such Current Investigations after the date hereof.

"Governmental Approvals" means any notices, reports or other filings to be made, or any consents, registrations, approvals, permits or authorizations to be obtained from, any Governmental Authority.

"Governmental Authority" means any nation or government, any state, province, city, municipal entity or other political subdivision thereof, and any governmental, executive, legislative, judicial, administrative or regulatory agency, department, authority, instrumentality, commission, board, bureau or similar body, whether federal, state, provincial, territorial, local or foreign.

"Governmental FCPA Claim" means a claim, whether civil or criminal, made by any Governmental Authority of the United States, France, the United Kingdom, Switzerland, Nigeria or Algeria, or by a court of competent jurisdiction therein relating to the FCPA Subject Matters.

"Group" means either the Halliburton Group or the KBR Group, as the context requires.

"Halliburton" has the meaning given such term in the Preamble.

"Halliburton's Auditors" means Halliburton's independent certified public accountants.

"Halliburton Books and Records" means originals or true and complete copies thereof, including electronic copies (if available) of (a) minute books, corporate charters and bylaws or comparable constitutive documents, records of share issuances and related corporate records, of the Halliburton Group; (b) all books and records primarily relating to (i) Persons who are employees of the Halliburton Group as of the Separation Date, (ii) the purchase of materials, supplies and services for the Halliburton Business and (iii) dealings with customers of the Halliburton Business; and (c) all files relating to any Action the Liability with respect to which is a Halliburton Liability.

"Halliburton Business" means any business of the Halliburton Group (whether conducted independently or in association with one or more third parties through a partnership, joint venture or other mutual enterprise) other than the KBR Business, including without limitation the Non-Novated ESG Contracts. The parties intend that each member of the KBR Group which is party to a Non-Novated ESG Contract shall remain a party thereto following the Separation, and the parties hereby agree that each Non-Novated ESG Contract shall be considered to be part of the Halliburton Business for all purposes under this Agreement.

"Halliburton Cash Management Note" means the promissory note dated as of December 1, 2005 made by Halliburton Energy Services, Inc. to KBR Holdings, LLC.

"Halliburton Designee" has the meaning set forth in Section 5.2.

"Halliburton Environmental Liabilities" means all Liabilities arising under or relating to Environmental Law to the extent, as between the Halliburton Group and the KBR Group, such Liabilities relate to, arise out of or result from: (a) the ownership, operation or conduct of the Halliburton Business at any time prior to, on or after the Separation Time except for those Liabilities included in clause (ii) of the definition of "KBR Environmental Liabilities" below, or (b) any properties or assets owned, leased, used or held for use in connection with any terminated, divested or discontinued business or other activities which, at the time of such termination, divestiture or discontinuation, related to the Halliburton Business as then conducted. It is understood that, consistent with the foregoing, Halliburton Environmental Liabilities shall include without limitation all Liabilities arising under or relating to Environmental Law attributable to (1) investigation or remediation activities involving the sites listed on Part 1 of the attached Schedule D; and (2) the transportation, treatment, storage, or disposal of waste generated by the operations of members of the Halliburton Group, including liability under CERCLA or a comparable law allocated by the applicable Governmental Authority or potentially responsible party group, as appropriate, to members of the Halliburton Group, which shall include the liability ultimately allocated to members of the Halliburton Group at the sites listed on Part 2 of Schedule D.

"Halliburton Group" means Halliburton, each current and former subsidiary of Halliburton (other than any member of the KBR Group), including the subsidiaries set forth in Schedule A, and each Person that becomes a subsidiary of Halliburton after the Separation Time.

"Halliburton Indemnified Barracuda-Caratinga Matters" has the meaning set forth in Section 3.5.

"Halliburton Indemnified FCPA Matters" has the meaning set forth in Section 3.4.

"Halliburton Indemnitees" has the meaning set forth in Section 3.2.

"Halliburton Liabilities" shall mean (a) any and all Liabilities that are expressly contemplated by a Prior Transfer Agreement, this Agreement or any Ancillary Agreement as Liabilities to be retained or assumed by Halliburton or any other member of the Halliburton Group, (b) all agreements, obligations and Liabilities of any member of the Halliburton Group under a Prior Transfer Agreement, this Agreement or any of the Ancillary Agreements, (c) any liability arising under or relating to a claim made against Halliburton by a Halliburton stockholder in its capacity as such other than a claim for which KBR and the KBR Group have agreed to indemnify Halliburton and the Halliburton Group pursuant to Section 3.2(f) hereof and (d) any Liability of any member of the Halliburton Group other than the KBR Liabilities.

"Halliburton Transferee" has the meaning set forth in Section 5.7.

"Indebtedness" of any Person means (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property or assets purchased by such Person, (e) all obligations of such Person issued or assumed as the deferred purchase price of property or services, (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, or other encumbrance on property owned or acquired by such Person,

whether or not the obligations secured thereby have been assumed, (g) all guarantees by such Person of Indebtedness of others, (h) all capital lease obligations of such Person and (i) all securities or other similar instruments convertible or exchangeable into any of the foregoing, but excluding daily cash overdrafts associated with routine cash operations.

"Indemnifying Party" has the meaning set forth in Section 3.6.

"Indemnitee" shall have the meaning set forth in Section 3.6.

"Indemnity Payment" has the meaning set forth in Section 3.6.

"Information" means information, whether or not patentable or copyrightable, in written, oral, electronic or other tangible or intangible forms, stored in any medium, including studies, reports, records, books, contracts, instruments, surveys, discoveries, ideas, concepts, know-how, techniques, designs, specifications, drawings, blueprints, diagrams, models, prototypes, samples, flow charts, data, computer data, disks, diskettes, tapes, computer programs or other software, marketing plans, customer names, communications by or to attorneys (including attorney-client privileged communications), memos and other materials prepared by attorneys or under their direction (including attorney work product), and other technical, financial, employee or business information or data, but excluding the Halliburton Books and Records and the KBR Books and Records.

"Insurance Proceeds" means those monies:

(a) received by an insured from an insurance carrier; or

(b) paid by an insurance carrier on behalf of the insured;

in any such case net of any applicable premium adjustments (including reserves and retrospectively rated premium adjustments) and net of any costs or expenses (including allocated costs of in-house counsel and other personnel) incurred in the collection thereof.

"Intercompany Note" means the promissory note dated as of December 1, 2005 made by KBR Holdings, LLC to Halliburton Energy Services, Inc. in an amount not to exceed $489 million.

"Intellectual Property Matters Agreement" means the Intellectual Property Matters Agreement dated the date hereof between Halliburton and KBR.

"IPO" has the meaning given such term in the Recitals.

"IPO Closing Date" means the first date on which the proceeds of any sale of KBR Common Stock to the Underwriters are received.

"IPO Prospectus" means the prospectus included in the IPO Registration Statement, including any prospectus subject to completion, final prospectus or any supplement to or amendment of any of the foregoing.

"IPO Registration Statement" means the Registration Statement on Form S-1 (Registration No. 333-133302) of KBR filed with the Commission pursuant to the Securities Act, registering the shares of KBR Common Stock to be issued in the IPO, together with all amendments thereto.

"Issuance Event" has the meaning set forth in Section 5.4.

"Issuance Event Date" has the meaning set forth in Section 5.4.

"KBR" has the meaning given such term in the Preamble.

"KBR Auditors" means KBR's independent certified public accountants.

"KBR Balance Sheets" means (a) the KBR Holdings, LLC Consolidated Balance Sheet as of December 31, 2005 and (b) the KBR Holdings, LLC Consolidated Balance Sheet as of September 30, 2006.

"KBR B-C Indemnitees" shall mean KBR and its Majority Owned Subsidiaries as of the date hereof.

"KBR Books and Records" means originals or true and complete copies thereof, including electronic copies (if available), of (a) all minute books, corporate charters and bylaws or comparable constitutive documents, records of share issuances and related corporate records of the KBR Group; (b) all books and records primarily relating to (i) Persons who are employees of the KBR Group as of the Separation Date, (ii) the purchase of materials, supplies and services for the KBR Business and (iii) dealings with customers of the KBR Business; and (c) all files relating to any Action the Liability with respect to which is a KBR Liability; except that no portion of the Halliburton Books and Records shall be included in the "KBR Books and Records."

"KBR Business" means (a) the business and operations conducted by KBR and the members of the KBR Group (whether conducted independently or in association with one or more third parties through a partnership, joint venture or other mutual enterprise) prior to, on and after the Separation Time, including without limitation the following global engineering, procurement, construction, technology and other services provided to energy and industrial customers and government entities worldwide as conducted by the Energy and Chemicals and the Government and Infrastructure segments of Halliburton (such segments as referenced in the Halliburton Form 10-K for the year ended December 31, 2005) prior to the Separation:

(i) construction, maintenance and logistics services for government operations, facilities and installations;

(ii) civil engineering, construction, consulting and project management services for state and local government agencies and private industries;

(iii) integrated security solutions, including threat definition assessments, mitigation and consequence management; design, engineering and program management; construction and delivery; and physical security, operations and maintenance;

(iv) dockyard operation and management, with services that include design, construction, surface/subsurface fleet maintenance, nuclear engineering and refueling, and weapons engineering;

(v) privately financed initiatives such as a facility, service or infrastructure for a government client, and the ownership, operation and maintenance of same;

(vi) downstream engineering and construction capabilities, including global engineering execution centers, as well as engineering, construction and program management of liquefied natural gas, ammonia, petrochemicals, crude oil refineries and natural gas plants;

(vii) upstream oil and gas engineering, marine technology and project management;

(viii) operations, maintenance and start-up services to the oil and gas, petrochemical, forest product, power and commercial markets;

(ix) technology licensing in the areas of fertilizers and synthesis gas, olefins, refining and chemicals and polymers;

(x) consulting services in the form of expert technical and management advice that includes studies, conceptual and detailed engineering, project management, construction supervision and design, and construction verification or certification in upstream, midstream and downstream markets;

(xi) effective from and after April 11, 2006, the business and operations of MMM-SS Holdings, LLC and its subsidiaries MMM S.R.L. de C.V., AGRH S.R. L. de C.V. and CCC Cayman Ltd.; and

(xii) the Non-Novated KBR Contracts. The parties intend that each member of the Halliburton Group which is party to a Non-Novated KBR Contract shall remain a party thereto following the Separation, and the parties hereby agree that each Non-Novated KBR Contract shall be considered to be part of the KBR Business for all purposes under this Agreement;

and (b) except as otherwise specifically provided herein, any terminated, divested or discontinued business or operations that at the time of such termination, divestiture or discontinuation related primarily to the KBR Business as then conducted.

"KBR Cash Management Note" means the promissory note dated as of December 1, 2005 made by KBR Holdings, LLC to Halliburton Company and Halliburton Energy Services, Inc.

"KBR Charter" means the Amended and Restated Certificate of Incorporation of KBR as in effect on the date hereof.

"KBR Common Stock" means Common Stock, par value $0.001 per share, of KBR.

"KBR Credit Agreement" means the $850 million Five Year Revolving Credit Agreement dated as of December 16, 2005 among KBR Holdings, LLC, as borrower, and the issuing banks named therein, as amended by Amendment No. 1 dated April 13, 2006 and Amendment No. 2 dated October 31, 2006, and as further amended from time to time.

"KBR Debt Obligations" means all Indebtedness of KBR or any other member of the KBR Group, including without limitation the Intercompany Note but excluding all Indebtedness of any member of the Halliburton Group to the extent it constitutes Indebtedness of KBR by virtue of clause (f) or clause (g) of the definition of Indebtedness. KBR Debt Obligations shall include, as of the date of the most recent balance sheet of KBR Holdings, LLC included in the IPO Prospectus, the Indebtedness of KBR Holdings, LLC reflected on such balance sheet.

"KBR Environmental Liabilities" means all Liabilities arising under or relating to Environmental Law to the extent, as between the Halliburton Group and the KBR Group, such Liabilities relate to, arise out of, or result from (i) the ownership, operation or conduct of the KBR Business at any time prior to, on or after the Separation Time except for those Liabilities included in clause (b) of the definition of "Halliburton Environmental Liabilities" above, or (ii) any properties or assets owned, leased, used or held for use in connection with any terminated, divested or discontinued business or other activities which, at the time of such termination, divestiture or discontinuation, related to the KBR Business as then conducted. It is understood that, consistent with the foregoing, KBR Environmental Liabilities shall include without limitation all Liabilities arising under or relating to Environmental Law attributable to (1) investigation or remediation activities involving the sites listed on Part 1 of the attached Schedule E; and (2) the transportation, treatment, storage, or disposal of waste generated by the operations of members of the KBR Group, including liability under CERCLA or a comparable law allocated by the applicable Governmental Authority or potentially responsible party group, as appropriate, to members of the KBR Group, which shall include the liability ultimately allocated to members of the KBR Group at the sites listed on Part 2 of Schedule E.

"KBR FCPA Indemnitees" shall mean KBR and its Majority Owned Subsidiaries as of the date hereof.

"KBR Group" means KBR, each current and former subsidiary of KBR, including the subsidiaries set forth in Schedule B, and each Person that becomes a subsidiary of KBR after the Separation Time.

"KBR Indemnitees" has the meaning assigned to that term in Section 3.3.

"KBR Liabilities" shall mean (without duplication):

(i) any and all Liabilities that are expressly contemplated by a Prior Transfer Agreement, this Agreement or any Ancillary Agreement to be assumed by KBR or any member of the KBR Group, and all agreements, obligations and Liabilities of any member of the KBR Group under a Prior Transfer Agreement, this Agreement or any of the Ancillary Agreements;

(ii) all Liabilities (other than Taxes that are not treated as liabilities of KBR under the Tax Sharing Agreement) primarily relating to, arising out of or resulting from the operation of the KBR Business, as conducted at any time prior to, on or after the Separation Time including, without limitation:

(A) any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative of KBR (whether or not such act or failure to act is or was within such Person's authority);

(B) any KBR Environmental Liabilities;

(C) liabilities primarily relating to, arising out of or resulting from any KBR Assets;

(D) the KBR Debt Obligations; and

(E) any liability arising under or relating to a claim made against KBR by a KBR stockholder in its capacity as such (other than Halliburton) other than a claim for which Halliburton and the Halliburton Group have agreed to indemnify KBR and the KBR Group pursuant to Section 3.3(f) hereof; and

(iii) all Liabilities reflected as liabilities or obligations of KBR in the KBR Balance Sheets, subject to any discharge of such Liabilities subsequent to the date of such KBR Balance Sheets.

Notwithstanding the foregoing, the KBR Liabilities shall not include the Halliburton Liabilities.

"KBR Non-Voting Stock" means any class or series of KBR capital stock, and any warrant, option or right in such stock, other than KBR Voting Stock.

"KBR Voting Stock" means the KBR Common Stock and any other capital stock of KBR entitled to vote generally in the election of directors but excluding any class or series of capital stock only entitled to vote in the event of dividend arrearages thereon, whether or not at the time of determination there are any such dividend arrearages.

"Law" means any law, statute, ordinance, rule, regulation, order, writ, judgment, injunction or decree of any Governmental Authority.

"Liabilities" shall mean any and all Indebtedness, liabilities and obligations of any nature, whether accrued, fixed or contingent, mature or inchoate, known or unknown, reflected on a balance sheet or otherwise, including, but not limited to, those arising under any law, rule, regulation, Action, order, injunction or consent decree of any Governmental Authority or any judgment of any court of any kind or any award of any arbitrator of any kind, and those arising under any contract, commitment or undertaking.

"Losses" shall mean any and all damages, losses, deficiencies, Liabilities, obligations, penalties, judgments, settlements, claims, payments, fines, interest costs and expenses (including, without limitation, the costs and expenses of any and all Actions and demands, assessments, judgments, settlements and compromises relating thereto, and attorneys', accountants', consultants' and other professionals' fees and expenses incurred in the investigation or defense thereof or the enforcement of rights hereunder), excluding losses that are special, indirect, derivative or consequential, lost profits or punitive damages (other than punitive damages awarded to any third party against an Indemnified Party).

"Majority Owned 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, other persons 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, as of the date hereof, 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.

"Market Price" of any shares of KBR Voting Stock or KBR Non-Voting Stock on any date means (i) the last sale price during regular trading hours of such shares on such date on the New York Stock Exchange, Inc. or, if such shares are not listed thereon, on the principal national securities exchange or automated interdealer quotation system on which such shares are traded; or (ii) if such sale price is unavailable or such shares are not so traded, the value of such shares on such date determined in accordance with agreed-upon procedures reasonably satisfactory to Halliburton and KBR.

"Non-Novated ESG Contracts" means those contracts and other agreements entered into by the Energy Services Group segments of Halliburton (such segments as referenced in the Halliburton Form 10-K for the year ended December 31, 2005) prior to the Separation Date for which a member of the KBR Group is a signator or contract party, including without limitation certain contracts entered into by Kellogg Brown & Root LLC (and its predecessor), Kellogg Brown & Root Limited, Rockwell B.V., Kellogg Brown & Root International, Inc., Halliburton AS, Asian Marine Contractors Limited, KBR Overseas, Inc., Breswater Marine Contracting B.V., Corporación Mexicana de Mantenimiento Integral, S. de R.L. de C.V., PT KBR Indonesia and Halliburton Australia Pty. Ltd. (B&R Div.). A non-exclusive list of outstanding contract jobs associated with the Non-Novated ESG Contracts is set forth on Schedule G hereto.

"Non-Novated KBR Contracts" means those contracts and other agreements entered into by the Energy and Chemicals or the Government and Infrastructure segments of Halliburton (such segments as referenced in the Halliburton Form 10-K for the year ended December 31, 2005) prior to the Separation Date for which a member of the Halliburton Group is a signator or contract party, including without limitation certain contracts entered into by Servicios Professionales Petroleros, S. de R.L. de C.V., Halliburton Far East Pte Ltd., Halliburton International, Inc., Servicios Halliburton De Venezuela, S.R.L., Halliburton West Africa Ltd., Halliburton Operations Nigeria Limited and Halliburton SAS. A non-exclusive list of outstanding contract jobs associated with the Non-Novated KBR Contracts is set forth on Schedule F hereto.

"NYSE" means the New York Stock Exchange, Inc.

"Ownership Percentage" means with respect to any class or series of KBR Non-Voting Stock, at any time, the fraction, expressed as a percentage and rounded to the nearest thousandth of a percent, whose numerator is the number of shares of such class or series of KBR Non-Voting Stock beneficially owned by the Halliburton Group and whose denominator is the total number of outstanding shares of such class or series of KBR Non-Voting Stock; provided,

however, that any shares of such KBR Non-Voting Stock issued by KBR in violation of its obligations under Article V of this Agreement shall not be deemed outstanding for the purpose of determining the Ownership Percentage.

"Penalty" means a fine or other monetary penalty or direct monetary damage, including disgorgement, in each case as a result of a Governmental FCPA Claim, assessed against a KBR FCPA Indemnitee or paid by a KBR FCPA Indemnitee.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a Governmental Authority or any department, agency or political subdivision thereof.

"Prior Transfer" means a transfer in contemplation of the Separation occurring prior to the Separation Date of any part of the KBR Business contained in the Halliburton Group to the KBR Group and an assumption in contemplation of the Separation occurring prior to the Separation Date by the KBR Group of any of the KBR Liabilities, and a transfer in contemplation of the Separation occurring prior to the Separation Date of any part of the Halliburton Business contained in the KBR Group to the Halliburton Group and an assumption in contemplation of the Separation occurring prior to the Separation Date by the Halliburton Group of any of the Halliburton Liabilities.

"Prior Transfer Agreements" means all agreements, deeds, certificates, instruments or other documents entered into by a member of the Halliburton Group or a member of the KBR Group in order to implement the Prior Transfers.

"Privilege" has the meaning set forth in Section 8.7.

"Providing Company" has the meaning set forth in Section 8.6.

"reasonable best efforts" means a Person's good faith best efforts to achieve such goal as soon as reasonably practicable and consistent with reasonable commercial practice and without payment of any assignment, consent or similar fee requested by any person or the incurrence of unreasonable expense or hardship, and/or the requirement to engage in litigation.

"Receiving Company" has the meaning set forth in Section 8.6.

"Registration Rights Agreement" means the Registration Rights Agreement dated the date hereof between Halliburton and KBR.

"Regulatory Proceedings" shall mean filings, notices, adjudicatory proceedings, rulemakings, enforcement actions before a Governmental Authority relating to regulatory activity, any other proceedings at or before any regulatory or administrative agency, and any investigation instituted by the Audit Committee of the Board of Directors of a Party in response to or in anticipation of the foregoing. The term shall also refer to appellate activities relating to any of the foregoing, including actions seeking injunctions, writs of mandamus and appeals.

"Securities Act" means the Securities Act of 1933, as amended, or any successor statute.

"Separation" means (i) the transfer of those assets (including funds relating to the KBR Business) relating primarily to the KBR Business as conducted immediately prior to the IPO that are contained in the Halliburton Group immediately prior to the IPO to the KBR Group and the assumption by KBR and the members of the KBR Group of the KBR Liabilities, and (ii) the transfer of those assets (including funds relating to the Halliburton Business) relating primarily to the Halliburton Business as conducted immediately prior to the IPO that are contained in the KBR Group immediately prior to the IPO to the Halliburton Group and the assumption by the Halliburton Group of the Halliburton Liabilities, all as more fully described in this Agreement and the Ancillary Agreements.

"Separation Date" has the meaning set forth in Section 2.1.

"Separation Time" has the meaning set forth in Section 2.1.

"Silica Note" means the Senior Secured Note dated January 20, 2005 made jointly and severally by DII Industries, LLC and Kellogg Brown & Root LLC (as successor to Kellogg Brown & Root, Inc., a Delaware corporation) to the DII Industries, LLC Silica PI Trust.

"Subscription Right" has the meaning set forth in Section 5.4.

"Subscription Right Notice" has the meaning set forth in Section 5.4.

"Tax Sharing Agreement" means the Tax Sharing Agreement dated as of January 1, 2006 by and among Halliburton and its affiliated companies and KBR and its affiliated companies.

"Taxes" has the meaning set forth in the Tax Sharing Agreement.

"Third Party Claim" has the meaning set forth in Section 3.7.

"Third-Party FCPA Claim" means a claim resulting in a monetary judgment against a KBR FCPA Indemnitee, or a settlement in lieu thereof, to the extent relating to the FCPA Subject Matters and as a result of demands or claims made against a KBR FCPA Indemnitee by a Person other than a Governmental Authority, including without limitation by Persons who are customers of, joint venture partners in or financing parties of projects of a KBR FCPA Indemnitee.

"Transition Services Agreements" means the two Transition Services Agreements dated the date hereof between Halliburton Energy Services, Inc. and KBR.

"TSKJ" means the private limited liability company registered in Madiera, Portugal whose members are Technip, SA, Snamprogetti Netherlands B.V., JGC Corporation and Kellogg, Brown and Root.

"Underwriters" means the several underwriters of the IPO named in the Underwriting Agreement.

"Underwriting Agreement" has the meaning set forth in Section 4.1.

"Voting Percentage" means, at any time, the fraction, expressed as a percentage and rounded to the nearest thousandth of a percent, whose numerator is the number of votes entitled to be cast with respect to all of the outstanding shares of KBR Voting Stock beneficially owned by the Halliburton Group and whose denominator is the number of votes entitled to be cast with respect to all of the outstanding shares of KBR Voting Stock; provided, however, that any shares of such KBR Voting Stock issued by KBR in violation of its obligations under Article V of this Agreement shall not be deemed outstanding for the purpose of determining the Voting Percentage.

ARTICLE II

SEPARATION AND RELATED TRANSACTIONS

2.1 Separation Date; Separation Time. Unless otherwise provided in this Agreement, or in any agreement to be executed in connection with this Agreement, the effective time and date of each action in connection with the Separation shall be as of 11:59 p.m., Houston, Texas time (the "Separation Time"), on the date that is immediately prior to the IPO Closing Date, or such other date as may be fixed by Halliburton (the "Separation Date"). The effective time and date of each action in connection with a Prior Transfer shall be as specified in such Prior Transfer Agreement. Notwithstanding the Separation, each of the KBR Cash Management Note and the Halliburton Cash Management Note shall continue in full force and effect pursuant to Section 9.2 hereof.

2.2 Instruments of Transfer and Assumption. Halliburton and KBR agree that (a) transfers of assets required to be transferred by this Agreement or an Ancillary Agreement shall be effected by delivery by Halliburton or the other transferring entity, as applicable, to the transferee, of (i) with respect to those assets that constitute stock, certificates endorsed in blank or evidenced or accompanied by stock powers or other instruments of transfer endorsed in blank, against receipt, (ii) with respect to any real property interest or any improvements thereon, a special warranty deed with general warranty of limited application limiting recourse and remedies to title insurance and warranties by predecessors in title to the transferor, and (iii) with respect to all other assets, such good and sufficient instruments of contribution, conveyance, assignment and transfer, in form and substance reasonably satisfactory to Halliburton and KBR, as shall be necessary to vest in the designated transferee, all of the title and ownership interest of the transferor in and to any such asset, and (b) to the extent necessary, the assumption of the Liabilities contemplated hereby shall be effected by delivery by the transferee to the transferor of such good and sufficient instruments of assumption, in form and substance reasonably satisfactory to Halliburton and KBR, as shall be necessary for the assumption by the transferee of such Liabilities. Each of the parties hereto also agrees to deliver to the other party hereto such other documents, instruments and writings as may be reasonably requested by such other party hereto in connection with the transactions contemplated hereby. Except as set forth in this Section 2.2, (x) THE TRANSFERS AND ASSUMPTIONS REFERRED TO HEREIN WILL BE MADE WITHOUT ANY REPRESENTATION OR WARRANTY OF ANY NATURE (A) AS TO THE VALUE OR FREEDOM FROM ENCUMBRANCE OF, ANY ASSETS, (B) AS TO MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF, OR ANY OTHER MATTER CONCERNING, ANY ASSETS OR (C) AS TO THE LEGAL SUFFICIENCY TO CONVEY TITLE TO ANY ASSETS, and (y) the instruments of transfer or assumption referred to herein shall not include any representations and warranties other than as specifically provided herein. Halliburton and KBR hereby acknowledge and agree that ALL ASSETS ARE BEING TRANSFERRED "AS IS, WHERE IS."

2.3 Ancillary Agreements. On or prior to the Separation Date, Halliburton and KBR shall execute and deliver (or shall cause the appropriate members of their respective Groups to execute and deliver, as applicable) the agreements between them designated as follows:

(a) the Transition Services Agreements;

(b) the Employee Matters Agreement;

(c) the Tax Sharing Agreement;

(d) the Registration Rights Agreement;

(e) the Intellectual Property Matters Agreement; and

(f) such other agreements, documents or instruments as the parties may agree are necessary or desirable and which specifically state that they are Ancillary Agreements within the meaning of this Agreement

(collectively, the "Ancillary Agreements"). To the extent such documents are not executed and delivered on the Separation Date, they shall be executed and delivered as soon as practicable thereafter and (except as otherwise provided therein) shall be effective as of the Separation Time.

2.4 Performance of Non-Novated Contracts.

(a) Non-Novated KBR Contracts. The parties intend that each member of the Halliburton Group which is party to a Non-Novated KBR Contract shall remain a party thereto following the Separation Date, and the parties hereby agree that each Non-Novated KBR Contract shall be considered to be part of the KBR Business for all purposes under this Agreement. Notwithstanding the foregoing, Halliburton will cause each member of the Halliburton Group which is a party to a Non-Novated KBR Contract to continue to timely perform each such Non-Novated KBR Contract on behalf of the KBR Group. The benefits and/or liabilities of the performance of each such Non-Novated KBR Contract, and the costs associated with such performance, from and after the Separation Time shall be for the account of the KBR Group.

(b) Non-Novated ESG Contracts. The parties intend that each member of the KBR Group which is party to a Non-Novated ESG Contract shall remain a party thereto following the Separation Date, and the parties hereby agree that each Non-Novated ESG Contract shall be considered to be part

of the Halliburton Business for all purposes under this Agreement. Notwithstanding the foregoing, KBR will cause each member of the KBR Group which is a party to a Non-Novated ESG Contract to continue to timely perform each such Non-Novated ESG Contract on behalf of the Halliburton Group. The benefits and/or liabilities of the performance of each such Non-Novated ESG Contract, and the costs associated with such performance, from and after the Separation Time shall be for the account of the Halliburton Group.

(c) Settlement of Intercompany Balances. From time to time following the Separation Date, the parties shall settle the intercompany account balances relating to the Non-Novated KBR Contracts and the Non-Novated ESG Contracts with cash payments.

2.5 Other Matters. From and after the Separation Date, except as contemplated under this Agreement or any Ancillary Agreement, KBR covenants and agrees that it will not, and will not permit any member of the KBR Group to, enter into any commitment or agreement that binds or purports to bind Halliburton or any member of the Halliburton Group.

ARTICLE III

MUTUAL RELEASES; INDEMNIFICATION

3.1 Mutual Release of Pre-IPO Closing Date Claims.

(a) KBR Release. Except as expressly provided in this Agreement, effective as of the Separation Time, KBR does hereby, for itself and each other member of the KBR Group and their respective successors and assigns, remise, release and forever discharge Halliburton, each member of the Halliburton Group and their respective successors and assigns, from any and all Liabilities whatsoever to KBR and each other member of the KBR Group, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Separation Time, including in connection with the transactions and all other activities to implement any Prior Transfers, the Separation, the IPO and any Distribution.

(b) Halliburton Release. Except as expressly provided in this Agreement, effective as of the Separation Time, Halliburton does hereby, for itself and each other member of the Halliburton Group and their respective successors and assigns, remise, release and forever discharge KBR, each member of the KBR Group and their respective successors and assigns, from any and all Liabilities whatsoever to Halliburton and each other member of the Halliburton Group, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the Separation Time, including in connection with the transactions and all other activities to implement any Prior Transfers, the Separation, the IPO and any Distribution.

(c) Surviving Liabilities. Nothing contained in Section 3.1(a) or (b) shall impair any right of any Person to enforce a Prior Transfer Agreement, this Agreement, any Ancillary Agreement or any agreements, arrangements, commitments or understandings that are specified in, or are contemplated to continue pursuant to, a Prior Transfer Agreement, this Agreement or in any Ancillary Agreement. Furthermore, nothing contained in Section 3.1(a) or (b) shall release any Person from:

(i) any Liability, contingent or otherwise, assumed, transferred, assigned or allocated to the Group of which such Person is a member in accordance with, or any other Liability of any member of any Group under, a Prior Transfer Agreement, this Agreement or any Ancillary Agreement;

(ii) any Liability for unpaid amounts for the sale, lease, construction or receipt of goods, property or services purchased, obtained or used in the ordinary course of business by a member of one Group from a member of any other Group within 180 days prior to the IPO Closing Date;

(iii) any Liability for unpaid amounts for products or services or refunds owing on products or services for work done by a member of one Group at the request or on behalf of a member of another Group within 180 days prior to the IPO Closing Date;

(iv) any Liability that the parties may have with respect to indemnification or contribution pursuant to this Agreement, any Ancillary Agreement or any Prior Transfer Agreement, which Liability shall be governed by the provisions of this Article III and, if applicable, the appropriate provisions of such Ancillary Agreement or such Prior Transfer Agreement; or

(v) any Liability the release of which would result in the release of any Person other than a Person released pursuant to this Section 3.1; provided that the parties agree not to bring suit, seek to collect any amounts or file any liens or encumbrances against any Person, or permit any member of their Group to bring suit, seek to collect any amounts or file any liens or encumbrances against any Person, with respect to any Liability to the extent that such Person would be released with respect to such Liability by this Section 3.1 but for the provisions of this clause (v).

(d) Agreement to Make No Claims. Except as provided in this Article III, KBR shall not make, and shall not permit any member of the KBR Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against Halliburton or any member of the Halliburton Group, or any other Person released pursuant to Section 3.1(a), with respect to any Liabilities released pursuant to Section 3.1(a). Except as provided in this Article III, Halliburton shall not make, and shall not permit any member of the Halliburton Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against KBR or any member of the KBR Group, or any other Person released pursuant to Section 3.1(b), with respect to any Liabilities released pursuant to Section 3.1(b).

(e) Further Assurances. Except as expressly set forth in Section 3.1(c), it is the intent of each of Halliburton and KBR by virtue of the provisions of this Section 3.1 to provide for a full and complete release and discharge of all Liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the Separation Time, between or among KBR or any member of the KBR Group, on the one hand, and Halliburton or any member of the Halliburton Group, on the other hand (including any contractual agreements or arrangements existing or alleged to exist between or among any such members on or before the

Separation Time). At any time, at the request of any other party, each party shall cause each member of its respective Group to execute and deliver releases reflecting the provisions hereof.

3.2 Indemnification by KBR. Except as provided in this Article III, KBR and the Appropriate Members of the KBR Group shall indemnify, defend and hold harmless Halliburton, each member of the Halliburton Group and their respective successors and assigns (collectively, the "Halliburton Indemnitees"), from and against any and all Losses of the Halliburton Indemnitees relating to, arising out of or resulting from any of the following (without duplication):

(a) any KBR Liability, including the failure of KBR or any other member of the KBR Group or any other Person to pay, perform or otherwise promptly discharge any KBR Liabilities in accordance with their respective terms, whether prior to or after the Separation Time;

(b) the KBR Business;

(c) any breach by KBR or any member of the KBR Group of this Agreement or any of the Ancillary Agreements;

(d) the Credit Support Agreements;

(e) certain pending or threatened litigation described on Schedule 3.2(e) hereto; and

(f) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information (i) contained in the IPO Registration Statement or any IPO Prospectus (other than information provided by Halliburton to KBR specifically for inclusion in the IPO Registration Statement or any IPO Prospectus and set forth on Schedule 3.3(f)), (ii) contained in any public filings made by KBR with the Commission following the IPO Closing Date and (iii) provided by KBR to Halliburton specifically for inclusion in Halliburton's annual or quarterly reports following the IPO Closing Date.

As used in this Section 3.2, "Appropriate Members of the KBR Group" means the member or members of the KBR Group, if any, whose acts, conduct or omissions or failures to act caused, gave rise to or resulted in the Loss from and against which indemnity is provided.

3.3 Indemnification by Halliburton. Except as provided in this Article III, Halliburton and the Appropriate Members of the Halliburton Group shall indemnify, defend and hold harmless KBR, each member of the KBR Group and their respective successors and assigns (collectively, the "KBR Indemnitees"), from and against any and all Losses of the KBR Indemnitees relating to, arising out of or resulting from any of the following (without duplication):

(a) the Halliburton Liabilities, including the failure of Halliburton or any other member of the Halliburton Group or any other Person to pay, perform or otherwise promptly discharge any Halliburton Liabilities, in accordance with their respective terms, whether prior to or after the Separation Time;

(b) the Halliburton Business;

(c) any breach by Halliburton or any member of the Halliburton Group of this Agreement or any of the Ancillary Agreements;

(d) any Halliburton Environmental Liabilities;

(e) certain pending or threatened litigation described on Schedule 3.3(e) hereto;

(f) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in the IPO Registration Statement or any IPO Prospectus provided by Halliburton specifically for inclusion therein and set forth on Schedule 3.3(f); and

(g) the Silica Note and any reimbursement obligations of the Halliburton Group to the KBR Group with respect thereto.

As used in this Section 3.3, "Appropriate Members of the Halliburton Group" means the member or members of the Halliburton Group, if any, whose acts, conduct or omissions or failures to act caused, gave rise to or resulted in the Loss from and against which indemnity is provided.

3.4 Indemnifications Relating to FCPA Subject Matters

(a) Halliburton Indemnity. Halliburton agrees to indemnify and hold harmless the KBR FCPA Indemnitees from and against any Penalties (such Penalties hereinafter referred to as "Halliburton Indemnified FCPA Matters"); provided, that with respect to any KBR FCPA Indemnitee that is not wholly owned, directly or indirectly, by the KBR Group as of the date hereof (a "non-wholly owned majority subsidiary"), the Halliburton indemnity provided under this Section 3.4(a) shall be limited to that percentage of Penalties assessed against or paid by such non-wholly owned majority subsidiary equal to the KBR Group's ownership interest in such non-wholly owned majority subsidiary as of the date hereof.

For avoidance of doubt, the Halliburton indemnification provided under this Section 3.4(a) shall not apply to any losses, claims, liabilities or damages relating to the FCPA Subject Matters that are not Halliburton Indemnified FCPA Matters (and the indemnity provided under Section 3.4(a) will not include any such other losses, claims, liabilities or damages), regardless of how denominated or the cause of action, whether in tort, contract, a criminal proceeding or otherwise. Without limiting the foregoing, "Halliburton Indemnified FCPA Matters" shall not include, and the indemnity provided under this Section 3.4(a) shall not apply to: (x) Third-Party FCPA Claims; (y) losses, claims, liabilities or damages that (I) are special, indirect, derivative or consequential, (II) relate to or result in threatened or actual suspension or debarment from bidding or continued activity under government contracts, (III) relate to alleged or actual damage to business or other reputation or loss of, or adverse effect on, cash flow, assets, goodwill, results of operations, business, prospects, profits or business value, whether in the present or future, (IV) relate to alleged or actual adverse consequences in obtaining, continuing or termination of financing for current or future projects, and/or (V) are as a result of claims by directors, officers, employees, Affiliates, advisors, attorneys, agents, debt holders or other

interest holders or constituents of KBR or any member of the KBR Group in their capacity as such; or (z) costs or expenses incurred for any monitor required by or agreed to with, a Governmental Authority to review continued compliance by the KBR Group with Applicable FCPA Law.

(b) Sole Beneficiaries. The indemnity provided under Section 3.4(a) is solely for the benefit of the KBR FCPA Indemnitees, and no provision of this Agreement shall create any third party beneficiary or other rights in any Person or Persons other than the KBR FCPA Indemnitees.

(c) Control of Proceedings. Until such time, if ever, that KBR exercises its right to assume control over the investigation, defense and/or settlement of FCPA Subject Matters with respect to KBR pursuant to Section 3.4(e), Halliburton and its Majority Owned Subsidiaries shall at all times, in their sole discretion, have and maintain control over the investigation, defense and/or settlement of, any FCPA Subject Matter. Even if KBR exercises its right pursuant to Section 3.4(e) hereof, Halliburton and its Majority Owned Subsidiaries shall at all times, in their sole discretion, have and maintain control over the investigation, defense and/or settlement of FCPA Subject Matters with respect to Halliburton. Notwithstanding the foregoing, (i) no settlement by KBR of any claims relating to FCPA Subject Matters effected without the prior written consent of Halliburton will be effective or binding upon Halliburton, any member of the Halliburton Group or their respective successors or assigns, and (ii) no settlement by Halliburton of any claims relating to FCPA Subject Matters effected without the prior written consent of KBR will be effective or binding upon any KBR FCPA Indemnitee. The parties agree that Halliburton may terminate its indemnity provided under Section 3.4(a) upon the settlement by KBR of any claims relating to FCPA Subject Matters effected without the prior written consent of Halliburton.

(d) Cooperation. At all times during the term of this Agreement, including whether or not or before or after KBR exercises its right to assume control over the investigation, defense and/or settlement of FCPA Subject Matters pursuant to Section 3.4(e) hereof, KBR, at Halliburton's expense, shall use best efforts to assist with Halliburton's full cooperation with any Governmental Authority in Halliburton's investigation of FCPA Subject Matters and its investigation, defense and/or settlement of any Governmental FCPA Claim. Without limiting the foregoing, KBR's best efforts to assist with Halliburton's full cooperation contemplated by the preceding sentence shall include:

(i) At the request of Halliburton, the voluntary and truthful disclosure to Halliburton, the DOJ, the Commission or other Governmental Authority of all information in KBR's possession, custody or control (in any form or medium, including documents) respecting the activities of KBR, Halliburton and its or their current and former directors, officers, employees, agents, distributors and Affiliates relating to FCPA Subject Matters about which Halliburton inquires or which is material to the investigation conducted by Halliburton, the DOJ, the Commission or other Governmental Authority into the FCPA Subject Matters.

(ii) At the written request of Halliburton, the voluntary production to Halliburton, the DOJ, the Commission or other Governmental Authority, of all documents, records or other tangible evidence in KBR's possession, custody or control relating to FCPA Subject Matters. Without limiting the foregoing, KBR will assemble, organize and produce, or take reasonable steps to effectuate the production of, all documents, records, or other tangible evidence related to FCPA Subject Matters in KBR's possession, custody, or control in such reasonable format as Halliburton, the DOJ, the Commission or other Governmental Authority requests. KBR shall preserve, maintain and retain all such documents, records and other tangible evidence related to FCPA Subject Matters. KBR shall provide Halliburton access to all electronic mail, metadata, computer hard drives, computer tape or other electronic data necessary to answer a subpoena of any Governmental Authority.

(iii) At the request of Halliburton, the provision of access to copies of KBR's original documents and records relating to FCPA Subject Matters in KBR's possession, custody or control and, using reasonable best efforts, in the custody or control of all current and former directors, officers, employees, agents, distributors, attorneys and Affiliates.

(iv) At the written request of Halliburton, using reasonable best efforts, (A) making available any of KBR's current and former directors, officers, employees, agents, distributors, attorneys and Affiliates who may have been involved in FCPA Subject Matters and whose cooperation is requested by Halliburton, the DOJ, the Commission or other Governmental Authority; (B) recommending orally and in writing that any and all such Persons cooperate fully (including by appearing for interviews with Governmental Authorities or testimony, including sworn testimony before a grand jury) with (x) any investigation conducted by Halliburton, the DOJ, the Commission or other Governmental Authority with respect to FCPA Subject Matters, or (y) any prosecution of individuals (including without limitation the cooperation of current or former directors, officers or employees of KBR who are not defendants in the prosecution) or entities; and (C) taking appropriate disciplinary action with respect to such of KBR's current and former directors, officers, employees, agents, distributors and Affiliates who do not cooperate, or who cease to cooperate, fully as contemplated herein.

(v) At the written request of Halliburton, the provision of testimony and other information deemed necessary by Halliburton to identify or establish the original location, authenticity or other evidentiary foundation necessary to admit into evidence documents in any criminal or other proceeding as requested by Halliburton related to FCPA Subject Matters.

(vi) At the written request of Halliburton, using reasonable best efforts, the provision of access to the outside accounting and legal consultants of KBR whose work includes or relates to FCPA Subject Matters, as well as the records, reports and documents of those outside consultants related to FCPA Subject Matters.

(vii) At the request of Halliburton, KBR shall not assert a claim of attorney-client or work-product privilege as to: (i) any KBR original documents or records, or any copies thereof, in possession of attorneys of KBR relating to FCPA Subject Matters, (ii) any memoranda of witness interviews (including exhibits thereto) by attorneys or employees of KBR relating to FCPA Subject Matters; (iii) due diligence reports by attorneys of KBR relating to agents of KBR that are or have been created contemporaneously with and related to transactions or events underlying FCPA Subject Matters; or (iv) documents that are or have been created by attorneys of KBR in connection with internal investigations by Halliburton or KBR into FCPA Subject Matters.

Notwithstanding anything to the contrary contained in this Agreement, in making production of any documents, disclosure of any information or available any people, pursuant to this Section 3.4(d), KBR shall not be required to (1) expressly or implicitly waive its right to assert any privilege that is available under law against Persons other than the Governmental Authority at issue concerning the documents or information at issue or the subject matters thereof; or (2) produce, disclose or make available any legal advice or attorney work product relating to or given in connection with (A) internal investigations by Halliburton or KBR; (B) investigations conducted by any Governmental Authority, proceedings related thereto or resulting therefrom; or (C) any Third-Party Claims.

KBR shall promptly inform and disclose to Halliburton any developments, communications or negotiations between KBR, on the one hand, and any Governmental Authority or third party, on the other hand, with respect to FCPA Subject Matters, except as prohibited by law or lawful order of a Governmental Authority. Halliburton may terminate its indemnity provided under Section 3.4(a) upon the material breach by KBR of its obligations under this Section 3.4(d); provided, however, that if, despite using KBR's best efforts or reasonable best efforts, as the case may be, to assist with Halliburton's full cooperation in accordance with this Section 3.4(d), KBR is unable to achieve the desired goal contemplated by any of the foregoing subsections (i)-(vii), Halliburton shall not have grounds to terminate such indemnity. Termination of Halliburton's indemnity provided under Section 3.4(a) pursuant to this Section 3.4(d) shall not preclude Halliburton from pursuing any other rights or seeking any and all other available remedies against KBR for material breach by KBR of its obligations under this Section 3.4(d).

(e) Assumption of Control by KBR; Refusal of Settlement. KBR, by written notice to Halliburton, may (i) take control over the investigation, defense and/or settlement of FCPA Subject Matters with respect to KBR or (ii) refuse (in KBR's sole discretion) to agree to a settlement of FCPA Subject Matters negotiated and presented by Halliburton. In either such event, Halliburton may terminate its indemnity provided under Section 3.4(a). Notwithstanding the foregoing, a member of the KBR Group that is not a Majority Owned Subsidiary as of the date hereof may control the investigation, defense and/or settlement of FCPA Subject Matters solely with respect to such subsidiary, and may agree to a settlement of FCPA Subject Matters solely with respect to such subsidiary without the prior written consent of Halliburton, and any such control or agreement to a settlement shall not allow Halliburton to terminate its indemnity provided under Section 3.4(a).

(f) No Admission. Each of Halliburton and KBR do not, by the making of the indemnities in this Section 3.4 or by any other provision of this Agreement, concede that it or any of its Affiliates have violated applicable Law.

(g) Expenses. Until such time, if ever, that KBR exercises its right to assume control over the investigation, defense and/or settlement of FCPA Subject Matters pursuant to Section 3.4(e), Halliburton shall bear, at its sole expense, all attorneys', accountants', consultants' and other professionals' fees and expenses and all other costs incurred on behalf of Halliburton and KBR in the investigation, defense, and/or settlement of FCPA Subject Matters, except as contemplated by Section 3.11. After such time, if ever, that KBR exercises its right to assume control over the investigation, defense and/or settlement of FCPA Subject Matters pursuant to Section 3.4(e), Halliburton shall continue to bear, at its sole expense, all attorneys', accountants', consultants', and other professionals' fees and expenses and all other costs incurred on its own behalf in the investigation, defense, and/or settlement of FCPA Subject Matters, but shall no longer be responsible for such fees, expenses and costs incurred on behalf of KBR. Nothing in this Section 3.4(g) shall prohibit KBR from at any time engaging (at KBR's own expense) its own legal advisors, accountants, consultants or other professionals with respect to the FCPA Subject Matters.

(h) Communication. Notwithstanding the rights and obligations set forth in Section 3.4(d), each of Halliburton and KBR agrees to provide, or cause to be provided, to each other as soon as reasonably practicable after written request therefor, any Information relating to FCPA Subject Matters in the possession or under the control of such party that the requesting party reasonably needs (i) to comply with reporting, disclosure, filing or other requirements imposed on the requesting party (including under applicable securities laws) by a Governmental Authority having jurisdiction over the requesting party, (ii) for use in any Regulatory Proceeding, judicial proceeding or other proceeding or in order to satisfy audit, accounting, claims, regulatory, litigation or other similar requirements, (iii) to allow the other party to investigate, defend and/or settle any Governmental FCPA Claim or Third-Party FCPA Claim for which such party is responsible under this Agreement, or (iv) to comply with its obligations under this Agreement or any Ancillary Agreement; provided, however, that in the event that any party determines that any such provision of Information could violate any Law or agreement, or waive any attorney-client or work-product privilege other than as contemplated by Section 3.4(d)(vii), the parties shall take all reasonable measures to permit the compliance with such obligations in a manner that avoids any such harm or consequence. Until such time, if ever, that KBR exercises its right pursuant to Section 3.4(e) hereof, Halliburton shall provide to KBR copies of all correspondence between Halliburton and any Governmental Authority with respect to the FCPA Subject Matters insofar as such correspondence relates to KBR. In addition, until such time, if ever, that KBR exercises its right pursuant to Section 3.4(e) hereof, from time to time and upon KBR's reasonable request, the attorneys, accountants, consultants or other advisors of the Board of Directors of Halliburton or any special committee of independent directors thereof shall brief the Board of Directors of KBR, the special committee of independent directors formed pursuant to Section 5.3(c) or the agents or representatives of either of them, concerning the status of or issues arising under or relating to Halliburton's investigation of FCPA Subject Matters and its defense and/or settlement of any Governmental FCPA Claim.

(i) Procedures for Foreign Agents. The parties agree that Halliburton may terminate its indemnity provided under Section 3.4(a) upon the material breach by KBR of its obligations under Section 8.14(b).

3.5 Indemnifications Relating to Barracuda-Caratinga Project.

(a) Halliburton Indemnity. Halliburton agrees to indemnify and hold harmless the KBR B-C Indemnitees from and against (i) all out-of-pocket cash costs and expenses they incur after the date hereof as a result of the replacement of the subsea flow-line bolts installed in connection with the development of the Barracuda-Caratinga Project, and (ii) any cash damages, losses, liabilities, obligations, judgments, claims, payments, interest costs, expenses or other award assessed against the KBR B-C Indemnitees in connection with the arbitration of the Barracuda-Caratinga Bolts Matter, and/or any cash settlement or compromise amounts agreed to in lieu thereof (the foregoing (i) and (ii), the "Halliburton Indemnified Barracuda-Caratinga Matters").

For avoidance of doubt, the Halliburton indemnification provided under this Section 3.5(a) shall not apply to any other losses, claims, liabilities or damages relating to the Barracuda-Caratinga Project that are not Halliburton Indemnified Barracuda-Caratinga Matters (and the indemnity provided under Section 3.5(a) will not include any such other losses, claims, liabilities or damages), regardless of how denominated or the cause of action, whether in tort, contract, a criminal proceeding or otherwise. Without limiting the foregoing, "Halliburton Indemnified Barracuda-Caratinga Matters" shall not include, and the Halliburton indemnity provided under this Section 3.5(a) shall not apply to: (x) Third Party Claims other than claims commenced by Barracuda & Caratinga Leasing Company B.V. or Affiliates of Petrobras with respect to the Barracuda-Caratinga Bolts Matter, or (y) losses, claims, liabilities or damages that (I) are special, indirect, derivative or consequential, (II) relate to alleged or actual damage to business or other reputation or loss of, or adverse effect on, cash flow, assets, goodwill, results of operations, business, prospects, profits or business value, whether in the present or future, or (III) relate to alleged or actual adverse consequences in obtaining, continuing or termination of financing for current or future projects.

(b) Sole Beneficiaries. The indemnity provided under Section 3.5(a) is solely for the benefit of the KBR B-C Indemnitees, and no provision of this Agreement shall create any third party beneficiary or other rights in any Person or Persons other than the KBR B-C Indemnitees.

(c) Control of Proceedings. Until such time, if ever, that Halliburton exercises its right pursuant to Section 3.5(e) hereof, the KBR B-C Indemnitees shall at all times, in their sole discretion, have and maintain control over the defense, counterclaim and/or settlement of the Barracuda-Caratinga Bolts Matter in respect of which indemnity may be sought under Section 3.5(a). Notwithstanding the foregoing, (i) no settlement by KBR of any claims relating to the Barracuda-Caratinga Bolts Matter effected without the prior written consent of Halliburton will be effective or binding upon Halliburton, any member of the Halliburton Group or their respective successors and assigns, and (ii) no settlement by Halliburton of any claims relating to the Barracuda-Caratinga Bolts Matter effected without the prior written consent of KBR will be effective or binding upon any KBR B-C Indemnitee. The parties agree that Halliburton may terminate its indemnity provided under Section 3.5(a) upon the settlement by KBR of any claims relating to the Barracuda-Caratinga Bolts Matter effected without the prior written consent of Halliburton.

(d) Cooperation; Provision of Information. Upon such time, if ever, that Halliburton exercises its right pursuant to Section 3.5(e), KBR shall use best efforts to fully cooperate with Halliburton in the defense, counterclaim and/or settlement of the Barracuda-Caratinga Bolts Matter. At all times under this Agreement, KBR shall promptly inform and disclose to Halliburton any developments, communications or negotiations between KBR, on the one hand, and Petrobras, its Affiliates or any third party, on the other hand, with respect to the Barracuda-Caratinga Bolts Matter, except as prohibited by law or lawful order of a government or Governmental Authority or a court of competent jurisdiction. Halliburton may terminate its indemnity provided under Section 3.5(a) upon the material breach by KBR of its obligations under this Section 3.5(d). Termination of the Halliburton indemnity provided under Section 3.5(a) pursuant to this Section 3.5(d) shall not preclude Halliburton from pursuing any other rights or seeking any and all other available remedies against KBR for material breach by KBR of its obligations under this Section 3.5(d).

(e) Assumption of Control by Halliburton; Refusal of Settlement. Halliburton, by written notice to KBR, may (i) take control over the defense, counterclaim and/or settlement of the Barracuda-Caratinga Bolts Matter or (ii) refuse (in Halliburton's sole discretion) to agree to a settlement of the Barracuda-Caratinga Bolts Matter negotiated and presented by KBR. If Halliburton exercises its right pursuant to this Section 3.5(e) to control the defense, counterclaim and/or settlement of the Barracuda-Caratinga Bolts Matter, and KBR refuses to agree to a settlement of the Barracuda-Caratinga Bolts Matter negotiated and presented by Halliburton, Halliburton may terminate its indemnity provided under Section 3.5(a).

(f) Expenses. Until such time, if ever, that Halliburton exercises its right to assume control over the defense, counterclaim and/or settlement of the Barracuda-Caratinga Bolts Matter pursuant to Section 3.5(e), KBR shall bear, at its sole expense, all attorney's, accountants', consultants' and other professionals' fees and expenses and other costs incurred on behalf of Halliburton and KBR in the defense, counterclaim and/or settlement of the Barracuda-Caratinga Bolts Matter, except as contemplated by Section 3.11. Nothing in this Section 3.5(f) shall prohibit Halliburton from at any time engaging (at Halliburton's own expense) its own legal advisors, accountants, consultants or other professionals with respect to the Barracuda-Caratinga Bolts Matter.

(g) Master Intercompany Reimbursement Agreement. The parties agree that the rights and obligations set forth in this Section 3.5 shall supersede the rights and obligations of the parties under, and control over, the Master Intercompany Reimbursement Agreement dated as of December 16, 2005 between Halliburton and KBR Holdings, LLC solely with respect to the Barracuda-Caratinga Bolts Matter.

(h) Communication. Each of Halliburton and KBR agrees to provide, or cause to be provided, to each other as soon as reasonably practicable after written request therefor, any Information relating to the Barracuda-Caratinga Bolts Matters in the possession or under the control of such party that the requesting party reasonably needs (i) to comply with reporting, disclosure, filing or other requirements imposed on the requesting party (including under applicable securities laws) by a Governmental Authority having jurisdiction over the requesting party, (ii) for use in any Regulatory Proceeding, judicial proceeding or other proceeding or in order to satisfy audit, accounting, claims, regulatory, litigation or other similar requirements, (iii) to allow the other party to defend, counterclaim and/or settle the Barracuda-Caratinga Bolts Matter or any Third Party Claim relating to the Barracuda-Caratinga Bolts Matter for which such party is responsible under this Agreement, or (iv) to comply with its obligations under this Agreement or any Ancillary Agreement; provided, however, that in the event that any party determines that any such provision of Information could violate any law or agreement, or waive any attorney-client or work-product privilege, the parties shall take all reasonable measures to permit the compliance with such obligations in a manner that avoids any such harm or consequence. In addition, until such time, if ever, that Halliburton exercises its right pursuant to Section 3.5(e) hereof, from time to time and upon Halliburton's reasonable request, the attorneys, accountants, consultants or other advisors of the Board of Directors of KBR or any special committee of independent directors thereof shall brief members of Halliburton senior management, the Board of Directors of Halliburton or any special committee of independent directors thereof concerning the status of or issues arising under or relating to KBR's defense, counterclaim and/or settlement of the Barracuda-Caratinga Bolts Matters.

(i) Arbitration Recovery. The parties agree that KBR shall be entitled to retain the cash proceeds of any judgment, decision or award entered in favor of a member of the Halliburton Group and/or the KBR Group (including any judgment, decision or award for any counterclaim), or any cash settlement or compromise in lieu thereof received from Petrobras or its Affiliate by a member of the Halliburton Group and/or the KBR Group, in connection with the Barracuda-Caratinga Bolts Matter; provided, however, that Halliburton shall be entitled to any portion of such judgment, decision or award or any settlement or compromise amount (i) which is designated by an arbitration panel or otherwise agreed by Petrobras or its Affiliate with Halliburton and/or KBR to constitute recovery of legal fees, costs or expenses paid by Halliburton or advanced to KBR by Halliburton and (ii) which constitutes recovery by KBR of out-of-pocket cash costs and expenses advanced to KBR by Halliburton or paid by Halliburton pursuant to the Halliburton indemnity provided under Section 3.5(a).

3.6 Indemnification Obligations Net of Insurance Proceeds and Other Amounts.

(a) The parties intend that any Loss subject to indemnification or reimbursement pursuant to this Article III will be net of Insurance Proceeds that actually reduce the amount of the Loss. Accordingly, the amount which any party (an "Indemnifying Party") is required to pay to any Person entitled to indemnification under this Article III (an "Indemnitee") will be reduced by any Insurance Proceeds theretofore actually recovered by or on behalf of the Indemnitee in reduction of the related Loss. If an Indemnitee receives a payment (an "Indemnity Payment") required by this Agreement from an Indemnifying Party in respect of any Loss and subsequently receives Insurance Proceeds, then the Indemnitee will pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Indemnity Payment that would have been due if the Insurance Proceeds recovery had been received, realized or recovered before the Indemnity Payment was made. Notwithstanding anything to the contrary in the Transition Services Agreements, the parties agree that if any such Insurance Proceeds were paid by an insurance company under a plan, such as a retrospective premium or large deductible program, where such Insurance Proceeds are subsequently billed back to one of the parties by the insurance company, then (i) if billed to the Indemnifying Party, it will pay the insurance company and will not charge such amount to the Indemnitee, or (ii) if billed to the Indemnitee, the Indemnifying Party will pay on behalf of or reimburse, as appropriate, the Indemnitee for such amount.

(b) An insurer who would otherwise be obligated to pay any claims shall not be relieved of the responsibility with respect thereto or, solely by virtue of the indemnification provisions hereof, have any subrogation rights with respect thereto, it being expressly understood and agreed that no insurer or any other third party shall be entitled to a "windfall" (i.e., a benefit they would not be entitled to receive in the absence of these indemnification provisions) by virtue of the indemnification provisions herein. Nothing contained in this Agreement or any Ancillary Agreement shall obligate any member of any Group to seek to collect or recover any Insurance Proceeds.

3.7 Procedures for Indemnification of Third Party Claims.

(a) If an Indemnitee shall receive notice or otherwise learn of the assertion by a Person (including any Governmental Authority) who is not a member of the Halliburton Group or the KBR Group of any claims or of the commencement by any such Person of any Action (collectively, a "Third Party Claim") with respect to which an Indemnifying Party may be obligated to provide indemnification to such Indemnitee pursuant to this Article III, such Indemnitee shall give such Indemnifying Party written notice thereof within 20 days after becoming aware of such Third Party Claim. Any such notice shall describe the Third Party Claim in reasonable detail. Notwithstanding the foregoing, the failure of any Indemnitee or other Person to give notice as provided in this Section 3.7(a) shall not relieve the related Indemnifying Party of its obligations under this Article III, except to the extent that such Indemnifying Party is actually prejudiced by such failure to give notice.

(b) An Indemnifying Party may elect to defend (and, unless the Indemnifying Party has specified any reservations or exceptions, to seek to settle or compromise), at such Indemnifying Party's own expense and by such Indemnifying Party's own counsel, any Third Party Claim for which indemnification is available under this Article III. Within 30 days after the receipt of notice from an Indemnitee in accordance with Section 3.7(a) (or sooner, if the nature of such Third Party Claim so requires), the Indemnifying Party shall notify the Indemnitee of its election whether the Indemnifying Party will assume responsibility for defending such Third Party Claim, which election shall specify any reservations or exceptions. After notice from an Indemnifying Party to an Indemnitee of its election to assume the defense of a Third Party Claim, such Indemnitee shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise or settlement thereof, but the fees and expenses of such counsel shall be the expense of such Indemnitee except as set forth in the next sentence. In the event that the Indemnifying Party has elected to assume the defense of a Third Party Claim for which indemnification is available under this Article III but has specified, and continues to assert, any reservations or exceptions in such notice, then, in any such case, the reasonable fees and expenses of one separate counsel for all Indemnitees shall be borne by the Indemnifying Party.

(c) If an Indemnifying Party elects not to assume responsibility for defending a Third Party Claim for which indemnification is available under this Article III, or fails to notify an Indemnitee of its election as provided in Section 3.7(b), such Indemnitee may defend such Third Party Claim at the cost and expense (including allocated costs of in-house counsel and other personnel) of the Indemnifying Party.

(d) Unless the Indemnifying Party has failed to assume the defense of the Third Party Claim for which indemnification is available under this Article III in accordance with the terms of this Agreement, no Indemnitee may settle or compromise such Third Party Claim without the consent of the Indemnifying Party.

(e) Except with respect to Halliburton Indemnified FCPA Matters and the Barracuda-Caratinga Bolts Matter, which shall be governed by Section 3.4 and Section 3.5 respectively, no Indemnifying Party shall consent to entry of any judgment or enter into any settlement of the Third Party Claim without the consent of an Indemnitee if the effect thereof is to permit any injunction, declaratory judgment, other order or other nonmonetary relief to be entered, directly or indirectly, against such Indemnitee.

(f) In the event of payment by or on behalf of any Indemnifying Party to any Indemnitee in connection with any Third Party Claim under this Article III, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee as to any events or circumstances in respect of which such Indemnitee may have any right, defense or claim relating to such Third Party Claim against any claimant or plaintiff asserting such Third Party Claim or against any other person. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense (including allocated costs of in-house counsel and other personnel) of such Indemnifying Party, in prosecuting any subrogated right, defense or claim. In the event of an Action in which the Indemnifying Party is not a named defendant, if either the Indemnitee or Indemnifying Party shall so request, the parties shall endeavor to substitute the Indemnifying Party for the named defendant, if at all practicable. If such substitution or addition cannot be achieved for any reason or is not requested, the named defendant shall allow the Indemnifying Party to manage the Action as set forth in this Section 3.7 and the Indemnifying Party shall fully indemnify the named defendant against all costs of defending the Action (including court costs, sanctions imposed by a court, attorneys' fees, experts' fees and all other external expenses, and the allocated costs of in-house counsel and other personnel), the costs of any judgment or settlement, and the costs of any interest or penalties relating to any judgment or settlement.

3.8 Additional Matters. (a) Any claim under this Article III on account of a Loss which does not result from a Third Party Claim shall be asserted by written notice given by the Indemnitee to the Indemnifying Party. Such Indemnifying Party shall have a period of 30 days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within such 30-day period, such Indemnifying Party shall be deemed to have refused to accept responsibility to make payment. If such Indemnifying Party does not respond within such 30-day period or rejects such claim in whole or in part, such Indemnitee shall be free to pursue such remedies as may be available to such party as contemplated by this Agreement and the Ancillary Agreements.

(b) **THE PARTIES UNDERSTAND AND AGREE THAT THE INDEMNIFICATION OBLIGATIONS HEREUNDER AND UNDER THE ANCILLARY AGREEMENTS MAY INCLUDE INDEMNIFICATION FOR LOSSES RESULTING FROM, OR ARISING OUT OF, DIRECTLY OR INDIRECTLY, AN INDEMNIFIED PARTY'S OWN NEGLIGENCE OR STRICT LIABILITY.**

(c) The provisions of Sections 3.2 through 3.8 shall not apply with respect to indemnification or indemnification procedures concerning: Taxes (which are governed exclusively by the Tax Sharing Agreement), employee benefits matters (which are governed exclusively by the Employee Matters Agreement), intellectual property matters (which are governed exclusively by the Intellectual Property Matters Agreement) or services provided under the Transition Services Agreements (which are governed exclusively by the Transition Services Agreements).

3.9 Remedies Cumulative. The remedies provided in this Article III shall be cumulative and, subject to the provisions of Article VII, shall not preclude assertion by any Indemnitee of any other rights or the seeking of any and all other remedies against any Indemnifying Party.

3.10 Survival of Indemnities. The rights and obligations of each of Halliburton and KBR and their respective Indemnitees under this Article III shall survive the sale or other transfer by any party of any assets or businesses or the assignment by it of any Liabilities.

3.11 Indemnification of Directors and Officers. It is the parties' intent that each of KBR and Halliburton, as applicable, shall be responsible for the costs and expenses incurred pursuant to any indemnification obligations to its current and former officers, directors, employees and agents. To the extent that a party's current or former officer, director, employee or agent shall receive indemnification or an advancement of funds from the other party (the party so indemnifying or advancing funds, the "advancing party") pursuant to an indemnification obligation of the advancing party to such person under its certificate of incorporation or by-laws, an employment agreement or otherwise, then the advancing party shall be reimbursed promptly and in full by the other party. The parties agree that reimbursement pursuant to this Section 3.11 shall not be construed to expand or limit the parties' respective indemnification rights and obligations under this Article III or to confer upon any Person any rights of indemnification. For purposes of this Section 3.11, persons who serve on the Board of Directors of KBR and who serve as officers of Halliburton after the IPO Closing Date shall be deemed to be directors and officers of Halliburton.

3.12 Mitigation of Damages. The parties each agree to attempt to mitigate, and to cause each of the members of their respective Groups to attempt to mitigate, any Losses that such party may suffer as a consequence of any matter giving rise to a right to indemnification under this Article III by taking all actions which a reasonable person would undertake to minimize or alleviate the amount of Losses and the consequences thereof, as if such person would be required to suffer the entire amount of such Losses and the consequences thereof by itself, without recourse to any remedy against another person, including pursuant to any right of indemnification hereunder.

ARTICLE IV

THE IPO AND ACTIONS PENDING THE IPO

4.1 Transactions Prior to the IPO. Subject to the conditions specified in Section 4.4, Halliburton and KBR shall use their reasonable best efforts to consummate the IPO on or before

November 30, 2006. Such efforts shall include, but not necessarily be limited to, those specified in this Section 4.1 (to the extent not previously accomplished):

(a) KBR has filed the IPO Registration Statement, and shall use its reasonable best efforts to cause such IPO Registration Statement to become effective, including by filing such amendments thereto as may be necessary or appropriate, responding promptly to any comments of the Commission and taking such other action with respect to the IPO Registration Statement as may be reasonably requested by Halliburton. Halliburton and KBR shall also cooperate in preparing, filing with the Commission and causing to become effective a registration statement registering the KBR Common Stock under the Exchange Act, and any information statement or registration statement or amendments thereto which are required to reflect the establishment of, or amendments to, any employee benefit and other plans necessary or appropriate in connection with the IPO, any Prior Transfers, the Separation or the other transactions contemplated by this Agreement.

(b) KBR shall enter into an underwriting agreement with the Underwriters (the "Underwriting Agreement"), in form and substance reasonably satisfactory to Halliburton, and shall comply with its obligations thereunder.

(c) Halliburton and KBR shall consult with each other and the Underwriters regarding the timing, pricing and other material matters with respect to the IPO, it being understood that decisions on such matters may be dictated by Halliburton in its sole discretion.

(d) KBR shall take all such action as may be necessary or appropriate under state securities and blue sky laws of the United States (and any comparable laws under any foreign jurisdictions) in connection with the IPO.

(e) KBR shall prepare, file and use reasonable best efforts to seek to make effective, an application for listing of the KBR Common Stock issued in the IPO on the NYSE, subject to official notice of issuance.

4.2 Use of Proceeds. KBR shall use the net proceeds from the IPO (after deduction of all expenses in connection with the IPO payable by KBR as provided in Section 8.8) as described under the heading "Use of Proceeds" in the IPO Prospectus.

4.3 Cooperation for IPO. KBR shall, at Halliburton's direction, promptly take any and all actions necessary or desirable to consummate the IPO as contemplated by the IPO Registration Statement and the Underwriting Agreement. Notwithstanding anything to the contrary contained herein, as between Halliburton and KBR, Halliburton may in its sole discretion choose to terminate, abandon or amend any aspect of the IPO at any time prior to the IPO Closing Date, and KBR promptly shall take all actions directed by Halliburton in that regard.

4.4 Conditions Precedent to Consummation of the IPO. The parties hereto shall use their reasonable best efforts to satisfy the conditions listed below to the consummation of the IPO as soon as practicable. The obligations of the parties to use their reasonable best efforts to consummate the IPO shall be conditioned on the satisfaction, or waiver by Halliburton, of the following conditions. The conditions set forth below are for the sole benefit of Halliburton and

shall not give rise to or create any duty on the part of Halliburton or the Halliburton Board of Directors to waive or not waive any such condition.

(a) The IPO Registration Statement shall have been filed and declared effective by the Commission, and there shall be no stop order in effect with respect thereto.

(b) The actions and filings with regard to state securities and blue sky laws of the United States (and any comparable laws under any foreign jurisdictions) described in Section 4.1(d) shall have been taken and, where applicable, have become effective or been accepted.

(c) The KBR Common Stock to be issued in the IPO shall have been accepted for listing on the NYSE, subject to official notice of issuance.

(d) KBR shall have entered into the Underwriting Agreement and all conditions to the obligations of KBR and the Underwriters shall have been satisfied or waived.

(e) Halliburton shall be satisfied, in its sole discretion, that (i) following the IPO, Halliburton and other members of the Halliburton Group will collectively own KBR Common Stock representing control of KBR within the meaning of Section 368(c) of the Code and (ii) to Halliburton's actual knowledge (with no duty to investigate), all other conditions to permit any future Distribution to qualify as a tax-free distribution to Halliburton, KBR and Halliburton's stockholders shall, to the extent applicable as of the time of the IPO, be satisfied, and there shall be no event or condition that is likely to cause any of such conditions not to be satisfied as of the time of the Distribution or thereafter.

(f) Any material Governmental Approvals necessary to consummate the IPO shall have been obtained and be in full force and effect.

(g) No order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the IPO or any of the other transactions contemplated by a Prior Transfer Agreement, this Agreement or any Ancillary Agreement shall be in effect.

(h) The Separation shall have become effective.

(i) Such other actions as the parties hereto may, based upon the advice of underwriters, accountants or counsel, reasonably request to be taken prior to the IPO in order to assure the successful completion of the IPO shall have been taken.

(j) This Agreement and all Ancillary Agreements shall have been executed and shall not have been terminated.

(k) A pricing committee for the IPO designated by the Board of Directors of KBR shall have determined that the terms of the IPO are acceptable to KBR.

(l) Halliburton shall have determined that the terms of the IPO are acceptable to Halliburton.

ARTICLE V

CORPORATE GOVERNANCE AND OTHER MATTERS

5.1 Charter and Bylaws. As of the IPO Closing Date, the KBR Charter and Amended and Restated Bylaws of KBR shall be in the forms of Schedule 5.1(a) and Schedule 5.1(b), respectively, with such changes therein as may be agreed to in writing by Halliburton.

5.2 KBR Board Representation.

(a) Beginning on the IPO Closing Date, and for so long as the Halliburton Group beneficially owns shares of KBR Common Stock representing a majority of the total voting power of all of the outstanding KBR Voting Stock, Halliburton shall have the right to designate for nomination by the KBR Board (or any nominating committee thereof) for election to the KBR Board (each person so designated, a "Halliburton Designee") a majority of the members of the KBR Board, including the Chairman of the Board. For so long as the Halliburton Group beneficially owns shares of KBR Common Stock representing less than a majority but at least 15% of the total voting power of all of the outstanding shares of KBR Voting Stock, Halliburton shall have the right to designate for nomination by the KBR Board (or any nominating committee thereof) for election to the KBR Board a proportionate number of Halliburton Designees to the KBR Board, as calculated in accordance with Section 5.2(d). Notwithstanding anything to the contrary set forth herein, (i) KBR's obligations with respect to the election or appointment of Halliburton Designees shall be limited to the obligations set forth under this Section 5.2 and (ii) shall be further limited by KBR's compliance with Law and any applicable Commission or stock exchange director independence requirements.

(b) For so long as the Halliburton Group beneficially owns shares of KBR Common Stock representing a majority of the total voting power of all of the outstanding shares of KBR Voting Stock, KBR shall use reasonable best efforts to avail itself of the "Controlled Companies" exemption set forth in Rule 303A of the NYSE Listed Company Manual, and any exemption to any analogous Commission rule or requirement, to exempt KBR from compliance with corporate governance requirements relating to director independence. For so long as the Halliburton Group beneficially owns shares of KBR Common Stock representing a majority of the total voting power of all of the outstanding shares of KBR Voting Stock, commencing with the annual meeting of stockholders of KBR to be held in 2007 and prior to each annual meeting of stockholders of KBR thereafter, Halliburton shall be entitled to present to the KBR Board or any nominating committee thereof for nomination thereby such number of Halliburton Designees for election to the KBR Board (or if there is a classified board, the class of directors up for election) at such annual meeting as would result in Halliburton having the appropriate number of Halliburton Designees on the KBR Board as determined pursuant to this Section 5.2.

(c) KBR shall at all such times exercise all authority under applicable Law and use reasonable best efforts to cause all such Halliburton Designees to be nominated for election as KBR Board members by the KBR Board (or any nominating committee thereof). KBR shall cause each Halliburton Designee for election to the KBR Board to be included in the slate of nominees recommended by the KBR Board to holders of KBR Common Stock (including at any special meeting of stockholders held for the election of directors) and shall use reasonable best efforts to cause the election of each such Halliburton Designee, including soliciting proxies in favor of the election of such persons. In the event that any Halliburton Designee elected to the KBR Board shall cease to serve as a director for any reason, the vacancy resulting therefrom shall be filled by the KBR Board with a substitute Halliburton Designee. In the event that as a result of any increase in the size of the KBR Board, Halliburton is entitled to have one or more additional Halliburton Designees elected to the KBR Board pursuant to this Section 5.2, the KBR Board shall appoint the appropriate number of such additional Halliburton Designees.

(d) If at any time the Halliburton Group beneficially owns shares of KBR Common Stock representing less than a majority but at least 15% of the total voting power of all of the outstanding shares of KBR Voting Stock, the number of persons Halliburton shall be entitled to designate for nomination by the KBR Board (or any nominating committee thereof) for election to the KBR Board shall be equal to the number of directors computed using the following formula (rounded to the nearest whole number): the product of (i) the percentage of the total voting power of all of the outstanding shares of KBR Voting Stock beneficially owned by the Halliburton Group and (ii) the number of directors then on the KBR Board

(assuming no vacancies exist). Notwithstanding the foregoing, if the calculation set forth in the foregoing sentence would result in Halliburton being entitled to elect a majority of the members of the KBR Board, the formula will be recalculated with the product being rounded down to the nearest whole number; provided, however, that if the Halliburton Group, at any time, acquires additional shares of KBR Common Stock so that the Halliburton Group beneficially owns shares of KBR Common Stock representing a majority of the total voting power of all of the outstanding shares of KBR Voting Stock, then the number of persons Halliburton shall be entitled to designate for nomination by the KBR Board (or any nominating committee thereof) for election to the KBR Board shall be adjusted upward, if appropriate as a result of rounding, in accordance with the provisions of this Section 5.2(d). If the number of Halliburton Designees serving on the KBR Board exceeds the number determined pursuant to the foregoing sentences of this Section 5.2(d) (such difference being herein called the "Excess Director Number"), then Halliburton in its sole discretion shall instruct such Halliburton Designees (the number of which designees shall be equal to the Excess Director Number) to promptly resign from the KBR Board, and, to the extent such persons do not so resign, Halliburton shall assist KBR in increasing the size of the KBR Board, so that after giving effect to such increase, the number of Halliburton Designees on the KBR Board is in accordance with the provisions of this Section 5.2(d).

(e) The parties hereto agree that the KBR Board shall consist of seven directors as of the IPO Closing Date, including at least four Halliburton Designees consisting of Messrs. Albert O. Cornelison, Jr., C. Christopher Gaut, Andrew R. Lane and Mark A. McCollum, and including Mr. William Utt, the KBR President and CEO.

(f) For so long as the Halliburton Group beneficially owns shares of KBR Common Stock representing a majority of the total voting power of all of the outstanding shares of KBR Voting Stock, the parties agree that the Halliburton Board of Directors will review and approve all KBR Group projects with an estimated value in excess of $250 million.

5.3 Committees.

(a) Effective as of the IPO Closing Date and for so long as the Halliburton Group beneficially owns shares of KBR Common Stock representing a majority of the total voting power of all of the outstanding shares of KBR Voting Stock, any committee of the Board of Directors of KBR (other than the Audit Committee and a special committee of independent directors of KBR to be formed pursuant to Section 5.3(c) hereof) shall, unless Halliburton consents otherwise, be composed of directors at least a majority of which are Halliburton Designees. Effective as of the IPO Closing Date and for so long as the Halliburton Group beneficially owns shares of KBR Common Stock representing less than a majority but at least 15% of the total voting power of all of the outstanding shares of KBR Voting Stock, each committee of the KBR Board of Directors (other than the Audit Committee and the special committee of independent directors of KBR to be formed pursuant Section 5.3(c) hereof) shall, unless Halliburton consents otherwise, include at least one Halliburton Designee to the extent permitted by Law or applicable Commission or stock exchange requirement.

(b) The parties agree that the KBR Board shall form and maintain an executive committee, which committee shall exercise the authority of the KBR Board of Directors when the KBR Board of Directors is not in session in reviewing and approving the analysis, preparation and submission of significant project bids, managing the review, negotiation and implementation of significant project contracts, and reviewing the business and affairs of the KBR Group to ensure that Halliburton's business practices and standards with respect to internal controls and the Halliburton Code of Business Conduct are consistently implemented and maintained by the KBR Group. For so long as the Halliburton Group beneficially owns shares of KBR Common Stock representing a majority of the total voting power of all outstanding shares of KBR Voting Stock, the executive committee shall consist solely of Halliburton Designees. If at any time the Halliburton Group beneficially owns shares of KBR Common Stock representing less than a majority but at least 15% of the total voting power of all of the outstanding shares of KBR Voting Stock, then Halliburton shall be entitled to designate for appointment by the Board to the executive committee at least one Halliburton Designee.

(c) The parties agree that the KBR Board shall form a special committee of independent directors of KBR which shall exercise the authority of the KBR Board of Directors with respect to FCPA Subject Matters and the rights and obligations of KBR under Section 3.4 hereof. The members of such special committee shall satisfy in all material respects the independence standards of Rule 303A of the NYSE Listed Company Manual, as if those standards applied.

5.4 Subscription Right.

(a) KBR hereby grants to Halliburton, on the terms and conditions set forth herein, a continuing right (the "Subscription Right") to purchase from KBR, at the times set forth herein:

(i) with respect to the issuance of a class or series of shares of KBR Voting Stock, the number of such shares as is necessary to allow Halliburton to maintain its Voting Percentage (or, in the case of a class or series not outstanding prior to such issuance, 80% of the total number of shares of such class or series being issued); and

(ii) with respect to the issuance of a class or series of shares of KBR Non-Voting Stock, the number of such shares as is necessary to allow Halliburton to maintain its Ownership Percentage with respect to such class or series of shares (or, in the case of a class or series not outstanding prior to such issuance, 80% of the total number of shares of such class or series being issued).

The Subscription Right shall be assignable, in whole or in part and from time to time, by Halliburton to any member of the Halliburton Group or to a Halliburton Transferee pursuant to Section 5.8. The exercise price for each share purchased pursuant to an exercise of the Subscription Right shall be: (i) in the event of the issuance by KBR of shares in exchange for cash consideration, the per share price paid to KBR in the related Issuance Event (defined below); and (ii) in the event of the issuance by KBR of shares for consideration other than cash, the per share Market Price of such shares at the Issuance Event Date (defined below).

(b) The provisions of Section 5.4(a) hereof notwithstanding, and subject to Section 5.6 hereof, the Subscription Right granted pursuant to Section 5.4(a) shall not apply and shall not be exercisable in connection with the issuance by KBR of any shares of KBR Common Stock pursuant to any stock option or other executive, director or employee benefit, compensation or incentive plan maintained by KBR, to the extent such issuance: (i) would not result in Halliburton and other members of the Halliburton Group losing collective control of KBR within the meaning of Section 368(c) of the Code, (ii) would not cause Halliburton to fail to satisfy the stock ownership requirements of Section 1504(a)(2) of the Code with respect to the stock of KBR or (iii) would not cause a change of control under the provisions of Section 355(e) of the Code. The Subscription Right granted pursuant to Section 5.4(a) shall terminate if at any time the Voting Percentage, or the Ownership Percentage with respect to any class or series of KBR Non-Voting Stock, is less than 80%.

(c) At least 20 Business Days prior to the issuance of any shares of KBR Stock (other than pursuant to any stock option or other executive or employee benefit or compensation plan maintained by KBR in the circumstances described in Section 5.4(b) above and other than issuances of shares to any member of the Halliburton Group) or the first date on which any event could occur that, in the absence of a full or partial exercise of the Subscription Right, would result in a reduction in the Voting Percentage, a reduction in any Ownership Percentage or the issuance of any shares of a class or series of KBR Non-Voting Stock not outstanding prior to such issuance, KBR will notify Halliburton in writing (a "Subscription Right Notice") of any plans it has to issue such shares and the date on which such issuance could first occur (such issuance being referred to herein as an "Issuance Event" and the closing date of such issuance an "Issuance Event Date"). The Subscription Right Notice shall also specify the number of shares KBR intends to issue or may issue (or, if an exact number is not known, a good faith estimate of the range of shares KBR may issue) and the other terms and conditions of such Issuance Event.

(d) The Subscription Right may be exercised by Halliburton (or any member of the Halliburton Group to which all or any part of the Subscription Right has been assigned) for a number of shares equal to or less than the number of shares the Halliburton Group is entitled to purchase pursuant to Section 5.4(a). The Subscription Right may be exercised at any time after receipt of an applicable Subscription Right Notice and prior to the applicable Issuance Event Date by the delivery to KBR of a written notice to such effect specifying (i) the number of shares to be purchased by Halliburton or any member of the Halliburton Group, and (ii) a determination of the exercise price for such shares. Upon any such exercise of the Subscription Right, KBR will, on or prior to the applicable Issuance Event Date, deliver to Halliburton (or any member of the Halliburton Group designated by Halliburton), against payment therefor, certificates (issued in the name of Halliburton or its permitted assignee hereunder or as directed by Halliburton) representing the shares being purchased upon such exercise. Payment for such shares shall be made by wire transfer or intrabank transfer of immediately-available funds to such account as shall be specified by KBR, for the full purchase price of such shares.

(e) Except as provided in Section 5.4(f), any failure by Halliburton to exercise the Subscription Right, or any exercise for less than all shares purchasable under the Subscription Right, in connection with any particular Issuance Event shall not affect Halliburton's right to exercise the Subscription Right in connection with any subsequent Issuance Event; provided, however, that the Voting Percentage and any Ownership Percentage following such Issuance Event in connection with which Halliburton so failed to exercise such Subscription Right in full or in part shall be recalculated to account for the dilution of Halliburton's interest.

(f) The Subscription Right, or any part thereof, assigned to any member of the Halliburton Group other than Halliburton, shall terminate in the event that such member ceases to be a Majority Owned Subsidiary of Halliburton for any reason whatsoever.

5.5 Issuance of Stock. Notwithstanding anything to the contrary in this Article V, following the IPO Closing Date and until the earliest to occur of (i) the date of any Distribution or (ii) the date that Halliburton ceases to control KBR within the meaning of Section 368(c) of the Code, without the prior written consent of Halliburton, KBR shall not issue any stock of KBR or any securities, securities-based awards, options, warrants or rights convertible into or exercisable or exchangeable for stock of KBR if such issuance would cause Halliburton to fail to control KBR within the meaning of Section 368(c) of the Code, would cause Halliburton to fail to satisfy the stock ownership requirements of Section 1504(a)(2) of the Code with respect to the stock of KBR or would cause a change of control under the provisions of Section 355(e) of the Code.

5.6 Settlement of KBR Benefit Plan Awards. Following the IPO Closing Date and until the earliest to occur of (i) the date of any Distribution or (ii) the date that Halliburton ceases to control KBR within the meaning of Section 368(c) of the Code, without the prior written consent of Halliburton, KBR shall not issue any stock of KBR (or any securities, security-based awards, options, warrants or rights convertible into or exercisable or exchangeable for stock of KBR) in settlement of any award, including without limitation any KBR restricted stock unit, phantom stock, option, stock appreciation right or other securities-based award, granted pursuant to any stock option or other executive, director or employee benefit, compensation or incentive plan maintained by KBR. The parties hereby acknowledge and agree that it is their mutual intent that settlement of any such KBR award shall be made in cash, in treasury shares or via purchase by KBR of KBR Common Stock in the open marketplace.

5.7 Applicability of Rights to Parent in the Event of an Acquisition. In the event KBR merges into, consolidates, sells substantially all of its assets to or otherwise becomes an Affiliate of a Person (other than Halliburton), pursuant to a transaction or series of related transactions in which Halliburton or any member of the Halliburton Group receives equity securities of such Person (or of any Affiliate of such Person) in exchange for KBR Common Stock held by Halliburton or any member of the Halliburton Group, all of the rights of Halliburton set forth in this Article V and in Section 8.5 shall continue in full force and effect and shall apply to the Person the equity securities of which are received by Halliburton pursuant to such transaction or series of related transactions (it being understood that all other provisions of this Agreement will apply to KBR notwithstanding this Section 5.7). KBR agrees that, without the consent of Halliburton, it will not enter into any agreement which will have the effect set forth in the first clause of the preceding sentence, unless such Person agrees to be bound by the foregoing provision.

5.8 Transfer of Halliburton's Rights Under Article V. Halliburton may transfer all or any portion of its rights under this Article V to a transferee of any KBR Common Stock from any member of the Halliburton Group (a "Halliburton Transferee") holding at least 15% of the voting power of all of the outstanding shares of KBR Common Stock. Halliburton shall give written notice to KBR of its transfer of rights under this Article V no later than 30 days after Halliburton enters into a binding agreement for such transfer of rights. Such notice shall state the name and address of the Halliburton Transferee and identify the amount of KBR Common Stock transferred and the scope of rights being transferred under this Article V. In connection with any such transfer, the term "Halliburton" as used in this Article V shall, where appropriate to give effect to the assignment of rights and obligations hereunder to such Halliburton Transferee, be deemed to refer to such Halliburton Transferee. Halliburton and any Halliburton Transferee may exercise the rights under this Article V in such priority, as among themselves, as they shall agree upon among themselves, and KBR shall observe any such agreement of which it shall have notice as provided above.

5.9 Restricted Opportunities Under KBR Charter. For so long as Article Eighth of the KBR Charter remains in effect in accordance with its current terms, Halliburton, on behalf of itself and each member of the Halliburton Group, hereby agrees to renounce, to the fullest extent permitted by applicable Law, any and all rights, interest or expectancy with respect to each investment, commercial activity or other opportunity that, in each case, is a "Restricted Opportunity" (as such term is defined in the KBR Charter as in effect on the date hereof).

ARTICLE VI

SUBSEQUENT TRANSACTION

6.1 Sole Discretion of Halliburton.

(a) Halliburton shall, in its sole and absolute discretion, determine whether one or more transfers of its KBR Common Stock or a Distribution shall occur, the date of the consummation of such transfer(s) or Distribution and all terms of such transfer(s) or Distribution, including, without limitation, the form, structure and terms of any transaction(s), exchange(s) and/or offering(s) to effect such transfer(s) or Distribution and the timing of and conditions to the consummation of such transfer(s) or Distribution. In addition, Halliburton may at any time decide to abandon such transfer(s) or Distribution or to modify or change the terms of such transfer(s) or Distribution, including, without limitation, by accelerating or delaying the timing of the consummation of all or part of such transfer(s) or Distribution. In the case of a Distribution, this Agreement is intended to be, and is hereby adopted as, a plan of reorganization under Section 368 of the Code.

(b) Halliburton shall select any investment banker(s) and manager(s) in connection with the transfer(s) or Distribution, as well as any financial printer, solicitation and/or exchange agent and outside counsel; provided, however, that nothing herein shall prohibit KBR from engaging (at its own expense) its own financial, legal, accounting and other advisors in connection with such transfer or Distribution.

6.2 Cooperation for Halliburton Transfers. KBR agrees, at KBR's sole expense, that it, and the members of the KBR Group, will use reasonable best efforts to assist Halliburton in any transfer of all or any portion of its KBR Common Stock, whether in a public or private sale, exchange or other transaction to a Halliburton Transferee, including the execution and delivery of instruments of conveyance, assignment, assumption and delivery of stock certificates, stock powers and other agreements or documents, in form and substance reasonably satisfactory to Halliburton, as shall be necessary to transfer such KBR Common Stock to the Halliburton Transferee and to vest in such Halliburton Transferee all related rights and obligations as shall be assigned to it by Halliburton hereunder and under any Ancillary Agreement. The rights and obligations of the parties in this Section 6.2 are in addition to any rights and obligations set forth in any Ancillary Agreement.

6.3 Cooperation for Halliburton Distribution. KBR agrees, at KBR's sole expense, to take all actions requested by Halliburton to facilitate a Distribution, including, without limitation, internal restructurings and continuation of businesses necessary to achieve such tax-free Distribution. KBR shall cooperate with Halliburton in all respects to accomplish any Distribution and shall, at Halliburton's direction, promptly take any and all actions necessary or desirable to effect such Distribution, including, without limitation, the following actions:

(a) Halliburton and KBR shall prepare, file with the Commission and mail, prior to the date of the Distribution to the holders of common stock of Halliburton such information statement, registration statement or other information concerning KBR and the Distribution (and such other matters as Halliburton shall reasonably determine) as is necessary and as may be required by Law and applicable stock exchange requirement. Halliburton and KBR will prepare, and KBR will, to the extent required under applicable Law, file with the Commission any such registration statement or other documentation which Halliburton and KBR determine is necessary or desirable to effectuate the Distribution, and Halliburton and KBR shall each use reasonable best efforts to respond promptly to any comments of the Commission thereto and to obtain all necessary approvals from the Commission with respect thereto as soon as practicable.

(b) Halliburton and KBR shall take all such actions as may be necessary or appropriate under the securities or blue sky laws of the United States (and any comparable laws under any foreign jurisdiction) in connection with the Distribution.

(c) KBR shall prepare and file, and shall use its reasonable best efforts to have approved, an application for the listing of the KBR Common Stock to be distributed in the Distribution on the NYSE or such other exchange on which KBR Common Stock shall then be listed, subject to official notice of distribution.

(d) Halliburton and KBR shall enter into a Distribution Agreement in form and substance acceptable to Halliburton, a form of which is attached hereto as Schedule 6.3.

6.4 Registration Rights Agreement. The Registration Rights Agreement sets forth the rights and obligations of the parties with respect to the registration and subsequent offering of shares of KBR Common Stock held by the Halliburton Group.

ARTICLE VII

ARBITRATION; DISPUTE RESOLUTION

7.1 Agreement to Arbitrate. The procedures for discussion, negotiation and arbitration set forth in this Article VII shall be the final, binding and exclusive means to resolve, and shall apply to all disputes, controversies or claims (whether in contract, tort or otherwise) that may rise out of or relate to, or arise under or in connection with: (a) this Agreement , any Prior Transfer Agreement and/or any Ancillary Agreement, (b) the transactions contemplated hereby or thereby, including all actions taken in furtherance of the transactions contemplated hereby or thereby on or prior to the date hereof, or (c) for a period of ten years after the IPO Closing Date, the commercial or economic relationship of the parties, in each case between or among any member of the Halliburton Group and the KBR Group. Each party agrees on behalf of itself and each member of its respective Group that the procedures set forth in this Article VII shall be the final, binding and exclusive remedy in connection with any dispute, controversy or claim relating to any of the foregoing matters and irrevocably waives any right to commence any Action in or before any Governmental Authority, except as expressly provided in Section 7.7(b) and except to the extent provided under the Federal Arbitration Act in the case of judicial review of arbitration results or awards. Each party on behalf of itself and each member of its respective Group irrevocably waives any right to any trial by jury with respect to any dispute, controversy or claim covered by this Section 7.1.

7.2 Escalation. (a) It is the intent of the parties to use their respective reasonable best efforts to resolve expeditiously any dispute, controversy or claim between or among them with respect to the matters covered by this Article VII pursuant to Section 7.1 that may arise from time to time on a mutually acceptable negotiated basis. In furtherance of the foregoing, any party involved in a dispute, controversy or claim may deliver a notice (an "Escalation Notice") demanding an in-person meeting involving representatives of the parties at a senior level of management (or if the parties agree, of the appropriate business function or division within such entity) who have not previously been directly engaged in asserting or responding to the dispute. A copy of any such Escalation Notice shall be delivered addressed to the General Counsel, or like chief legal officer or official, of each party involved in the dispute, controversy or claim (which copy shall state that it is an Escalation Notice pursuant to this Agreement). Any agenda, location or procedures for such discussions or negotiations between the parties may be established by agreement of the parties from time to time; provided, however, that the parties shall use their reasonable best efforts to meet within 20 days of the Escalation Notice.

(b) Following delivery of an Escalation Notice, the parties shall undertake good faith, diligent efforts to negotiate a commercially reasonable resolution of the dispute, controversy or claim. The parties may, by mutual consent, retain a mediator to aid the parties in their discussions and negotiations by informally providing advice to parties. Any opinion expressed by the mediator shall be strictly advisory and shall not be binding on the parties, nor shall any opinion expressed by the mediator be admissible in any arbitration proceedings. The mediator may be chosen from a list of mediators previously selected by the parties or by other agreement of the parties. Costs of the mediation shall be borne equally by the parties involved in the matter, except that each party shall be responsible for its own expenses. Mediation is not a prerequisite to an Arbitration Demand Notice under Section 7.3.

7.3 Demand for Arbitration. (a) At any time following 60 days after the date of an Escalation Notice (the "Arbitration Demand Date"), any party involved in the dispute, controversy or claim (regardless of whether such party delivered the Escalation Notice) may deliver a notice demanding arbitration of such dispute, controversy or claim (an "Arbitration Demand Notice"). Delivery of an Escalation Notice by a party shall be a prerequisite to delivery of an Arbitration Demand Notice by either party, provided, however, that in the event that any party shall deliver an Arbitration Demand Notice to another party, such other party may itself deliver an Arbitration Demand Notice to such first party with respect to any related dispute, controversy or claim with respect to which the Applicable Deadline has not passed without the requirement of delivering an Escalation Notice. No party may assert that the failure to resolve any matter during any prior discussions or negotiations, the course of conduct during such prior discussions or negotiations, or the failure to agree on a mutually acceptable time, agenda, location or procedures for a meeting is a prerequisite to an Arbitration Demand Notice under Section 7.3. In the event that any party delivers an Arbitration Demand Notice with respect to any dispute, controversy or claim that is the subject of any then pending arbitration proceeding or of a previously delivered Arbitration Demand Notice, all such disputes, controversies and claims shall be resolved in the arbitration proceeding for which an Arbitration Demand Notice was first delivered unless the arbitrators in their sole discretion determine that it is impracticable or otherwise inadvisable to do so.

(b) Except as may be expressly provided in any Ancillary Agreement or Prior Transfer Agreement, any Arbitration Demand Notice may be given until the date that is two years after the later of the occurrence of the act or event giving rise to the underlying claim or the date on which such act or event was, or should have been, in the exercise of reasonable due diligence, discovered by the party asserting the claim (as applicable and as it may in a particular case be specifically extended by the parties in writing, the "Applicable Deadline"). Any discussions, negotiations or mediations between the parties pursuant to this Agreement or otherwise will not toll the Applicable Deadline unless expressly agreed in writing by the parties. Each of the parties agrees on behalf of itself and each member of its Group that if an Arbitration Demand Notice with respect to a dispute, controversy or claim is not given prior to the expiration of the Applicable Deadline, as between or among the parties and the members of their Groups, such dispute, controversy or claim will be barred. Subject to Section 7.7(b) and Section 7.9, upon delivery of an Arbitration Demand Notice pursuant to Section 7.3(a) prior to the Applicable Deadline, the dispute, controversy or claim, and all substantive and procedural issues related thereto, shall be decided by a three member panel of arbitrators in accordance with this Article VII.

7.4 Arbitrators. (a) The party delivering the Arbitration Demand Notice shall notify the American Arbitration Association ("AAA") and the other parties in writing describing in reasonable detail the nature of the dispute. Within 20 days of the date of the Arbitration Demand Notice, each party to the dispute shall select one arbitrator from the members of a panel of arbitrators of the AAA. The selected arbitrators shall then jointly select a third arbitrator from the members of a panel of arbitrators of the AAA, and such third arbitrator shall be disinterested with respect to each of the parties and shall be experienced in complex commercial arbitration. In the event that the parties' selected arbitrators are unable to agree on the selection of the third arbitrator, the AAA shall select the third arbitrator, within 45 days of the date of the Arbitration Demand Notice. In the event that any arbitrator is unable to serve, his replacement will be selected in the same manner as the arbitrator to be replaced. The vote of two of the three arbitrators shall be required for any decision under this Article VII.

(b) The arbitrators will set a time for the hearing of the matter which will commence no later than 180 days after the date of appointment of the third arbitrator and which hearing will be no longer than 30 days (unless in the judgment of the arbitrators the matter is unusually complex and sophisticated and thereby requires a longer time, in which event such hearing shall be no longer than 90 days). The final decision of such arbitrators will be rendered in writing to the parties not later than 60 days after the last day of the hearing, unless otherwise agreed by the parties in writing.

(c) The place of any arbitration hereunder will be Houston, Texas and the language of any arbitration hereunder will be English, unless otherwise agreed by the parties. Unless otherwise agreed by the parties, the arbitration hearing shall be conducted on consecutive days.

7.5 Hearings. Within the time period specified in Section 7.4(b), the matter shall be presented to the arbitrators at a hearing by means of written submissions of memoranda and verified witness statements, filed simultaneously, and responses, if necessary in the judgment of the arbitrators or both of the parties. If the arbitrators deem it to be essential to a fair resolution of the dispute, live cross-examination or direct examination may be permitted, but is not generally contemplated to be necessary. The arbitrators shall actively manage the arbitration with a view to achieving a just, speedy and cost-effective resolution of the dispute, claim or controversy. The arbitrators may, in their discretion, set time and other limits on the presentation of each party's case, its memoranda or other submissions, and may refuse to receive any proffered evidence, which the arbitrators, in their discretion, find to be cumulative, unnecessary, irrelevant or of low probative nature. Any arbitration hereunder shall be conducted in accordance with the Commercial Arbitration Rules of the AAA in effect on the date the notice of Arbitration Demand Notice is served. The decision of the arbitrators will be final and binding on the parties, and judgment thereon may be had and will be enforceable in any court having jurisdiction over the parties. Arbitration awards will bear interest at an annual rate of the then-prevailing prime rate plus 2% per annum, subject to any maximum amount permitted by applicable law. To the extent that the provisions of this Agreement and the prevailing rules of the AAA conflict, the provisions of this Agreement shall govern.

7.6 Discovery and Certain Other Matters. (a) Any party involved in a dispute, controversy or claim subject to this Article VII may request document production from the other party or parties of specific and expressly relevant documents, with the reasonable expenses of the producing party incurred in such production paid by the requesting party. Any such discovery shall be conducted in accordance with the International Bar Association Rules on the Taking of Evidence in International Commercial Arbitration, subject to the discretion of the arbitrators. Any such discovery shall be conducted expeditiously and shall not cause the hearing to be adjourned except upon consent of all parties involved in the applicable dispute or upon an extraordinary showing of cause demonstrating that such adjournment is necessary to permit discovery essential to a party to the proceeding. Disputes concerning the scope of document production and enforcement of the document production requests will be determined by written agreement of the parties involved in the applicable dispute or, failing such agreement, will be referred to the arbitrators for resolution. All discovery requests will be subject to the parties' rights to claim any applicable privilege. The arbitrators will adopt procedures to protect the proprietary rights of the parties and to maintain the confidential treatment of the arbitration proceedings (except as may be required by law). Subject to the foregoing, the arbitrators shall have the power to issue subpoenas to compel the production of documents relevant to the dispute, controversy or claim.

(b) The arbitrators shall have full power and authority to determine issues of arbitrability but shall otherwise be limited to interpreting or construing the applicable provisions of this Agreement, any Ancillary Agreement or any Prior Transfer Agreement, and will have no authority or power to limit, expand, alter, amend, modify, revoke or suspend any condition or provision of this Agreement, any Ancillary Agreement or any Prior Transfer Agreement; it being understood, however, that the arbitrators will have full authority to implement the provisions of this Agreement, any Ancillary Agreement or any Prior Transfer Agreement, and to fashion appropriate remedies for breaches of this Agreement (including interim or permanent injunctive relief); provided that the arbitrators shall not have (i) any authority in excess of the authority a court having jurisdiction over the parties and the controversy or dispute would have absent these arbitration provisions or (ii) any right or power to award punitive or treble damages. It is the intention of the parties that in rendering a decision the arbitrators give effect to the applicable provisions of this Agreement, the Ancillary Agreements and the Prior Transfer Agreements and follow applicable law (it being understood and agreed that this sentence shall not give rise to a right of judicial review of the arbitrators' award).

(c) If a party fails or refuses to appear at and participate in an arbitration hearing after due notice, the arbitrators may hear and determine the controversy upon evidence produced by the appearing party.

(d) Arbitration costs will be borne equally by each party involved in the matter, and each party will be responsible for its own attorneys' fees and other costs and expenses, including the costs of witnesses selected by such party.

7.7 Certain Additional Matters. (a) Any arbitration award shall be a bare award limited to a holding for or against a party and shall be without findings as to facts, issues or conclusions of law (including with respect to any matters relating to the validity or infringement of patents or patent applications) and shall be without a statement of the reasoning on which the award rests, but must be in adequate form so that a judgment of a court may be entered thereupon. Judgment upon any arbitration award hereunder may be entered in any court having jurisdiction thereof.

(b) Prior to the time at which all of the arbitrators have been appointed pursuant to Section 7.4, any party may seek one or more temporary restraining orders in a court of competent jurisdiction if necessary in order to preserve and protect the status quo. Neither the request for, nor grant or denial of, any such temporary restraining order shall be deemed a waiver of the obligation to arbitrate as set forth herein and the arbitrators may dissolve, continue or modify any such order. Any such temporary restraining order shall remain in effect until the first to occur of the expiration of the order in accordance with its terms or the dissolution thereof by the arbitrators.

(c) Except as required by law, the parties shall hold, and shall cause their respective officers, directors, employees, agents and other representatives to hold, the existence, content and result of mediation or arbitration in confidence in accordance with the provisions of Section 8.11 and except as may be required in order to enforce any award. Each of the parties shall request that any mediator or arbitrator comply with such confidentiality requirement.

7.8 Continuity of Service and Performance. Unless otherwise agreed in writing, the parties will continue to provide service and honor all other commitments under this Agreement, each Ancillary Agreement, each Prior Transfer Agreement and any other agreement between or among any members of the Halliburton Group and the KBR Group during the course of the dispute resolution procedures pursuant to this Article VII with respect to all matters not subject to such dispute, controversy or claim.

7.9 Law Governing Arbitration Procedures. The interpretation of the provisions of this Article VII, only insofar as they relate to the agreement to arbitrate and any procedures pursuant thereto, shall be governed by the Federal Arbitration Act, as amended, and other applicable federal law. In all other respects, the interpretation of this Agreement shall be governed as set forth in Section 9.3.

ARTICLE VIII

COVENANTS AND OTHER MATTERS

8.1 Other Agreements. In addition to the specific agreements, documents and instruments contemplated by this Agreement, Halliburton and KBR agree to execute or cause to be executed by the appropriate parties and deliver, as appropriate, such other agreements, instruments and other documents as may be necessary or desirable in order to effect the purposes of this Agreement and the Ancillary Agreements.

8.2 Further Instruments. The parties intend to separate the KBR Business from the Halliburton Business hereby, and to convey, assign or otherwise transfer to the KBR Group the assets, rights and other items relating to the KBR Business, and to convey, assign or otherwise transfer to the Halliburton Group the assets, rights and other items relating to the Halliburton Business. At the request of either Halliburton or KBR following the Separation Date, and without further consideration, the other party will execute and deliver, and will cause the applicable members of its Group to execute and deliver, to the requesting party and the applicable members of its Group such other instruments of transfer, conveyance, assignment, substitution and confirmation and take such action as the requesting party may reasonably deem necessary or desirable in order more effectively to transfer, convey and assign to the requesting party and the members of its Group and confirm the requesting party's and the members of its Group's title to all of the assets, rights and other items contemplated to be transferred to the requesting party and the members of its Group pursuant to a Prior Transfer Agreement, this Agreement, the Ancillary Agreements, and any documents referred to therein, to put the requesting party and the members of its Group in actual possession and operating control thereof and to permit the requesting party and the members of its Group to exercise all rights with respect thereto (including, without limitation, rights under contracts and other arrangements as to which the consent of any third party to the transfer thereof shall not have previously been obtained). At the request of either Halliburton or KBR following the Separation Date, and without further consideration, the other party will execute and deliver, and will cause the applicable members of its Group to execute and deliver, to the requesting party and the applicable members of its Group all instruments, assumptions, novations, undertakings, substitutions or other documents and take such other action as the requesting party may reasonably deem necessary or desirable in order to have the other party fully and unconditionally assume and discharge the Liabilities contemplated to be assumed by the other party under a Prior Transfer Agreement, this Agreement, any Ancillary Agreement or any document in connection herewith and to relieve the Halliburton Group or the KBR Group, as applicable, of any liability or obligation with respect thereto and evidence the same to third parties. Neither the requesting party nor the other party shall be obligated, in connection with the foregoing, to expend money other than reasonable out-of-pocket expenses, attorneys' fees and recording or similar fees. Furthermore, each party, at the request of another party hereto, shall execute and deliver such other instruments and do and perform such other acts and things as may be necessary or desirable for effecting completely the consummation of the transactions contemplated hereby.

8.3 Provision of Corporate Records. Except as contemplated by Sections 3.4 and 3.5, as soon as practicable after the Separation Date, subject to the provisions of this Section 8.3 and the provisions of Section 6.2 of the Transition Services Agreements, Halliburton shall use reasonable best efforts to deliver

or cause to be delivered to KBR all KBR Books and Records in the possession of Halliburton or any member of the Halliburton Group, and KBR shall use reasonable best efforts to deliver or cause to be delivered to Halliburton all Halliburton Books and Records in the possession of KBR or any member of the KBR Group. The foregoing shall be limited by the following:

(a) To the extent any document (including computer files, as applicable) can be subdivided without unreasonable effort or cost into two portions, one of which constitutes a KBR Book and Record and the other of which constitutes a Halliburton Book and Record, such document (including computer files, as applicable) shall be so subdivided and the appropriate portions shall be delivered to the parties.

(b) In the case of this Section 8.3, "reasonable best efforts" shall require only deliveries of (i) specific and discrete books and records or a reasonably limited class of items requested by the other party and (ii) specific and discrete books and records identified by either party in the ordinary course of business and determined by such party to be material to the other's business.

(c) Each party may retain copies of books and records delivered to the other, subject to holding in confidence in accordance with Section 8.11 information contained in such books and records.

(d) Each party may in good faith refuse to furnish any books and records under this Section 8.3 if it reasonably believes in good faith that doing so could materially adversely affect its ability to successfully assert a claim of Privilege.

(e) Neither party shall be required to deliver to the other books and records or portions thereof which are subject to any Law or confidentiality agreements which would by their terms prohibit such delivery; provided, however, that if requested by the other party, such party shall use reasonable best efforts to seek a waiver of or other relief from such confidentiality restriction.

(f) Nothing in this Section 8.3 shall affect the rights and obligations of any party to the Tax Sharing Agreement with respect to the sharing of information related to Taxes.

8.4 Agreement For Exchange of Information.

(a) Each of Halliburton and KBR agrees to provide, or cause to be provided, to each other as soon as reasonably practicable after written request therefor, any Information in the possession or under the control of such party that the requesting party reasonably needs: (i) to comply with reporting, disclosure, filing or other requirements imposed on the requesting party (including under applicable securities laws) by a Governmental Authority having jurisdiction over the requesting party, (ii) for use in any Regulatory Proceeding, judicial proceeding or other proceeding or in order to satisfy audit, accounting, claims, regulatory, litigation, subpoena or other similar requirements, (iii) to comply with its obligations under this Agreement or any Ancillary Agreement or (iv) in connection with its ongoing businesses as it relates to the conduct of such business, as the case may be; provided, however, that in the event that any party determines that any such provision of Information could be commercially detrimental, violate any Law or agreement, or waive any attorney-client privilege, the parties shall take all reasonable measures to permit the compliance with such obligations in a manner that avoids any such harm or consequence.

(b) After the Separation Date, notwithstanding the parties' rights and obligations in Section 8.5 hereof, (i) each party shall maintain in effect at its own cost and expense adequate systems and controls for its business to the extent necessary to enable the other party to satisfy its reporting, accounting, audit and other obligations in compliance with all applicable Law and stock exchange requirements, and (ii) each party shall provide, or cause to be provided, to the other party and the applicable members of its Group in such form as such requesting party shall request, at no charge to the requesting party, all financial and other data and information as the requesting party determines necessary or advisable in order to prepare its financial statements and reports or filings with any Governmental Authority.

(c) Any Information owned by a party that is provided to a requesting party pursuant to this Section 8.4 shall be deemed to remain the property of the providing party. Unless specifically set forth herein, nothing contained in this Agreement shall be construed as granting or conferring rights of license or otherwise in any such Information.

(d) To facilitate the possible exchange of Information pursuant to this Section 8.4 and other provisions of this Agreement, each party agrees to use reasonable best efforts to retain all Information in its respective possession or control substantially in accordance with its record retention policies as in effect on the Separation Date. For so long as the Halliburton Group collectively beneficially owns shares of KBR Common Stock representing at least 15% or more of the total voting power of all of the outstanding shares of KBR Voting Stock, KBR shall not amend its or any member of its Group's record retention policies without the consent of Halliburton. However, except as set forth in the Tax Sharing Agreement, at any time after the date that the Halliburton Group collectively beneficially owns shares of KBR Common Stock representing less than 15% of the total voting power of all of the outstanding shares of KBR Voting Stock, KBR may amend its record retention policies at KBR's discretion; provided, however, that KBR must give Halliburton thirty (30) days prior written notice of such change in the policy. No party will destroy, or permit any member of its Group to destroy, any Information that exists on the Separation Date (other than Information that is permitted to be destroyed under the Halliburton record retention policy in effect as of the date hereof) without first using its reasonable best efforts to notify the other party of the proposed destruction and giving the other party the opportunity to take possession of such Information prior to such destruction.

(e) No party shall have any liability to any other party in the event that any Information exchanged or provided pursuant to this Section 8.4 is found to be inaccurate, in the absence of willful misconduct by the party providing such Information. No party shall have any duty to update any Information exchanged or provided pursuant to this Section 8.4. No party shall have any liability to any other party if any Information is destroyed or lost after reasonable best efforts by such party to comply with the provisions of Section 8.4(d).

(f) The rights and obligations granted under this Section 8.4 are subject to any specific limitations, qualifications or additional provisions on the sharing, exchange or confidential treatment of Information set forth in Sections 3.4 and 3.5 of this Agreement and any Ancillary Agreement.

(g) Each party hereto shall, except in the case of a dispute subject to Article VII brought by one party against another party (which shall be governed by such discovery rules as may be applicable under Article VII or otherwise), use reasonable best efforts to make available to each other party, upon written request, the former, current and future directors, officers, employees, other personnel and agents of such party as witnesses and any books, records or other documents within its control or which it otherwise has the ability to make available, to the extent that any such person (giving consideration to business demands of such directors, officers, employees, other personnel and agents) or books, records or other documents may

reasonably be required by the other party in connection with any Regulatory Proceeding, judicial proceeding or other proceeding in which the requesting party may from time to time be involved, regardless of whether such Regulatory Proceeding, judicial proceeding or other proceeding is a matter with respect to which indemnification may be sought hereunder. The requesting party shall bear all costs and expenses in connection therewith; provided that witnesses shall be made available under this Section 8.4(g) without cost other than reimbursement of actual out-of-pocket expenses and reasonable attorneys' fees and expenses incurred.

8.5 Auditors and Audits; Annual and Quarterly Statements and Accounting. (a) Each party agrees that, for so long as the Halliburton Group beneficially owns shares of KBR Common Stock representing 15% or more of the total voting power of all of the outstanding shares of KBR Voting Stock, and with respect to any financial reporting period during which the Halliburton Group collectively beneficially owns shares of KBR Common Stock representing 15% or more of the total voting power of all of the outstanding shares of KBR Voting Stock:

(i) Selection of Auditor. KBR shall not select a different accounting firm than the firm selected by Halliburton to audit its financial statements to serve as its independent certified public accountants for purposes of providing an opinion on its consolidated financial statements without Halliburton's prior written consent (which shall not be unreasonably withheld). At all times, KBR shall retain a nationally recognized accounting firm to serve as its independent certified public accountants for purposes of providing an opinion on KBR's consolidated financial statements (the "KBR Auditors").

(ii) Annual and Quarterly Reviews. KBR shall use reasonable best efforts to enable the KBR Auditors to complete their audit such that they will date their opinion on KBR's audited annual financial statements on the same date that Halliburton's Auditors date their opinion on Halliburton's audited annual financial statements, and to enable Halliburton to meet its timetable for the printing, filing and public dissemination of Halliburton's annual financial statements, including press releases relating to earnings information. KBR shall use reasonable best efforts to enable the KBR Auditors to complete their quarterly review procedures such that they will provide clearance on KBR's quarterly financial statements on the same date that Halliburton's Auditors provide clearance on Halliburton's quarterly financial statements, and to enable Halliburton to meet its timetable for the printing, filing and public dissemination of Halliburton's quarterly financial statements, including press releases relating to earnings information.

(iii) Information for Preparation of Financial Statements. KBR shall provide to Halliburton on a timely basis all Information that Halliburton reasonably requires to meet its schedule for the preparation, printing, filing and public dissemination of Halliburton's annual, quarterly and periodic financial statements, including press releases relating to earnings information. Without limiting the generality of the foregoing, KBR will provide all required financial information with respect to the KBR Group to the KBR Auditors in a sufficient and reasonable time and in sufficient detail to permit the KBR Auditors to take all steps and perform all reviews necessary to provide sufficient assurance to Halliburton's Auditors with respect to Information to be included or contained in Halliburton's annual, quarterly and periodic financial statements, including press releases relating to earnings information. Similarly, Halliburton shall provide to KBR on a timely basis all Information that KBR reasonably requires to meet its schedule for the preparation, printing, filing and public dissemination of KBR's annual, quarterly and periodic financial statements, including press releases relating to earnings information. Without limiting the generality of the foregoing, Halliburton will provide all required financial Information with respect to the Halliburton Group to Halliburton's Auditors in a sufficient and reasonable time and in sufficient detail to permit Halliburton's Auditors to take all steps and perform all reviews necessary to provide sufficient assurance to the KBR Auditors with respect to Information to be included or contained in KBR's annual, quarterly and periodic financial statements, including press releases relating to earnings information.

(iv) Access to Auditors and Work Papers. KBR shall authorize the KBR Auditors to make available to Halliburton's Auditors both the personnel who performed or are performing the annual audits and quarterly reviews of KBR and work papers related to such reviews of KBR, in all cases within a reasonable time prior to the KBR Auditors' opinion date, so that Halliburton's Auditors are able to perform the procedures they consider necessary to take responsibility for the work of the KBR Auditors as it relates to Halliburton's Auditors' report on Halliburton's financial statements, all within sufficient time to enable Halliburton to meet its timetable for the printing, filing and public dissemination of Halliburton's annual and quarterly financial statements, including press releases relating to earnings information. Similarly, Halliburton shall authorize Halliburton's Auditors to make available to the KBR Auditors both the personnel who performed or are performing the annual audits and quarterly reviews of Halliburton and work papers related to such reviews of Halliburton, in all cases within a reasonable time prior to Halliburton's Auditors' opinion date, so that the KBR Auditors are able to perform the procedures they consider necessary to take responsibility for the work of Halliburton's Auditors as it relates to the KBR Auditors' report on KBR's financial statements, all within sufficient time to enable KBR to meet its timetable for the printing, filing and public dissemination of KBR's annual and quarterly financial statements, including press releases relating to earnings information.

(v) Accounting Principles and Practices. Without the prior written consent of Halliburton, KBR may not change its accounting principles or practices if a change in such accounting principle or practice would be required to be disclosed in KBR's financial statements as filed with the SEC or otherwise publicly disclosed, except for such changes which are required by GAAP and as to which there is no discretion on the part of KBR, as concurred in by the KBR Auditors prior to its implementation. KBR shall give Halliburton as much prior notice as reasonably practical of any proposed determination of, or any significant changes in, its accounting estimates or, subject as aforesaid, accounting principles from those in effect on the Separation Date. KBR will consult with Halliburton and, if requested by Halliburton, KBR will consult with Halliburton's Auditors with respect thereto. Halliburton shall give KBR as much prior notice as reasonably practical of any proposed determination of, or any significant changes in, its accounting estimates or accounting principles pertaining to KBR from those in effect on the Separation Date.

(vi) Comfort Letters. Upon Halliburton's request, KBR shall use reasonable best efforts to cause to be delivered "comfort letters" of the KBR Auditors with regard to KBR's financial statements, dated as of the pricing dates and the closing dates and addressed to the underwriters, in any offering of securities by Halliburton or any member of the Halliburton Group for which such comfort letters are required by underwriters. Such "comfort letters" shall be in form reasonably satisfactory to Halliburton and customary in scope and substance for "comfort letters" delivered by independent public accountants in connection with public securities offerings.

(vii) Auditor Consents. KBR shall use reasonable best efforts to cause the KBR Auditors to consent to inclusion of the information described in this Section 8.5 and to be named in Halliburton's filings with the Commission with respect to any such information as is customary for such consents.

(b) Provision of Financial Information. For so long as the Halliburton Group collectively beneficially owns 15% or more of the total voting power of all of the outstanding shares of KBR Voting Stock: (i) KBR will furnish Halliburton within ten (10) Business Days after the end of each

quarter and ten (10) Business Days after the end of each fiscal year, the unaudited balance sheet, income statement and statement of cash flows of the KBR Group as at the end of such period, (ii) KBR shall furnish to Halliburton such financial information or documents in the possession of KBR and any member of its Group as Halliburton may reasonably request, and (iii) KBR shall furnish to Halliburton on a monthly basis such management and other periodic reports related to financial information in the form and substance consistent with the practice of KBR as of the date of this Agreement.

(c) Assignment to Halliburton Transferee. Halliburton may transfer all or any portion of its rights under this Section 8.5 to a Halliburton Transferee holding at least 15% of the voting power of all of the outstanding KBR Common Stock. Halliburton shall give written notice to KBR of its transfer of rights under this Section 8.5 no later than 30 days after Halliburton enters into a binding agreement for such transfer of rights. Such notice shall state the name and address of the Halliburton Transferee and identify the amount of KBR Common Stock transferred and the scope of rights being transferred under this Section 8.5. In connection with any such transfer, the term "Halliburton" as used in this Section 8.5 shall, where appropriate to give effect to the assignment of rights and obligations hereunder to such Halliburton Transferee, be deemed to refer to such Halliburton Transferee. Halliburton and any Halliburton Transferee may exercise the rights under this Section 8.5 in such priority, as among themselves, as they shall agree upon among themselves, and KBR shall observe any such agreement of which it shall have notice as provided above.

8.6 Audit Rights. To the extent any member of the Halliburton Group provides goods or services to any member of the KBR Group, or any member of the KBR Group provides goods or services to a member of the Halliburton Group, under this Agreement or under any Ancillary Agreement (other than pursuant to the Transition Services Agreements), the company providing such goods or services (the "Providing Company") shall maintain complete and accurate books and records relating to costs and charges made to the company receiving such goods and services (the "Receiving Company"). Books and accounts shall be maintained in accordance with generally accepted accounting principles, consistently applied. Annually, the Receiving Company, at its expense, shall be entitled to audit the Providing Company's books and records related to the goods and services provided during the preceding year, using its own personnel or personnel from its independent auditing firm. Discrepancies identified as a result of any audit shall be promptly reconciled and agreed between the parties or, if no such reconciliation is agreed by the parties, shall be resolved in accordance with the dispute resolution provisions of Article VII of this Agreement. Any charge which is not questioned by the Receiving Company within the calendar year after the calendar year in which the charge was rendered shall be deemed incontestable.

8.7 Preservation of Legal Privileges. (a) Halliburton and KBR recognize that the members of their respective groups possess and will possess information and advice that has been previously developed but is legally protected from disclosure under legal privileges, such as the attorney-client privilege or work product exemption and other concepts of legal protection ("Privilege"). Each party recognizes that they shall be jointly entitled to the Privilege with respect to such privileged information and that each shall be entitled to maintain, preserve and assert for its own benefit all such information and advice, but both parties shall ensure that such information is maintained so as to protect the Privileges with respect to the other party's interest. To that end, neither party will knowingly waive or compromise any Privilege associated with such information and advice without the prior written consent of the other party. In the event that privileged information is required to be disclosed to any arbitrator or mediator in connection with a dispute between the parties, such disclosure shall not be deemed a waiver of Privilege with respect to such information, and any party receiving it in connection with a proceeding shall be informed of its nature and shall be required to safeguard and protect it.

(b) The rights and obligations created by this Section 8.7 shall apply to all information relating to the KBR Business as to which, but for the Separation, either party would have been entitled to assert or did assert the protection of a Privilege, including (i) any and all information generated prior to the Separation Date but which, after the Separation, is in the possession of either party and (ii) all information generated, received or arising after the Separation Date that refers to or relates to information described in the preceding clause (i).

(c) Upon receipt by either party of any subpoena, discovery or other request that may call for the production or disclosure of information that is the subject of a Privilege, or if a party obtains knowledge that any current or former employee of a party has received any subpoena, discovery or other request that may call for the production or disclosure of such information, such party shall provide the other party a reasonable opportunity to review the information and to assert any rights it may have under this Section 8.7 or otherwise to prevent the production or disclosure of such information. Absent receipt of written consent from the other party to the production or disclosure of information that may be covered by a Privilege, each party agrees that it will not produce or disclose any information that may be covered by a Privilege unless a court of competent jurisdiction has entered a final, nonappealable order finding that the information is not entitled to protection under any applicable Privilege.

(d) Nothing in this Section 8.7 shall limit or qualify the rights and obligations of the parties in Section 3.4(d), Section 3.5(d) and Section 8.15.

8.8 Payment of Expenses. KBR shall pay all underwriting fees, discounts and commissions and other direct costs incurred in connection with the IPO. Except as otherwise provided in this Agreement, the Ancillary Agreements or any other agreement between the parties relating to the Separation, the IPO or the Distribution, all other out-of-pocket costs and expenses of the parties hereto in connection with the preparation of this Agreement and the Ancillary Agreements, the Separation, the IPO and the Distribution shall be paid by Halliburton. Notwithstanding the foregoing, KBR shall pay any internal fees, costs and expenses incurred by KBR in connection with the Separation, the IPO and the Distribution.

8.9 Governmental Approvals. The parties acknowledge that certain of the transactions contemplated by this Agreement and the Ancillary Agreements may be subject to certain conditions established by applicable government regulations, orders, and approvals ("Existing Authority"). The parties intend to implement this Agreement, the Ancillary Agreements and the transactions contemplated hereby and thereby consistent with and to the extent permitted by Existing Authority and to cooperate toward obtaining and maintaining in effect such Governmental Approvals as may be required in order to implement this Agreement and each of the Ancillary Agreements as fully as possible in accordance with their respective terms. To the extent that any of the transactions contemplated by this Agreement or any Ancillary Agreement require any Governmental Approvals, the parties will use their reasonable best efforts to obtain any such Governmental Approvals.

8.10 Continuance of Halliburton Credit Support. (a) Duration of Existing Credit Support Agreements. Notwithstanding any other provision of this Agreement or any Ancillary Agreement to the contrary, and except as set forth in Section 8.10(b) below, the parties hereby agree that Halliburton and each applicable member of the Halliburton Group shall maintain in full force and effect each Credit Support Agreement which is issued and outstanding as of the Separation Date until the earlier of: (i) such time as the project contract, or all obligations of any member of the KBR Group thereunder, to which such Credit Support Agreement relates terminates or (ii) such time as such Credit Support Agreement or the underlying instrument to which it relates expires in accordance with its terms or is otherwise released; provided, that KBR shall use reasonable best efforts to attempt to release or replace the liability of Halliburton and the members of its Group under any Credit Support Agreement for which such replacement or release is reasonably available.

(b) Additional Credit Support Agreements Post Separation Date.

(i) Until December 31, 2009, KBR may from time to time request, and Halliburton agrees to provide or cause to be provided such additional guarantees, indemnification or reimbursement obligations or extensions of existing guarantees, indemnification or reimbursement obligations as are required with respect to: (i) the issuance of additional letters of credit necessary to comply with KBR's obligations under the Egypt Basic Industries Corporation ammonia plant project contract, the U.K. Ministry of Defense Allenby & Connaught project contract and all other KBR project contracts existing as of December 15, 2005; (ii) the issuance of additional surety bonds necessary to support new task orders pursuant to the Little Rock Job Order Contract, the U.K. Ministry of Defense Allenby & Connaught project contract, the State of Missouri Job Order Contract and all other KBR project contracts existing as of December 15, 2005; and (iii) the issuance of performance guarantees necessary to support the Egypt Basic Industries Corporation ammonia plant project contract, the U.K. Ministry of Defense Allenby & Connaught project contract, the Little Rock Job Order Contract, the State of Missouri Job Order Contract and all other KBR project contracts existing as of December 15, 2005. Halliburton and each applicable member of the Halliburton Group shall maintain in full force and effect each additional Credit Support Agreement which is obtained pursuant to this Section 8.10(b) until the earlier of: (i) such time as the project contract, or all obligations of any member of the KBR Group thereunder, to which such Credit Support Agreement relates terminates or (ii) such time as such Credit Support Agreement or the underlying instrument to which it relates expires in accordance with its terms or is otherwise released; provided, that KBR shall use reasonable best efforts to attempt to release or replace the liability of Halliburton and the members of its Group under any such Credit Support Agreement for which such replacement or release is reasonably available.

(ii) Except as expressly provided in this Section 8.10(b), the parties agree that after the Separation Date, KBR shall not: (i) request the issuance of any new letter of credit, surety bond or other instrument pursuant to the Credit Support Agreements, (ii) request the issuance by Halliburton of any additional guarantee, indemnification or reimbursement obligation for the benefit of any member of the KBR Group or any customer or lender thereof, or (iii) extend the term of, increase the obligations under, or otherwise materially amend or modify any Credit Support Agreement, in each case without the prior written consent of Halliburton (which consent may be withheld in Halliburton's sole discretion).

(c) Carry Charge for Letters of Credit. For so long as any Credit Support Agreement that is a letter of credit remains outstanding prior to December 31, 2009, KBR shall pay to Halliburton a quarterly carry charge for continuance of such letters of credit pursuant to this Section 8.10 equal to the sum of: (i) 0.40% per annum of the then outstanding aggregate principal amount of all letters of credit for such quarter meeting the definition of "Performance Letters of Credit" or "Commercial Letters of Credit" (as such terms are defined by the KBR Credit Agreement as of the date hereof), and (ii) 0.80% per annum of the then outstanding aggregate principal amount of all letters of credit constituting financial letters of credit for such quarter, pro rated on a daily basis, payable on the last day of each calendar quarter by intercompany settlement or otherwise as the parties may from time to time agree. Following December 31, 2009, KBR shall pay to Halliburton a quarterly carry charge for continuance of any Credit Support Agreement that is a letter of credit pursuant to this Section 8.10 equal to the sum of: (i) 0.90% per annum of the then outstanding aggregate principal amount of all letters of credit for such quarter meeting the definition of "Performance Letters of Credit" or "Commercial Letters of Credit" (as such terms are defined by the KBR Credit Agreement as of the date hereof), and (ii) 1.65% per annum of the then outstanding aggregate principal amount of all letters of credit constituting financial letters of credit for such quarter, pro rated on a daily basis, payable on the last day of each calendar quarter by intercompany settlement or otherwise as the parties may from time to time agree.

(d) Carry Charge for Surety Bonds. For so long as any Credit Support Agreement that is a surety bond remains outstanding prior to December 31, 2009, KBR shall pay to Halliburton a quarterly carry charge for continuance of such surety bonds pursuant to this Section 8.10 equal to 0.25% per annum of the then outstanding aggregate principal amount of such surety bonds for such quarter, pro rated on a daily basis, payable on the last day of each calendar quarter by intercompany settlement or otherwise as the parties may from time to time agree. Following December 31, 2009, KBR shall pay to Halliburton a quarterly carry charge for continuance of such surety bonds pursuant to this Section 8.10 equal 0.50% per annum of the then outstanding aggregate principal amount of such surety bonds for such quarter, pro rated on a daily basis, payable on the last day of each calendar quarter by intercompany settlement or otherwise as the parties may from time to time agree.

(e) No Other Financing Obligations. Except as expressly set forth in this Section 8.10 or as contemplated by the agreements listed on Schedule 9.2 hereto, following the Separation Date, Halliburton shall have no obligation to provide or continue any credit support to, or advance any funds to or on behalf of, any member of the KBR Group.

(f) KBR Liabilities; Performance Covenants.

(i) All obligations under the Credit Support Agreements shall be deemed to be KBR Liabilities, as between the Halliburton Group and the KBR Group, for purposes of this Agreement.

(ii) For so long as Halliburton or any member of the Halliburton Group remains liable to any third party with respect to any Credit Support Agreement: (i) KBR shall pay or perform, or cause the Person in the KBR Group for whose benefit the Credit Support Agreement is provided to pay or perform, the underlying obligation as and when the same shall become due and/or payable, to the end that no member of the Halliburton Group shall be required to make any payment under or by reason of its obligation under such Credit Support Agreement and (ii) each member of the Halliburton Group shall retain all rights of reimbursement and subrogation it may have, whether arising by law, by contract or otherwise, with respect to such Credit Support Agreement and such rights shall be enforceable against KBR as well as the member of the KBR Group for whose benefit the Credit Support Agreement was made.

(iii) For so long as any Credit Support Agreement remains in effect, to the extent that covenants and agreements contained in the KBR Credit Agreement, any loan or other credit agreement or other material agreement in effect on the date of this Agreement to which any member of the Halliburton Group is a party requires, or requires such party to cause, any member of the KBR Group to take or refrain from taking any action, or provides for a default or event of default if any member of the KBR Group takes or refrains from taking any action, such member of the KBR Group shall at all times take or refrain from taking any such action as would result in a breach or violation of, or a default under, such agreement.

8.11 Confidentiality.

(a) Until the date that is five (5) years from the date hereof, Halliburton and KBR shall hold and shall cause the members of the Halliburton Group and the KBR Group, respectively, to hold, and shall each cause their respective officers, employees, agents, consultants and advisors to hold, in

strict confidence and not to disclose or release without the prior written consent of the other party, any and all Confidential Information (as defined herein); provided, that the parties may disclose, or may permit disclosure of, Confidential Information: (i) to their respective auditors, attorneys, financial advisors, bankers and other appropriate consultants and advisors who have a need to know such information and are informed of their obligation to hold such information confidential to the same extent as is applicable to the parties hereto and in respect of whose failure to comply with such obligations, Halliburton or KBR, as the case may be, will be responsible or (ii) to the extent any member of the Halliburton Group or the KBR Group is compelled to disclose any such Confidential Information by judicial or administrative process or, in the opinion of legal counsel, by other requirements of Law. Notwithstanding the foregoing, in the event that any demand or request for disclosure of Confidential Information is made pursuant to clause (ii) above, Halliburton or KBR, as the case may be, shall promptly notify the other of the existence of such request or demand and shall provide the other a reasonable opportunity to seek an appropriate protective order or other remedy, which both parties will cooperate in seeking to obtain. In the event that such appropriate protective order or other remedy is not obtained, the party being compelled to disclose the Confidential Information shall furnish or cause to be furnished only that portion of the Confidential Information that is legally required to be disclosed. As used in this Section 8.11, "Confidential Information" shall mean all proprietary, technical or operational information, data or material of one party which, prior to or following the Separation Date, has been disclosed by Halliburton or members of the Halliburton Group, on the one hand, or KBR or members of the KBR Group, on the other hand, in written, oral (including by recording), electronic, or visual form to, or otherwise has come into the possession of, the other, including pursuant to any provision of this Agreement (except to the extent that such Confidential Information can be shown to have been (a) in the public domain through no fault of such party or (b) later lawfully acquired from other sources by the party to which it was furnished; provided, however, in the case of (b) that such sources did not provide such Confidential Information in breach of any confidentiality obligations).

(b) Notwithstanding anything to the contrary set forth herein, (i) Halliburton and the other members of the Halliburton Group, on the one hand, and KBR and the other members of the KBR Group, on the other hand, shall be deemed to have satisfied their obligations hereunder with respect to Confidential Information if they exercise the same degree of care (but no less than a reasonable degree of care) as they take to preserve confidentiality for their own similar Information and (ii) confidentiality obligations provided for in any agreement between Halliburton or any other member of the Halliburton Group, or KBR or any other members of the KBR Group, on the one hand, and any employee of Halliburton or any other member of the Halliburton Group, or KBR or any other members of the KBR Group, on the other hand, shall remain in full force and effect. Confidential Information of Halliburton or any other member of the Halliburton Group, on the one hand, or KBR or any other member of the KBR Group, on the other hand, in the possession of and used by the other as of the Separation Date may continue to be used by such Person in possession of the Confidential Information in and only in the operation of the Halliburton Business or the KBR Business, as the case may be, and may be used only so long as the Confidential Information is maintained in confidence and not disclosed in violation of Section 8.11(a). Such continued right to use may not be transferred to any third party unless the third party purchases all or substantially all of the business and assets in which the relevant Confidential Information is used or employed in one transaction or in a series or related transactions. In the event that such right to use is transferred in accordance with the preceding sentence, the transferring party shall not disclose the source of the relevant Confidential Information.

(c) Nothing in this Section 8.11 shall limit or qualify the rights and obligations of the parties with respect to Sections 3.4 and 3.5 hereof.

(d) Nothing in Sections 8.3, 8.4 or 8.5 shall require KBR to violate any agreement with any third parties regarding the confidentiality of confidential and proprietary information relating to that third party or its business; provided, however, that in the event that KBR is required under Sections 8.3, 8.4 or 8.5 to disclose any such information, KBR shall use reasonable best efforts to seek to obtain such third party's consent to the disclosure of such information. Similarly, nothing in Sections 8.3, 8.4 or 8.5 shall require Halliburton to violate any agreement with any third parties regarding the confidentiality of confidential and proprietary information relating to that third party or its business; provided, however, that in the event that Halliburton is required under Sections 8.3, 8.4 or 8.5 to disclose any such information, Halliburton shall use reasonable best efforts to seek to obtain such third party's consent to the disclosure of such information.

(e) Nothing in this Section 8.11 shall limit or qualify the rights and obligations of the parties under the Intellectual Property Matters Agreement.

8.12 Receipt of Notices. If a party receives a notice or other communication from any Governmental Authority or third party, or otherwise becomes aware of any fact or circumstance after the Separation Date relating to an asset, contract or ownership interest transferred to the other party or liability assumed by the other party, it will promptly forward the notice or other communication to the other party or give notice to the other party of such fact or circumstance of which it has become aware. Each of Halliburton and KBR will comply, and will cause members of their respective Groups to comply, with this Section 8.12.

8.13 Non Solicitation of Employees.

(a) Halliburton No Hire. For a period of one (1) year from the Separation Date, Halliburton agrees not to (i) solicit, recruit or hire any employees, independent contractors or officers of the KBR Group who have worked for or been contracted to the KBR Business immediately prior to the Separation Date and who are employed full-time by KBR or a member of the KBR Group immediately after the Separation Date or (ii) solicit or encourage any current employee or independent contractor of the KBR Group who has worked full-time for the KBR Business to leave the employment of KBR or a member of the KBR Group. Nothing in this Section 8.13 shall prevent or restrict Halliburton or any member of the Halliburton Group from employing any individual who responds to a general solicitation for employment made by or on behalf of Halliburton or any member of the Halliburton Group that is not specifically directed at employees, independent contractors or officers of KBR who have worked in the KBR Business or any individual who, after the Separation Date, initiates contact with Halliburton or any member of the Halliburton Group for purposes of seeking employment.

(b) KBR No Hire. For a period of one (1) year from the Separation Date, KBR agrees not to (i) solicit, recruit or hire any employees, independent contractors or officers of the Halliburton Group who have worked for or been contracted to the Halliburton Business immediately prior to the Separation Date and who are employed full-time by Halliburton or a member of the Halliburton Group immediately after the Separation Date or (ii) solicit or encourage any current employee or independent contractor of the Halliburton Group who has worked full-time for the Halliburton Business to leave the employment of Halliburton or a member of the Halliburton Group. Nothing in this Section 8.13 shall prevent or restrict KBR or any member of the KBR Group from employing any individual who responds to a general solicitation for employment made by or on behalf of KBR or any member of the KBR Group that is not specifically directed at employees, independent contractors or officers of Halliburton who have worked in the Halliburton Business or any individual who, after the Separation Date, initiates contact with KBR or any member of the KBR Group for purposes of seeking employment.

8.14 Halliburton Policies and Procedures. (a) For so long as the Halliburton Group beneficially owns shares of KBR Common Stock representing a majority of the total voting power of all of the outstanding shares of KBR Voting Stock, the KBR Group will consistently implement and maintain

Halliburton's business practices and standards with respect to internal controls and the Halliburton Code of Business Conduct, which Halliburton may amend or supplement from time to time in its sole discretion.

(b) Notwithstanding the foregoing, for a period of five (5) years following the Separation Date, the KBR Group will consistently implement and maintain the business practices and standards adopted by the Halliburton Board of Directors in July 2006 for the KBR Group with respect to internal control procedures relating to use of foreign agents; provided, however, that the KBR Group may amend such procedures during such 5-year period upon the prior written consent of Halliburton, not to be unreasonably withheld.

8.15 Antitrust Matters. KBR and Halliburton each agree, on behalf of itself and the members of its Group, to at all times during the term of this Agreement use reasonable best efforts to assist with the other party's full cooperation with any Governmental Authority in its investigation of Antitrust Matters and such other party's investigation, defense and/or settlement of any claim by any Governmental Authority relating to or arising out of the Antitrust Matters. Without limiting the foregoing, a party's reasonable best efforts to assist with the other party's full cooperation contemplated by the preceding sentence shall include:

(a) Without limiting or qualifying the parties' rights and obligations in Section 8.4 or Section 3.4, each of Halliburton and KBR agrees, on behalf of itself and the members of its Group, to provide, or cause to be provided, to each other as soon as reasonably practicable after written request therefor, any Information relating to the Antitrust Matters, in the possession or under the control of such party that the requesting party reasonably needs: (i) to comply with reporting, disclosure, filing or other requirements imposed on the requesting party (including under applicable securities laws) by a Governmental Authority having jurisdiction over the requesting party, (ii) for use in any Regulatory Proceeding, judicial proceeding or other proceeding or in order to satisfy audit, accounting, claims, regulatory, litigation, subpoena or other similar requirements, (iii) to allow the other party to defend or settle any claim relating to Antitrust Matters for which such party may be responsible, or (iv) to comply with its obligations under this Agreement or any Ancillary Agreement; provided, however, that neither party shall be required by this Section 8.15 to violate any Law or waive any attorney-client or other work-product privilege. In the event that any party determines that such provision of Information pursuant to this Section 8.15 could violate any Law or agreement, or waive any attorney-client or work-product privilege, the parties shall take all reasonable measures to permit the compliance with such obligations in a manner that avoids any such harm or consequence.

(b) Notwithstanding Section 8.4, each party hereby undertakes, on behalf of itself and the members of its Group, to preserve, maintain and retain all documents, records and other tangible evidence related to Antitrust Matters.

(c) Each party agrees, on behalf of itself and the members of its Group, to use reasonable best efforts to (i) make available any of its current and former directors, officers, employees, agents, distributors, attorneys and Affiliates who may have been involved in the Antitrust Matters and whose cooperation is requested by the other party, the DOJ or other Governmental Authority; and (ii) recommend orally and in writing that any and all such persons cooperate fully (including by appearing for interviews with Governmental Authorities or testimony, including sworn testimony before a grand jury) with any investigation conducted by a party, the DOJ or other Governmental Authority with respect to the Antitrust Matters.

(d) Each party agrees to promptly inform and disclose to the other party any developments, communications or negotiations between such party or any member of its Group, on the one hand, and any Governmental Authority or third party, on the other hand, with respect to Antitrust Matters, except as prohibited by law or lawful order of a Governmental Authority. In addition, upon either party's reasonable request, the attorneys, accountants, consultants or other advisors of the Board of Directors or any committee thereof of a requested party shall brief the Board of Directors or any committee thereof of the requesting party concerning the status of or issues arising under or relating to the Antitrust Matters.

8.16 Cooperation for Litigation. In addition to the rights and obligations of the parties as set forth in Article III and Sections 8.4 and 8.7 herein, KBR and Halliburton each agree, on behalf of itself and the members of its Group, to at all times during the term of this Agreement use reasonable best efforts to assist with such other party's investigation, litigation, defense and/or settlement of any claim by or against any Third Party or Governmental Authority relating to or arising out of the KBR Business or the Halliburton Business, as applicable, other than with respect to a dispute subject to Article VII brought by one party against another party; provided, however, that nothing in this Section 8.16 shall be interpreted to limit or qualify in any respect the parties' additional cooperation obligations with respect to the FCPA Subject Matters, the Barracuda-Caratinga Bolts Matter and the Antitrust Matters, as set forth in Sections 3.4, 3.5 and 8.15, respectively.

8.17 Performance Standard. Each of Halliburton and KBR agrees to at all times exercise good faith and fair dealing in the performance of its rights and obligations under this Agreement.

ARTICLE IX

MISCELLANEOUS

9.1 Limitation of Liability. **NOTWITHSTANDING ANYTHING TO THE CONTRARY IN ANY ANCILLARY AGREEMENT, IN NO EVENT SHALL ANY MEMBER OF THE HALLIBURTON GROUP OR THE KBR GROUP OR THEIR RESPECTIVE DIRECTORS, OFFICERS AND EMPLOYEES BE LIABLE TO ANY OTHER MEMBER OF THE HALLIBURTON GROUP OR THE KBR GROUP FOR ANY SPECIAL, CONSEQUENTIAL, INDIRECT, INCIDENTAL OR PUNITIVE DAMAGES OR LOST PROFITS, HOWEVER CAUSED AND ON ANY THEORY OF LIABILITY (INCLUDING NEGLIGENCE) ARISING IN ANY WAY OUT OF THIS AGREEMENT OR ANY ANCILLARY AGREEMENT, WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES; PROVIDED, HOWEVER, THAT THE FOREGOING LIMITATIONS SHALL NOT LIMIT EACH PARTY'S INDEMNIFICATION OBLIGATIONS FOR LIABILITIES TO THIRD PARTIES AS SET FORTH IN THIS AGREEMENT OR ANY ANCILLARY AGREEMENT.**

9.2 Conflicting Agreements; Entire Agreement. For avoidance of doubt, the parties agree that the agreements set forth on Schedule 9.2 hereto shall continue in full force and effect notwithstanding the execution of this Agreement, and nothing in this Agreement shall be construed to obligate either party hereto to take any action or refrain from taking any action that would result in a breach under any agreement listed on Schedule 9.2. This Agreement, the Prior Transfer Agreements, the Ancillary Agreements and the agreements listed on Schedule 9.2, and the schedules referenced or attached hereto and thereto, constitute the entire agreement of the parties to date with respect to the separation of KBR and Halliburton, and supersede all prior written and oral agreements and all contemporaneous oral agreements and understandings with respect to such separation. Except as otherwise expressly provided herein, in the event of a conflict between this Agreement and any Prior Transfer Agreement, any Ancillary Agreement or any agreement set forth on Schedule 9.2

hereto, the provisions of such Prior Transfer Agreement, such Ancillary Agreement or such agreement set forth on Schedule 9.2 hereto, as applicable, shall prevail over the provisions hereof.

9.3 Governing Law. Except as set forth in Section 7.9, this Agreement shall be governed and construed and enforced in accordance with the laws of the State of Delaware as to all matters regardless of the laws that might otherwise govern under the principles of conflicts of laws applicable thereto.

9.4 Termination. This Agreement and all Ancillary Agreements may be terminated at any time prior to the IPO Closing Date by and in the sole discretion of Halliburton without the approval of KBR. This Agreement and any Ancillary Agreement may be terminated at any time after the IPO Closing Date by mutual consent of Halliburton and KBR. In the event of termination pursuant to this Section 9.4 prior to the IPO Closing Date, neither party shall have any liability of any kind to the other party other than as set forth in Section 8.8 hereof. In the event of termination after the IPO Closing Date, the provisions of Article I, Article VII, Section 8.11 and Article IX shall survive.

9.5 Notices. (a) Unless expressly provided herein, all notices, claims, certificates, requests, demands and other communications hereunder shall be in writing addressed to the attention of the addressee's General Counsel at the address of its principal executive office or to such other address or facsimile number for a party as it shall have specified by like notice, and shall be deemed to be duly given: (i) when personally delivered or (ii) if mailed registered or certified mail, postage prepaid, return receipt requested, on the date the return receipt is executed or the letter refused by the addressee or its agent or (iii) if sent by overnight courier which delivers only upon the signed receipt of the addressee, on the date the receipt acknowledgment is executed or refused by the addressee or its agent or (iv) if sent by facsimile or other generally accepted means of electronic transmission, on the date confirmation of transmission is received (provided that a copy of any notice delivered pursuant to this clause (iv) shall also be sent pursuant to clause (ii) or (iii)).

(b) Any delivery, notice, or other communication to Halliburton in accordance with this Agreement will be conclusively deemed for all purposes to be delivery, notice or other communication to the appropriate member of the Halliburton Group and any delivery, notice or other communication given by Halliburton will be conclusively deemed for all purposes to be a delivery, notice or communication given by the appropriate member of the Halliburton Group.

(c) Any delivery, notice or other communication to KBR in accordance with this Agreement will be conclusively deemed for all purposes to be delivery, notice or other communication to the appropriate member of the KBR Group and any delivery, notice or other communication given by KBR will be conclusively deemed for all purposes to be a delivery, notice or communication given by the appropriate member of the KBR Group.

9.6 Counterparts. This Agreement, including the Schedules hereto and the other documents referred to herein, may be executed in counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

9.7 No Third Party Beneficiaries; Assignment. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective legal representatives, successors and assigns, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement. Except as expressly provided herein or as otherwise agreed by the parties, this Agreement may not be assigned by any party hereto.

9.8 Severability. If any term or other provision of this Agreement or the Schedules attached hereto is determined by a nonappealable decision by a court, administrative agency or arbitrator to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to either party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the fullest extent possible.

9.9 Failure or Indulgence Not Waiver; Remedies Cumulative. No failure or delay on the part of either party hereto in the exercise of any right hereunder shall impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor shall any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. All rights and remedies existing under this Agreement or the Schedules attached hereto are cumulative to, and not exclusive of, any rights or remedies otherwise available.

9.10 Amendment. No change or amendment will be made to this Agreement except by an instrument in writing signed on behalf of each of the parties to this Agreement.

9.11 Authority. Each of the parties hereto represents to the other that (a) it has, or its Group member shall have, the corporate or other requisite power and authority to execute, deliver and perform this Agreement and the Ancillary Agreements, (b) the execution, delivery and performance of this Agreement and the Ancillary Agreements by it have been, or by its Group member will be, duly authorized by all necessary corporate or other actions, (c) it has, or its Group member shall have, duly and validly executed and delivered this Agreement and the Ancillary Agreements to be executed and delivered on or prior to the Separation Date, and (d) this Agreement and such Ancillary Agreements are legal, valid and binding obligations, enforceable against it or its Group member in accordance with their respective terms subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and general equity principles.

9.12 Interpretation. The headings contained in this Agreement, in any Schedule hereto and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Any capitalized term used in any Schedule but not otherwise defined therein, shall have the meaning assigned to such term in this Agreement. When a reference is made in this Agreement to an Article or a Section, or a Schedule, such reference shall be to an Article or Section of, or a Schedule to, this Agreement unless otherwise indicated.

WHEREFORE, the parties have signed this Master Separation Agreement effective as of the date first set forth above.

HALLIBURTON COMPANY

By:	/s/ C. Christopher Gaut
Name:	C. Christopher Gaut
Title:	Executive Vice President and Chief Financial Officer

KBR, INC.

By:	/s/ William P. Utt
Name:	William P. Utt
Title:	President & CEO

EXHIBIT 10.2

TAX SHARING AGREEMENT

BY AND AMONG

HALLIBURTON COMPANY

AND ITS AFFILIATED COMPANIES

AND

KBR INC.

AND ITS AFFILIATED COMPANIES

January 1, 2006

TABLE OF CONTENTS

TAX SHARING AGREEMENT

BY AND BETWEEN
HALLIBURTON COMPANY AND KBR, INC.

This Tax Sharing Agreement (the "Agreement"), dated as of this 1st day of January, 2006, by and between HALLIBURTON COMPANY, a Delaware corporation ("Halliburton"), KBR Holdings LLC, a Delaware limited liability company ("KBR Holdings"), and KBR, Inc., a Delaware corporation ("KBR, Inc."), is entered into as of the 15th day of November, 2006.

RECITALS

WHEREAS, Halliburton is the common parent of an affiliated group of corporations within the meaning of Section 1504(a) of the Code (as defined herein), which currently files a consolidated federal income tax return;

WHEREAS, Halliburton Energy Services, Inc., a Delaware corporation ("HESI"), and certain other entities and divisions comprise the Energy Services Group of Halliburton (collectively, the "ESG Group"), and KBR (as defined herein) and certain other entities and divisions comprise the Energy & Chemicals Group and Government & Infrastructure Group of Halliburton (collectively, the "KBR Group");

WHEREAS, the ESG Group and the KBR Group each include various corporations that join with Halliburton in the filing of a consolidated U.S. federal income tax return, as well as limited liability companies and other entities organized under the laws of domestic and foreign jurisdictions;

WHEREAS, Halliburton and KBR determined it would be appropriate and desirable, effective as of December 31, 2005, for KBR to reorganize its operations to separate the operations traditionally associated with KBR from the operations traditionally associated with Halliburton (the "Restructuring");

WHEREAS, Halliburton and KBR contemplate that as part of the Restructuring, KBR may make an initial public offering (the "IPO") of KBR common stock that would reduce Halliburton's ownership of KBR to not less than the amount required for Halliburton to control KBR within the meaning of Section 368(c) of the Code with respect to the stock of KBR and to not less than the amount required for Halliburton to control KBR within the meaning of Section 1504(a)(2) of the Code with respect to the stock of KBR;

WHEREAS, Halliburton may determine that it is in the best interests of the Parties to cause (1) Kellogg Energy Services, Inc. to distribute the shares of KBR common stock to DII Industries, LLC, a Delaware limited liability company ("DII"), (2) DII in turn to distribute the shares of KBR common stock to HESI and (3) HESI in turn to distribute the shares of KBR common stock to Halliburton, subject to the terms and conditions of the Master Separation Agreement or the Master Separation and Distribution Agreement (as applicable) (collectively, the "Preliminary Distributions");

WHEREAS, in connection with the Preliminary Distributions, Halliburton may determine that it is in the best interests of the Parties for Halliburton to distribute all of its shares of KBR common stock, on a pro rata basis, to the holders of the common stock of Halliburton, subject to the terms and conditions of the Master Separation Agreement or the Master Separation and Distribution Agreement (as applicable) (the "Distribution");

WHEREAS, the Preliminary Distributions and the Distribution are intended to qualify as tax free distributions under Section 355 of the Code;

WHEREAS, upon the Deconsolidation (as defined herein), Halliburton and KBR will cease to be members of the same affiliated group for federal income tax purposes;

WHEREAS, the Parties wish to set forth the general principles under which they will allocate and share various Taxes (as defined herein) and related liabilities;

WHEREAS, in contemplation of the IPO and the Deconsolidation, Halliburton, on behalf of itself and its present and future subsidiaries other than KBR ("Halliburton Group"), and KBR, on behalf of itself and its present and future subsidiaries ("KBR Group") are entering into this Agreement to provide for the allocation between the Halliburton Group and the KBR Group of all responsibilities, liabilities and benefits relating to all Taxes paid or payable by either group for all taxable periods beginning on or after the Effective Date (as defined herein) and to provide for certain other matters;

WHEREAS, the Parties intend and agree that the Effective Date with respect to the provisions of Articles II, III, VI and VIII is January 1, 2001.

NOW, THEREFORE, in consideration of the mutual agreements, provisions, and covenants contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

ARTICLE I.

DEFINITIONS

Section 1.01 Definitions. The following terms shall have the following meanings (such meanings to be equally applicable to both the singular and the plural forms of the terms defined):

"Accounting Referee" is defined in Section 8.11 herein.

"Additional ESG Group Relief" is defined in Section 3.14(a).

"Additional KBR Group Relief" is defined in Section 3.14(a).

"Adequate Assurances" means posting a bond or providing a letter of credit reasonably acceptable to the Indemnified Party; provided, however, if the Indemnifying Party fails to post such bond or provide such letter of credit, the Indemnifying Party shall provide cash equal to the Indemnity Amount to the Indemnified Party not less than thirty (30) days prior to the date on which such Tax would become due and payable by the Indemnified Party.

"Affiliate" of any person means any person, corporation, partnership or other entity directly or indirectly controlling, controlled by or under common control with such person.

"Affiliated Group" means an affiliated group of corporations within the meaning of Section 1504(a) (excluding Section 1504(b)) of the Code for the taxable period in question.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor thereto, as in effect for the taxable period in question.

"Combined Group" means a group of corporations or other entities that files a Combined Return.

"Combined Return" means any Tax Return (other than for Federal Income Taxes) filed on a consolidated, combined (including nexus combination, worldwide combination, domestic combination, line of business combination or any other form of combination), unitary or Group Relief basis that includes activities of members of the ESG Group or the KBR Group, or both, as the case may be.

"Compensatory Transaction" has the meaning set forth in Section 7.03(b)(iii).

"Consolidated Group" means the affiliated group of corporations (as defined in Section 1504(a) of the Code) of which Halliburton is the common parent corporation.

"Consolidated Return" means a Tax Return filed with respect to Federal Income Taxes for the Consolidated Group.

"Control" means stock constituting a 50% or greater interest under Section 355(e) of the Code.

"Deconsolidation" means the event that reduces the amount of KBR stock owned directly or indirectly by Halliburton to be less than the amount required for Halliburton to control KBR within the meaning of Section 1504(a)(2) of the Code.

"Deconsolidation Date" means the date the Deconsolidation occurs.

"Deconsolidation Year" means the taxable year in which the Deconsolidation Date occurs.

"Displaced ESG Tax Attribute" has the meaning set forth in Section 5.12(g) of this Agreement.

"Disputed Tax Issue" is defined in Section 6.01(a) herein.

"Disputed Tax Issue Indemnitee" is defined in Section 6.01(a) herein.

"Disputed Tax Issue Indemnitor" is defined in Section 6.01(a) herein.

"Disqualifying Action" is defined in Section 7.03(a)(i) hereof.

"Distribution" has the meaning set forth in the Recitals to this Agreement.

"Distribution Date" is the date the Distribution occurs.

"Dual Consolidated Loss" has the meaning ascribed to such term in Treasury Regulation § 1.1503-2(c)(5), Treasury Regulation § 1.1503-2A(b)(2), or any successor regulations promulgated under section 1503 of the Code.

"Effective Date" is January 1, 2006, provided, however that the Effective Date with respect to Articles II, III, VI and VIII is January 1, 2001.

"ESG Allocated Attributes" has the meaning set forth in Section 3.09 or Section 5.09 of this Agreement as the case requires.

"ESG Group" has the meaning set forth in the Recitals to this Agreement.

"ESG Group Combined Tax Liability" means, with respect to any taxable period, the ESG Group's liability for Taxes owed with respect to Combined Returns, as determined under Section 3.05 or Section 5.05 of this Agreement as the case requires.

"ESG Group Federal Income Tax Liability" means, with respect to any taxable period, the ESG Group's liability for Federal Income Taxes, as determined under Section 3.03 or Section 5.03 of this Agreement as the case requires.

"ESG Group Members" means those entities or divisions of entities included in the ESG Group as set forth on Exhibit A, hereto.

"ESG Group Pro Forma Combined Return" means a pro forma Combined Return or other schedule prepared pursuant to Section 3.05 or Section 5.05 of this Agreement as the case requires.

"ESG Group Pro Forma Consolidated Return" means a pro forma consolidated U.S. Federal Income Tax Return or other schedule prepared pursuant to Section 3.03 or Section 5.03 of this Agreement as the case requires.

"ESG Group Relief Tax Attribute" is defined in Section 3.14(a).

"ESG Stand-Alone Attributes" has the meaning set forth in Section 3.09(a) or Section 5.09(a) of this Agreement as the case requires.

"Federal Income Tax" means any Tax imposed under Subtitle A of the Code or any other provision of United States Federal Income Tax law (including, without limitation, the Taxes imposed by Sections 11, 55, 59A, and 1201(a) of the Code), and any interest, additions to Tax or penalties applicable or related thereto.

"Final Determination" means the final resolution of any Tax (or other matter) for a taxable period, including related interest or penalties, that, under applicable law, is not subject to further appeal, review or modification through proceedings or otherwise, including (i) by the expiration of a statute of limitations or a period for the filing of claims for refunds, amending Tax Returns, appealing from adverse determinations, or recovering any refund (including by offset), (ii) by a decision, judgment, decree, or other order by a court of competent jurisdiction, which has become final and unappealable, (iii) by a closing agreement or an accepted offer in compromise under Section 7121 or 7122 of the Code, or comparable agreements under laws of other jurisdictions, (iv) by execution of an Internal Revenue Service Form 870 or 870-AD, or by a comparable form under the laws of other jurisdictions (excluding, however, with respect to a particular Tax Item for a particular taxable period any such form that reserves (whether by its terms or by operation of law) the right of the taxpayer to file a claim for refund and/or the right of the Tax Authority to assert a further deficiency with respect to such Tax Item for such period), or (v) by any allowance of a refund or credit, but only after the expiration of all periods during which such refund may be adjusted.

"Foreign Tax Credit Adjustment" has the meaning set forth in Section 5.12(f) hereof.

"Group Relief" has the meaning set forth in Section 3.14(a) hereof.

"Halliburton Affiliated Group" means, for each taxable period, the Affiliated Group of which Halliburton or any successor of Halliburton is the common parent.

"Halliburton Affiliated Group Federal Income Tax Return" means the consolidated Federal income Tax Return of the Halliburton Affiliated Group.

"Halliburton Group" is defined in the Recitals to this Agreement.

"Indemnified Liability" has the meaning set forth in Section 7.05.

"Indemnified Party" has the meaning set forth in Section 7.04(b) of this Agreement.

"Indemnity Amount" has the meaning set forth in Section 7.07.

"Indemnifying Party" has the meaning set forth in Section 7.04(b) of this Agreement.

"IPO" is defined in the Recitals to this Agreement.

"IRS" means the United States Internal Revenue Service or any successor thereto, including, but not limited to, its agents, representatives, and attorneys.

"KBR" means KBR Holdings from the Effective Date to the day immediately prior to the earlier of (i) the Deconsolidation Date or (ii) the date of the IPO and means KBR, Inc. from and after such date.

"KBR Affiliated Group" means, for each taxable period, the Affiliated Group of which KBR or any successor of KBR is the common parent.

"KBR Allocated Attributes" has the meaning set forth in Section 3.09 or Section 5.09 of this Agreement as the case requires.

"KBR Businesses" means the present, former and future subsidiaries, divisions and businesses of any member of the KBR Group which are not, or are not contemplated by the Master Separation Agreement or the Master Separation and Distribution Agreement (as applicable) to be, part of the Halliburton Group immediately after the Deconsolidation Date.

"KBR Foreign Taxes" has the meaning set forth in Section 5.12(f) of this Agreement.

"KBR Group" is defined in the Recitals to this Agreement.

"KBR Group Combined Tax Liability" means, with respect to any taxable period, the KBR Group's liability for Taxes owed with respect to Combined Returns, as determined under Section 3.06 or Section 5.06 of this Agreement as the case requires.

"KBR Group Federal Income Tax Liability" means, with respect to any taxable period, the KBR Group's liability for U.S. Federal Income Taxes, as determined under Section 3.04 or Section 5.04 of this Agreement as the case requires.

"KBR Group Members" means those entities or divisions of entities included in the KBR Group as set forth on Exhibit B, hereto.

"KBR Group Pro Forma Combined Return" means a pro forma Combined Return or other schedule prepared pursuant to Section 3.06 or Section 5.06 of this Agreement as the case requires.

"KBR Group Pro Forma Consolidated Return" means a pro forma consolidated U.S. Federal Income Tax Return or other schedule prepared pursuant to Section 3.04 or Section 5.04 of this Agreement as the case requires.

"KBR Group Relief Tax Attribute" has the meaning set forth in Section 3.14(a) of this Agreement.

"KBR Losses" has the meaning set forth in Section 5.12(g) of this Agreement.

"KBR Restructuring Issue" is defined in Section 6.01(c) herein.

"KBR Stand-Alone Attributes" has the meaning set forth in Section 3.09(b) or Section 5.09(b) of this Agreement as the case requires.

"Loss Adjustment" has the meaning set forth in Section 5.12(g) of this Agreement.

"Master Separation Agreement" means that certain Master Separation Agreement entered into by Halliburton and KBR, dated November 20, 2006, together with that certain Distribution Agreement entered into between Halliburton and KBR attached as a Schedule to such Master Separation Agreement.

"Master Separation and Distribution Agreement" means that certain Master Separation and Distribution Agreement entered into by Halliburton and KBR, dated November 20, 2006.

"Non-Transacting Party" is defined in Section 7.03(b)(i) herein.

"Notice" is defined in Section 8.01 herein.

"Party" means each of Halliburton and KBR, and, solely for purposes of this definition, "Halliburton" includes the Halliburton Group and "KBR" includes the KBR Group, all as of the Deconsolidation Date. Each of Halliburton and KBR shall cause the Halliburton Group and the KBR Group, respectively, to comply with this Agreement.

"Post-Deconsolidation Period" means any period beginning after the Deconsolidation Date.

"Potential Disqualifying Action" is defined in Section 7.03(a)(iii) hereof.

"Pre-Deconsolidation Period" means any period ending on or before the Deconsolidation Date.

"Preliminary Distributions" is defined in the Recitals to this Agreement.

"Private Letter Ruling" means the private letter ruling issued by the IRS to Halliburton in connection with the Spinoff.

"Project Constructor" means the transaction, effective December 15, 2003, pursuant to which Halliburton separated the ESG Group, on the one hand, from the Energy & Chemicals Group and the Government & Infrastructure Group (formerly the Engineering & Construction Group), on the other hand, with HESI acting as the holding company for the ESG Group and DII acting as the holding company for the Energy & Chemicals Group and the Government & Infrastructure Group.

"Required Tax Attribute Carryback" is defined in Section 5.13 hereof.

"Restricted Period" means the period beginning two years before the Distribution Date and ending two years after the Distribution Date.

"Restructuring" is defined in the Recitals to this Agreement.

"Restructuring Taxes" means any and all Taxes resulting from the Restructuring or from Project Constructor, and shall include any related interest, penalties, Tax credit recapture or other additions to Tax, including, without limitation, any Tax imposed pursuant to, or as a result of, the application of Section 311 of the Code.

"Ruling Documents" means (1) the request for a ruling under Section 355 and various other sections of the Code, that have been or will be filed with the IRS in connection with the Spinoff, together with any supplemental filings or ruling requests or other materials subsequently submitted on behalf of Halliburton, its subsidiaries and shareholders to the IRS, the appendices and exhibits thereto, and any rulings issued by the IRS to Halliburton in connection with the Spinoff or (2) any similar filings submitted to, or rulings issued by, any other Tax Authority in connection with the Spinoff.

"Section 171A" has the meaning set forth in Section 3.14(c).

"Spinoff" means the separation of KBR from Halliburton through the Distribution.

"Subsequent Ruling" has the meaning set forth in Section 7.03(a)(iii).

"Subsequent Opinion" has the meaning set forth in Section 7.03(a)(iii).

"Tainting Act" means (i) any act of omission or commission, including but not limited to, any transaction, representation, or election which would constitute a breach by KBR (or its successors) of the warranties, representations and covenants of Sections 7.02 or 7.03 hereof (without regard to whether a Subsequent Opinion had been obtained); (ii) any breach of any representation or covenant given by KBR in connection with the Private Letter Ruling, Subsequent Ruling, Tax Opinion or Subsequent Opinion which relates to the qualification of the Distribution as a Tax Free Spinoff; or (iii) any transaction involving the stock or assets of KBR (or its successors) occurring after the Deconsolidation Date.

"Tax" means any of the Taxes.

"Tax Attribute" means one or more of the following attributes of a member of either the ESG Group or the KBR Group: (i) with respect to the Consolidated Return, a net operating loss, a net capital loss, an unused investment credit, an unused foreign tax credit, an excess charitable contribution, a U.S. federal minimum tax credit or U.S. federal general business credit (but not tax basis or earnings and profits) and (ii) any comparable Tax Item reflected on a Combined Return.

"Tax Authority" means a governmental authority (foreign or domestic) or any subdivision, agency, commission or authority thereof or any quasi-governmental or private body having jurisdiction over the assessment, determination, collection or imposition of any Tax (including, without limitation, the U.S. Internal Revenue Service).

"Tax Controversy" means any audit, examination, dispute, suit, action, litigation or other judicial or administrative proceeding initiated by KBR, Halliburton, the IRS or any other Tax Authority.

"Tax Free Spinoff" is defined in Section 7.02(a) hereof.

"Tax Item" means any item of income, gain, loss, deduction or credit, or other item reflected on a Tax Return or any Tax Attribute.

"Tax Counsel" means a nationally recognized law firm selected by Halliburton and engaged to deliver the Tax Opinion.

"Tax Opinion" means an opinion of Tax Counsel to the effect that the Preliminary Distributions and the Distribution should qualify as a Tax Free Spinoff.

"Tax Opinion Documents" means the officer's certificates and other documents submitted to Tax Counsel and relied on by Tax Counsel in rendering the Tax Opinion.

"Tax Return" means any return, report, certificate, form or similar statement or document (including, any related or supporting information or schedule attached thereto and any information return, amended Tax Return, claim for refund or declaration of estimated tax) required to be supplied to, or filed with, a Tax Authority in connection with the determination, assessment or collection of any Tax or the administration of any laws, regulations or administrative requirements relating to any Tax.

"Taxes" means all forms of taxation, whenever created or imposed, and whenever imposed by a national, local, municipal, governmental, state, federation or other body, and without limiting the generality of the foregoing, shall include net income, alternative or add-on minimum tax, gross income, sales, use, ad valorem, gross receipts, value added, franchise, profits, license, transfer, recording, withholding, payroll, employment, excise, severance, stamp occupation, premium, property, windfall profit, custom duty, or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any related interest, penalties, or other additions to tax, or additional amounts imposed by any such Tax Authority.

"Transacting Party" is defined in Section 7.03(b)(i) herein.

Any term used but not capitalized herein that is defined in the Code or in the Treasury Regulations thereunder, shall to the extent required by the context of the provision at issue, have the meaning assigned to it in the Code or such regulation.

ARTICLE II.

PREPARATION AND FILING OF TAX RETURNS PRIOR TO DECONSOLIDATION YEAR

Section 2.01 Manner of Filing.

(a) For periods after the Effective Date and prior to the Deconsolidation Year and except as provided in Section 2.0l(b) hereof, Halliburton shall have the sole and exclusive responsibility for the preparation and filing of, and shall prepare and file or cause to be prepared and filed: (1) all Consolidated Returns and (2) all Combined Returns.

(b) For periods after the Effective Date and prior to the Deconsolidation Year and except as otherwise provided in Section 2.0l(a) hereof, the ESG Group and the KBR Group shall have the sole and exclusive responsibility for the preparation and filing of, and shall prepare and file or cause to be prepared and filed, all Tax Returns of the ESG Group Members and the KBR Group Members that are not required to be filed on a consolidated or combined basis. With respect to any Combined Return required to be filed in a foreign taxing jurisdiction, Halliburton shall determine, in its sole discretion, whether ESG Group Members or KBR Group Members, rather than Halliburton, shall have the responsibility for preparing and filing such Combined Return and the manner in which Taxes related to such Combined Return shall be allocated and paid.

ARTICLE III.

ALLOCATION OF TAXES PRIOR TO DECONSOLIDATION YEAR

Section 3.01 Liability of the ESG Group for Consolidated and Combined Taxes. For each taxable year ending prior to the Deconsolidation Year and beginning on or after the Effective Date, the ESG Group shall be liable to Halliburton for an amount equal to the ESG Group Federal Income Tax Liability and the ESG Group Combined Tax Liability.

Section 3.02 Liability of the KBR Group for Consolidated and Combined Taxes. For each taxable year ending prior to the Deconsolidation Year and beginning on or after the Effective Date, the KBR Group shall be liable to Halliburton for an amount equal to the KBR Group Federal Income Tax Liability and the KBR Group Combined Tax Liability to the extent such liabilities are paid by Halliburton or by a member of the ESG Group.

Section 3.03 ESG Group Federal Income Tax Liability. With respect to each taxable year ending prior to the Deconsolidation Year and beginning on or after the Effective Date, the ESG Group Federal Income Tax Liability for such taxable period shall be the Federal Income Taxes for such taxable period, as determined on an ESG Group Pro Forma Consolidated Return prepared:

(a) assuming that the members of the ESG Group were not included in the Consolidated Group and by including only Tax Items of members of the ESG Group that are included in the Consolidated Return;

(b) except as provided in Section 3.03(e) hereof, using all elections, accounting methods and conventions used on the Consolidated Return for such period;

(c) applying the highest statutory marginal corporate income Tax rate in effect for such taxable period;

(d) excluding any Tax Attributes for which HESI has been compensated pursuant to Section 3.09 hereof;

(e) assuming that the ESG Group elects not to carry back any net operating losses; and

(f) assuming that the ESG Group's utilization of any Tax Attribute carryforward or carryback is limited to the Tax Attributes of the ESG Group that would be available if the ESG Group Federal Income Tax Liability for each taxable year ending after January 1, 2001 were determined in accordance with this Section 3.03.

Section 3.04 KBR Group Federal Income Tax Liability. With respect to each taxable year ending prior to the Deconsolidation Year and beginning on or after the Effective Date, the KBR Group Federal Income Tax Liability for such taxable period shall be the Federal Income Taxes for such taxable period, as determined on an KBR Group Pro Forma Consolidated Tax Return prepared:

(a) assuming that the members of the KBR Group were not included in the Consolidated Group and by including only Tax Items of members of the KBR Group that are included in the Consolidated Return;

(b) except as provided in Section 3.04(e) hereof, using all elections, accounting methods and conventions used on the Consolidated Return for such period;

(c) applying the highest statutory marginal corporate income Tax rate in effect for such taxable period;

(d) excluding any Tax Attributes for which KBR has been compensated pursuant to Section 3.09 hereof;

(e) assuming that the KBR Group elects not to carry back any net operating losses and may elect either to deduct or take a credit for foreign Taxes paid or deemed paid (and to carryback or carryforward any excess foreign Taxes); and

(f) assuming that the KBR Group's utilization of any Tax Attribute carryforward or carryback is limited to the Tax Attributes of the KBR Group that would be available if the KBR Group Federal Income Tax Liability for each taxable year ending after January 1, 2001 were determined in accordance with

this Section 3.04.

Section 3.05 ESG Group Combined Tax Liability. With respect to any taxable year ending prior to the Deconsolidation Year and beginning on or after the Effective Date, the ESG Group Combined Tax Liability shall be the sum for such taxable period of the ESG Group's liability for Taxes owed with respect to Combined Returns, as determined on the ESG Group Pro Forma Combined Returns prepared in a manner consistent with the principles and procedures set forth in Section 3.03 hereof.

Section 3.06 KBR Group Combined Tax Liability. With respect to any taxable year ending prior to the Deconsolidation Year and beginning on or after the Effective Date, the KBR Group Combined Tax Liability shall be the sum for such taxable period of the KBR Group's liability for Taxes owed with respect to Combined Returns, as determined on the KBR Group Pro Forma Combined Returns prepared in a manner consistent with the principles and procedures set forth in Section 3.04 hereof.

Section 3.07 Preparation and Delivery of Pro Forma Tax Returns. Not later than ninety (90) days following the date on which the related Consolidated Return or Combined Return, as the case may be, is filed with the appropriate Tax Authority, Halliburton shall prepare and deliver to HESI and KBR, respectively, pro forma Tax Returns calculating (i) the ESG Group Federal Income Tax Liability or the ESG Group Combined Tax Liability, and (ii) the KBR Group Federal Income Tax Liability or the KBR Group Combined Tax Liability, which is attributable to the period covered by such filed Tax Return.

Section 3.08 Intercompany Payables and Receivables. The liability of the ESG Group and the KBR Group for (i) the ESG Group Federal Income Tax Liability and (ii) the KBR Group Federal Income Tax Liability, respectively, shall be reflected in the intercompany accounts of Halliburton and HESI or KBR, as the case may be.

Section 3.09 Credit for Use of Attributes. Not later than ninety (90) days following the filing of the Consolidated Return for each taxable year, Halliburton shall determine the aggregate amount of the Tax Attributes of the Consolidated Group and all Combined Groups that are allocable to the ESG Group (the "ESG Allocated Attributes") and the KBR Group (the "KBR Allocated Attributes") as of the end of such year and shall inform HESI and KBR, respectively, of such determination.

(a) If the amount of the ESG Allocated Attributes is less than the amount of Tax Attributes (as reasonably determined by Halliburton) that would have been available to the ESG Group at the end of such year had the ESG Group Members not been included in the Consolidated Return and the Combined Returns (the "ESG Stand-Alone Attributes"), the value of such shortfall, to the extent such shortfall is attributable to the use of the ESG Group's Tax Attributes by KBR Group Members, shall be reflected in the intercompany accounts as an amount payable by Halliburton to HESI. If the amount of the ESG Allocated Attributes is greater than the ESG Stand-Alone Attributes, the value of such excess, to the extent such excess is attributable to the use of Tax Attributes of KBR Group Members by ESG Group Members during such year, shall be reflected in the intercompany accounts as an amount payable by HESI to Halliburton. For this purpose, a Tax Attribute shall be treated as used by KBR Group Members or ESG Group Members only to the extent that such Tax Attribute is necessary to reduce the KBR Group Federal Income Tax Liability or ESG Group Federal Income Tax Liability (computed in accordance with Section 3.04 or 3.03) for such year. In calculating the ESG Stand-Alone Attributes, the utilization of any Tax Attribute carryforward by ESG Group Members shall be subject to the limitation described in Section 3.03(f) hereof. For purposes of this section, the value of any Tax Attribute shall be equal to the amount of Taxes (computed in accordance with Section 3.03 hereof) that would be avoided by the payor if it had sufficient income to fully utilize such Tax Attribute in such year.

(b) If the amount of the KBR Allocated Attributes is less than the amount of Tax Attributes (as reasonably determined by Halliburton) that would have been available to the KBR Group at the end of such year had the KBR Group Members not been included in the Consolidated Return and the Combined Returns (the "KBR Stand-Alone Attributes"), the value of such shortfall, to the extent such shortfall is attributable to the use of the KBR Group's Tax Attributes by ESG Group Members, shall be reflected in the intercompany accounts as an amount payable by Halliburton to KBR. If the amount of the KBR Allocated Attributes is greater than the KBR Stand-Alone Attributes, the value of such excess, to the extent such excess is attributable to the use of Tax Attributes of ESG Group Members by KBR Group Members during such year, shall be reflected in the intercompany accounts as an amount payable by KBR to Halliburton. For this purpose, a Tax Attribute shall be treated as used by ESG Group Members or KBR Group Members only to the extent that such Tax Attribute is necessary to reduce the ESG Group Federal Income Tax Liability or KBR Group Federal Income Tax Liability (computed in accordance with Section 3.03 or 3.04) for such year. In calculating the KBR Stand-Alone Attributes, the utilization of any Tax Attribute carryforward by KBR Group Members shall be subject to the limitation described in Section 3.04(f) hereof. For purposes of this section, the value of any Tax Attribute shall be equal to the amount of Taxes (computed in accordance with Section 3.04 hereof) that would be avoided by the payor if it had sufficient income to fully utilize such Tax Attribute in such year.

Section 3.10 Subsequent Changes in Treatment of Tax Items. For any taxable year ending prior to the Deconsolidation Year and beginning on or after the Effective Date, in the event of a change in the treatment of any Tax Item of any member of the Consolidated Group or a Combined Group as a result of a Final Determination, Halliburton shall calculate (i) the change to the ESG Group Federal Income Tax Liability or ESG Group Combined Tax Liability and/or the KBR Group Federal Income Tax Liability or the KBR Group Combined Tax Liability and (ii) any change to the Allocated Attributes and/or the Stand-Alone Attributes of the ESG Group and the KBR Group, and such changes shall be properly reflected in the intercompany accounts described in Section 3.09 hereof.

Section 3.11 Foreign Corporations. Any Taxes associated with the filing of a separate Tax Return in a foreign jurisdiction with respect to an ESG Group Member or a KBR Group Member shall be allocated to and paid directly by such member. Any Taxes and Tax Attributes associated with the filing of a separate Tax Return in a foreign jurisdiction that includes the Tax Items of one or more ESG Group Members and one or more KBR Group Members shall be allocated to such members by Halliburton in a manner consistent with the principles set forth in this Article III.

Section 3.12 KBR Holdings Not Disregarded. Notwithstanding KBR Holding's classification as an entity disregarded as an entity separate from its owner under Treasury Regulations § 301.7701-3:

(a) Tax Attributes of the KBR Group shall include the income and deductions of KBR Holdings and such income and deductions of KBR Holdings shall not be included in the ESG Group's Tax Attributes.

(b) Intercompany accounts payable between Halliburton and KBR Holdings under Section 3.09(b) hereof shall remain intercompany accounts payable between Halliburton and KBR Holdings and shall not be treated instead as intercompany accounts payable between Halliburton and Kellogg Energy Services, Inc.

(c) Amounts payable between Halliburton and KBR Holdings under Section 5.09(b) hereof shall remain amounts payable between Halliburton and KBR Holdings and shall not be treated instead as amounts payable between Halliburton and Kellogg Energy Services, Inc.

Section 3.13 State and Local Filings. Any Taxes associated with the filing of a separate Tax Return in a state or local jurisdiction with respect to an ESG Group Member or a KBR Group Member shall be allocated to and paid directly by such member. Any Taxes and Tax Attributes associated with the filing of a Combined Return in a state or local jurisdiction that includes the Tax Items of one or more ESG Group Members and one or more KBR Group Members shall be allocated to such members by Halliburton in a manner consistent with the principles set forth in this Article III and consistent with past practices.

Section 3.14 Group Relief. For any accounting period ending prior to the Deconsolidation Year and beginning on or after the Effective Date:

(a) Group Relief Indemnification.

(i) In the event a Final Determination causes Halliburton or any member of the ESG Group to recognize additional income directly as a result of the reduction of the amount of "Group Relief" (as defined in Section 402 et seq. of the UK Income and Corporation Taxes Act 1988, as amended) that was surrendered by any member of the KBR Group (a "KBR Group Relief Tax Attribute"), then KBR shall pay to Halliburton, no later than 90 days following the date of the Final Determination, the amount of additional Tax incurred by Halliburton or any member of the ESG Group that is directly attributable to the loss of the KBR Group Relief Tax Attribute. In the event a Final Determination causes Halliburton or any member of the ESG Group to recognize less income directly as a result of an increase in the amount of Group Relief that is surrendered by any member of the KBR Group (the "Additional KBR Group Relief"), then Halliburton shall pay to KBR, no later than 90 days following the date of the Final Determination, the amount of the reduction in Tax realized by Halliburton or any member of the ESG Group that is directly attributable to the use of the Additional KBR Group Relief.

(ii) In the event a Final Determination causes KBR or any member of the KBR Group to recognize additional income directly as a result of the reduction of the amount of Group Relief that was surrendered by any member of the ESG Group (an "ESG Group Relief Tax Attribute"), then Halliburton shall pay to KBR, no later than 90 days following the date of the Final Determination, the amount of additional Tax incurred by KBR or any member of the KBR Group that is directly attributable to the loss of the ESG Group Relief Tax Attribute. In the event a Final Determination causes KBR or any member of the KBR Group to recognize less income directly as a result of an increase in the amount of Group Relief that is surrendered by any member of the ESG Group (the "Additional ESG Group Relief"), then KBR shall pay to Halliburton, no later than 90 days following the date of the Final Determination, the amount of the reduction in Tax realized by KBR or any member of the KBR Group that is directly attributable to the use of the Additional ESG Group Relief.

(b) Group Relief Payment.

(i) No later than 90 days following the filing of any U.K. Tax Return for the accounting period in which a Group Relief is surrendered by KBR or any member of the KBR Group to Halliburton or any member of the ESG Group, Halliburton shall pay to KBR an amount equal to the product of: (x) the aggregate amount of Group Relief that was surrendered to Halliburton or any member of the ESG Group multiplied by (y) the highest U.K. Corporation Tax rate applicable to corporations at the time the Group Relief was surrendered by the member of the KBR Group.

(ii) No later than 90 days following the filing of any U.K. Tax Return for the accounting period in which a Group Relief is surrendered by Halliburton or any member of the ESG Group to KBR or any member of the KBR Group, KBR shall pay to Halliburton an amount equal to the product of: (x) the aggregate amount of Group Relief that was surrendered to KBR or any member of the KBR Group multiplied by (y) the highest U.K. Corporation Tax rate applicable to corporations at the time the Group Relief was surrendered by Halliburton or any member of the ESG Group.

(c) Notional Asset Transfer and Indemnification.

(i) No later than 90 days following the filing of any U.K. Tax Return for the accounting period in which a capital asset was notionally transferred under Section 171A of the Taxation of Chargeable Gains Act 1992 ("Section 171A") in order to enable Halliburton or any member of the ESG Group to utilize a capital loss of any member of the KBR Group, Halliburton shall pay to KBR an amount equal to the product of: (x) the aggregate amount of the capital gain transferred, multiplied by (y) the highest U.K. Corporation tax rate applicable to corporations at the time the asset was notionally transferred.

(ii) No later than 90 days following the filing of any U.K. Tax Return for the accounting period in which a capital asset was notionally transferred under Section 171A in order to enable KBR or any member of the KBR Group to utilize a capital loss of any member of the ESG Group, KBR shall pay to Halliburton an amount equal to the product of: (x) the aggregate amount of the capital gain transferred, multiplied by (y) the highest U.K. Corporation tax rate applicable to corporations at the time the asset was notionally transferred.

(iii) In the event that either KBR or any member of the KBR Group is required to pay Tax (whether currently or as a result of a Final Determination) as a result of a notional capital asset transfer described in Section 3.14(c)(i) hereof, Halliburton shall pay to KBR the amount of such Tax within 90 days following the filing of the U.K. Tax Return for the accounting period in which such Tax is owed or within 90 days following a Final Determination with respect to such Tax, as the case may be.

(iv) In the event that either Halliburton or any member of the ESG Group is required to pay Tax (whether currently or as a result of a Final Determination) as a result of a notional capital asset transfer described in Section 3.14(c)(ii) hereof, KBR shall pay to Halliburton the amount of such Tax within 90 days following the filing of the U.K. Tax Return for the accounting period in which such Tax is owed or within 90 days following a Final Determination with respect to such Tax, as the case may be.

(v) Notwithstanding anything to the contrary in this Agreement, the parties agree that no payment or indemnification shall be required from Halliburton, KBR or any Affiliate thereof with respect to any notional transfer of capital asset under Section 171A relating to the sale of European Marine Contractors, Ltd.

(d) The consequences of any utilization of a KBR or KBR Group member U.K. Tax Attribute by Halliburton or any member of the ESG Group, and any utilization of a Halliburton or ESG Group U.K. Tax Attribute by KBR or any member of the KBR Group, that is not attributable to Group Relief or notional capital asset transfer under Section 171A shall be determined in a manner consistent with the principles of this Section 3.14.

(e) The provisions of this Section 3.14, Section 5.12(c), Section 6.01(a) and Section 6.05 are intended to be the exclusive governing provisions with respect to indemnification and compensation rights and obligations among the parties relating to U.K. Group Relief and notional capital asset transfers under Section 171A.

ARTICLE IV.

PREPARATION AND FILING OF TAX RETURNS FOR AND AFTER THE DECONSOLIDATION YEAR

Section 4.01 Manner of Filing.

(a) Except to the extent otherwise provided herein, all Tax Returns filed with federal and state Tax Authorities of the United States for the Deconsolidation Year and for two taxable years following the Deconsolidation Year by Halliburton or by KBR shall be prepared (in the absence of a controlling change in law or circumstances or consent of Halliburton with such consent not to be unreasonably withheld) consistent with past practices, elections, accounting methods, conventions, and principles of taxation used for the most recent taxable periods for which Tax Returns involving similar items have been filed prior to the Deconsolidation Date.

(b) For a period of two (2) fiscal years following the Distribution Date, all Tax Returns filed by Halliburton and KBR after the Distribution Date shall be prepared on a basis that is consistent with the Private Letter Ruling or Tax Opinion obtained by Halliburton in connection with the Distribution (in the absence of a controlling change in law or circumstances), and shall be filed on a timely basis by the Party responsible for such filing under this Agreement.

Section 4.02 Pre-Deconsolidation Tax Returns. Except as provided in Section 4.03(b) hereof, all Tax Returns required to be filed for the portion of the Deconsolidation Year ending on the Deconsolidation Date shall be filed by the party who would bear responsibility under Section 2.01 hereof if such Tax Returns were for periods prior to the Deconsolidation Year.

Section 4.03 Post-Deconsolidation Tax Returns.

(a) All Tax Returns of the KBR Group for the portion of the Deconsolidation Year beginning after the Deconsolidation Date and all periods after the Deconsolidation Year shall be filed by KBR and all Tax Returns of the Halliburton Group for the portion of the Deconsolidation Year beginning after the Deconsolidation Date and all periods after the Deconsolidation Year shall be filed by Halliburton.

(b) All KBR Group foreign, state or local income Tax Returns for the Deconsolidation Year that are filed based on a complete fiscal year (i.e. there is not a Tax year end as of the Deconsolidation Date) shall be filed by KBR.

(c) If Deconsolidation occurs for federal Tax purposes but not for Combined Return purposes, *i.e.*, there is more than 50% but less than 80% ownership of KBR stock by Halliburton, the HESI and KBR Tax departments will develop procedures consistent with this Agreement for handling such Combined Returns.

Section 4.04 Accumulated Earnings and Profits, Initial Determination and Subsequent Adjustments. Within ninety (90) days following the Distribution Date, Halliburton shall notify KBR of the balance of accumulated earnings and profits on Halliburton's Tax records as of the Distribution Date which are allocable to the KBR Businesses, as calculated in accordance with the appropriate provisions of the Code and the Treasury Regulations thereunder (including Section 312(h) of the Code and Treasury Regulations § 1.312-10 or any successor regulation thereto) by Halliburton. The notice provided by Halliburton to KBR hereunder shall include supporting documentation which details the calculation of earnings and profits allocated to the KBR Businesses as of the Distribution Date. Within sixty (60) days after filing the Halliburton Affiliated Group Federal Income Tax Return for the taxable year that includes the Distribution Date, Halliburton shall notify KBR of any adjustments in the Halliburton earnings and profits as of the Distribution Date and shall provide to KBR supporting documentation which details the recalculation of Halliburton earnings and profits allocable to the KBR Businesses as of the Distribution Date. If in subsequent Tax years, a Final Determination results in an adjustment to the accumulated earnings and profits on the Tax records of Halliburton as of the Distribution Date, Halliburton shall promptly notify KBR of the adjustment within sixty (60) days after receiving written notice of such Final Determination, and shall provide KBR with supporting documentation which details the recalculation of Halliburton earnings and profits allocable to the KBR Businesses as of the Distribution Date.

Section 4.05 Tax Basis of Assets Transferred. Within ninety (90) days following the Distribution Date, Halliburton shall notify KBR of the Tax basis of the stock of any controlled foreign corporations (as defined in Section 957 of the Code) transferred to KBR in the Restructuring. In the event that a Final Determination results in an adjustment to the basis of such stock, Halliburton shall notify KBR within sixty (60) days of receiving written notice of such Final Determination, of the nature and amount of the adjustments and shall provide KBR with supporting documentation which details the calculation of such adjustments.

ARTICLE V.

ALLOCATION OF TAXES FOR AND AFTER DECONSOLIDATION YEAR; ALLOCATION OF ADDITIONAL TAX LIABILITIES

Section 5.01 Liability of the ESG Group for Consolidated and Combined Taxes. For the Deconsolidation Year and all taxable years following the Deconsolidation Year, the ESG Group shall be liable to Halliburton for an amount equal to the ESG Group Federal Income Tax Liability and the ESG Group Combined Tax Liability.

Section 5.02 Liability of the KBR Group for Consolidated and Combined Taxes. For the Deconsolidation Year, the KBR Group shall be liable to Halliburton for an amount equal to the KBR Group Federal Income Tax Liability and the KBR Group Combined Tax Liability to the extent such liability was paid by Halliburton or by a member of the ESG Group.

Section 5.03 ESG Group Federal Income Tax Liability. With respect to the Deconsolidation Year and all taxable years following the Deconsolidation Year, the ESG Group Federal Income Tax Liability for such taxable period shall be the Federal Income Taxes for such taxable period, as determined on an ESG Group Pro Forma Consolidated Return prepared:

(a) assuming that the members of the ESG Group were not included in the Consolidated Group and by including only Tax Items of members of the ESG Group that are included in the Consolidated Return;

(b) except as provided in Section 5.03(e) hereof, using all elections, accounting methods and conventions used on the Consolidated Return for such period;

(c) applying the highest statutory marginal corporate income Tax rate in effect for such taxable period;

(d) excluding any Tax Attributes for which HESI has been compensated pursuant to Section 5.09 hereof;

(e) assuming that the ESG Group elects not to carry back any net operating losses; and

(f) assuming that the ESG Group's utilization of any Tax Attribute carryforward or carryback is limited to the Tax Attributes of the ESG Group that would be available if the ESG Group Federal Income Tax Liability for each taxable year ending after January 1, 2001 were determined in accordance with this Section 5.03.

Section 5.04 KBR Group Federal Income Tax Liability. With respect to the Deconsolidation Year**,** the KBR Group Federal Income Tax Liability for such taxable period shall be the Federal Income Taxes for such taxable period, as determined on an KBR Group Pro Forma Consolidated Tax Return prepared:

(a) assuming that the members of the KBR Group were not included in the Consolidated Group and by including only Tax Items of members of the KBR Group that are included in the Consolidated Return;

(b) except as provided in Section 5.04(e) hereof, using all elections, accounting methods and conventions used on the Consolidated Return for such period;

(c) applying the highest statutory marginal corporate income Tax rate in effect for such taxable period;

(d) excluding any Tax Attributes for which KBR has been compensated pursuant to Section 5.09 hereof;

(e) assuming that the KBR Group elects not to carry back any net operating losses and may elect either to deduct or take a credit for foreign Taxes paid or deemed paid (and to carryback or carryforward any excess foreign Taxes); and

(f) assuming that the KBR Group's utilization of any Tax Attribute carryforward or carryback is limited to the Tax Attributes of the KBR Group that would be available if the KBR Group Federal Income Tax Liability for each taxable year ending after January 1, 2001 were determined in accordance with this Section 5.04.

Section 5.05 ESG Group Combined Tax Liability. With respect to the Deconsolidation Year and all taxable years following the Deconsolidation Year, the ESG Group Combined Tax Liability shall be the sum for such taxable period of the ESG Group's liability for Taxes owed with respect to Combined Returns, as determined on the ESG Group Pro Forma Combined Returns prepared in a manner consistent with the principles and procedures set forth in Section 5.03 hereof, without recalculating the state apportionment factors.

Section 5.06 KBR Group Combined Tax Liability. With respect to the Deconsolidation Year, the KBR Group Combined Tax Liability shall be the sum for such taxable period of the KBR Group's liability for Taxes owed with respect to Combined Returns, as determined on the KBR Group Pro Forma Combined Returns prepared in a manner consistent with the principles and procedures set forth in Section 5.04 hereof, without recalculating the state apportionment factors and assuming that Tax Items of the KBR Group are not included in the Combined Returns of the Halliburton Group following the Deconsolidation Date.

Section 5.07 Preparation and Delivery of Pro Forma Tax Returns. Not later than ninety (90) days following the date on which the related Consolidated Return or Combined Return, as the case may be, is filed with the appropriate Tax Authority, Halliburton shall prepare and deliver to HESI and KBR, respectively, pro forma Tax Returns calculating (i) the ESG Group Federal Income Tax Liability or the ESG Group Combined Tax Liability, and (ii) the KBR Group Federal Income Tax Liability or the KBR Group Combined Tax Liability, which is attributable to the period covered by such filed Tax Return.

Section 5.08 HESI Intercompany Payables and Receivables; KBR Payment. The liability of the ESG Group for the ESG Group Federal Income Tax Liability and ESG Group Combined Tax Liability shall be reflected in the intercompany accounts of Halliburton and HESI. For the Deconsolidation Year, KBR will pay Halliburton for the KBR Group Federal Income Tax Liability and the KBR Group Combined Tax Liability within sixty (60) days following the delivery to KBR by Halliburton of a KBR Group Pro Forma Consolidated Tax Return or a KBR Group Pro Forma Combined Return, as the case may be, to the extent such Tax liabilities are paid by Halliburton or other person who is not a member of the KBR Group. For the Deconsolidation Year, any payment due from KBR described in the previous sentence shall be decreased by the cumulative amount of payments made by KBR to Halliburton to fund Halliburton's estimated Tax payments with respect to Taxes for the Deconsolidation Year.

Section 5.09 Credit for Use of Attributes. Not later than ninety (90) days following the filing of the Consolidated Return for the Deconsolidation Year and all taxable years following the Deconsolidation Year, Halliburton shall determine the aggregate amount of the Tax Attributes of the Consolidated Group and all Combined Groups that are allocable to the ESG Group (the "ESG Allocated Attributes") as of the end of such year and shall inform HESI of such determination. Not later than sixty (60) days following the filing of the Consolidated Return for the Deconsolidation Year, Halliburton shall determine the

aggregate amount of the Tax Attributes of the Consolidated Group and all Combined Groups that are allocable to the KBR Group (the "KBR Allocated Attributes") as of the end of such year and shall inform KBR of such determination.

(a) If the amount of the ESG Allocated Attributes is less than the amount of Tax Attributes (as reasonably determined by Halliburton) that would have been available to the ESG Group at the end of such year had the ESG Group Members not been included in the Consolidated Return and the Combined Returns (the "ESG Stand-Alone Attributes"), the value of such shortfall, to the extent such shortfall is attributable to the use of the ESG Group's Tax Attributes by KBR Group Members, shall be reflected in the intercompany accounts as an amount payable by Halliburton to HESI. If the amount of the ESG Allocated Attributes is greater than the ESG Stand-Alone Attributes, the value of such excess, to the extent such excess is attributable to the use of Tax Attributes of KBR Group Members by ESG Group Members during such year, shall be reflected in the intercompany accounts as an amount payable by HESI to Halliburton. For this purpose, a Tax Attribute shall be treated as used by KBR Group Members or ESG Group Members only to the extent that such Tax Attribute is necessary to reduce the KBR Group Federal Income Tax Liability or ESG Group Federal Income Tax Liability (computed in accordance with Section 5.04 or 5.03) for such year. In calculating the Stand-Alone Attributes, the utilization of any Tax Attribute carryforward by ESG Group Members shall be subject to the limitation described in Section 5.03(f) hereof. For purposes of this section, the value of any Tax Attribute shall be equal to the amount of Taxes (computed in accordance with Section 5.03 hereof) that would be avoided by the payor if it had sufficient income to fully utilize such Tax Attribute in such year.

(b) If the amount of the KBR Allocated Attributes for the Pre-Deconsolidation Period is less than the amount of Tax Attributes (as reasonably determined by Halliburton) that would have been available to the KBR Group for the Pre-Deconsolidation Period had the KBR Group Members not been included in the Consolidated Return and the Combined Returns (the "KBR Stand-Alone Attributes"), the value of such shortfall, to the extent such shortfall is attributable to the use of the KBR Group's Tax Attributes by ESG Group Members, shall be paid by Halliburton to KBR within thirty (30) days of the date the KBR Allocated Attributes are determined. If the amount of the KBR Allocated Attributes for the Pre-Deconsolidation Period is greater than the amount of the KBR Stand-Alone Attributes, the value of such excess, to the extent such excess is attributable to the use of Tax Attributes of ESG Group Members by KBR Group Members during such period, shall be paid by KBR to Halliburton within thirty (30) days of the date the KBR Allocated Attributes are determined. For this purpose, a Tax Attribute shall be treated as used by ESG Group Members or KBR Group Members only to the extent that such Tax Attribute is necessary to reduce the ESG Group Federal Income Tax Liability or KBR Group Federal Income Tax Liability (computed in accordance with Section 5.03 or 5.04) for such year. In calculating the KBR Stand-Alone Attributes, the utilization of any Tax Attribute carryforward by KBR Group Members shall be subject to the limitation described in Section 5.04(f) hereof. For purposes of this section, the value of any Tax Attribute shall be equal to the amount of Taxes (computed in accordance with Section 5.04 hereof) that would be avoided by the payor if it had sufficient income to fully utilize such Tax Attribute in such year.

Section 5.10 Subsequent Changes in Treatment of Tax Items. For the Deconsolidation Year and all taxable years following the Deconsolidation Year, in the event of a change in the treatment of any Tax Item of any member of the Consolidated Group or a Combined Group as a result of a Final Determination, Halliburton shall calculate (i) the change to the ESG Group Federal Income Tax Liability or ESG Group Combined Tax Liability and (ii) any change to the Allocated Attributes and/or the Stand-Alone Attributes of the ESG Group, and such changes shall be properly reflected in the intercompany accounts described in Section 5.09(a) hereof. For the Deconsolidation Year, in the event of a change in the treatment of any Tax Item of any member of the Consolidated Group or a Combined Group as a result of a Final Determination, Halliburton shall calculate (i) the change to the KBR Group Federal Income Tax Liability or KBR Group Combined Tax Liability and (ii) any change to the Allocated Attributes and/or the Stand-Alone Attributes of the KBR Group and such changes shall be properly reflected in payments from Halliburton to KBR, or from KBR to Halliburton, as the case may be.

Section 5.11 Foreign Corporations. Any Taxes associated with the filing of a separate Tax Return in a foreign jurisdiction with respect to an ESG Group Member or a KBR Group Member shall be allocated to and paid directly by such member. For the Deconsolidation Year any Taxes and Tax Attributes associated with the filing of a separate Tax Return in a foreign jurisdiction that includes the Tax Items of one or more ESG Group Members and one or more KBR Group Members shall be allocated to such members by Halliburton in a manner consistent with the principles set forth in this Article V.

Section 5.12 Allocation of Additional Tax Liabilities.

(a) Restructuring Taxes. Notwithstanding that the Restructuring and Project Constructor occurred prior to the Effective Date, notwithstanding any other provision of this Agreement to the contrary, and except as otherwise provided in the Master Separation Agreement or the Master Separation and Distribution Agreement (as applicable) and Section 5.12(a)(i) hereof, Halliburton shall pay and shall indemnify and hold harmless KBR and any member of the KBR Group from and against any and all Restructuring Taxes, without regard to any benefit that any member of the KBR Group might derive as a result of the payment of the Restructuring Taxes by Halliburton. Halliburton shall also be liable for all fees, costs and expenses, including reasonable attorneys' fees, arising out of, or incident to, any proceedings before any Tax Authority, or any judicial authority, with respect to any amount for which it is liable for under Section 5.12(a) hereof.

(i) In the event any Restructuring Taxes are attributable to a Tainting Act of KBR or any member of the KBR Group, then KBR shall pay and shall indemnify and hold harmless Halliburton from and against any and all Restructuring Taxes and from and against any costs whatsoever connected with such Taxes, including, but not limited to, fees, interest, penalties, and expenses, including reasonable attorneys' fees. For purposes of this Section 5.12(a)(i), a Restructuring Tax is attributable to a Tainting Act if (1) such Tax would not have been imposed but for the Tainting Act, or (2) the Tainting Act would have independently caused the imposition of such Tax; provided, however, that in no event shall a Restructuring Tax be considered attributable to a Tainting Act to the extent such Tax would not have been incurred but for a breach by Halliburton of any warranty, representation or covenant contained in Article VII hereof.

(ii) An indemnification payment required to be made by one Party pursuant to Section 5.12(a) hereof shall be paid in immediately available funds within thirty (30) days after receiving a written demand from the other Party for such payment; however, no Party shall make a written demand for an indemnification payment attributable to Restructuring Taxes under Section 5.12(a) hereof until such Tax liability is established by a Final Determination. Any indemnification payment required to be made by either Party under Section 5.12(a) hereof which is not paid timely shall bear interest (compounded daily) at the Federal short-term rate or rates established pursuant to Section 6621 of the Code for the period during which such payment is due but unpaid.

(b) Dual Consolidated Losses.

(i) Notwithstanding anything else to the contrary in this Agreement (including, without limitation, any provision of Article III or Article V hereof) other than Section 5.12(b)(iii), KBR and each member of the KBR Affiliated Group shall not be liable for, and Halliburton shall indemnify and hold KBR and each member of the KBR Affiliated Group harmless against (A) any and all Tax or other loss resulting from a recapture of a Dual

Consolidated Loss resulting from the Spinoff and (B) any loss attributable to the reduction of an ESG Allocated Attribute otherwise available to Halliburton or any member of the Halliburton Affiliated Group resulting from a recapture of a Dual Consolidated Loss resulting from the Spinoff.

(ii) Without limiting the generality of Section 6.02(a), KBR agrees to reasonably cooperate with Halliburton and take any action (including executing any agreement or filing any document) or refrain from taking any action as reasonably requested by Halliburton in order to permit the deduction of a Dual Consolidated Loss incurred by Halliburton or any of its present or former Affiliates prior to the Spinoff or during the Deconsolidation Year, including but not limited to filing for relief pursuant to Section 9100 of the Code or pursuant to any other published guidance of the Internal Revenue Service with respect to the late filing of any documents, agreements or certifications, and entering into a closing agreement within the meaning of Section 7121 of the Code with the Internal Revenue Service (a "Closing Agreement") with respect to all Dual Consolidated Losses that Halliburton determines may be required to be recaptured as a result of the Spinoff. Halliburton will be responsible for and shall bear all costs relating to the preparation of any required Closing Agreements (as defined in Treasury Regulations § 1.1503-2T(a)(2)) and for any other filings required under Section 9100 of the Code or any other provision of the Code or Treasury Regulations thereunder with respect to Dual Consolidated Losses. Halliburton shall propose in writing to KBR the Dual Consolidated Losses relating to the KBR Group for which any agreement or filing with the Internal Revenue Service would be necessary to permit the deduction of a Dual Consolidated Loss or avoid the recapture of the Dual Consolidated Losses that would otherwise result from the Spinoff. The final determination of the Dual Consolidated Losses for which such agreements or filings will be submitted shall be subject to the written consent of KBR, which consent shall not be unreasonably withheld.

(iii) Notwithstanding Section 5.12(b)(i) hereof, in the event KBR or any of its Affiliates takes or fails to take any action following the Spinoff (including, but not limited to, a failure to execute and deliver the Closing Agreement contemplated by Section 5.12(b)(ii)) that results in a triggering event (as defined in Treasury Regulations § 1.1503-2(g)(2)(iii)) with respect to a Dual Consolidated Loss identified by Halliburton pursuant to Section 5.12(b)(ii) which requires recapture of such Dual Consolidated Loss, KBR shall indemnify and hold harmless Halliburton and its present and former Affiliates for any and all Tax payable by Halliburton resulting from the recapture of the Dual Consolidated Loss or any actual loss recognized by Halliburton attributable to the reduction of an ESG Allocated Attribute resulting from the recapture of the Dual Consolidated Loss. For the avoidance of doubt, neither Halliburton nor any of its Affiliates shall be entitled to more than one recovery of any Tax or loss resulting from the Dual Consolidated Loss recapture described in this Section 5.12(b)(iii).

(iv) Notwithstanding any other provision of this Agreement to the contrary, KBR shall not indemnify Halliburton and its present and former Affiliates with respect to any Dual Consolidated Loss recapture attributable to Halliburton Productos Ltd., such Dual Consolidated Loss recapture shall not be treated as an item of income of the KBR Group for any purpose of this Agreement, and Halliburton shall indemnify and hold harmless KBR and its Affiliates from any Tax payable by KBR or its Affiliates as a result of such Dual Consolidated Loss recapture.

(c) Group Relief. For any accounting period beginning after the accounting periods described in Section 3.14 hereof:

(i) Group Relief Indemnification.

(1) In the event a Final Determination causes Halliburton or any member of the ESG Group to recognize additional income directly as a result of the reduction of the amount of a KBR Group Relief Tax Attribute, then KBR shall pay to Halliburton, no later than 90 days following the date of the Final Determination, the amount of additional Tax incurred by Halliburton or any member of the ESG Group that is directly attributable to the loss of the KBR Group Relief Tax Attribute. In the event a Final Determination causes Halliburton or any member of the ESG Group to recognize less income directly as a result of an increase in the amount of the Additional KBR Group Relief, then Halliburton shall pay to KBR, no later than 90 days following the date of the Final Determination, the amount of the reduction in Tax realized by Halliburton or any member of the ESG Group that is directly attributable to the use of the Additional KBR Group Relief.

(2) In the event a Final Determination causes KBR or any member of the KBR Group to recognize additional income directly as a result of the reduction of the amount of an ESG Group Relief Tax Attribute, then Halliburton shall pay to KBR, no later than 90 days following the date of the Final Determination, the amount of additional Tax incurred by KBR or any member of the KBR Group that is directly attributable to the loss of the ESG Group Relief Tax Attribute. In the event a Final Determination causes KBR or any member of the KBR Group to recognize less income directly as a result of an increase in the amount of the Additional ESG Group Relief, then KBR shall pay to Halliburton, no later than 90 days following the date of the Final Determination, the amount of the reduction in Tax realized by KBR or any member of the KBR Group that is directly attributable to the use of the Additional ESG Group Relief.

(ii) Group Relief Payment.

(1) No later than 90 days following the filing of any U.K. Tax Return, for the accounting period in which a Group Relief is surrendered by KBR or any member of the KBR Group to Halliburton or any member of the ESG Group, Halliburton shall pay to KBR an amount equal to the product of: (x) the aggregate amount of Group Relief that was surrendered to Halliburton or any member of the ESG Group multiplied by (y) the highest U.K. Corporation Tax rate applicable to corporations at the time the Group Relief was surrendered by the member of the KBR Group.

(2) No later than 90 days following the filing of any U.K. Tax Return for the accounting period in which a Group Relief is surrendered by Halliburton or any member of the ESG Group to KBR or any member of the KBR Group, KBR shall pay to Halliburton an amount equal to the product of: (x) the aggregate amount of Group Relief that was surrendered to KBR or any member of the KBR Group multiplied by (y) the highest U.K. Corporation Tax rate applicable to corporations at the time the Group Relief was surrendered by Halliburton or any member of the ESG Group.

(iii) Notional Asset Transfer and Indemnification.

(1) No later than 90 days following the filing of any U.K. Tax Return for the accounting period in which a capital asset was notionally transferred under Section 171A in order to enable Halliburton or any member of the ESG Group to utilize a capital loss of any member of the KBR Group, Halliburton shall pay to KBR an amount equal to the product of: (x) the aggregate amount of the capital gain transferred, multiplied by (y) the highest U.K. Corporation tax rate applicable to corporations at the time the asset was notionally transferred.

(2) No later than 90 days following the filing of any U.K. Tax Return for the accounting period in which a capital asset was notionally transferred under Section 171A in order to enable KBR or any member of the KBR Group to utilize a capital loss of any member of the ESG Group, KBR shall pay to Halliburton an amount equal to the product of: (x) the aggregate amount of the capital gain transferred, multiplied by (y) the highest U.K. Corporation tax rate applicable to corporations at the time the asset was notionally transferred.

(3) In the event that either KBR or any member of the KBR Group is required to pay Tax (whether currently or as a result of a Final Determination) as a result of a notional capital asset transfer described in Section 5.12(c)(iii)(1) hereof, Halliburton shall pay to KBR the amount of such Tax within 90 days following the filing of the U.K. Tax Return for the accounting period in which such Tax is owed or within 90 days following a Final Determination with respect to such Tax, as the case may be.

(4) In the event that either Halliburton or any member of the ESG Group is required to pay Tax (whether currently or as a result of a Final Determination) as a result of a notional capital asset transfer described in Section 5.12(c)(iii)(2) hereof, KBR shall pay to Halliburton the amount of such Tax within 90 days following the filing of the U.K. Tax Return for the accounting period in which such Tax is owed or within 90 days following a Final Determination with respect to such Tax, as the case may be.

(5) Notwithstanding anything to the contrary in this Agreement, the parties agree that no payment or indemnification shall be required from Halliburton, KBR or any Affiliate thereof with respect to any notional transfer of capital asset under Section 171A relating to the sale of European Marine Contractors, Ltd.

(iv) The consequences of any utilization of a KBR or KBR Group member U.K. Tax Attribute by Halliburton or any member of the ESG Group, and any utilization of a Halliburton or ESG Group U.K. Tax Attribute by KBR or any member of the KBR Group, that is not attributable to Group Relief or notional capital asset transfer under Section 171A shall be determined in a manner consistent with the principles of this Section 5.12(c).

(v) The provisions of Section 3.14, this Section 5.12(c), Section 6.01(a) and Section 6.05 are intended to be the exclusive governing provisions with respect to indemnification and compensation rights and obligations among the parties relating to U.K. Group Relief and notional capital asset transfers under Section 171A.

(d) Refunds. Each Party shall be entitled to retain or be paid all refunds of Tax received, whether in the form of payment, credit or otherwise, from any Tax Authority with respect to any Tax for which such Party is responsible under this Article V.

(e) Allocation of Taxable Items. Halliburton shall determine the amounts of income, gain, loss, deduction, and credit of the KBR Group for the Pre-Deconsolidation Period that are properly includible in the Consolidated Return for the taxable year which includes the Deconsolidation Date. For all relevant purposes of this Agreement, the members of the KBR Group and each KBR Combined Group shall cease to be members of the Consolidated Group as of the end of the Deconsolidation Date, and the KBR Group shall cause the book of account of the KBR Group to be closed for accounting and Tax purposes as of the end of the Deconsolidation Date in accordance with Halliburton's direction. In determining consolidated taxable income for the taxable period that ends on the Deconsolidation Date, the income and other items of the KBR Group shall be determined in good faith by Halliburton in accordance with Treasury Regulations §§ 1.1502-76(b)(1), 1.1502-76(b)(2)(i) and 1.1502-76(b)(2)(iv) and no election shall be made under § 1.1502-76(b)(2)(ii)(D) to ratably allocate items. However, an allocation shall be made in good faith by Halliburton under Treasury Regulations § 1.1502- 76(b)(2)(iii) if such allocation is determined by Halliburton in good faith to be necessary to appropriately allocate items in the event the Deconsolidation Date occurs on any date other than the last day of any month.

(f) Foreign Tax Credit True-Up. With respect to the Deconsolidation Year, no later than ninety (90) days following the filing of a Consolidated Return, an amended Consolidated Return or a final settlement with the U.S. Internal Revenue Service, Halliburton shall determine the aggregate amount of the "Foreign Tax Credit Adjustment." The Foreign Tax Credit Adjustment shall be equal to (x) the aggregate amount of foreign Taxes paid or accrued by members of the KBR Group and allowable as foreign tax credits for United States federal income tax purposes for the period commencing January 1, 2001, and ending on the Deconsolidation Date (the "KBR Foreign Taxes"), minus (y) the sum of (i) the aggregate amount during such period of KBR Foreign Taxes used to reduce (either as a deduction or credit) the KBR Group's Federal Income Tax Liability pursuant to Section 3.04 and Section 5.04 hereof, (ii) the aggregate amount during such period of credit that the KBR Group received with respect to KBR Foreign Taxes pursuant to Section 3.09 and Section 5.09 hereof, and (iii) the aggregate amount during such period of KBR Foreign Taxes allocated to the KBR Group upon Deconsolidation pursuant to Treasury Regulations § 1.1502-79(d). If such Foreign Tax Credit Adjustment is a positive amount, Halliburton shall pay such amount to the KBR Group. The payment in the preceding sentence shall be due within ninety (90) days following the earlier of (a) the filing of the federal income Tax Return on which Halliburton realizes a benefit for the KBR Foreign Taxes or (b) the filing of the federal income Tax Return on which KBR could have utilized the foreign tax credits, were KBR in possession of such foreign tax credits. For purposes of this agreement, a benefit for KBR Foreign Taxes is considered to be realized by Halliburton only when all available Halliburton/ESG Group foreign tax credits (except ESG Group foreign tax credits carried back) have been utilized. If the amount determined pursuant to this Section 5.12(f) is a negative amount, the KBR Group shall pay such amount to Halliburton. If such negative amount is the result of a foreign tax credit carried forward pursuant to Treasury Regulations § 1.1502-79(d), such payment shall be due no sooner than ninety (90) days following the filing of the federal income Tax Return on which the KBR Group realizes the benefit associated with the foreign tax credit carryforward.

(g) KBR Group Tax Losses. Notwithstanding anything to the contrary in this Agreement, with respect to tax years beginning on or after the Effective Date and ending prior to or on the Deconsolidation Date, no later than ninety (90) days following the filing of a Consolidated Return, an amended Consolidated Return or a final settlement with the IRS, Halliburton shall determine the aggregate amount of the "Loss Adjustment." The Loss Adjustment shall be an amount equal to: (x) the aggregate amount of Tax Attributes of the KBR Group reflected on the Consolidated Return that are net operating losses or net capital losses for the period commencing on the Effective Date through the Deconsolidation Date (the "KBR Losses") multiplied by thirty-five percent (35%); minus (y) the sum of: (i) the aggregate amount during such period of reduction of the KBR Group's U.S. federal income tax liability pursuant to Section 3.04 and Section 5.04 hereof resulting from the KBR Losses, (ii) the aggregate amount during such period of credit that the KBR Group received with respect to the KBR Losses pursuant to Section 3.09 and Section 5.09 hereof, and (iii) the aggregate amount during such period of KBR Losses allocated to the KBR Group upon Deconsolidation pursuant to Treasury Regulations §§ 1.1502-21 and 1.1502-22(b) multiplied by thirty-five percent (35%). If the Loss Adjustment pursuant to the preceding sentence is a positive amount, Halliburton shall pay to KBR an amount equal to the Loss Adjustment when Halliburton realizes a tax benefit from using the KBR Losses. Such payment shall be reduced by an amount equal to the tax benefit that Halliburton otherwise would have realized by the use of a Tax Attribute of a member of the ESG Group (a "Displaced ESG Tax Attribute") that would have been used if the KBR Losses had not been included in the Consolidated Return or final settlement with the IRS. When a Displaced ESG Tax Attribute is used, Halliburton shall then pay KBR an amount equal to the tax benefit realized from the use of the Displaced ESG Tax Attribute by Halliburton. For purposes of this Section 5.12(g), Displaced ESG Tax Attributes shall be considered used and Halliburton shall be treated as recognizing a tax benefit from such use (i) when they are applied to a Consolidated Return of the Halliburton Affiliated Group or ESG Group to reduce the consolidated tax liability of the Halliburton Affiliated Group or ESG

Group; or (ii) when they are allocated to a member of the Halliburton Affiliated Group or ESG Group that is no longer consolidated with the Halliburton Affiliated Group or ESG Group. Payments required under this Section 5.12(g) shall be made within 90 days of filing a Consolidated Return where Halliburton has realized the tax benefit from using KBR Losses or a Displaced ESG Tax Attribute.

Section 5.13 Tax Attributes of KBR Not Carried Back. With respect to any Tax Attributes incurred by the KBR Group in a Post-Deconsolidation Period, KBR shall not, and shall cause each member of the KBR Group to not, elect to carry back Tax Attributes to a Pre-Deconsolidation Period. In the event the applicable Tax law requires a Tax Attribute of the KBR Group arising in a Post-Deconsolidation Period to be carried back to a Pre-Deconsolidation Period Tax Return of Halliburton or other member of the Halliburton Group (such Tax Attribute being a "Required Tax Attribute Carryback"), KBR shall notify Halliburton of such Required Tax Attribute Carryback sixty (60) days prior to the date such Tax Return must be filed and KBR shall timely provide Halliburton with all information reasonably necessary to properly account for such Required Tax Attribute Carryback on such Tax Return. If a Required Tax Attribute Carryback that is reported on a Tax Return filed by Halliburton or other member of the Halliburton Group produces an actual Tax savings to Halliburton or other member of the Halliburton Group, Halliburton shall pay KBR an amount equal to such savings within sixty (60) days following the filing of such Tax Return.

ARTICLE VI.

TAX DISPUTE INDEMNITY; CONTROL OF PROCEEDINGS; COOPERATION AND EXCHANGE OF INFORMATION

Section 6.01 Tax Dispute Indemnity and Control of Proceedings.

(a) Whenever a Party becomes aware of the existence of an issue which relates to any Tax liability of the other Party (a "Disputed Tax Issue" of such other Party), and the rights or responsibilities under this Agreement of such Party may be affected by the resolution of such Disputed Tax Issue, such Party (a "Disputed Tax Issue Indemnitee") shall promptly notify the other Party (the "Disputed Tax Issue Indemnitor") of the Disputed Tax Issue. The Disputed Tax Issue Indemnitor has the right to defend, handle, settle or contest at its cost any Disputed Tax Issue; provided, however, that Halliburton shall have the right (but not the obligation) to defend, handle, settle or contest at KBR's cost any Disputed Tax Issue related to a Disqualifying Action or Potential Disqualifying Action.

(b) Except as provided in this Article VI, Halliburton shall have full responsibility and discretion in handling, settling or contesting any Tax Controversy involving a Tax Return for which it has filing responsibility under this Agreement. KBR shall have full responsibility and discretion in handling, settling or contesting any Tax Controversy involving a Tax Return for which it has filing responsibility under this Agreement. Except as otherwise provided in Section 5.12(a)(i) hereof and in this Article VI, any costs incurred in handling, settling or contesting any Tax Controversy shall be borne by the Party having full responsibility and discretion thereof.

(c) In the event that (x) a statutory notice of deficiency (or foreign, state or local law equivalent) is received by Halliburton from the IRS or any other Tax Authority, (y) such notice is with respect to a Tax Return for which Halliburton has filing responsibility under this Agreement and (z) such notice relates in whole or in part to Restructuring Taxes for which KBR could be liable to Halliburton pursuant to Section 5.12(a) hereof (a "KBR Restructuring Issue") then

(i) Halliburton, upon receiving a written request from KBR to file a petition with the United States Tax Court (or equivalent foreign, state or local court) seeking a redetermination of such deficiency, which shall be given no later than a date reasonably necessary to permit preparation and timely filing of such petition, shall timely file such petition; provided, however, that, notwithstanding such request, Halliburton, with the prior written consent of KBR, shall have the option to pay the amount of the deficiency, in which case KBR shall either itself pay or loan to Halliburton no later than three (3) business days before Halliburton pays such deficiency, without interest, and, until a Final Determination of the KBR Restructuring Issue results, one hundred (100) percent of the amount of the portion of the deficiency relating to the KBR Restructuring Issue, and to file a claim for the refund thereof, and, if the claim is denied, to bring an action in a court of competent jurisdiction seeking the refund of Tax paid with respect to such deficiency; or

(ii) If (1) KBR does not request Halliburton to file a petition in the United States Tax Court (or equivalent foreign, state or local court) for redetermination of the deficiency pursuant to Section 6.01(c)(i) hereof, (2) Halliburton does not, on its own initiative, timely file such a petition, and (3) KBR requests that Halliburton file a claim for refund, then KBR shall either pay the deficiency or request in writing that Halliburton pay such deficiency, in which case KBR shall loan to Halliburton no later than three (3) business days before Halliburton pays such deficiency, without interest, and, until a Final Determination of the KBR Restructuring Issue results, one hundred (100) percent of the amount of the portion of the deficiency relating to the KBR Restructuring Issue, which loan Halliburton shall use to pay such deficiency, and Halliburton shall file a claim for refund thereof and, if the claim is denied, bring an action in a court of competent jurisdiction seeking such refund.

(iii) In the event that a judgment of the United States Tax Court or other court of competent jurisdiction results in an adverse determination with respect to the KBR Restructuring Issue, and Halliburton notifies KBR that it does not intend to appeal such KBR Restructuring Issue, then KBR shall have the right to cause Halliburton to appeal from such adverse determination at KBR's expense.

(iv) KBR and its representatives, at KBR's expense, shall be entitled to participate in (1) all conferences, meetings, or proceedings with any Tax Authority, the subject matter of which is or includes the KBR Restructuring Issue and (2) all appearances before any court, the subject matter of which includes the KBR Restructuring Issue.

(d) The right to participate referred to in Section 6.01(c)(iv) hereof shall include, with respect to the KBR Restructuring Issue, the right to participate in the preparation and submission of documentation, protests, memoranda of fact and law and briefs; the conduct of oral arguments or presentations; the selection of witnesses; and the negotiation of stipulations of fact.

(e) Notwithstanding Sections 6.01(c)(iv) and (d) hereof, unless and until the notice provided in Section 6.01(c)(iii) above is given, Halliburton shall control the litigation of the KBR Restructuring Issue and have the authority to settle in a reasonable manner and in good faith any such issue.

Section 6.02 Cooperation and Exchange of Information.

(a) Each Party shall cooperate fully at such time and to the extent reasonably requested by the other Party in connection with the preparation and filing of any Tax Return or claim for refund, or the conduct of any audit, dispute, proceeding, suit or action concerning any issues or other matters considered in this Agreement. Such cooperation shall include, without limitation, the following: (i) forwarding promptly copies of appropriate notices and forms or other communications received from any Tax Authority (including any IRS revenue agent's report or similar report, notice of proposed adjustment, or notice of deficiency) or sent to any Tax Authority or any other administrative, judicial or other governmental authority that relate to a Disputed Tax Issue; (ii) the retention and provision on demand of Tax Returns, books, records (including those concerning ownership and Tax basis of property which either Party may possess), documentation or other information relating to the Tax Returns, including accompanying schedules, related workpapers, and documents relating to rulings or other determinations by Taxing Authorities, until the expiration of the applicable statute of limitations (giving effect to any extension, waiver or mitigation thereof) subject to the provisions of Section 6.02(e) hereof; (iii) the provision of additional information, including an explanation of material provided under clause (i) of Section 6.02(a) hereof, to the extent such information is necessary or reasonably helpful in connection with the foregoing; (iv) the execution of any document that may be necessary or reasonably helpful in connection with the filing of a Tax Return by Halliburton or KBR or of their respective subsidiaries, or in connection with any audit, dispute, proceeding, suit or action; and (v) such Party's commercially reasonable efforts to obtain any documentation from a governmental authority or a third party that may be necessary or reasonably helpful in connection with any of the foregoing.

(b) Both Parties shall use reasonable efforts to keep each other advised as to the status of Tax audits or Tax Controversies involving a Disputed Tax Issue and cooperate in a defense with respect to a Disputed Tax Issue in any Tax Controversy.

(c) Each Party shall make its employees and facilities available on a reasonable and mutually convenient basis in connection with any of the foregoing matters.

(d) If either Party fails to provide any information requested pursuant to Section 6.02 hereof within a reasonable period, as determined in good faith by the Party requesting the information, then the requesting Party shall have the right to engage a public accounting firm to gather such information, provided that thirty (30) days prior written notice is given to the unresponsive Party. If the unresponsive Party fails to provide the requested information within thirty (30) days of receipt of such notice, then such unresponsive Party shall permit the requesting Party's public accounting firm full access to all appropriate records or other information as reasonably necessary to comply with the requirements of Section 6.02 hereof and shall reimburse the requesting Party or pay directly all costs connected with the requesting Party's engagement of the public accounting firm.

(e) Upon the expiration of any statute of limitations, the documentation of Halliburton or KBR or any of their respective subsidiaries, including, without limitation, books, records, Tax Returns and all supporting schedules and information relating thereto, shall not be destroyed or disposed of unless (i) the Party proposing such destruction or disposal provides sixty (60) days prior written notice to the other Party describing in reasonable detail the documentation to be destroyed or disposed of and (ii) the recipient of such notice agrees in writing to such destruction or disposal. If the recipient of such notice objects, then the Party proposing the destruction or disposal shall promptly deliver such materials to the objecting Party at the expense of the objecting Party.

Section 6.03 Reliance on Exchanged Information. If either Party supplies information to the other Party upon such Party's request, and an officer of the requesting Party intends to sign a statement or other document under penalties of perjury in reliance upon the accuracy of such information, then a duly authorized officer of the Party supplying such information shall certify, to the best of such Party's knowledge, the accuracy and completeness of the information so supplied.

Section 6.04 Payment of Tax and Indemnity. Except as provided in Section 7.03 of this Agreement, Halliburton shall timely pay (or shall cause to be timely paid) all Taxes of the Consolidated Group, of any Combined Group which includes a member of the ESG Group and of any entity or person that is not a member of the KBR Group and shall indemnify and hold harmless KBR for all liability for Taxes of any member of the Consolidated Group, of any Combined Group which includes a member of the ESG Group or of any other person or entity that is not a member of the KBR Group assessed against any member of the KBR Group pursuant to Treasury Regulations § 1.1502-6 or any analogous or similar law.

Section 6.05 Prior Tax Years. For all taxable periods beginning before the Effective Date of this Article VI (January 1, 2001), the Parties hereby agree that:

(a) KBR shall have full responsibility and discretion in handling, settling or contesting any Tax Controversy involving a Tax Return that includes Tax Items of a member of the KBR Group and does not include Tax Items of a member of the ESG Group;

(b) Halliburton shall have full responsibility and discretion in handling, settling or contesting any Tax Controversy involving a Tax Return that includes Tax Items of a member of the ESG Group and does not include Tax Items of a member of the KBR Group;

(c) Halliburton shall have full responsibility and discretion in handling, settling or contesting any Tax Controversy involving any Tax Return not described in Section 6.05(a) or (b);

(d) with respect to any Consolidated Return or Combined Return described in this Section 6.05 that includes activities of members of the ESG Group and the KBR Group, KBR shall pay to Halliburton, within ninety (90) days of a Final Determination of any Tax, any liability for such Tax attributable to a member of the KBR Group, as reasonably determined by Halliburton;

(e) with respect to any Consolidated Return or Combined Return described in this Section 6.05 that includes activities of members of the ESG Group and the KBR Group, Halliburton shall pay to KBR, within ninety (90) days of a Final Determination of any Tax, any refund due with respect to such Final Determination attributable to a member of the KBR Group, as reasonably determined by Halliburton;

(f) any costs incurred in handling, settling or contesting any Tax Controversy described in Section 6.05(a) shall be borne by KBR, any costs incurred in handling, settling or contesting any Tax Controversy described in Section 6.05(b) shall be borne by Halliburton and any costs incurred in handling, settling or contesting any Tax Controversy described in Section 6.05(c) shall be borne by the Party who would bear such costs if Section 6.01(a) applied;

(g) for the purposes of this Section 6.05, Halliburton Produtos Ltda. shall be considered a member of the KBR Group until the date it is transferred to Kellogg Energy Services, Inc.; and

(h) except to the extent otherwise provided in this Section 6.05, the provisions of Article VI shall apply to the taxable periods described in this Section 6.05. For the avoidance of doubt, notwithstanding anything to the contrary in this Section 6.05, the provisions of Section 6.01(a) shall apply to any Disputed Tax Issue relating to any taxable period beginning before the Effective Date of this Article VI.

ARTICLE VII.

WARRANTIES AND REPRESENTATIONS; INDEMNITY

Section 7.01 Warranties and Representations Relating to Actions of Halliburton and KBR. Each of Halliburton and KBR warrants and represents to the other that:

(a) it is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power to own, lease and operate its properties, to carry on its business as presently conducted and to carry out the transactions contemplated by this Agreement;

(b) it has duly and validly taken all corporate action necessary to authorize the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby;

(c) this Agreement has been duly executed and delivered by it and constitutes its legal, valid and binding obligation enforceable in accordance with its terms subject, as to the enforcement of remedies, to (i) applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the enforcement or creditors' rights generally from time to time in effect and (ii) to general principles of equity, whether enforcement is sought in a proceeding at law or in equity; and

(d) the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, or the compliance with any of the provisions of this Agreement will not (i) conflict with or result in a breach of any provision of its certificate of incorporation or by-laws, (ii) breach, violate or result in a default under any of the terms of any agreement or other instrument or obligation to which it is a party or by which it or any of its properties or assets may be bound, or (iii) violate any order, writ, injunction, decree, statute, rule or regulation applicable to it or affecting any of its properties or assets.

Section 7.02 Warranties and Representations Relating to the Distribution.

(a) In General. Each of the Parties represents that, as of the date of this Agreement, it knows of no fact (after due inquiry) that may cause the Tax treatment of the Distribution to be other than a distribution of KBR stock with respect to which no gain or loss is recognized by Halliburton, KBR or their respective stockholders pursuant to Section 355 and related provisions of the Code and relevant Treasury regulations promulgated thereunder (such distribution a "Tax Free Spinoff").

(b) No Contrary Plan. Each of the Parties represents that it has no plan or intent to take any action which is inconsistent with the treatment of the Distribution as a Tax Free Spinoff.

Section 7.03 Covenants Relating to the Tax Treatment of the Distribution.

(a) In General. The Parties intend the Distribution to qualify as a Tax Free Spinoff.

(i) During the Restricted Period, KBR shall not permit or take any action within its control (including entering into any agreement, understanding or arrangement or any negotiations with respect to any transactions or series of transactions) that, or fail to take any action within its control the failure of which, would cause the Distribution to fail to qualify as a Tax Free Spinoff (any such action or failure to act, a "Disqualifying Action").

(ii) For the avoidance of doubt, and without limitation, Disqualifying Actions include (1) KBR causing or permitting to be caused a change in its Control or (2) KBR ceasing the active conduct of a trade or business within the meaning of Section 355(b) of the Code to the extent the existence of such trade or business was necessary to a conclusion reached by the IRS in the Private Letter Ruling or a conclusion reached by Tax Counsel in the Tax Opinion, unless Halliburton consents in writing to such action, unless expressly required or permitted pursuant to the Master Separation Agreement or Master Separation and Distribution Agreement (as applicable), or unless, for actions after the Distribution Date, KBR first obtains, and permits Halliburton to review, either a supplemental ruling from the IRS or an opinion from a nationally recognized law firm reasonably acceptable to Halliburton, in either case, to the effect that such action or non-action referred to in this Section 7.03(a)(ii) will not affect the qualification of the Distribution as a Tax Free Spinoff.

(iii) During the Restricted Period, except for transactions contemplated by the Master Separation Agreement or Master Separation and Distribution Agreement (as applicable), KBR shall not take any action within its control, taken alone or together with any other action (including entering into any agreement, understanding or arrangement or any negotiations with respect to any transactions or series of transactions), that, or fail to take any action within its control the failure of which, would result in a more than immaterial possibility that the Distribution would be treated as part of a plan pursuant to which one or more persons acquire directly or indirectly KBR stock representing a "50-percent or greater interest" within the meaning of Section 355(e)(4) of the Code (any such action or failure to act, a "Potential Disqualifying Action"), unless, prior to the taking of the Potential Disqualifying Action, KBR delivers to Halliburton either a private letter ruling from the IRS reasonably acceptable to Halliburton (a "Subsequent Ruling") or an opinion from a nationally recognized law firm reasonably acceptable to Halliburton (a "Subsequent Opinion"), in either case, to the effect that the Potential Disqualifying Action would not cause the Distribution to cease to qualify as a Tax Free Spinoff.

(iv) For the avoidance of doubt, and without limitation, each of the following constitutes a Potential Disqualifying Action pursuant to Section 7.03(a)(iii) hereof:

(1) The merger or consolidation of KBR with or into any other corporation;

(2) The liquidation or partial liquidation of KBR (within the meaning of such terms as defined in Section 346 and Section 302, respectively, of the Code);

(3) The sale or transfer of all or substantially all of KBR's assets (within the meaning of Rev. Proc. 77-37, 1977-2 C.B. 568) in a single transaction or series of related transactions;

(4) The redemption or other repurchase of any of KBR's capital stock (other than in connection with future employee benefit plans or pursuant to a future market purchase program involving five (5) percent or less of its publicly traded stock); or

(5) The change in KBR's equity structure (including stock issuances, pursuant to the exercise of options, the vesting of restricted stock units or otherwise, option grants, the adoption of, or authorization of shares under a stock option plan, grants of restricted stock or stock units, capital contributions or acquisition); provided, however, that stock issuances pursuant to and awards under the KBR, Inc. 2006 Stock and Incentive Plan or the Transitional Stock Adjustment Plan related to conversions of awards made with respect to Halliburton stock shall not be considered a change in KBR's equity structure for purposes of this Section 7.03(a)(iv)(5);

unless such action is expressly required or permitted pursuant to the Master Separation Agreement or Master Separation and Distribution Agreement (as applicable) or unless KBR first delivers to Halliburton a Subsequent Ruling or a Subsequent Opinion, both reasonably acceptable to Halliburton, in either case, to the effect that the action would not cause the Distribution to cease to qualify as a Tax Free Spinoff.

(b) Notice of Events That Could Affect the Tax Treatment of the Distribution and Right to Enjoin.

(i) Subject to Section 7.03(b)(iii) hereof, until the first day after the second anniversary of the Distribution, KBR shall give Halliburton at least thirty (30) days prior written notice of KBR's intention to effect any transaction with respect to KBR's capital structure, whether through issuance, redemption or otherwise if and to the extent there is more than an immaterial possibility that such transaction would constitute a Disqualifying Action. Each such notice shall set forth the necessary terms and conditions of the proposed transaction, including, as applicable, the nature of any related action proposed to be taken, the approximate number of shares proposed to be issued, redeemed or transferred (directly or indirectly, in accordance with the provisions of Section 355(e) of the Code), all with sufficient particularity to enable Halliburton to review and comment on the effect of such transaction with respect to Section 355(e) of the Code. Because the damages that may result to Halliburton will be difficult to quantify, in the event Halliburton obtains an opinion from a nationally recognized law firm that the proposed transaction described in this Section 7.03(b)(i) would more likely than not constitute a Disqualifying Action, Halliburton shall have the right to enjoin KBR from entering into such transaction, and upon ten (10) business days prior written notice from Halliburton of its desire to enjoin such transaction, KBR shall not enter into such transaction; provided, however, that Halliburton will not waive its right to recover damages for breach of this Agreement if KBR is not enjoined from engaging in the proposed transaction.

(ii) If KBR receives a Subsequent Opinion or Subsequent Ruling, KBR shall notify Halliburton and (if Halliburton is not otherwise provided a copy) provide Halliburton promptly with a copy of such Subsequent Opinion or Subsequent Ruling, but in any event with ten (10) business days after the receipt of the Subsequent Opinion or Subsequent Ruling.

(iii) Notice shall not be required under Section 7.03(b)(i) hereof with respect to the grant and/or exercise of any stock option, stock, stock-based compensation or other employment related arrangements arising in the ordinary course of business that have customary terms and conditions consistent with past practice (a "Compensatory Transaction") if the Compensatory Transaction satisfies the requirements of Treasury Regulations § 1.355-7(d)(8), or, if in the case of options, if (A) the exercise price is equal to or greater than the fair market value of the stock subject to the option on the date of grant or issuance and (B) such option does not have a readily ascertainable fair market value within the meaning of Treasury Regulations § 1.83-7.

(iv) Each Party shall furnish the other with a copy of any document of information that reasonably could be expected to affect treatment of the Distribution as a Tax Free Spinoff.

(v) All information provided by any Party to the other Party pursuant to this Section 7.03(b) shall be kept confidential pursuant to the terms and conditions of Section 8.12 hereof.

(c) Cooperation Relating to the Tax Treatment of the Distribution.

(i) Each Party shall cooperate with the other and shall take such actions reasonably requested by such other Party in connection with obtaining either a Subsequent Ruling or Subsequent Opinion. Such cooperation shall include providing any information, representations and/or covenants reasonably requested by the requesting Party to enable such Party to obtain, or maintain the validity of, either a Subsequent Ruling or Subsequent Opinion. From and after any date on which a Party makes any representation or covenant to counsel for the purpose of obtaining a Subsequent Opinion or to the IRS for the purpose of obtaining a Subsequent Ruling and until the first day after the second anniversary (or such later date as may be agreed upon at the time such representations and/or covenants are made) of the date of such Subsequent Ruling or Subsequent Opinion, the party making such representation or covenant shall take no action that would have caused such representation to be untrue or covenant to be breached unless Halliburton determines, in its reasonable discretion, which discretion shall be exercised in good faith solely to ensure that the Distribution constitutes a Tax Free Spinoff, that such action would not cause the Distribution to fail to qualify as a Tax Free Spinoff.

(ii) KBR shall not file any request for a Subsequent Ruling with respect to the treatment of the Distribution as a Tax Free Spinoff without the prior written consent of Halliburton, which consent shall not be unreasonably withheld or delayed, if a favorable Subsequent Ruling would be reasonably likely to have an adverse effect on Halliburton.

(d) Each Party agrees that it will not take any position on a Tax Return that is inconsistent with the treatment of the Distribution as a Tax Free Spinoff.

(e) Each Party agrees (i) not to take any action reasonably expected to result in an increased Tax liability to the other Party under this Agreement and (ii) to take any action reasonably requested by the other Party that would reasonably be expected to result in a Tax benefit or avoid a Tax detriment to such other Party; provided, in either such case, that the taking or refraining to take such action does not result in any additional cost not fully compensated for by

the other Party or any other adverse effect to such Party. The Parties hereby acknowledge that the preceding sentence is not intended to limit, and therefore shall not apply to, the rights of the parties with respect to matters otherwise covered by this Agreement.

(f) For the avoidance of doubt, notwithstanding anything in this Agreement to the contrary (including, but not limited to, Section 7.14), KBR will be responsible for any Taxes of a member of the Halliburton Group arising from the change of Control of KBR even if (i) Halliburton or KBR, (ii) one or more officers or directors acting on behalf of Halliburton or KBR, or (iii) another person or persons with the implicit or explicit permission of one or more officers or directors of Halliburton or KBR held discussions with third parties for the sale of the stock of KBR prior to the Distribution.

(g) For the avoidance of doubt, KBR will not be responsible for any Taxes of a member of the Halliburton Group arising from the change of Control of Halliburton.

Section 7.04 Spinoff Indemnification.

(a) In General. Notwithstanding anything herein to the contrary, the provisions of this Article VII shall govern all matters among the Parties hereto related to an Indemnified Liability (as defined in Section 7.05 below) and an Indemnity Amount (as defined in Section 7.07 below).

(b) Indemnification Obligation. If either Party breaches any warranty, representation or covenant set forth in Sections 7.02, 7.03, 7.13 or 7.14 of this Agreement and the Distribution shall fail to qualify as a Tax Free Spinoff as a result of such breach, then such Party (the "Indemnifying Party") shall indemnify and hold harmless the other Party against any and all federal, state, local and foreign Taxes, interest, penalties and additions to Tax imposed upon or incurred by Halliburton, the Halliburton Group, KBR or the KBR Group, as the case may be (each such party an "Indemnified Party"), as a result of the failure of the Distribution to qualify as a Tax Free Spinoff, to the extent provided herein.

Section 7.05 Indemnified Liability -Spinoff. For purposes of this Agreement, the term "Indemnified Liability" means any liability imposed upon or incurred by (1) Halliburton or any member of the Halliburton Group, for which Halliburton or any other member of the Halliburton Group is indemnified and held harmless under Section 7.04(b), or (2) KBR or any member of the KBR Group, for which KBR or any other member of the KBR Group is indemnified and held harmless under Section 7.04(b).

Section 7.06 Amount of Indemnified Liability for Income Taxes - Spinoff. The amount of an Indemnified Liability for a federal, state, local or foreign Tax incurred by an Indemnified Party based on or determined with reference to income shall be deemed to be the amount of Tax computed by multiplying (i) the Tax Authority's highest effective Tax rate applicable to the Indemnified Party for the character of the Tax Item subject to Tax as a result of the failure of the Distribution to qualify as a Tax Free Spinoff for the taxable period in which the Distribution occurs, times (ii) the gain or income of the Indemnified Party which is subject to Tax in the Tax Authority's jurisdiction as a result of such failure, and (iii) in the case of a state, times the percentage representing the extent to which such gain or income is apportioned or allocated to such state; provided, however, that in the case of a state Tax determined as a percentage of Federal income Tax liability, the amount of Indemnified Liability shall be deemed to be the amount of Tax computed by multiplying (x) that state's highest effective rate applicable to the Indemnified Party for the character of the Tax Item subject to Tax as a result of the failure of the Distribution to qualify as a Tax Free Spinoff for the taxable period in which the Distribution occurs, times (y) the gain or income of the Indemnified Party which is subject to federal income Tax as a result of such failure, times (z) the percentage representing the extent to which the gain or income required to be recognized on the Distribution is apportioned to such state.

Section 7.07 Indemnity Amount - Spinoff. With respect to any Indemnified Liability, the amount which the Indemnifying Party shall pay to the Indemnified Party as indemnification (the "Indemnity Amount") shall be the sum of (i) the amount of the Indemnified Liability, as determined under Section 7.06, (ii) any penalties and interest imposed with respect to the Indemnified Liability and (iii) an amount such that when the sum of the amounts set forth in clauses (i), (ii) and this clause (iii) of this Section 7.07 are reduced by all Taxes imposed as a result of the receipt of such sum, (taking into account any related current credits or deductions available to the Indemnified Party or any of its Affiliates under any law or Tax Authority) the reduced amount is equal to the sum of the amounts set forth in clauses (i) and (ii) of this Section 7.07.

Section 7.08 Additional Indemnity Remedy - Spinoff. Each of the Parties recognizes that any failure by it to comply with its obligations under this Article VII may result in additional Taxes which could cause irreparable harm to Halliburton, its shareholders, the Halliburton Group, and/or KBR and the KBR Group, and that such entities may be inadequately compensated by monetary damages for such failure. Accordingly, if (A) (i) a Party shall fail to comply with any obligation under this Article VII which would be reasonably foreseeable to result in any additional Taxes and (ii) such Party shall fail to provide the other Party with an opinion from a nationally recognized law firm, such opinion, upon timely review being approved by the other Party (which approval shall not be unreasonably withheld), that the failure to comply with such obligation will not result in any increase in Taxes of Halliburton, its shareholders, any member of the Halliburton Group, on the one hand, or KBR or any member of the KBR Group, on the other hand, as the case may be, or if (B) it is probable in the written legal opinion of a nationally recognized law firm that the failure by such Party to comply with any such obligation under this Article VII will result in an Indemnified Liability under this Agreement and the Indemnifying Party fails to provide Adequate Assurances to the Indemnified Party of its ability to pay the Indemnity Amount under this Agreement, then Halliburton or KBR, as the case may be, shall be entitled to injunctive relief in the manner described in Section 8.03 hereof, in addition to all other remedies.

Section 7.09 Calculation of Indemnity Payments. Except as otherwise provided under this Agreement, to the extent that the Indemnifying Party has an indemnification or payment obligation to the Indemnified Party pursuant to this Agreement, the Indemnified Party shall provide the Indemnifying Party with its calculation of the amount of such obligation. The documentation of such calculation shall provide sufficient detail to permit the Indemnifying Party to reasonably understand the calculation. All indemnification payments shall be made to the Indemnified Party or to the appropriate Tax Authority as specified by the Indemnified Party within the time prescribed for payment in this Agreement, or if no period is prescribed, within thirty (30) days after delivery by the Indemnified Party to the Indemnifying Party of written notice of an indemnification obligation, or if the Tax liability giving rise to an Indemnified Liability is contested pursuant to Section 6.01(c) of this Agreement, within thirty (30) days of a Final Determination with respect to such Indemnified Liability. Any disputes with respect to indemnification payments shall be resolved in accordance with Section 8.11 below.

Section 7.10 Prompt Performance. All actions required to be taken by any Party under this Agreement shall be performed within the time prescribed for performance in this Agreement, or if no period is prescribed, such actions shall be performed promptly.

Section 7.11 Interest. Payments pursuant to this Agreement that are not made within the period prescribed in Section 7.09 shall bear interest (compounded daily) from and including the date immediately following the last date of such period through and including the date of payment at a rate equal to the Federal short-term rate or rates established pursuant to Section 6621 of the Code for the period during which such payment is due but unpaid.

Section 7.12 Tax Records. The Parties to this Agreement hereby agree to retain and provide on proper demand by any Tax Authority (subject to any applicable privileges) the books, records, documentation and other information relating to any Tax Return until the later of (a) the expiration of the applicable statute of limitations (giving effect to any extension, waiver or mitigation thereof), (b) the date specified in an applicable records retention agreement entered into with the IRS, (c) a Final Determination made with respect to such Tax Return and (d) the final resolution of any claim made under this Agreement for which such information is relevant. Notwithstanding the prior sentence, no Party may destroy any such records without the approval of all other Parties to this Agreement as described in section 6.02 hereof.

Section 7.13 KBR Representations and Covenants. KBR hereby represents, warrants and covenants that:

(a) KBR will review the information and representations made in the Ruling Documents and in the Tax Opinion Documents that will be submitted to the IRS, and, KBR covenants that all of such information or representations that relate to KBR or any member of the KBR Group, or the business or operations of each, will be true, correct and complete to KBR's knowledge and will identify to Halliburton any information or representations that are incorrect or incomplete.

(b) KBR will not, and will cause each member of the KBR Group not to, take any action, or fail or omit to take any action, that would cause any of the information or representations made in the Ruling Documents and in the Tax Opinion Documents that relate to KBR or any member of the KBR Group or the business or operations of each, to be untrue, regardless of whether such information or representations are included in the Private Letter Ruling (or any supplemental ruling) or in the Tax Opinion (or any Subsequent Opinion).

Section 7.14 Halliburton Representations and Covenants. Halliburton hereby represents, warrants, and covenants that:

(a) Halliburton will review the information and representations made in the Ruling Documents and in the Tax Opinion Documents that will be submitted to the IRS, and Halliburton covenants that all of such information or representations that relate to Halliburton or any member of the Halliburton Group, or the business or operations of each, will be true, correct and complete to Halliburton's knowledge and will identify to KBR any information or representations that are incorrect or incomplete.

(b) Halliburton will not, and will cause each member of the Halliburton Group not to, take any action, or fail or omit to take any action, that would cause any of the information or representations made in the Ruling Documents and in the Tax Opinion Documents that relate to Halliburton or any member of the Halliburton Group, or the business or operations of each, to be untrue, regardless of whether such information or representations are included in the Private Letter Ruling (or any supplemental ruling) or in the Tax Opinion (or any Subsequent Opinion).

Section 7.15 Continuing Covenants. Each Party agrees (1) not to take any action reasonably expected to result in a new or changed Tax Item that is detrimental to the other Party and (2) to take any action reasonably requested by the other Party that would reasonably be expected to result in a new or changed Tax Item that produces a benefit or avoids a detriment to such other Party; provided that such action does not result in any additional cost not fully compensated for by the requesting Party. The Parties hereby acknowledge that the preceding sentence is not intended to limit, and therefore shall not apply to, the rights of the Parties with respect to matters otherwise covered by this Agreement.

ARTICLE VIII.

MISCELLANEOUS PROVISIONS

Section 8.01 Notice. Any notice, demand, claim, or other communication required or permitted to be given under this Agreement (a "Notice") shall be in writing and may be personally serviced, provided a receipt is obtained therefor, or may be sent by certified mail, return receipt requested, postage prepaid, or may be sent by telecopier, with acknowledgment of receipt requested, to the either of the Parties at the following addresses (or at such other address as one Party may specify by notice to the other Party):

Halliburton at: Halliburton Company
1401 McKinney, Suite 2400
Houston, Texas 77010-4035
Telecopier Number: (713) 839-4816
Attn: Director of Taxes

KBR at: KBR, Inc.
4100 Clinton Drive, P.O. Box 3
Houston, Texas 77001-0003
Telecopier Number: (713) 753-3868
Attn: Director of Taxes

KBR Holdings at: KBR Holdings LLC
4100 Clinton Drive, P.O. Box 3
Houston, Texas 77001-0003
Telecopier Number: (713) 753-3868
Attn: Director of Taxes

A Notice which is delivered personally shall be deemed given as of the date specified on the written receipt therefor. A Notice mailed as provided herein shall be deemed given on the third business day following the date so mailed. A Notice delivered by telecopier shall be deemed given upon the date it is transmitted. Notification of a change of address may be given by either Party to the other in the manner provided in Section 8.01 hereof for providing a Notice.

Section 8.02 Required Payments. Unless otherwise provided in this Agreement, any payment of Tax required shall be due within thirty (30) days of a Final Determination of the amount of such Tax.

Section 8.03 Injunctions. The Parties acknowledge that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with its specific terms or were otherwise breached. The Parties hereto shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically the terms and provisions of this Agreement and to enforce specifically the terms and provisions hereof in any court having jurisdiction, such remedy being in addition to any other remedy to which they may be entitled at law or in equity.

Section 8.04 Further Assurances. Subject to the provisions hereof, the Parties hereto shall make, execute, acknowledge and deliver such other instruments and documents, and take all such other actions, as may be reasonably required in order to effectuate the purposes of this Agreement and to consummate the transactions contemplated hereby. Subject to the provisions hereof, each of the Parties shall, in connection with entering into this Agreement, perform its obligations hereunder and take any and all actions relating hereto, comply with all applicable laws, regulations, orders, and decrees, obtain all required consents and approvals and make all required filings with any governmental agency, other regulatory or administrative agency, commission or similar authority and promptly provide the other Party with all such information as such Party may reasonably request in order to be able to comply with the provisions of this sentence.

Section 8.05 Parties in Interest. Except as herein otherwise specifically provided, nothing in this Agreement expressed or implied is intended to confer any right or benefit upon any person, firm or corporation other than the Parties and their respective successors and permitted assigns.

Section 8.06 Setoff. All payments to be made under this Agreement shall be made without setoff, counterclaim or withholding, all of which are expressly waived.

Section 8.07 Change of Law. If, due to any change in applicable law or regulations or the interpretation thereof by any court of law or other governing body having jurisdiction subsequent to the date of this Agreement, performance of any provision of this Agreement or any transaction contemplated thereby shall become impracticable or impossible, the Parties hereto shall use their best efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such provision.

Section 8.08 Termination and Survival. Notwithstanding anything in this Agreement to the contrary, this Agreement shall remain in effect and its provisions shall survive for the full period of all applicable statutes of limitation (giving effect to any extension, waiver or mitigation thereof) or until otherwise agreed to in writing by Halliburton and KBR, or their successors.

Section 8.09 Amendments; No Waivers.

(a) Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by Halliburton and KBR, or in the case of a waiver, by the Party against whom the waiver is to be effective.

(b) No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 8.10 Governing Law and Interpretation. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware applicable to agreements made and to be performed in the State of Delaware.

Section 8.11 Resolution of Certain Disputes. Any disagreement between the Parties with respect to any matter that is the subject of this Agreement, including, without limitation, any disagreement with respect to any calculation or other determinations by Halliburton hereunder, which is not resolved by mutual agreement of the Parties, shall be resolved by a nationally recognized independent accounting firm chosen by and mutually acceptable to the Parties hereto (an "Accounting Referee"). Such Accounting Referee shall be chosen by the Parties within fifteen (15) business days from the date on which one Party serves written notice on the other Party requesting the appointment of an Accounting Referee, provided that such notice specifically describes the calculations to be considered and resolved by the Accounting Referee. In the event the Parties cannot agree on the selection of an Accounting Referee, then the Accounting Referee shall be any office or branch of the public accounting firm of Deloitte & Touche. The Accounting Referee shall resolve any such disagreements as specified in the notice within thirty (30) days of appointment; provided, however, that no Party shall be required to deliver any document or take any other action pursuant to this Section 8.11 if it determines that such action would result in the waiver of any legal privilege or any detriment to its business. Any resolution of an issue submitted to the Accounting Referee shall be final and binding on the Parties hereto without further recourse. The Parties shall share the costs and fees of the Accounting Referee equally.

Section 8.12 Confidentiality. Except to the extent required to protect a Party's interests in a Tax Controversy, each Party shall hold and shall cause its consultants and advisors to hold in strict confidence, unless compelled to disclose by judicial or administrative process or, in the opinion of its counsel, by other requirements of law, all information (other than any such information relating solely to the business or affairs of such Party) concerning the other Party or its representatives pursuant to this Agreement (except to the extent that such information can be shown to have been (i) previously known by the Party to which it was furnished, (ii) in the public domain through no fault of such Party, or (iii) later lawfully acquired from other sources by the Party to which it was furnished), and each Party shall not release or disclose such information to any other person, except its auditors, attorneys, financial advisors, bankers and other consultants and advisors who shall be advised of the provisions of this Agreement. Each Party shall be deemed to have satisfied its obligation to hold confidential information concerning or supplied by the other Party if it exercises the same care as it takes to preserve confidentiality for its own similar information.

Section 8.13 Costs, Expenses and Attorneys' Fees. Except as expressly set forth in this Agreement, each Party shall bear its own costs and expenses incurred pursuant to this Agreement. In the event either Party to this Agreement brings an action or proceeding for the breach or enforcement of this Agreement, the prevailing party in such action, proceeding, or appeal, whether or not such action, proceeding or appeal proceeds to final judgment, shall be entitled to recover as an element of its costs, and not as damages, such reasonable attorneys' fees as may be awarded in the action, proceeding or appeal in addition to whatever other relief the prevailing party may be entitled. For purposes of Section 8.13 hereof, the "prevailing party" shall be the Party who is entitled to recover its costs; a Party not entitled to recover its costs shall not recover attorneys' fees. No sum for attorneys' fees shall be counted in calculating the amount of the judgment for purposes of determining whether a Party is entitled to recover its costs or attorneys' fees.

Section 8.14 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

Section 8.15 Severability. The Parties hereby agree that, if any provision of this Agreement should be adjudicated to be invalid or unenforceable, such provision shall be deemed deleted herefrom with respect, and only with respect, to the operation of such provision in the particular jurisdiction in which such adjudication was made, and only to the extent of the invalidity, and any such invalidity or unenforceability in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. All other remaining provisions of this Agreement shall remain in full force and effect for the particular jurisdiction and all other jurisdictions.

Section 8.16 Entire Agreement; Termination of Prior Agreements.

(a) This Agreement contains the entire agreement between the Parties with respect to the subject matter hereof and supersedes all other agreements, whether or not written, in respect of any Tax between or among any member or members of the Halliburton Group, on the one hand, and any member or members of the KBR Group, on the other hand. All such other agreements, including, but not limited to, that certain Tax Sharing Agreement by and among Halliburton Company and its Affiliated Companies and KBR, Inc. and its Affiliated Companies, dated October 2, 2006, and that certain Tax Sharing Agreement by and among Halliburton Company and its Affiliated Companies and KBR, Inc. and its Affiliated Companies, dated October 31, 2006, are hereby canceled and any rights or obligations existing thereunder are hereby fully and finally settled without any payment by any party thereto; provided, however, that (i) that certain letter agreement regarding Tax indemnification for periods ending prior to January 1, 2001, attached as Exhibit C to this Agreement, shall be cancelled as of the date of this Agreement and any rights or obligations existing thereunder are hereby fully and finally settled without any payment by any party thereto and (ii) that certain Amendment to the Amended and Restated Tax Sharing and Allocation Agreement, attached as Exhibit D to this Agreement, shall remain in effect.

(b) Without limiting the foregoing, the Parties acknowledge and agree that in the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of the Master Separation Agreement or the Master Separation and Distribution Agreement (as applicable), the provisions of this Agreement shall take precedence and to such extent shall be deemed to supersede such conflicting provisions under the Master Separation Agreement or the Master Separation and Distribution Agreement (as applicable).

Section 8.17 Assignment. This Agreement is being entered into by Halliburton and KBR on behalf of themselves and each member of the Halliburton Group and KBR Group, respectively. This Agreement shall constitute a direct obligation of each such member and shall be deemed to have been readopted and affirmed on behalf of any corporation which becomes a member of the Halliburton Group or KBR Group in the future. Halliburton and KBR hereby guarantee the performance of all actions, agreements and obligations provided for under this Agreement of each member of the Halliburton Group and KBR Group, respectively. Halliburton and KBR shall, upon the written request of the other, cause any of their respective group members to formally execute this Agreement. This Agreement shall be binding upon, and shall inure to the benefit of, the successors, assigns and persons controlling any of the corporations

bound hereby for so long as such successors, assigns or controlling persons are members of the Halliburton Group or the KBR Group or their successors and assigns.

Section 8.18 Fair Meaning. This Agreement shall be construed in accordance with its fair meaning and shall not be construed strictly against the drafter.

Section 8.19 Commencement. This Agreement shall commence on the date of execution indicated below.

Section 8.20 Titles and Headings. Titles and headings to sections herein are inserted for the convenience of reference only and are not intended to be a part or to affect the meaning or interpretation of this Agreement.

Section 8.21 Construction. In this Agreement, unless the context otherwise requires the terms “herein,” “hereof,” and “hereunder” refer to this Agreement.

Section 8.22 Termination. This Agreement may be terminated at any time prior to the date of the IPO, without the approval of KBR, by and in the sole discretion of the Halliburton Board of Directors. In the event of such termination, no Party shall have any liability to the other Party from or for the terminated Agreement, except that expenses incurred in connection with the preparation of this Agreement shall be paid as provided in Section 8.13 hereof; provided that any agreement that remained in force prior to the Deconsolidation Date, as described in Section 8.16 hereof, shall remain in force upon a termination of this Agreement pursuant to this Section 8.22.

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IN WITNESS WHEREOF, the Parties hereto have executed and delivered this Agreement 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

KBR, Inc.

By:	/s/ William P. Utt
Name:	William P. Utt
Title:	President & CEO

KBR Holdings LLC

By:	/s/ Andrew D. Farley
Name:	Andrew D. Farley
Title:	Senior VP and General Counsel