Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2011

OR

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

For the transition period from _____ to _____

Commission File Number 1-33146

KBR, Inc.

(a Delaware Corporation)
20-4536774

601 Jefferson Street
Suite 3400
Houston, Texas 77002
(Address of Principal Executive Offices)

Telephone Number – Area Code (713) 753-3011

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 15, 2011, there were 150,789,209 shares of KBR, Inc. common stock, $0.001 par value per share, outstanding.

KBR, Inc.

Index

		Page No.
PART I.	**FINANCIAL INFORMATION**	4
Item 1.	Financial Statements	4
	Condensed Consolidated Statements of Income	4
	Condensed Consolidated Balance Sheets	5
	Condensed Consolidated Statements of Comprehensive Income	6
	Condensed Consolidated Statements of Cash Flows	7
	Notes to Condensed Consolidated Financial Statements	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	30
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	49
Item 4.	Controls and Procedures	49
PART II.	**OTHER INFORMATION**	49
Item 1.	Legal Proceedings	49
Item 1A.	Risk Factors	50
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	50
Item 3.	Defaults Upon Senior Securities	50
Item 4.	(Removed and Reserved)	50
Item 5.	Other Information	50
Item 6.	Exhibits	51
SIGNATURES		52

Forward-Looking and Cautionary Statements

This report contains certain statements that are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Private Securities Litigation Reform Act of 1995 provides safe harbor provisions for forward looking information. Some of the statements contained in this quarterly report are forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "plan," "expect" and similar expressions are intended to identify forward-looking statements. Forward-looking statements include information concerning our possible or assumed future financial performance and results of operations.

We have based these statements on our assumptions and analyses in light of our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate in the circumstances. Forward-looking statements by their nature involve substantial risks and uncertainties that could significantly affect expected results, and actual future results could differ materially from those described in such statements. While it is not possible to identify all factors, factors that could cause actual future results to differ materially include the risks and uncertainties disclosed in our 2010 Annual Report on Form 10-K contained in Part I under "Risk Factors".

Many of these factors are beyond our ability to control or predict. Any of these factors, or a combination of these factors, could materially and adversely affect our future financial condition or results of operations and the ultimate accuracy of the forward-looking statements. These forward-looking statements are not guarantees of our future performance, and our actual results and future developments may differ materially and adversely from those projected in the forward-looking statements. We caution against putting undue reliance on forward-looking statements or projecting any future results based on such statements or on present or prior earnings levels. In addition, each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statement.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

KBR, Inc.
Condensed Consolidated Statements of Income
(In millions, except for per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenue:				
Services	$2,416	$2,610	$4,693	$5,226
Equity in earnings of unconsolidated affiliates, net	41	61	85	76
Total revenue	2,457	2,671	4,778	5,302
Operating costs and expenses:				
Cost of services	2,231	2,415	4,365	4,898
General and administrative	58	55	102	104
Loss (gain) on disposition of assets, net	(1)	2	(2)	2
Total operating costs and expenses	2,288	2,472	4,465	5,004
Operating income	169	199	313	298
Interest expense, net	(5)	(5)	(10)	(9)
Foreign currency gains (losses), net	2	(3)	3	(5)
Other non-operating expense	—	—	(1)	—
Income before income taxes and noncontrolling interests	166	191	305	284
Less: Provision for income taxes	39	69	61	103
Net Income	127	122	244	181
Less: Net income attributable to noncontrolling interests	27	16	39	29
Net income attributable to KBR	$ 100	$ 106	$ 205	$ 152
Net income attributable to KBR per share:				
Basic	$ 0.65	$ 0.66	$ 1.35	$ 0.94
Diluted	$ 0.65	$ 0.66	$ 1.34	$ 0.94
Basic weighted average common shares outstanding	151	160	151	160
Diluted weighted average common shares outstanding	152	161	152	161
Cash dividends declared per share	$ 0.05	$ 0.05	$ 0.10	$ 0.05

See accompanying notes to condensed consolidated financial statements.

KBR, Inc.
Condensed Consolidated Balance Sheets
(In millions except share data)

	June 30, 2011 (Unaudited)	December 31, 2010
Assets		
Current assets:		
Cash and equivalents	$ 712	$ 786
Receivables:		
Accounts receivable, net of allowance for bad debts of $26 and $27	1,516	1,455
Unbilled receivables on uncompleted contracts	447	428
Total receivables	1,963	1,883
Deferred income taxes	194	199
Other current assets	380	394
Total current assets	3,249	3,262
Property, plant, and equipment, net of accumulated depreciation of $353 and $334 (including $79 and $80, net, owned by a variable interest entity – see Note 12)	381	355
Goodwill	952	947
Intangible assets, net	121	127
Equity in and advances to related companies	229	219
Noncurrent deferred income taxes	100	103
Noncurrent unbilled receivables on uncompleted contracts	316	320
Other assets	129	84
Total assets	$ 5,477	$ 5,417
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 856	$ 921
Due to former parent, net	53	43
Obligation to former noncontrolling interest (Note 3)	20	180
Advance billings on uncompleted contracts	608	498
Reserve for estimated losses on uncompleted contracts	22	26
Employee compensation and benefits	236	200
Current non-recourse project-finance debt of a variable interest entity (Note 12)	10	9
Other current liabilities	483	470
Total current liabilities	2,288	2,347
Noncurrent employee compensation and benefits	358	397
Noncurrent non-recourse project-finance debt of a variable interest entity (Note 12)	92	92
Other noncurrent liabilities	151	132
Noncurrent income tax payable	114	128
Noncurrent deferred tax liability	103	117
Total liabilities	3,106	3,213
KBR Shareholders' equity:		
Preferred stock, $0.001 par value, 50,000,000 shares authorized, 0 shares issued and outstanding	—	—
Common stock, $0.001 par value, 300,000,000 shares authorized, 172,048,337 and 171,448,067 shares issued, and 150,759,156 and 151,132,049 shares outstanding	—	—
Paid-in capital in excess of par	1,998	1,981
Accumulated other comprehensive loss	(436)	(438)
Retained earnings	1,347	1,157
Treasury stock, 21,289,181 shares and 20,316,018 shares, at cost	(489)	(454)
Total KBR shareholders' equity	2,420	2,246
Noncontrolling interests	(49)	(42)
Total shareholders' equity	2,371	2,204
Total liabilities and shareholders' equity	$ 5,477	$ 5,417

See accompanying notes to condensed consolidated financial statements.

KBR, Inc.
Condensed Consolidated Statements of Comprehensive Income
(In millions)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net income	$ 127	$ 122	$ 244	$ 181
Other comprehensive income (loss), net of tax benefit (provision):				
Net cumulative translation adjustments	(8)	(8)	(4)	(6)
Pension liability adjustments	3	3	8	6
Net unrealized gain (loss) on derivatives	1	1	(2)	4
Total other comprehensive income (loss), net of tax	(4)	(4)	2	4
Comprehensive income	123	118	246	185
Less: Comprehensive income attributable to noncontrolling interests	(27)	(15)	(39)	(28)
Comprehensive income attributable to KBR	$ 96	$ 103	$ 207	$ 157

See accompanying notes to condensed consolidated financial statements.

KBR, Inc.
Condensed Consolidated Statements of Cash Flows
(In millions)
(Unaudited)

	Six Months Ended June 30,	
	2011	2010
Cash flows from operating activities:		
Net income	$ 244	$ 181
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	35	29
Equity in earnings of unconsolidated affiliates	(85)	(76)
Deferred income taxes	(13)	(20)
Other	5	20
Changes in operating assets and liabilities:		
Receivables	(25)	(183)
Unbilled receivables on uncompleted contracts	(8)	95
Accounts payable	(27)	(65)
Advanced billings on uncompleted contracts	(2)	261
Accrued employee compensation and benefits	37	50
Reserve for loss on uncompleted contracts	(4)	(9)
Collection (repayment) of advances from (to) unconsolidated affiliates, net	22	(4)
Distribution of earnings from unconsolidated affiliates	61	29
Other assets	44	32
Other liabilities	(61)	92
Total cash flows provided by operating activities	223	432
Cash flows from investing activities:		
Capital expenditures	(47)	(19)
Investment in equity method joint ventures	(11)	(7)
Acquisition of business, net of cash acquired	—	(10)
Investment in licensing arrangement	—	(20)
Total cash flows used in investing activities	(58)	(56)
Cash flows from financing activities:		
Acquisition of noncontrolling interest	(164)	—
Payments to reacquire common stock	(37)	(58)
Distributions to noncontrolling interests, net	(46)	(30)
Payments of dividends to shareholders	(15)	(16)
Net proceeds from issuance of stock	5	1
Payments on long-term borrowings	(10)	(4)
Excess tax benefits from stock-based compensation	3	—
Return of cash collateral on letters of credit, net	16	24
Total cash flows used in financing activities	(248)	(83)
Effect of exchange rate changes on cash	9	(21)
Increase (decrease) in cash and equivalents	(74)	272
Cash increase due to consolidation of a variable interest entity	—	22
Cash and equivalents at beginning of period	786	941
Cash and equivalents at end of period	$ 712	$1,235

See accompanying notes to condensed consolidated financial statements.

KBR, Inc.
Condensed Consolidated Statements of Cash Flows (continued)
(In millions)
(Unaudited)

	Six Months Ended June 30,	
	2011	2010
Noncash operating activities		
Other assets (see Note 7)	$ —	$ 83
Other liabilities (see Note 7)	$ —	$ (83)
Noncash financing activities		
Dividends declared	$ 8	$ 8

See accompanying notes to condensed consolidated financial statements.

Note 1. Description of Business and Basis of Presentation

KBR, Inc., a Delaware corporation, was formed on March 21, 2006. KBR, Inc. and its subsidiaries (collectively, "KBR") is a global engineering, construction and services company supporting the energy, petrochemicals, government services, industrial and civil infrastructure sectors. Headquartered in Houston, Texas, we offer a wide range of services through our Hydrocarbons, Infrastructure, Government and Power ("IGP"), Services and Other business segments. See Note 5 for additional financial information about our reportable business segments.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules of the United States Securities and Exchange Commission ("SEC") for interim financial statements and do not include all annual disclosures required by accounting principles generally accepted in the United States ("U.S. GAAP"). These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed with the SEC. We believe that the presentation and disclosures herein are adequate to make the information not misleading, and the condensed consolidated financial statements reflect all normal adjustments that management considers necessary for a fair presentation of our consolidated results of operations, financial position and cash flows. Operating results for interim periods are not necessarily indicative of results to be expected for the full fiscal year 2011 or any other future periods.

The preparation of our condensed consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenue and costs during the reporting periods. Actual results could differ materially from those estimates. On an ongoing basis, we review our estimates based on information currently available, and changes in facts and circumstances may cause us to revise these estimates.

Our condensed consolidated financial statements include the accounts of majority-owned, controlled subsidiaries and variable interest entities where we are the primary beneficiary. The equity method is used to account for investments in affiliates in which we have the ability to exert significant influence over the affiliates' operating and financial policies. The cost method is used when we do not have the ability to exert significant influence. Intercompany accounts and transactions are eliminated.

Note 2. Income per Share

Basic income per share is based upon the weighted average number of common shares outstanding during the period. Dilutive income per share includes additional common shares that would have been outstanding if potential common shares with a dilutive effect had been issued, using the treasury stock method. A reconciliation of the number of shares used for the basic and diluted income per share calculations is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions of shares	2011	2010	2011	2010
Basic weighted average common shares outstanding	151	160	151	160
Dilutive effect of stock options and restricted shares	1	1	1	1
Diluted weighted average common shares outstanding	152	161	152	161

For purposes of applying the two-class method in computing earnings per share, net earnings allocable to participating securities was approximately $0.5 million for the three months ended June 30, 2011 and 2010, and approximately $1 million for the six months ended June 30, 2011 and 2010. The diluted earnings per share calculation did not include 0.7 million and 0.4 million anti-dilutive weighted average shares for the three and six months ended June 30, 2011, respectively. The diluted earnings per share calculation did not include 1.0 million and 1.4 million anti-dilutive weighted average shares for the three and six months ended June 30, 2010, respectively.

Note 3. Business Combinations and Other Transactions

Business Combinations

ENI Holdings, Inc. (the "Roberts & Schaefer Company"). On December 21, 2010, we completed the acquisition of 100% of the outstanding common shares of ENI Holdings, Inc. ("ENI"). ENI is the parent to the Roberts & Schaefer Company ("R&S"), a privately held, EPC services company for material handling and processing systems. Headquartered in Chicago, Illinois, R&S provides services and associated processing infrastructure to customers in the mining and minerals, power, industrial, refining, aggregates, precious and base metals industries. R&S' operating results are reported in our IGP segment.

The purchase price was $280 million plus preliminary net working capital of $17 million which included cash acquired of $8 million. The total net cash paid at closing of $289 million is subject to post-closing adjustments. The purchase price was subject to an initial escrowed holdback amount of $43 million to secure post-closing working capital adjustments, indemnification obligations of the sellers and other contingent obligations related to the operations of the business. During the first six months of 2011, we recorded an increase to goodwill of approximately $3 million primarily associated with additional purchase consideration payable to the seller based upon our estimates of post-closing working capital adjustments and final valuation of acquired intangible assets. As of June 30, 2011, approximately $27 million of holdbacks remained in escrow and subject to finalization of post-closing working capital adjustments, indemnification obligations and other contingent obligations.

Other Transactions

M.W. Kellogg Limited ("MWKL"). On December 31, 2010, we obtained control of the remaining 44.94% interest in our MWKL subsidiary located in the U.K for approximately £107 million subject to certain post-closing adjustments that we expect to finalize in the third quarter of 2011. The initial purchase price of $164 million was paid on January 5, 2011. In addition, we agreed to pay the former noncontrolling interest 44.94% of future proceeds collected on certain receivables owed to MWKL. Furthermore, the former noncontrolling interest agreed to indemnify us for 44.94% of certain MWKL liabilities to be settled and paid in the future. As of June 30, 2011, we had a net liability of approximately $20 million classified on our balance sheet as "Obligation to former noncontrolling interest" reflecting our estimate of 44.94% of future proceeds from certain receivables owed to MWKL.

LNG Joint Venture. On January 5, 2011, we sold our 50% interest in a joint venture to our joint venture partner for approximately $22 million. The joint venture was formed to execute an EPC contract for construction of an LNG plant in Indonesia which is nearing completion. We recognized a gain on the sale of our interest of approximately $8 million which is included in "Equity in earnings of unconsolidated affiliates, net" in our condensed consolidated income statement for the six months ended June 30, 2011.

Note 4. Percentage-of-Completion Contracts

Unapproved claims

The amounts of unapproved claims and change orders included in determining the profit or loss on contracts and recorded in current and non-current unbilled receivables on uncompleted contracts are as follows:

Millions of dollars	June 30, 2011	December 31, 2010
Probable unapproved claims	$ 25	$ 19
Probable unapproved change orders	4	10
Probable unapproved change orders related to unconsolidated subsidiaries	—	3

As of June 30, 2011, the probable unapproved claims related to several completed projects. Contracts with probable unapproved claims that will likely not be settled within one year totaled $20 million at June 30, 2011, and $19 million at December 31, 2010, and are reflected as a non-current asset in "Noncurrent unbilled receivables on uncompleted contracts" in our condensed consolidated balance sheets. Other probable unapproved claims and change orders that we believe will be settled within one year, have been recorded as a current asset in "Unbilled receivables on uncompleted contracts" in our condensed consolidated balance sheets. See Note 7 for a discussion of U.S. government contract claims, which are not included in the table above.

PEMEX Arbitration. In 1997 and 1998 we entered into three contracts with PEMEX, the project owner, to build offshore platforms, pipelines and related structures in the Bay of Campeche offshore Mexico. The three contracts were known as Engineering, Procurement and Construction ("EPC") 1, EPC 22 and EPC 28. All three projects encountered significant schedule delays and increased costs due to problems with design work, late delivery and defects in equipment, increases in scope and other changes. PEMEX took possession of the offshore facilities of EPC 1 in March 2004 after having achieved oil production but prior to our completion of our scope of work pursuant to the contract.

We filed for arbitration with the International Chamber of Commerce ("ICC") in 2004 claiming recovery of damages of $323 million for the EPC 1 project. PEMEX subsequently filed counterclaims totaling $157 million. In December 2009, the ICC ruled in our favor and we were awarded a total of approximately $351 million including legal and administrative recovery fees as well as interest. PEMEX was awarded approximately $6 million on counterclaims, plus interest on a portion of that sum. In connection with this award, we recognized a gain of $117 million net of tax in 2009. The arbitration award is legally binding and on November 2, 2010, we received a judgment in our favor in U.S. District Court for the Southern District of New York to recognize the award in the U.S. of approximately $356 million plus interest thereon until paid. PEMEX initiated an appeal and a stay to the U.S. Court of Appeals for the Second Circuit related to the enforcement of the judgment which was granted by the U.S. District Court and PEMEX was required to post collateral of $395 million with the court registry. We believe the likelihood of PEMEX receiving a favorable ruling on appeal is remote as U.S. courts have a strong record of recognizing and enforcing international arbitration awards.

PEMEX attempted to nullify the award in Mexico which was rejected by the Mexican trial court in June 2010. PEMEX then filed an "amparo" action on the basis that its constitutional rights had been violated which was denied by the Mexican court in October 2010. PEMEX subsequently appealed the adverse decision with the Collegiate Court in Mexico on the grounds that the arbitration tribunal did not have jurisdiction and that the award violated the public order of Mexico. These arguments were presented in the initial nullification and amparo actions and were rejected in both cases. We will respond to further efforts by PEMEX to nullify our award as may be required. Mexican courts have a solid record of enforcing arbitration awards and we believe it is likely that the amparo action will be denied. Additionally, we believe the facts and circumstances in our case suggest it is unlikely that a favorable decision to PEMEX in Mexico would affect the outcome of the U.S. appeal.

We were successful in litigating and collecting on valid international arbitration awards against PEMEX on the EPC 22 and EPC 28 projects during 2008. Additionally, PEMEX has sufficient assets in the U.S. which we believe we will be able to attach as a result of the recognition of the ICC arbitration award in the U.S. Although it is possible we could resolve and collect the amounts due from PEMEX in the next 12 months, we believe the timing of the collection of the award is uncertain and therefore, we have continued to classify the amount due from PEMEX as a long term receivable included in "Noncurrent unbilled receivable on uncompleted contracts" as of June 30, 2011. No adjustments have been made to our receivable balance since recognition of the initial award in 2009. Depending on the timing and amount ultimately settled with PEMEX, including interest, we could recognize an additional gain upon collection of the award.

Note 5. Business Segment Information

We provide a wide range of services, but the management of our business is heavily focused on major projects within each of our reportable segments. At any given time, a relatively few number of projects and joint ventures represent a substantial part of our operations. Our equity in earnings and losses of unconsolidated affiliates that are accounted for using the equity method of accounting is included in revenue of the applicable segment.

Operating segment performance is evaluated by our chief operating decision maker using operating segment income which is defined as operating segment revenue less the cost of services and segment overhead directly attributable to the operating segment. Intersegment revenues are eliminated from operating segment revenues. Operating segment income excludes certain cost of services directly attributable to the operating segment that is managed and reported at the corporate level, and corporate general and administrative expenses. Labor cost absorption represents costs incurred by our central service labor and resource groups (above)/under the amounts charged to the operating segments.

The table below presents information on our reportable business segments.

Millions of dollars	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Revenue:				
Hydrocarbons	$ 1,100	$ 1,004	$ 2,147	$ 1,926
Infrastructure, Government and Power	890	1,197	1,745	2,471
Services	445	452	842	867
Other	22	18	44	38
Total revenue	$ 2,457	$ 2,671	$ 4,778	$ 5,302
Operating segment income:				
Hydrocarbons	$ 121	$ 116	$ 220	$ 192
Infrastructure, Government and Power	72	105	133	151
Services	15	25	28	46
Other	13	4	25	13
Operating segment income	221	250	406	402
Unallocated amounts:				
Labor cost absorption	6	4	9	—
Corporate general and administrative	(58)	(55)	(102)	(104)
Total operating income	$ 169	$ 199	$ 313	$ 298

Note 6. Committed and Restricted Cash

Cash and equivalents include cash related to contracts in progress as well as cash held by our joint ventures that we consolidate for accounting purposes. Joint venture cash balances are limited to joint venture activities and are not available for other projects, general cash needs, or distribution to us without approval of the board of directors of the respective joint ventures. Cash held by our joint ventures that we consolidate for accounting purposes totaled approximately $212 million at June 30, 2011 and $136 million at December 31, 2010. We expect to use the cash on these projects to pay project costs.

Restricted cash consists of amounts held in deposit with certain banks to collateralize standby letters of credit. Our current restricted cash is included in “Other current assets” and our non-current restricted cash is included in “Other assets” on our condensed consolidated financial statements. Our restricted cash balances are presented in the table below:

Millions of dollars	June 30, 2011	December 31, 2010
Current restricted cash	$ 1	$ 11
Non-current restricted cash	1	10
Total restricted cash	$ 2	$ 21

Note 7. United States Government Contract Work

We provide substantial work under our government contracts to the United States Department of Defense and other governmental agencies. These contracts include our worldwide United States Army logistics contracts, known as LogCAP III and IV.

Given the demands of working in Iraq and elsewhere for the U.S. government, as discussed further below, we have disagreements and have experienced performance issues with the various government customers for which we work. When performance issues arise under any of our government contracts, the government retains the right to pursue remedies, which could include termination, under any affected contract. If any contract were so terminated, we may not receive award fees under the affected contract, and our ability to secure future contracts could be adversely affected, although we would receive payment for amounts owed for our allowable costs under cost-reimbursable contracts. Other remedies that could be sought by our government customers for any improper activities or performance issues include sanctions such as forfeiture of profits, suspension of payments, fines, and suspensions or debarment from doing business with the government. Further, the negative publicity that could arise from disagreements with our customers or sanctions as a result thereof could have an adverse effect on our reputation in the industry, reduce our ability to compete for new contracts, and may also have a material adverse effect on our business, financial condition, results of operations, and cash flow.

We have experienced and expect to be a party to various claims against us by employees, third parties, soldiers, subcontractors and others that have arisen out of our work in Iraq such as claims for wrongful termination, assaults against employees, personal injury claims by third parties and army personnel, and subcontractor claims. While we believe we conduct our operations safely, the environments in which we operate often lead to these types of claims. We believe the vast majority of these types of claims are governed by the Defense Base Act or precluded by other defenses. We have a dispute resolution program under which most employment claims are subject to binding arbitration. However, as a result of amendments to the Department of Defense Appropriations Act of 2010, certain types of employee claims cannot be compelled to binding arbitration. An unfavorable resolution or disposition of these matters could have a material adverse effect on our business, results of operations, financial condition and cash flow.

Award Fees

In accordance with the provisions of the LogCAP III contract, we recognize revenue on our services rendered on a task order basis based on either a cost-plus-fixed-fee or cost-plus-base-fee and award fee arrangement. Both fees are determined as a percentage rate applied to a negotiated estimate of the total costs for each task order. For task orders under an award fee arrangement, our customer is contractually obligated to periodically convene Award-Fee Boards, which are comprised of individuals who have been designated to assist the Award Fee Determining Official ("AFDO") in making award fee determinations. The amounts of award fees are determined at the sole discretion of the AFDO.

During the fourth quarter of 2009, we determined that we could no longer reliably estimate fees to be awarded by the AFDO and, accordingly, adjusted our accrual rate to 0%. Until such time as we are able to resume making reliable fee estimates on the LogCAP III contract, we will recognize award fees only when awarded. During the second quarter of 2010, we received an award fee of $60 million representing approximately 47% of the available award fee pool for the period of performance from May 2008 through August 2009 which we recorded as an increase to revenue in the second quarter of 2010. During the first quarter of 2011, we were awarded and recognized revenue of $16 million for award fees representing approximately 53% of the available award fee pool for the periods of performance from March 2010 through August 2010 on task orders in Iraq. We were awarded ratings of "very good" on these task orders. We expect to receive award fees in the third quarter of 2011 for the period of performance from September 2010 through February 2011 on task orders in Iraq. The anticipated available award fee pool associated with this period of performance is subject to final determination by our customer.

In August of 2010, we executed a contract modification to the LogCAP III contract on the base life support task order in Iraq that resulted in an increase to our base fee on costs incurred and an increase in the maximum award fee on negotiated costs for the period of performance from September 2010 through February 2011. During the first quarter of 2011, we finalized negotiations with our customer and converted the task order from cost-plus-base-fee and award fee to cost-plus-fixed-fee for the period of performance beginning in March 2011. We recognize revenues for the fixed-fee component on the basis of proportionate performance as services are performed.

Government Compliance Matters

The negotiation, administration, and settlement of our contracts with the U.S. Government, consisting primarily of Department of Defense contracts, are subject to audit by the Defense Contract Audit Agency ("DCAA"), which serves in an advisory role to the Defense Contract Management Agency ("DCMA") which is responsible for the administration of our contracts. The scope of these audits include, among other things, the allowability, allocability, and reasonableness of incurred costs, approval of annual overhead rates, compliance with the Federal Acquisition Regulation ("FAR") and Cost Accounting Standards ("CAS"), compliance with certain unique contract clauses, and audits of certain aspects of our internal control systems. Issues identified during these audits are typically discussed and reviewed with us, and certain matters are included in audit reports issued by the DCAA, with its recommendations to our customer's administrative contracting officer ("ACO"). We attempt to resolve all issues identified in audit reports by working directly with the DCAA and the ACO. When agreement cannot be reached, DCAA may issue a Form 1, "Notice of Contract Costs Suspended and/or Disapproved," which recommends withholding the previously paid amounts or it may issue an advisory report to the ACO. KBR is permitted to respond to these documents and provide additional support. At June 30, 2011, open Form 1's from the DCAA recommending suspension of payments totaling approximately $360 million associated with our contract costs incurred in prior years, of which approximately $162 million has been withheld from our current billings. As a consequence, for certain of these matters, we have withheld approximately $78 million from our subcontractors under the payment terms of those contracts. In addition, we have outstanding demand letters received from our customer requesting that we remit a total of $83 million of disapproved costs for which we do not believe we have a legal obligation to pay. We continue to work with our ACO's, the DCAA and our subcontractors to resolve these issues. However, for certain of these matters, we have filed claims with the Armed Services Board of Contract Appeals ("ASBCA") or the United States Court of Federal Claims ("U.S. COFC").

KBR excludes from billings to the U.S. Government costs that are unallowable, expressly unallowable, or mutually agreed to be unallowable, or not allocable to government contracts per applicable regulations. Revenue recorded for government contract work is reduced at the time we identify and estimate potentially refundable costs related to issues that may be categorized as disputed or unallowable as a result of cost overruns or the audit process. Our estimates of potentially unallowable costs are based upon, among other things, our internal analysis of the facts and circumstances, terms of the contracts and the applicable provisions of the FAR and CAS, quality of supporting documentation for costs incurred, and subcontract terms as applicable. From time to time, we engage outside counsel to advise us on certain matters in determining whether certain costs are allowable. We also review our analysis and findings with the ACO as appropriate. In some cases, we may not reach agreement with the DCAA or the ACO regarding potentially unallowable costs which may result in our filing of claims in various courts such as the ASBCA or the U.S. COFC. We only include amounts in revenue related to disputed and potentially unallowable costs when we determine it is probable that such costs will result in the collection of revenue. We generally do not recognize additional revenue for disputed or potentially unallowable costs for which revenue has been previously reduced until we reach agreement with the DCAA and/or the ACO that such costs are allowable.

Certain issues raised as a result of contract audits and other investigations are discussed below.

Private Security. In 2007, we received a Form 1 from the Department of the Army informing us of their intent to adjust payments under the LogCAP III contract associated with the cost incurred for the years 2003 through 2006 by certain of our subcontractors to provide security to their employees. Based on that notice, the Army withheld its initial assessment of $20 million. The Army based its initial assessment on one subcontract wherein, based on communications with the subcontractor, the Army estimated 6% of the total subcontract costs related to the private security. The Army previously indicated that not all task orders and subcontracts had been reviewed and that they may make additional adjustments. We subsequently received Form 1's from the DCAA disapproving an additional $83 million of costs incurred by us and our subcontractors to provide security during the same periods. Since that time, the Army withheld an additional $25 million in payments from us bringing the total payments withheld to approximately $45 million as of June 30, 2011 out of the Form 1's issued to date of $103 million.

The Army indicated that they believe our LogCAP III contract prohibits us and our subcontractors from billing costs of privately acquired security. We believe that, while the LogCAP III contract anticipates that the Army will provide force protection to KBR employees, it does not prohibit us or any of our subcontractors from using private security services to provide force protection to KBR or subcontractor personnel. In addition, a significant portion of our subcontracts are competitively bid fixed price subcontracts. As a result, we do not receive details of the subcontractors' cost estimate nor are we legally entitled to it. Further, we have not paid our subcontractors any additional compensation for security services. Accordingly, we believe that we are entitled to reimbursement by the

Army for the cost of services provided by us or our subcontractors, even if they incurred costs for private force protection services. Therefore, we do not agree with the Army's position that such costs are unallowable and that they are entitled to withhold amounts incurred for such costs.

We have provided at the Army's request information that addresses the use of armed security either directly or indirectly charged to LogCAP III. In 2007, we filed a complaint in the ASBCA to recover $44 million of the amounts withheld from us. Discovery is currently pending various motions from both parties and no hearing date has been scheduled. We believe these sums were properly billed under our contract with the Army. At this time, we believe the likelihood that a loss related to this matter has been incurred is remote. We have not adjusted our revenues or accrued any amounts related to this matter. This matter is also the subject of a separate claim filed by the Department of Justice ("DOJ") for alleged violation of the False Claims Act as discussed further below under the heading "Investigations, Qui Tams and Litigation."

Containers. In June 2005, the DCAA recommended withholding certain costs associated with providing containerized housing for soldiers and supporting civilian personnel in Iraq. The DCMA agreed that the costs be withheld pending receipt of additional explanation or documentation to support the subcontract costs. We have not received a final determination by the DCMA and, as requested, we continue to provide information to the DCMA. During the first quarter of 2011, we received a Form 1 from the DCAA disapproving approximately $25 million in costs related to containerized housing that had previously been deemed allowable. As of June 30, 2011, approximately $51 million of costs have been suspended under Form 1's of which $26 million have been withheld from us by our customer. We have withheld $30 million from our subcontractor related to this matter. In April 2008, we filed a counterclaim in arbitration against our LogCAP III subcontractor, First Kuwaiti Trading Company, to recover the $51 million we paid to the subcontractor for containerized housing as further described under the caption First Kuwaiti Trading Company arbitration below. During the first quarter of 2011, we filed a complaint to the ASBCA to recover the $51 million of the amounts withheld from us by our customer. We believe that the costs incurred associated with providing containerized housing are reasonable and we intend to vigorously defend ourselves in this matter. We do not believe that we face a risk of significant loss from any disallowance of these costs in excess of the amounts we have withheld from subcontractors and the loss accruals we have recorded. At this time, we believe the likelihood that a loss in excess of the amount accrued for this matter is remote.

Dining facilities. In 2006, the DCAA raised questions regarding our billings and price reasonableness of costs related to dining facilities in Iraq. We responded to the DCMA that our costs are reasonable. As of June 30, 2011, we have outstanding Form 1's from the DCAA disapproving $143 million in costs related to these dining facilities until such time we provide documentation to support the price reasonableness of the rates negotiated with our subcontractor and demonstrate that the amounts billed were in accordance with the contract terms. In 2009, we believe the prices obtained for these services were reasonable and intend to vigorously defend ourselves on this matter. We filed claims in the U.S. COFC to recover $54 million of the $82 million withheld from us by the customer. The claims proceedings are in the discovery process and a trial date has been set for October 2011. With respect to questions raised regarding billing in accordance with contract terms, as of June 30, 2011, we believe it is reasonably possible that we could incur losses in excess of the amount accrued for possible subcontractor costs billed to the customer that were possibly not in accordance with contract terms. However, we are unable to estimate an amount of possible loss or range of possible loss in excess of the amount accrued related to any costs billed to the customer that were not in accordance with the contract terms. We believe the prices obtained for these services were reasonable, we intend to vigorously defend ourselves in this matter and we do not believe we face a risk of significant loss from any disallowance of these costs in excess of amounts withheld from subcontractors. As of June 30, 2011, we had withheld $38 million in payments from our subcontractors pending the resolution of these matters with our customer.

In 2009, one of our subcontractors, Tamimi, filed for arbitration in the U.S. Federal Court in the Southern District of Texas to recover approximately $35 million for payments we have withheld from them pending the resolution of the Form 1's with our customer. The arbitration was held under the rules of the London Court of International Arbitration in London, England. In December 2010, the arbitration panel ruled that the subcontract terms were not sufficient to hold retention from Tamimi for price reasonableness matters and awarded the subcontractor $38 million including interest thereon and certain legal costs. As noted above, we have claims pending in the U.S. COFC to recover these amounts from the U.S. government and we believe it is probable that we will recover such amounts. Additionally, in March 2011, the U.S. government filed a counterclaim alleging KBR employees accepted bribes from Tamimi in exchange for awarding a master agreement for DFAC services to Tamimi. The government seeks disgorgement of all funds paid to KBR under the master agreement as well as all award fees paid to KBR under the related task orders. We have evaluated the government's counterclaim and believe it to be without merit. Trial for the claims in the U.S. COFC is scheduled to begin in October 2011.

Transportation costs. In 2007, the DCAA, raised a question about our compliance with the provisions of the Fly America Act. During the first quarter of 2011, we received a Form 1 from the DCAA totaling $6 million for alleged violations of the Fly America Act in 2004. Subject to certain exceptions, the Fly America Act requires Federal employees and others performing U.S. Government-financed foreign air travel to travel by U.S. flag air carriers. There are times when we transported personnel in connection with our services for the U.S. military where we may not have been in compliance with the Fly America Act and its interpretations through the Federal Acquisition Regulations and the Comptroller General. Included in our June 30, 2011 and December 31, 2010 accompanying balance sheets, is an accrued estimate of the cost incurred for these potentially non-compliant flights. The DCAA may consider additional flights to be noncompliant resulting in potential larger amounts of disallowed costs than the amount we have accrued. At this time, we cannot estimate a range of reasonably possible losses that may have been incurred, if any, in excess of the amount accrued. We will continue to work with our customer to resolve this matter.

In the first quarter of 2011, we received a Form 1 form the DCAA disapproving certain personnel replacement costs totaling approximately $27 million associated with replacing employees who were deployed in Iraq and Afghanistan for less than 179 days. The DCAA claims these replacement costs violate the terms of the LogCAP III contract which expressly disallow certain costs associated with the contractor rotation of employees who have deployed less than 179 days including costs for transportation, lodging, meals, orientation and various forms of per diem allowances. We disagree with the DCAA's interpretation and application of the contract terms as it was applied to circumstances outside of our control including sickness, death, termination for cause or resignation and that such costs should be allowable. We believe the risk of loss associated with the disallowance of these costs is remote. As of June 30, 2011, we had not accrued any amounts related to this matter.

Construction services. From February 2009 through September 2010, we received eight Form 1's from the DCAA disapproving approximately $25 million in costs related to work performed under our CONCAP III contract with the U.S. Navy to provide emergency construction services primarily to Government facilities damaged by Hurricanes Katrina and Wilma. The DCAA claims the costs billed to the U.S. Navy primarily related to subcontract costs that were either inappropriately bid, included unallowable profit markup or were unreasonable. In April 2010, we met with the U.S. Navy in an attempt to settle the potentially unallowable costs. As a result of the meeting, approximately $7 million of the potentially unallowable costs was agreed to be allowable and approximately $1 million unallowable. Settlement of the remaining disputed amounts is pending further discussions with the customer regarding the applicable provisions of the FAR and interpretations thereof, as well as providing additional supporting documentation to the customer. As of June 30, 2011, the U.S. Navy has withheld approximately $9 million from us. We believe we undertook adequate and reasonable steps to ensure that proper bidding procedures were followed and the amounts billed to the customer were reasonable and not in violation of the FAR. As of June 30, 2011, we have accrued our estimate of probable loss related to this matter; however, it is reasonably possible we could incur additional losses.

Investigations and Litigation

The following matters relate to ongoing litigation or investigations involving U.S. government contracts.

McBride Qui Tam suit. In September 2006, we became aware of a qui tam action filed against us in the U.S. District Court in the District of Columbia by a former employee alleging various wrongdoings in the form of overbillings of our customer on the LogCAP III contract. This case was originally filed pending the government's decision whether or not to participate in the suit. In June 2006, the government formally declined to participate. The principal allegations are that our compensation for the provision of Morale, Welfare and Recreation ("MWR") facilities under LogCAP III is based on the volume of usage of those facilities and that we deliberately overstated that usage. In accordance with the contract, we charged our customer based on actual cost, not based on the number of users. It was also alleged that, during the period from November 2004 into mid-December 2004, we continued to bill the customer for lunches, although the dining facility was closed and not serving lunches. There are also allegations regarding housing containers and our provision of services to our employees and contractors. On July 5, 2007, the court granted our motion to dismiss the qui tam claims and to compel arbitration of employment claims including a claim that the plaintiff was unlawfully discharged. The majority of the plaintiff's claims were dismissed but the plaintiff was allowed to pursue limited claims pending discovery and future motions. Substantially all employment claims were sent to arbitration under the Company's dispute resolution program and were subsequently resolved in our favor. In January 2009, the relator filed an amended complaint which is nearing completion of the discovery process. Trial for this matter is expected in 2011. We believe the relator's claim is without merit and that the likelihood that a loss has been incurred is remote. As of June 30, 2011, no amounts have been accrued.

First Kuwaiti Trading Company arbitration. In April 2008, First Kuwaiti Trading Company, one of our LogCAP III subcontractors, filed for arbitration of a subcontract under which KBR had leased vehicles related to work performed on our LogCAP III contract. The FKTC arbitration is being conducted under the rules of the London Court on International Arbitration and the venue is in the District of Columbia. First Kuwaiti alleged that we did not return or pay rent for many of the vehicles and seeks damages in the amount of $134 million. We filed a counterclaim to recover amounts which may ultimately be determined due to the Government for the $51 million in suspended costs as discussed in the preceding section of this footnote titled "Containers." Three arbitration hearings took place in 2010 in Washington, D.C. primarily related to claims involving unpaid rents and damages on lost or unreturned vehicles totaling approximately $77 million. The arbitration panel awarded $7 million to FKTC plus an unquantified amount for repair costs on certain vehicles, damages suffered as a result of late vehicle returns, and interest thereon, to be determined at a later date. No payments are expected to occur until all claims are arbitrated and awards finalized. We believe any damages ultimately awarded to First Kuwaiti will be billable under the LogCAP III contract. Accordingly, we have accrued amounts payable and a related unbilled receivable for the amounts awarded to First Kuwaiti pursuant to the terms of the contract.

Paul Morell, Inc. d/b/a The Event Source vs. KBR, Inc. TES is a former LogCAP III subcontractor who provided DFAC services at six sites in Iraq from mid-2003 to early 2004. In February 2008, TES sued KBR in Federal Court in Virginia for breach of contract and tortious interference with TES's subcontractors by awarding subsequent DFAC contracts to the subcontractors. In addition, the Government withheld funds from KBR that KBR had submitted for reimbursement of TES invoices, and at that time, TES agreed that it was not entitled to payment until KBR was paid by the Government. Eventually KBR and the Government settled the dispute, and in turn KBR and TES agreed that TES would accept, as payment in full with a release of all other claims, the amount the Government paid to KBR for TES's services. In February 2008, TES filed a suit in the Federal Court in Virginia to overturn that settlement and release, claiming that KBR misrepresented the facts. The trial was completed in June 2009 and in January 2010, the Federal Court issued an order against us in favor of TES in the amount of $15 million in actual damages and interest and $4 million in punitive damages relating to the settlement and release entered into by the parties in May 2005. As of June 30, 2011 and December 31, 2010, we have recorded un-reimbursable expenses and a liability of $20 million for the full amount of the awarded damages. In February 2010, we filed a notice of appeal with the Federal Fourth Circuit Court of Appeals in Richmond, Virginia which is set for argument in September 2011.

Electrocution litigation. During 2008, a lawsuit was filed against KBR in the Allegheny County Common Pleas Court alleging that the Company was responsible for an electrical incident which resulted in the death of a soldier. This incident occurred at the Radwaniyah Palace Complex. It is alleged in the suit that the electrocution incident was caused by improper electrical maintenance or other electrical work. We intend to vigorously defend this matter. KBR denies that its conduct was the cause of the event and denies legal responsibility. The case was removed to Federal Court where motion to dismiss was filed. The court issued a stay in the discovery of the case, pending an appeal of certain pre-trial motions to dismiss that were previously denied. In August 2010, the Court of Appeal dismissed our appeal concluding it did not have jurisdiction. The case is currently proceeding with the discovery process. We are unable to determine the likely outcome nor can we estimate a range of potential loss, if any, related to this matter at this time. As of June 30, 2011, no amounts have been accrued.

Burn Pit litigation. From November 2008 through February 2011, KBR was served with over 50 lawsuits in various states alleging exposure to toxic materials resulting from the operation of burn pits in Iraq or Afghanistan in connection with services provided by KBR under the LogCAP III contract. Each lawsuit has multiple named plaintiffs who purport to represent a large class of unnamed persons. The lawsuits primarily allege negligence, willful and wanton conduct, battery, intentional infliction of emotional harm, personal injury and failure to warn of dangerous and toxic exposures which has resulted in alleged illnesses for contractors and soldiers living and working in the bases where the pits are operated. All of the pending cases have been removed to Federal Court, the majority of which have been consolidated for multi-district litigation treatment. In March 2010, we filed a motion to strike an amended consolidated petition filed by the plaintiffs which was granted by the Court in September 2010. The Court directed the parties to propose a plan for limited jurisdictional discovery. In December 2010, the Court stayed virtually all proceedings pending a decision from the Fourth Circuit Court of Appeals on three other cases involving the Political Question Doctrine and other jurisdictional issues. We intend to vigorously defend these matters. Due to the inherent uncertainties of litigation and because the litigation is at a preliminary stage, we cannot at this time accurately predict the ultimate outcome nor can we reliably estimate a range of possible loss, if any, related to this matter at this time. Accordingly, as of June 30, 2011, no amounts have been accrued.

Convoy Ambush litigation. In April 2004, a fuel convoy in route from Camp Anaconda to Baghdad International Airport for the U.S. Army under our LogCAP III contract was ambushed resulting in deaths and severe injuries to truck drivers hired by KBR. In 2005, survivors of the drivers killed and those that were injured in the convoy, filed suit in state court in Houston, Texas against KBR and several of its affiliates, claiming KBR deliberately intended that the drivers in the convoy would be attacked and wounded or killed. The suit also alleges KBR committed fraud in its hiring practices by failing to disclose the dangers associated with working in the Iraq combat zone. The case was removed to Federal Court in Houston, Texas where KBR filed various motions to dismiss. In September 2006, the case was dismissed based upon the court's ruling that it lacked jurisdiction because the case presented a non-justiciable political question. The plaintiffs appealed the dismissals to the Fifth Circuit Court of Appeals in New Orleans, Louisiana and in May 2008, the court reversed and remanded the remaining cases to trial court in Houston, Texas for discovery proceedings. Thereafter, the Trial Court in Houston, Texas directed the parties to conduct full substantive discovery.

In July and August 2009, KBR re-filed motions to dismiss in the trial court including the re-submittal of dispositive motions on the Defense Base Act and Political Question Doctrine, and the Combatant Activities Exception to the Federal Tort Claims Act. In January and February 2010, the trial court denied our motions to dismiss based on the Political Question Doctrine and other defenses but granted portions of our motion to dismiss under the Defense Base Act. In March 2010, we filed appeals on all dispositive motions that were previously denied with the Fifth Circuit Court of Appeals and moved to stay all proceedings in the trial court pending the resolution of these appeals. The cases were removed from the trial docket and a stay was entered. In September 2010, the DOJ filed a brief in support of KBR's position that the cases should be dismissed in their entirety based upon the exclusivity provisions in the Defense Base Act. The Fifth Circuit Court of Appeals heard oral arguments on all issues in New Orleans, Louisiana on July 7, 2011. The DOJ argued in favor of KBR's position on the proposition that the Defense Base Act exclusivity provisions should require dismissal of all claims. Currently, the trial court proceedings continue to be stayed pending a ruling on the appeal which is expected in the second half of 2011.We are unable to determine the likely outcome of these cases at this time nor can we reliable estimate a range of possible loss, if any. Accordingly, as of June 30, 2011, no amounts have been accrued.

DOJ False Claims Act complaint. In April 2010, the DOJ filed a complaint in the U.S. District Court in the District of Columbia alleging certain violations of the False Claims Act related to the use of private security firms. The complaint alleges, among other things, that we made false or fraudulent claims for payment under the LogCAP III contract because we allegedly knew that they contained costs of services for or that included improper use of private security. We believe these sums were properly billed under our contract with the Army and that the use of private security was not prohibited under LogCAP III. We have filed motions to dismiss the complaint which are currently pending. We have not adjusted our revenues or accrued any amounts related to this matter.

Other Matters

Claims. Included in receivables in our condensed consolidated balance sheets are unapproved claims for costs incurred under various government contracts totaling $149 million at June 30, 2011 of which $121 million is included in "Accounts receivable" and $28 million is included in "Unbilled receivables on uncompleted contracts." Unapproved claims relate to contracts where our costs have exceeded the customer's funded value of the task order. The $121 million of unapproved claims included in Accounts receivable results primarily from de-obligated funding on certain task orders that were also subject to Form 1's relating to certain DCAA audit issues discussed above. We believe such disputed costs will be resolved in our favor at which time the customer will be required to obligate funds from appropriations for the year in which resolution occurs. The remaining unapproved claims balance of approximately $28 million primarily represents costs for which incremental funding is pending in the normal course of business. The majority of costs in this category are normally funded within several months after the costs are incurred. The unapproved claims outstanding at June 30, 2011 are considered to be probable of collection and have been previously recognized as revenue.

Note 8. Other Commitments and Contingencies

Foreign Corrupt Practices Act ("FCPA") investigations

In February 2009, KBR LLC entered a guilty plea to violations of the FCPA in the United States District Court, Southern District of Texas, Houston Division (the "Court"), related to the Bonny Island investigation. KBR LLC pled guilty to one count of conspiring to violate the FCPA and four counts of violating the FCPA, all arising from the intent to bribe various Nigerian government officials through commissions paid to agents working on behalf of TSKJ on the Bonny Island project. The plea agreement reached with the DOJ resolved all criminal charges in the DOJ's investigation and called for the payment of a criminal penalty of $402 million, of which Halliburton was obligated to pay $382 million under the terms of the Master Separation Agreement ("MSA"), while we were obligated to pay $20 million. We also agreed to a period of organizational probation of three years, during which we retain a monitor who assesses our compliance with the plea agreement and evaluates our FCPA compliance program over the three year period, with periodic reports to the DOJ. In addition, we settled a civil enforcement action by the SEC which called for Halliburton and KBR, jointly and severally, to make payments totaling $177 million, all of which was payable by Halliburton pursuant to the indemnification under the MSA. As of December 31, 2010, all criminal and civil penalties to the DOJ and SEC were paid.

In addition to the DOJ and SEC investigations, the U.K. Serious Fraud Office ("SFO") conducted an investigation of activities by current and former employees of M. W. Kellogg Limited ("MWKL") regarding the Bonny Island project. During the investigation, MWKL self-reported to the SFO its corporate liability for corruption-related offenses arising out of the Bonny Island project and entered into a plea negotiation process under the "Attorney General's Guidelines on Plea Discussions in Cases of Serious and Complex Fraud" issued by the Attorney General for England and Wales. In February 2011, MWKL reached a settlement with the SFO in which the SFO accepted that MWKL was not party to any unlawful conduct and assessed a civil penalty of approximately $11 million including interest and reimbursement of certain costs of the investigation. The settlement terms included a full release of all claims against MWKL, its current and former parent companies, subsidiaries and other related parties including their respective current or former officers, directors and employees with respect to the Bonny Island project. As of December 31, 2010, we recorded a liability to the SFO of $11 million included in "Other current liabilities" in our consolidated balance sheet which was paid during the first quarter of 2011. Due to the indemnity from Halliburton under the MSA, we recognized a receivable from Halliburton of approximately $6 million in "Due to former parent, net" in our consolidated balance sheet at December 31, 2010 which was paid by Halliburton in the second quarter of 2011.

In addition, Halliburton settled corruption allegation claims asserted by the Federal Government of Nigeria in late 2010. The settlement provided a complete release to KBR and all of its affiliates and related companies in connection with any liability for matters related to the Bonny Island project in Nigeria.

Under the terms of the MSA, Halliburton has agreed to indemnify us, and any of our greater than 50%-owned subsidiaries, for our share of fines or other monetary penalties or direct monetary damages, including disgorgement, as a result of claims 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 FCPA and related corruption allegations, which could involve Halliburton and us through The M. W. Kellogg Company, MWKL, or their or our joint ventures in projects both in and outside of Nigeria, including the Bonny Island, Nigeria project. Halliburton's indemnity will not apply to any other losses, claims, liabilities or damages assessed against us as a result of or relating to FCPA matters and related corruption allegations or 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, in which we do not have an interest greater than 50%.

With the settlement of the DOJ, SEC, SFO and Nigerian investigations, all known investigations in the Bonny Island project have been concluded. We are not aware of any other corruption allegations against us by governmental authorities in foreign jurisdictions.

Commercial Agent Fees

We have, both before and after the separation from our former parent, used commercial agents on some of our large-scale international projects to assist in understanding customer needs, local content requirements, vendor selection criteria and processes and in communicating information from us regarding our services and pricing. Prior to separation, it was identified by our former parent in performing its investigation of anti-corruption activities that certain of these agents may have engaged in activities that were in violation of anti-corruption laws at that time and the terms of their agent agreements with us. Accordingly, we ceased the receipt of services from and payment of fees to these agents. Fees for these agents are included in the total estimated cost for these projects at their completion. In connection with actions taken by U.S. Government authorities, we have removed certain unpaid agent fees from the total estimated costs in the period that we obtained sufficient evidence to conclude such agents violated the terms of their contracts with us. In the first quarter of 2011, we reduced project cost estimates for the remaining unpaid agent fees on the Bonny Island project which resulted in an increase of $4 million to operating income in our condensed consolidated statements of income.

Barracuda-Caratinga Project Arbitration

In June 2000, we entered into a contract with Barracuda & Caratinga Leasing Company B.V., the project owner, to develop the Barracuda and Caratinga crude oilfields, which are located off the coast of Brazil. Petrobras is a contractual representative that controls the project owner. In November 2007, we executed a settlement agreement with the project owner to settle all outstanding project issues except for the bolts arbitration discussed below.

At Petrobras' direction, we replaced certain bolts located on the subsea flowlines that failed through mid-November 2005, and we understand that additional bolts failed thereafter, which were replaced by Petrobras. These failed bolts were identified by Petrobras when it conducted inspections of the bolts. In March 2006, Petrobras notified us they submitted this matter to arbitration claiming $220 million plus interest for the cost of monitoring and replacing the defective stud bolts and, in addition, all of the costs and expenses of the arbitration including the cost of attorneys' fees. The arbitration is being conducted in New York under the guidelines of the United Nations Commission on International Trade Law ("UNCITRAL"). Petrobras contends that all of the bolts installed on the project are defective and must be replaced.

In 2009, we received an unfavorable ruling from the arbitration panel on the legal and factual issues as the panel decided the original design specification for the bolts originated with KBR and its subcontractors. The ruling concluded that KBR's express warranties in the contract regarding the fitness for use of the design specifications for the bolts took precedence over any implied warranties provided by the project owner. Our potential exposure includes the costs of the bolts replaced to date by Petrobras, any incremental monitoring costs incurred by Petrobras and damages for any other bolts that are subsequently found to be defective. We believe that it is probable that we have incurred some liability in connection with the replacement of bolts that have failed during the contract warranty period which expired June 30, 2006. In May 2010, the arbitration tribunal heard arguments from both parties regarding various damage scenarios and estimates of the amount of KBR's overall liability in this matter. The final arbitration arguments were made in August of 2010. Based on the damage estimates presented at this hearing, we estimate our minimum exposure, excluding interest, to be approximately $12 million representing our estimate for replacement of bolts that failed during the warranty period and were not replaced. As of June 30, 2011 and December 31, 2010, we have recorded a liability of $12 million to Petrobras for the failed bolts included in "Other current liabilities." We also have recorded an indemnification receivable from Halliburton of $12 million pursuant to the indemnification under the MSA included in "Other current assets." The amount of any remaining liability will be dependent upon the legal and factual issues to be determined by the arbitration tribunal in the final arbitration hearings. For the remaining bolts at dispute, we cannot determine that we have liability nor determine the amount of any such liability and no additional amounts have been accrued.

Any liability incurred by us in connection with the replacement of bolts that have failed to date or related to the remaining bolts at dispute in the bolt arbitration is covered by an indemnity from our former parent Halliburton. Under the MSA, Halliburton has agreed to indemnify us and any of our greater than 50%-owned subsidiaries as of November 2006, for all out-of-pocket cash costs and expenses (except for ongoing legal costs), or cash settlements or cash arbitration awards in lieu thereof, we may incur after the effective date of the MSA as a result of the replacement of the subsea flowline bolts installed in connection with the Barracuda-Caratinga project. As of June 30, 2011, we are not aware of any uncertainties related to the indemnity from Halliburton or any material limitations on our ability to recover amounts due to us for matters covered by the indemnity from Halliburton. We do not believe any outcome of this matter will have a material adverse impact to our operating results or financial position.

Environmental

We are subject to numerous environmental, legal, and regulatory requirements related to our operations worldwide. In the United States, these laws and regulations include, among others: the Comprehensive Environmental Response, Compensation, and Liability Act; the Resources Conservation and Recovery Act; the Clean Air Act; the Federal Water Pollution Control Act; and the Toxic Substances Control Act. In addition to federal and state laws and regulations, other countries where we do business often have numerous environmental regulatory requirements by which we must abide in the normal course of our operations. These requirements apply to our business segments where we perform construction and industrial maintenance services or operate and maintain facilities.

We continue to monitor site conditions and until further information is available, we are only able to estimate a possible range of remediation costs. These locations were primarily utilized for manufacturing or fabrication work and are no longer in operation. The use of these facilities created various environmental issues including deposits of metals, volatile and semi-volatile compounds, and hydrocarbons impacting surface and subsurface soils and groundwater. The range of remediation costs could change depending on our ongoing site analysis and the timing and techniques used to implement remediation activities. We do not expect costs related to environmental matters will have a material adverse effect on our condensed consolidated financial position or results of operations. Based on the information presently available to us, we have accrued approximately $7 million for the assessment and remediation costs associated with all environmental matters, which represents the low end of the range of possible costs that could be as much as $13 million.

We have been named as a potentially responsible party ("PRP") in various clean-up actions taken by federal and state agencies in the U.S. Based on the early stages of these actions, we are unable to determine whether we will ultimately be deemed responsible for any costs associated with these actions and accordingly, no amounts have been accrued for potential liabilities.

Letters of credit

In connection with certain projects, we are required to provide letters of credit or surety bonds to our customers. Letters of credit are provided to customers in the ordinary course of business to guarantee advance payments from certain customers, support future joint venture funding commitments and to provide performance and completion guarantees on engineering and construction contracts. We have $1.8 billion in committed and uncommitted lines of credit to support letters of credit and as of June 30, 2011, we had utilized $586 million of our credit capacity for letters of credit. The letters of credit outstanding included $261 million issued under our Revolving Credit Facility and $325 million issued under uncommitted bank lines as of June 30, 2011. Surety bonds are also posted under the terms of certain contracts primarily related to state and local government projects to guarantee our performance.

Liquidated damages

Many of our engineering and construction contracts have milestone due dates that must be met or we may be subject to penalties for liquidated damages if claims are asserted and we were responsible for the delays. These generally relate to specified activities that must be met within a project by a set contractual date or achievement of a specified level of output or throughput of a plant we construct. Each contract defines the conditions under which a customer may make a claim for liquidated damages. However, in some instances, liquidated damages are not asserted by the customer, but the potential to do so is used in negotiating claims and closing out the contract.

Based upon our evaluation of our performance and other legal analysis, we have not accrued for possible liquidated damages related to several projects totaling $19 million at June 30, 2011 and $20 million at December 31, 2010 (including amounts related to our share of unconsolidated subsidiaries), that we could incur based upon completing the projects as currently forecasted.

Transactions with Former Parent

As of June 30, 2011, "Due to former parent, net" was approximately $53 million and was comprised primarily of amounts owed to Halliburton under the tax sharing agreement for estimated income taxes, net of receivables due from Halliburton under the MSA. Our estimate of amounts due to Halliburton under the tax sharing agreement was approximately $45 million at June 30, 2011 and relates to income taxes primarily for the years from 2001 through 2006. Although we believe we have appropriately accrued for these amounts owed to Halliburton, there may be differences of interpretation between us and Halliburton regarding the terms of the tax sharing agreement which may result in changes to the amounts ultimately paid to or received from Halliburton for income taxes at the time of settlement. Under the MSA, Halliburton agreed to indemnify us for certain penalties and fines, including reimbursement of certain legal fees, associated with matters existing at the date of our separation from Halliburton. The remaining balance as of June 30, 2011 is associated with various other amounts payable to or receivable from Halliburton resulting from our separation in 2007 which we will continue to evaluate prior to final settlement with Halliburton.

Included in "Other assets" is an income tax receivable of approximately $18 million related to a foreign tax credit generated prior to our split-off from Halliburton in 2007. The receivable will be collected from Halliburton after Halliburton receives the refund from an amended tax return that was filed in the second quarter of 2011.

As discussed above under "Barracuda-Caratinga Project Arbitration," we have recorded a indemnification receivable due from Halliburton of approximately $12 million associated with our estimated liability in the bolts matter which is included in "Other current assets."

Other

We had commitments to provide funds to our privately financed projects of $30 million as of June 30, 2011 and $33 million as of December 31, 2010. Commitments to fund these projects are supported by letters of credit as described above. At June 30, 2011, approximately $17 million of the $30 million in commitments will become due within one year.

Note 9. Income Taxes

Our effective tax rate was approximately 24% for the three months ended June 30, 2011 and 20% for the six months ended June 30, 2011. Our effective tax rate for the three and six months ended June 30, 2011 was lower than the U.S. statutory rate of 35% due to favorable tax rate differentials on foreign earnings and lower tax expense on foreign income from unincorporated joint ventures. In addition, we recognized discrete tax benefits in the first six months of 2011 from the execution of tax planning strategies, the release of a tax reserve due to expiration of a statute and from the reduction of deferred tax liabilities recorded in prior periods as a result of changes in estimates of the tax liability that will be owed upon the planned liquidation of an Australian unconsolidated joint venture that is in receivership. The tax liability that will result from ultimate liquidation of the Australian joint venture is dependent upon the amount and timing of the debts to be discharged during the liquidation process. Although we do not control the process, we anticipate the joint venture will be liquidated in the second half of 2011. As a result, the deferred tax liabilities may be further adjusted based on actions taken by the administrator and timing of the wind-up and liquidation process. Our effective tax rate excluding discrete items was approximately 30% for the first six months of 2011.

Our 36% effective tax rate for the three and six months ended June 30, 2010 was higher than the U.S. statutory tax rate of 35% primarily due to discrete items charged to income tax expense related to increased tax accruals due to several items including Subpart F income and true-up of prior year foreign taxes.

Note 10. Shareholders' Equity

The following table summarizes our shareholders' equity activities during the six months ended June 30, 2011:

Millions of dollars	Total	KBR Shareholders: Paid-in Capital in Excess of par	KBR Shareholders: Retained Earnings	KBR Shareholders: Treasury Stock	KBR Shareholders: Accumulated Other Comprehensive Loss	Noncontrolling Interests
Balance at December 31, 2010	$2,204	$1,981	$1,157	(454)	$ (438)	$ (42)
Stock-based compensation	9	9	—	—	—	—
Common stock issued upon exercise of stock options	5	5	—	—	—	—
Tax benefit increase related to stock-based plans	3	3	—	—	—	—
Dividends declared to shareholders	(15)	—	(15)	—	—	—
Repurchases of common stock	(37)	—	—	(37)	—	—
Issuance of ESPP shares	2			2		
Distributions to noncontrolling interests	(46)	—	—	—	—	(46)
Comprehensive income components:						
Net income	244	—	205	—	—	39
Other comprehensive income, net of tax (provision):						
Net cumulative translation adjustment	(4)	—	—	—	(4)	—
Pension liability adjustment, net of tax	8	—	—	—	8	—
Net unrealized gains (losses) on derivatives	(2)	—	—	—	(2)	—
Comprehensive income	246					
Balance at June 30, 2011	$2,371	$1,998	$ 1,347	$ (489)	$ (436)	$ (49)

The following table summarizes our shareholders' equity activities during the six months ended June 30, 2010:

Millions of dollars	Total	KBR Shareholders: Paid-in Capital in Excess of par	KBR Shareholders: Retained Earnings	KBR Shareholders: Treasury Stock	KBR Shareholders: Accumulated Other Comprehensive Loss	Noncontrolling Interests
Balance at December 31, 2009	$2,296	$2,103	$ 854	(225)	$ (444)	$ 8
Stock-based compensation	8	8	—	—	—	—
Common stock issued upon exercise of stock options	1	1	—	—	—	—
Dividends declared to shareholders	(8)	—	(8)	—	—	—
Adjustments pursuant to tax sharing agreement with former parent	(8)	(8)	—	—	—	—
Repurchases of common stock	(58)	—	—	(58)	—	—
Issuance of ESPP shares	2			2		
Distributions to noncontrolling interests	(30)	—	—	—	—	(30)
Consolidation of Fasttrax Limited	(4)	—	—	—	—	(4)
Comprehensive income components:						
Net income	181	—	152	—	—	29
Other comprehensive income, net of tax (provision):						
Net cumulative translation adjustment	(6)	—	—	—	(4)	(2)
Pension liability adjustment, net of tax	6	—	—	—	5	1
Net unrealized gains (losses) on derivatives	4	—	—	—	4	—
Comprehensive income	185					
Balance at June 30, 2010	$ 2,384	$2,104	$ 998	$ (281)	$ (439)	$ 2

Accumulated other comprehensive loss consisted of the following balances:

Millions of dollars	June 30, 2011	December 31, 2010
Cumulative translation adjustments	$ (56)	$ (52)
Pension liability adjustments	(374)	(382)
Unrealized losses on derivatives	(6)	(4)
Total accumulated other comprehensive loss	$ (436)	$ (438)

Note 11. Fair Value Measurements

The financial assets and liabilities measured at fair value on a recurring basis at June 30, 2011 are included below:

		Fair Value Measurements at Reporting Date Using		
Millions of dollars	Total Fair Value at Reporting Date	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable securities	$ 16	$ 13	$ 3	$ —
Derivative assets	$ 2	$ —	$ 2	$ —
Derivative liabilities	$ 4	$ —	$ 4	$ —

Derivative instruments. Currency derivative instruments are carried on the condensed consolidated balance sheet at fair value and are primarily based upon market observable inputs and significant other observable inputs. We manage our currency exposures through the use of foreign currency derivative instruments denominated in our major currencies, which are generally the currencies of the countries for which we do the majority of our international business. We utilize derivative instruments to manage the foreign currency exposures related to specific assets and liabilities that are denominated in foreign currencies, and to manage forecasted cash flows denominated in foreign currencies generally related to long-term engineering and construction projects. The purpose of our foreign currency risk management activities is to protect us from the risk that the eventual dollar cash flow resulting from the sale and purchase of products and services in foreign currencies will be adversely affected by changes in exchange rates.

Marketable securities. We use quoted market prices and other observable inputs to determine the fair value of our marketable securities. These financial instruments primarily consist of mutual funds, exchange-traded fixed income securities and money market accounts.

Note 12. Equity Method Investments and Variable Interest Entities

Equity Method Investments

The following is a description of our significant investments accounted for on the equity method of accounting that are not variable interest entities. We conduct some of our operations through joint ventures which are in partnership, corporate, undivided interest and other business forms and are principally accounted for using the equity method of accounting.

Brown & Root Condor Spa ("BRC"). BRC is a joint venture in which we owned 49% interest. During the third quarter of 2007, we sold our 49% interest and other rights in BRC to Sonatrach for approximately $24 million resulting in a pre-tax gain of approximately $18 million which was included in "Equity in earnings (losses) of unconsolidated affiliates" on the condensed consolidated statements of income. As of June 30, 2011, we have not collected the remaining $18 million due from Sonatrach for the sale of our interest in BRC, which is included in "Accounts receivable" on the condensed consolidated balance sheets. In the fourth quarter of 2008, we filed for arbitration with the ICC in Paris, France in an attempt to force collection. A final arbitration hearing occurred in January 2011 and in May 2011, we received a favorable arbitration award which approximates our outstanding accounts receivable balance. We believe the amount owed to us is probable of recovery.

Variable Interest Entities

The majority of our joint ventures are variable interest entities. We account for variable interest entities ("VIEs") in accordance with FASB ASC 810. FASB ASC 810 requires the consolidation of VIEs in which a company has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive the benefits from the VIE that could potentially be significant to the VIE. If a reporting enterprise meets these conditions then it has a controlling financial interest and is the primary beneficiary of the VIE.

We assess all newly created entities and those with which we become involved to determine whether such entities are VIEs and, if so, whether or not we are their primary beneficiary. Most of the entities we assess are incorporated or unincorporated joint ventures formed by us and our partner(s) for the purpose of executing a project

or program for a customer, such as a governmental agency or a commercial enterprise, and are generally dissolved upon completion of the project or program. Many of our long-term energy-related construction projects in our Hydrocarbons business group are executed through such joint ventures. Typically, these joint ventures are funded by advances from the project owner, and accordingly, require little or no equity investment by the joint venture partners but may require subordinated financial support from the joint venture partners such as letters of credit, performance and financial guarantees or obligations to fund losses incurred by the joint venture. Other joint ventures, such as privately financed initiatives in our Ventures business unit, generally require the partners to invest equity and take an ownership position in an entity that manages and operates an asset post construction.

As required by ASC 810-10, we perform a qualitative assessment to determine whether we are the primary beneficiary once an entity is identified as a VIE. Thereafter, we continue to re-evaluate whether we are the primary beneficiary of the VIE in accordance with ASC 810-10. A qualitative assessment begins with an understanding of the nature of the risks in the entity as well as the nature of the entity's activities including terms of the contracts entered into by the entity, ownership interests issued by the entity and how they were marketed, and the parties involved in the design of the entity. We then identify all of the variable interests held by parties involved with the VIE including, among other things, equity investments, subordinated debt financing, letters of credit, and financial and performance guarantees, and significant, contracted service providers. Once we identify the variable interests, we determine those activities which are most significant to the economic performance of the entity and which variable interest holder has the power to direct those activities. Though infrequent, some of our assessments reveal no primary beneficiary because the power to direct the most significant activities that impact the economic performance is held equally by two or more variable interest holders who are required to provide their consent prior to the execution of their decisions. Most of the VIEs with which we are involved have relatively few variable interests and are primarily related to our equity investment, significant service contracts, and other subordinated financial support.

Unconsolidated VIEs

The following is a summary of the significant variable interest entities in which we have a significant variable interest, but we are not the primary beneficiary:

	As of June 30, 2011		
Unconsolidated VIEs	Total assets	Total liabilities	Maximum exposure to loss
(in millions)			
U.K. Road projects	$1,523	$1,557	$ 31
Fermoy Road project	$ 253	$ 273	$ 2
Allenby & Connaught project	$ 3,023	$2,985	$ 57
EBIC Ammonia project	$ 701	$ 463	$ 50

	As of December 31, 2010	
Unconsolidated VIEs	Total assets	Total liabilities
(in millions)		
U.K. Road projects	$ 1,506	$ 1,531
Fermoy Road project	$ 240	$ 269
Allenby & Connaught project	$ 2,913	$ 2,885
EBIC Ammonia project	$ 604	$ 388

U.K. Road projects. We are involved in four privately financed projects, executed through joint ventures, to design, build, operate, and maintain roadways for certain government agencies in the United Kingdom. We have a 25% ownership interest in each of these joint ventures and account for them using the equity method of accounting. The joint ventures have obtained financing through third parties that is nonrecourse to the joint venture partners. These joint ventures are variable interest entities; however, we are not the primary beneficiary of these joint ventures. Our maximum exposure to loss represents our equity investments in these ventures.

Fermoy Road project. We participate in a privately financed project executed through certain joint ventures formed to design, build, operate, and maintain a toll road in southern Ireland. The joint ventures were funded through debt and were formed with minimal equity. These joint ventures are variable interest entities; however, we are not the primary beneficiary of the joint ventures. We have up to a 25% ownership interest in the project's joint ventures, and we are accounting for these interests using the equity method of accounting.

Allenby & Connaught project. In April 2006, Aspire Defence, a joint venture between us, Carillion Plc. and two financial investors, was awarded a privately financed project contract, the Allenby & Connaught project, by the MoD to upgrade and provide a range of services to the British Army's garrisons at Aldershot and around Salisbury Plain in the United Kingdom. In addition to a package of ongoing services to be delivered over 35 years, the project includes a nine-year construction program to improve soldiers' single living, technical and administrative accommodations, along with leisure and recreational facilities. Aspire Defence manages the existing properties and is responsible for design, refurbishment, construction and integration of new and modernized facilities. We indirectly own a 45% interest in Aspire Defence, the project company that is the holder of the 35-year concession contract. In addition, we own a 50% interest in each of two joint ventures that provide the construction and the related support services to Aspire Defence. As of June 30, 2011, our performance through the construction phase is supported by $67 million in letters of credit. Furthermore, our financial and performance guarantees are joint and several, subject to certain limitations, with our joint venture partners. The project is funded through equity and subordinated debt provided by the project sponsors and the issuance of publicly held senior bonds which are nonrecourse to us. The entities we hold an interest in are variable interest entities; however, we are not the primary beneficiary of these entities. We account for our interests in each of the entities using the equity method of accounting. Our maximum exposure to construction and operating joint venture losses is limited to the funding of any future losses incurred by those entities under their respective contracts with the project company. As of June 30, 2011, our assets and liabilities associated with our investment in this project, within our condensed consolidated balance sheet, were $28 million and $2 million, respectively. The $55 million difference between our recorded liabilities and aggregate maximum exposure to loss was primarily related to our equity investments and $30 million remaining commitment to fund subordinated debt to the project in the future.

EBIC Ammonia project. We have an investment in a development corporation that has an indirect interest in the Egypt Basic Industries Corporation ("EBIC") ammonia plant project located in Egypt. We performed the engineering, procurement and construction ("EPC") work for the project and continue to provide operations and maintenance services for the facility. We own 65% of this development corporation and consolidate it for financial reporting purposes. The development corporation owns a 25% ownership interest in a company that consolidates the ammonia plant which is considered a variable interest entity. The development corporation accounts for its investment in the company using the equity method of accounting. The variable interest entity is funded through debt and equity. Indebtedness of EBIC under its debt agreement is non-recourse to us. We are not the primary beneficiary of the variable interest entity. As of June 30, 2011, our assets and liabilities associated with our investment in this project, within our condensed consolidated balance sheet, were $76 million and $17 million, respectively. The $33 million difference between our recorded liabilities and aggregate maximum exposure to loss was related to our investment balance and other receivables in the project as of June 30, 2011.

Consolidated VIEs

The following is a summary of the significant VIEs where we are the primary beneficiary:

	As of June 30, 2011	
Consolidated VIEs	**Total assets**	**Total liabilities**
(in millions)		
Fasttrax Limited project	$ 107	$ 112
Escravos Gas-to-Liquids project	$ 394	$ 455
Pearl GTL project	$ 177	$ 171
Gorgon LNG project	$ 564	$ 621

	As of December 31, 2010	
Consolidated VIEs	**Total assets**	**Total liabilities**
(in millions)		
Fasttrax Limited project	$ 106	$ 112
Escravos Gas-to-Liquids project	$ 356	$ 423
Pearl GTL project	$ 174	$ 167
Gorgon LNG project	$ 347	$ 372

Fasttrax Limited project. In December 2001, the Fasttrax Joint Venture (the "JV") was created to provide to the United Kingdom Ministry of Defense ("MOD") a fleet of new heavy equipment transporters ("HETs") capable of carrying a Challenger II tank. The JV owns, operates and maintains the HET fleet and provides heavy equipment transportation services to the British Army. The JV's entity structure includes a parent entity and its 100%-owned subsidiary, Fasttrax Ltd (the "SPV"). KBR and its partner each own 50% of the parent entity.

The JV's purchase of the assets was funded through the issuance of several series guaranteed secured bonds. The bonds are guaranteed by Ambac Assurance U.K. Ltd under a policy that guarantees the schedule of principle and interest payments to the bond trustee in the event of non-payment by Fasttrax. The total amount of non-recourse project-finance debt of a VIE consolidated by KBR at June 30, 2011, is summarized in the following table and are also reflected on the face of our condensed consolidated balance sheet. Assets collateralizing the JV's senior bonds include cash and equivalents of $23 million and property, plant, and equipment of approximately $79 million, net of accumulated depreciation of $43 million as of June 30, 2011.

Consolidated amount of non-recourse project-finance debt of a VIE
Millions of Dollars

	June 30, 2011
Current non-recourse project-finance debt of a VIE consolidated by KBR	$ 10
Noncurrent non-recourse project-finance debt of a VIE consolidated by KBR	$ 92
Total non-recourse project-finance debt of a VIE consolidated by KBR	$ 102

Escravos Gas-to-Liquids ("GTL") project. During 2005, we formed a joint venture to engineer and construct a gas monetization facility in Nigeria. We own 50% equity interest and determined that we are the primary beneficiary of the joint venture which is consolidated for financial reporting purposes. There are no consolidated assets that collateralize the joint venture's obligations. However, at June 30, 2011 and December 31, 2010, the joint venture had approximately $124 million and $84 million of cash, respectively, which mainly relate to advanced billings in connection with the joint venture's obligations under the EPC contract.

Pearl GTL project. In July 2006, we were awarded, through a 50%-owned joint venture, a contract with Qatar Shell GTL Limited to provide project management and cost-reimbursable engineering, procurement and construction management services for the Pearl GTL project in Ras Laffan, Qatar. The project, which is expected to be completed in 2011, consists of gas production facilities and a GTL plant. The joint venture is considered a VIE and we determined that we are the primary beneficiary of the joint venture which is consolidated for financial reporting purposes.

Gorgon LNG project. In 2005, we were awarded, through an Australian joint venture in which we hold a 30% ownership interest, a contract from Chevron for cost-reimbursable FEED and EPCM services to construct a LNG plant in Australia. The joint venture is considered a VIE and we determined that we are the primary beneficiary of the joint venture which is consolidated for financial reporting purposes.

Note 13. Retirement Plans

The components of net periodic benefit cost related to pension benefits for the three and six months ended June 30, 2011 and 2010 were as follows:

	Three Months Ended June 30,			
	2011		2010	
Millions of dollars	United States	International	United States	International
Components of net periodic benefit cost:				
Service cost	$—	$ 1	$—	$ 1
Interest cost	1	20	1	22
Expected return on plan assets	(1)	(23)	(1)	(23)
Recognized actuarial loss	1	5	1	4
Net periodic benefit cost	$ 1	$ 3	$ 1	$ 4

	Six Months Ended June 30,			
	2011		2010	
Millions of dollars	United States	International	United States	International
Components of net periodic benefit cost:				
Service cost	$—	$ 1	$—	$ 1
Interest cost	2	41	2	44
Expected return on plan assets	(2)	(47)	(2)	(46)
Recognized actuarial loss	1	10	1	9
Net periodic benefit cost	$ 1	$ 5	$ 1	$ 8

For the six months ended June 30, 2011, we contributed approximately $52 million of the $64 million we currently expect to contribute in 2011 to our international plans, and approximately $1 million of the $5 million we currently expect to contribute to our domestic plans in 2011.

Note 14. Recent Adopted Accounting Pronouncements

In June 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. This ASU amends the FASB Accounting Standards Codification™ (Codification) to allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices, an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments to the Codification in the ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU 2011-05 should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. The adoption of this accounting standard update is not expected to have a material impact on our financial position, results of operations, cash flows and disclosures.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. This ASU represents the converged guidance of the FASB and the IASB (the Boards) on fair value measurement. The collective efforts of the Boards and their staffs, reflected in ASU 2011-04, have resulted in common requirements for measuring fair value and for disclosing information about fair value measurements, including a consistent meaning of the term "fair value." The Boards have concluded the common requirements will result in greater comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and IFRSs. The amendments to the FASB Accounting Standards Codification™ (Codification) in this ASU are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. Early application by public entities is not permitted. We are evaluating the impact that the adoption of ASU 2011-04 will have on our financial position, results of operations, cash flows and disclosures.

In December 2010, the FASB issued ASU 2010-29, Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations. This ASU reflects the decision reached in EITF Issue No. 10-G. The amendments in this ASU affect any public entity, as defined by ASC 805 Business Combinations, that enters into business combinations that are material on an individual or aggregate basis. The amendments in this ASU specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments also expand the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. The amendments are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of this accounting standard update will apply to future business combinations and is not expected to have a material impact on our financial position, results of operations, cash flows and disclosures.

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

The purpose of management's discussion and analysis ("MD&A") is to increase the understanding of the reasons for material changes in our financial condition since the most recent fiscal year-end and results of operations during the current fiscal period as compared to the corresponding period of the preceding fiscal year. The MD&A should be read in conjunction with the condensed consolidated financial statements and accompanying notes and our 2010 Annual Report on Form 10-K.

Business Environment and Results of Operations

Business Environment

Hydrocarbon Markets

We provide a full range of engineering, procurement and construction services for large and complex upstream and downstream projects, including LNG and GTL facilities, onshore and offshore oil and gas production facilities, refining, biofuels and other projects. We serve customers in the gas monetization, oil and gas, petrochemical, refining and chemical markets throughout the world. Our projects are generally long term in nature and are impacted by factors including market conditions, financing arrangements, governmental approvals and environmental matters. Demand for our services depends primarily on our customers' capital expenditures in our construction market sectors.

We have benefited in recent years from increased capital expenditures from our petroleum and petrochemical customers driven by historically high crude oil and natural gas prices and general global economic expansion that occurred prior to mid-2008. We believe the hydrocarbon markets have generally recovered from the worldwide economic recession and financial market condition. We continue to see long term growth in environmentally and economically driven energy projects and for related licensed process technologies for offshore oil and gas production, LNG, biofuels, motor fuels, chemicals and fertilizers. Feasibility studies and front-end engineering and design projects remain steady reflecting our clients' intentions to invest in capital intensive energy projects, albeit releasing and proceeding with projects in phases and conducting increased levels of economic analysis. For construction and maintenance in the United States, we see an improving market with a return of larger projects driven by low natural gas prices, improved refining utilization and increasing energy demands.

Infrastructure, Government and Power Markets ("IGP")

A significant portion of our IGP business segment's current activities supports the United States' and the United Kingdom's government operations in Iraq, Afghanistan and in other parts of the Middle East region. These operations represented one of the largest military deployments since World War II, which has caused a parallel increase in government spending. The logistics support services that KBR provides the U.S. military are delivered under our LogCAP III, LogCAP IV and other contracts which are competitively bid. KBR is the only company providing services under the LogCAP III contract. The U.S. government continues to transition work from LogCAP III to LogCAP IV, which is a multiple award contract where three contractors, including KBR, can each bid and potentially win specific task orders. As troop deployments shift within the Middle East region, and as additional work is awarded under LogCAP IV, we have seen a decline in work under LogCAP III and we expect this decline will continue through 2011 as U.S. troops exit Iraq. We continue to expect the U.K. military to remain engaged in the region, although their presence has shifted from Iraq to Afghanistan.

We operate in diverse civil infrastructure markets, including transportation, water and waste treatment and facilities maintenance. In addition to U.S. state, local and federal agencies, we provide these services to governments around the world including the U.K., Australia and the Middle East. We also provide related services to the global mining industry. There has been a general trend of historic under-investment in infrastructure, particularly related to the quality of water, wastewater, roads and transit, airports, and educational facilities which has historically declined while demand for expanded and improved infrastructure has historically outpaced funding. We have seen increased activity related to these types of projects, however, the economic recession has caused markets to remain flat in the U.S. and the U.K., which has resulted in delays or slow start-ups to major projects.

In the power and industrial sectors, we operate in a number of markets, including utility and non-utility power, forest products, advanced manufacturing, minerals and metals and consumer products, both domestically and internationally. Forest products, advanced manufacturing and consumer products are experiencing modest market

improvements while the minerals and metals markets are showing strong growth as a result of global demand for commodities. In the power sector, we serve regulated utilities, power cooperatives, municipalities and various non-regulated providers, primarily in the U.S. and U.K. markets. The power sector continues to be driven by long-term economic and demographic trends and changes in environmental regulations. Activity in the power sector are currently concentrated in emissions control, repowering, renewable power and new gas-fired power generation.

We provide a wide range of construction and maintenance services to a variety of industries in the U.S. and Canada, including forest products, power, commercial and institutional buildings, general industrial and manufacturing. We continue to see an increase in bid requests and feasibility estimates from our clients and expect a number of our markets to strengthen throughout 2011 and beyond.

For a more detailed discussion of the results of operations for each of our business groups and business units, corporate general and administrative expense, income taxes and other items, see "Results of Operations" below.

Award Fees

In accordance with the provisions of the LogCAP III contract, we recognize revenue on our services rendered on a task order basis based on either a cost-plus-fixed-fee or cost-plus-base-fee and award fee arrangement. Both fees are determined as a percentage rate applied to a negotiated estimate of the total costs for each task order. For task orders under an award fee arrangement, our customer is contractually obligated to periodically convene Award-Fee Boards, which are comprised of individuals who have been designated to assist the Award Fee Determining Official ("AFDO") in making award fee determinations. The amounts of award fees are determined at the sole discretion of the AFDO.

During the fourth quarter of 2009, we determined that we could no longer reliably estimate fees to be awarded by the AFDO and, accordingly, adjusted our accrual rate to 0%. Until such time as we are able to resume making reliable fee estimates on the LogCAP III contract, we will recognize award fees only when awarded. During the second quarter of 2010, we received an award fee of $60 million representing approximately 47% of the available award fee pool for the period of performance from May 2008 through August 2009 which we recorded as an increase to revenue in the second quarter of 2010. During the first quarter of 2011, we were awarded and recognized revenue for award fees of $16 million representing approximately 53% of the available award fee pool for the periods of performance from March 2010 through August 2010 on task orders in Iraq. We were awarded ratings of "very good" on these task orders. We expect to receive award fees in the third quarter of 2011 for the period of performance from September 2010 through February 2011 on task orders in Iraq. The anticipated available award fee pool associated with this period of performance is subject to final determination by our customer.

In August of 2010, we executed a contract modification to the LogCAP III contract on the base life support task order in Iraq that resulted in an increase to our base fee on costs incurred and an increase in the maximum award fee on negotiated costs for the period of performance from September 2010 through February 2011. We expect to receive award fees for this period of performance during the third quarter of 2011. During the first quarter of 2011, we finalized negotiations with our customer and converted the task order from cost-plus-base-fee and award fee to cost-plus-fixed-fee for the period of performance beginning in March 2011. We recognize revenues for the fixed-fee component on the basis of proportionate performance as services are performed.

Results of Operations

We analyze the financial results for each of our four segments including the related business units within Hydrocarbons and IGP. The business segments presented are consistent with our reportable segments discussed in Note 5 to our consolidated financial statements. While certain of the business units and product service lines presented below do not meet the criteria for reportable segments in accordance with FASB ASC 280 – Segment Reporting, we believe this supplemental information is relevant and meaningful to our investors.

For purposes of reviewing the results of operations, "business unit income" is calculated as revenue less cost of services managed and reported by the business unit and are directly attributable to the business unit. Business unit income excludes corporate, general, and administrative expenses and other non-operating income and expense items.

Three months ended June 30, 2011 compared to three months ended June 30, 2010

Revenue by Business Unit

Millions of dollars	Three Months Ended June 30, 2011	2010	Dollar Change	Percentage Change
Revenue: (1)				
Hydrocarbons:				
Gas Monetization	$ 780	$ 708	$ 72	10%
Oil & Gas	134	104	30	29%
Downstream	146	157	(11)	(7)%
Technology	40	35	5	14%
Total Hydrocarbons	1,100	1,004	96	10%
Infrastructure, Government and Power ("IGP"):				
North America Government and Defense	598	926	(328)	(35)%
International Government and Defence	98	103	(5)	(5)%
Infrastructure and Minerals	131	64	67	105%
Power and Industrial	63	104	(41)	(39)%
Total IGP	890	1,197	(307)	(26)%
Services	445	452	(7)	(2)%
Ventures	17	13	4	31%
Other	5	5	—	—
Total revenue	$2,457	$2,671	$(214)	(8)%

(1) Our revenue includes both equity in the earnings of unconsolidated affiliates and revenue from the sales of services into the joint ventures. We often participate on larger projects as a joint venture partner and also provide services to the venture as a subcontractor. The amount included in our revenue represents our share of total project revenue, including equity in the earnings (loss) from joint ventures and revenue from services provided to joint ventures.

Income (loss) by Business Unit

Millions of dollars	Three Months Ended June 30, 2011	2010	Dollar Change	Percentage Change
Business Unit Income (loss):				
Hydrocarbons:				
Gas Monetization	$ 76	$ 83	$ (7)	(8)%
Oil & Gas	30	13	17	131%
Downstream	21	28	(7)	(25)%
Technology	18	17	1	6%
Total job income	145	141	4	3%
Gain on disposition of assets	—	1	(1)	(100)%
Divisional overhead	(24)	(26)	2	8%
Total Hydrocarbons	121	116	5	4%
Infrastructure, Government and Power ("IGP"):				
North America Government and Defense	51	92	(41)	(45)%
International Government and Defence	33	22	11	50%
Infrastructure and Minerals	19	15	4	27%
Power and Industrial	8	15	(7)	(47)%
Total job income	111	144	(33)	(23)%
Divisional overhead	(39)	(39)	—	— %
Total IGP	72	105	(33)	(31)%
Services:				
Job income	31	43	(12)	(28)%
Loss on disposition of assets	—	(1)	1	100%
Divisional overhead	(16)	(17)	1	6%
Total Services	15	25	(10)	(40)%
Ventures:				
Job income	12	8	4	50%
Gain on disposition of assets	1	—	1	—
Divisional overhead	(1)	(1)	—	—
Total Ventures	12	7	5	71%
Other:				
Job income	3	2	1	50%
Loss on disposition of assets	—	(2)	2	100%
Divisional overhead	(2)	(3)	1	33%
Total Other	1	(3)	4	133%
Total business unit income	$ 221	$ 250	$ (29)	(12)%
Unallocated amounts:				
Labor costs absorption (1)	6	4	2	50%
Corporate general and administrative	(58)	(55)	(3)	(5)%
Total operating income	$169	$199	$ (30)	(15)%

(1) Labor cost absorption represents costs incurred by our central labor and resource groups (above)/under the amounts charged to the operating business units.

Hydrocarbons Business Segment

Gas Monetization. Revenue from Gas Monetization increased in the second quarter of 2011 by $72 million compared to 2010 primarily due to increased activity on the Gorgon LNG and Escravos GTL projects. Revenue from these projects increased $126 million in the aggregate compared to the second quarter of 2010 primarily as a result of increased progress and higher subcontractor activity. Revenue further increased by approximately $27 million as a result of increased activity on several newly awarded projects. Partially offsetting these increases in revenue was a decline in revenue of approximately $72 million due to lower procurement and subcontractor activity on the Skikda LNG and Pearl GTL projects and second-quarter 2010 change orders received on an LNG project that was near completion.

Gas Monetization job income decreased approximately $7 million in the second quarter of 2011 compared to the same period of the prior year primarily due to change orders associated with the completion of an LNG project that contributed to job income in 2010 that did not recur in 2011 resulting in a $33 million decrease to job income. Partially offsetting this decline was a $25 million increase in job income related to higher activity on LNG and GTL projects that are executed by consolidated joint ventures.

Oil & Gas. Revenue in Oil & Gas increased by $30 million and job income increased by $17 million in the second quarter of 2011 over the same period of the prior year. Revenue increased approximately $59 million due to the start of several new technical service projects as well as higher progress and additional scopes of work on existing projects. Partially offsetting these increases were decreases in revenue of approximately $21 million on various projects that were either completed in 2010 or nearing completion in 2011. The increase in job income was primarily related to the recently awarded technical service projects and higher progress and additional scopes of work on existing projects.

Downstream. Downstream revenue in the second quarter of 2011 decreased by $11 million compared to the same period in 2010 primarily due several petrochemical projects in Africa and the Middle East that were either completed or nearing completion as of the second quarter of 2011. Revenue on these refining and petrochemical projects decreased approximately $62 million which was partially offset by revenue from newly awarded projects that started either in late 2010 or early 2011 and increased activity on existing projects. Downstream job income in the second quarter of 2011 decreased approximately $7 million as compared to the same period of the prior year due to lower revenue from the African and Middle Eastern petrochemical projects. Job income on these projects decreased approximately $19 million and was partially offset by job income from newly awarded projects and increased activity on existing projects. Additionally, job income in the second quarter of 2010 included a charge of approximately $9 million related to an accounts receivable reserve adjustment which did not recur in 2011 and had an offsetting effect to the decreases in job income noted above.

Technology. Technology revenue and job income in the second quarter of 2011 increased $5 million and $1 million over the same period of the prior year, respectively, primarily due to several new ammonia plant license and proprietary equipment projects located in South America and in the Aisa-Pacific region as well as new petrochemical projects including aniline and phenol license contracts in China and Korea. Partially offsetting these increases were decreases in revenue and job income associated with the completion of engineering services on several ammonia projects located in Turkmenistan and India and a petrochemical project in China.

Infrastructure, Government and Power ("IGP") Business Segment

North America Government and Defense ("NAGD"). Revenue from NAGD decreased approximately $328 million in the second quarter of 2011 over the same period of the prior year. The decrease in NAGD revenue includes a $385 million decline primarily resulting from an overall reduction in volume for U.S. military support activities mostly in Iraq under our LogCAP III contract due to the continued reductions in staff and personnel on the project as military bases have closed and combat troop levels declined. We expect to continue providing services on certain task orders in Iraq throughout the remainder of 2011. Although the decreases in revenue on the LogCAP III project have been partially offset by an increase in revenue of $85 million on a task order under the LogCAP IV contract, we expect our overall volume of work to continue to decrease in Iraq in the second half of 2011.

Job income from NAGD decreased by approximately $41 million in the second quarter of 2011 over the same period of the prior year primarily due overall lower volume of activity on our LogCAP III contract as a result of the overall reduction in volume of U.S. military support activities in Iraq and Afghanistan. Additionally, we did not recognize any award fees in the second quarter of 2011 compared to award fees recognized of $60 million in the second quarter of 2010. The decline in award fees in 2011 was partially offset primarily by $18 million of fixed-fees recognized on the LogCAP III contract and increased activity on the LogCAP IV contract.

International Government and Defence ("IGD"). Revenue from IGD decreased approximately $5 million primarily attributable to reduction in revenue from completion of certain projects on the CONLOG contract with no additional task orders as well as lower activity on existing task orders for other projects. These decreases were offset by increases in revenue from commencement of service in the second quarter of 2011 under a NATO contract in Afghanistan. Job income increased $11 million in the second quarter of 2011 compared to the same period of the prior year, mainly due to reduced cost estimates for the remaining period of performance for construction activities on the Allenby & Connaught project and improved operations-related efficiencies in the contingency logistics and construction management projects.

Infrastructure and Minerals ("I&M"). Revenue from I&M increased approximately $67 million in the second quarter of 2011 over the same period of the prior year primarily due to the addition of project revenue from the acquisition of R&S in December 2010 and increased activity on various engineering projects. This increased revenue was partially offset by lower overall activity on several projects due to the prevailing economic conditions and ongoing effects of the severe flooding in Queensland, Australia in January of 2011. Job income from I&M increased $4 million in the second quarter of 2011 over the same period of the prior year primarily due to the R&S acquisition and increased activity on various engineering projects, which were partially offset by the previously mentioned reductions in project activity, economic conditions and the flooding in Australia.

Power and Industrial ("P&I"). Revenue from P&I decreased approximately $41 million, and job income decreased $7 million in the second quarter of 2011 over the same period in the prior year largely due to the completion of procurement, construction and fieldwork activities on various projects during 2010 and as a result of a declining workload on a waste-to-energy refurbishment project as it approached completion in April 2011. These decreases were partially offset by the commencement of work on a waste-to-energy expansion project in Florida and by increased staffing on a reimbursable power engineering project.

Services Business Segment

Services revenue in the second quarter of 2011 decreased by $7 million as compared to the same period of the prior year. Revenue declined $98 million in our U.S. Construction Group and $18 million in our Canada operations. The primary driver for the declines was the completion of several projects or projects being near completion. These declines were partially offset by an increase in revenue of $85 million from our Building Services group primarily due to increased activity on several hospital projects. Also partially offsetting these declines was a $27 million increase from our Industrial Services group primarily as a result of increased construction maintenance and services under a new multi-site contract throughout the Eastern and Gulf Coast regions of the U.S. and turnaround work based in Canada.

Job income decreased by approximately $12 million in the second quarter of 2011 as compared to the same period of the prior year primarily due to the decline in U.S. Construction and Canada activity due the completion of several projects or projects being near completion offset by revenue growth with lower margin work.

Ventures Business Unit

The results of our Ventures operations are primarily generated by investments accounted for under the equity method, except for Fasttrax which was consolidated January 1, 2010 following the amendments to ASC 810 Consolidations. Ventures revenue was $17 million and job income was $12 million in the second quarter of 2011 as compared to revenue of $13 million and job income of $8 million in the second quarter of 2010. The increase in revenue and job income is primarily attributable to increased sales volume and higher ammonia prices related to the EBIC ammonia plant project in Egypt.

Unallocated amounts

Labor cost absorption. Labor cost absorption income was $6 million in the second quarter of 2011 and was $4 million in the second quarter of 2010. Labor cost absorption represents costs incurred by our central labor and resource groups net of the amounts charged to the operating business units. Labor cost absorption income improved in 2011 primarily due to higher chargeability and utilization in several of our engineering offices as well as a higher headcount in the labor resource pool.

General and Administrative expense. General and administrative expense was $58 million in the second quarter of 2011 compared with $55 million for the prior year second quarter. General and administrative expense increased $3 million in the second quarter of 2011 largely due to the increased real estate and employee salary and benefits related expenses, partially offset by lower incentive compensation and costs associated with enterprise resource planning implementation efforts.

Services Segment Revenues by Market Sector

The Services business segment provides construction management and maintenance services to clients in a number of markets that are also served by our other business units. We believe customer focus, attention to highly productive delivery, and a diverse market presence are the keys to our success in delivering construction and maintenance services. Accordingly, the Services business segment focuses on these key success factors. The analysis below is supplementally provided to present the revenue generated by the Services segment based on the markets served, some of which are the same sectors served by our other business segments. The perspective highlights the markets served by our Services segment.

	Three Months Ended June 30, 2011		
(in millions)	Business Unit Revenue	Services Revenue	Total Revenue by Market Sectors
Hydrocarbons business segment:			
Gas Monetization	$ 780	$ —	$ 780
Oil & Gas	134	54	188
Downstream	146	109	255
Technology	40	—	40
Total Hydrocarbons business segment revenue	1,100	163	1,263
Infrastructure, Government and Power ("IGP"):			
North America Government and Defense	598	17	615
International Government and Defence	98	—	98
Infrastructure and Minerals	131	—	131
Power and Industrial	63	265	328
Total IGP business segment revenue	890	282	1,172
Services	445	(445)	—
Other	22	—	22
Total KBR Revenue	$ 2,457	$ —	$ 2,457

	Three Months Ended June 30, 2010		
(in millions)	Business Unit Revenue	Services Revenue	Total Revenue by Market Sectors
Hydrocarbons business group:			
Gas Monetization	$ 708	$ —	$ 708
Oil & Gas	104	90	194
Downstream	157	144	301
Technology	35	—	35
Total Hydrocarbons business segment revenue	1,004	234	1,238
Infrastructure, Government and Power ("IGP"):			
North America Government and Defense	926	23	949
International Government and Defence	103	—	103
Infrastructure and Minerals	64	—	64
Power and Industrial	104	195	299
Total IGP business segment revenue	1,197	218	1,415
Services	452	(452)	—
Other	18	—	18
Total KBR Revenue	$ 2,671	$ —	$ 2,671

Non-operating items

Net interest expense was both $5 million in the second quarter of 2011 and 2010. Interest expense included commitment fees paid under the terms of our credit facility, fees associated with outstanding performance-related and financial-related issued letters of credit, as well as fees paid to former parent for guarantees provided to us for various financial commitments and was approximately $4 million for both the second quarter of 2011 and second quarter of 2010. Additionally, interest expense includes interest on the non-recourse project-finance debt related to Fasttrax which was approximately $3 million in the second quarter of 2011 and $2 million in the second quarter of 2010. Interest expense in both quarters was partially offset by interest income earned on invested cash.

We had foreign currency gains of $2 million in the second quarter of 2011 and foreign currency losses of $3 million in the second quarter of 2010. Foreign currency gains in the second quarter of 2011 were primarily due to the weakening U.S. Dollar against most major currencies. Foreign currency losses in the second quarter of 2010 were primarily due to the weakening Euro and from currencies with no hedge market such as the Algerian Dinar. Some of these positions were not fully hedged.

Provision for income taxes was $39 million in the second quarter of 2011 and $69 million in the second quarter of 2010. Our effective tax rate was approximately 24% for the three months ended June 30, 2011 and 36% for the three months ended June 30, 2010. Our effective tax rate for the three months ended June 30, 2011 was lower than the U.S. statutory rate of 35% due to favorable tax rate differentials on foreign earnings and lower tax expense on foreign income from unincorporated joint ventures. In addition, we recognized discrete tax benefits from the release of a tax reserve due to expiration of a statute in the second quarter of 2011. Our effective tax rate excluding discrete items was approximately 28% for the three months ended June 30, 2011.

Our 36% effective tax rate for the three months ended June 30, 2010 was higher than the U.S. statutory tax rate of 35% primarily due to discrete items charged to income tax expense related to increased tax accruals due to several items including Subpart F income and true-up of prior year foreign taxes. Our effective tax rate excluding discrete items was approximately 33% for the three months ended June 30, 2010.

Net income attributable to noncontrolling interests was $27 million in the second quarter of 2011 and $16 million in the second quarter of 2010. The $11 million increase was primarily due to a cumulative contract-to-date impact related to the effects of foreign currency and tax-related transfer pricing in our Gas Monetization business unit as well as higher earnings on certain LNG and GTL projects. These increases were partially offset by lower noncontrolling interests due to the purchase of the remaining 44.94% interest in our MWKL subsidiary.

Six months ended June 30, 2011 compared to six months ended June 30, 2010

Revenue by Business Unit

Millions of dollars	Six Months Ended June 30, 2011	2010	Increase (Decrease)	Percentage Change
Revenue: (1)				
Hydrocarbons:				
Gas Monetization	$1,526	$ 1,383	$ 143	10%
Oil & Gas	255	188	67	36%
Downstream	282	290	(8)	(3)%
Technology	84	65	19	29%
Total Hydrocarbons	2,147	1,926	221	11%
Infrastructure, Government and Power ("IGP"):				
North America Government and Defense	1,203	1,936	(733)	(38)%
International Government and Defense	167	197	(30)	(15)%
Infrastructure and Minerals	251	137	114	83%
Power and Industrial	124	201	(77)	(38)%
Total IGP	1,745	2,471	(726)	(29)%
Services	842	867	(25)	(3)%
Ventures	34	28	6	21%
Other	10	10	—	—
Total revenue	$ 4,778	$ 5,302	$ (524)	(10)%

(1) Our revenue includes both equity in the earnings of unconsolidated affiliates as well as revenue from the sales of services into the joint ventures. We often participate on larger projects as a joint venture partner and also provide services to the venture as a subcontractor. The amount included in our revenue represents our share of total project revenue, including equity in the earnings (loss) from joint ventures and revenue from services provided to joint ventures.

Income (loss) by Business Unit

Millions of dollars	Six Months Ended June 30, 2011	2010	Increase (Decrease)	Percentage Change
Business Unit Income (loss):				
Hydrocarbons:				
Gas Monetization	$ 140	$ 136	$ 4	3%
Oil & Gas	54	29	25	86%
Downstream	40	50	(10)	(20)%
Technology	36	29	7	24%
Total job income	270	244	26	11%
Gain on disposition of assets	1	1	—	—
Divisional overhead	(51)	(53)	2	4%
Total Hydrocarbons	220	192	28	15%
Infrastructure, Government and Power (“IGP”):				
North America Government and Defense	106	128	(22)	(17)%
International Government and Defense	50	40	10	25%
Infrastructure and Minerals	48	33	15	45%
Power and Industrial	14	29	(15)	(52)%
Total job income	218	230	(12)	(5)%
Divisional overhead	(85)	(79)	(6)	(8)%
Total IGP	133	151	(18)	(12)%
Services:				
Job income	63	80	(17)	(21)%
Loss on disposition of assets	—	(1)	1	100%
Divisional overhead	(35)	(33)	(2)	(6)%
Total Services	28	46	(18)	(39)%
Ventures:				
Job income (loss)	23	17	6	35%
Gain on disposition of assets	1	—	1	—
Divisional overhead	(2)	(2)	—	—
Total Ventures	22	15	7	47%
Other:				
Job income	7	4	3	75%
Loss on disposition of assets	—	(2)	2	100%
Divisional overhead	(4)	(4)	—	—
Total Other	3	(2)	5	250%
Total business unit income	$ 406	$ 402	$ 4	1%
Unallocated amounts:				
Labor costs absorption (1)	9	—	9	—
Corporate general and administrative	(102)	(104)	2	2%
Total operating income	$ 313	$298	$ 15	5%

(1) Labor cost absorption represents costs incurred by our central labor and resource groups (above)/under the amounts charged to the operating business units.

Hydrocarbons Business Group

Gas Monetization. Revenues in the first six months of 2011 in Gas Monetization increased by $143 million compared to 2010 which was primarily due to increased activity from the Gorgon LNG and Escravos GTL projects. Revenue from these projects increased approximately $200 million in the aggregate compared to the first six months of 2010 primarily as a result of increased progress. Revenue further increased in the first six month of 2011 by approximately $38 million as a result of increased activity on newly awarded FEED projects. Partially offsetting the 2011 increases in Gas Monetization revenues are declines in revenues of approximately $88 million in the aggregate due to lower procurement and subcontractor activity on the Skikda LNG project and the completion of an LNG project and other projects in 2010.

Gas Monetization job income increased approximately $4 million in the first six months of 2011 compared to the same period of the prior year. Job income increased $41 million as a combined result of increased activity on an LNG project, the sale of our interest in an unconsolidated joint venture and the reversal of commercial agent fees on a completed LNG project. Partially offsetting these increases in job income were decreases of approximately $39 million due to lower activity on LNG and GTL projects as well as income in 2010 related to change orders associated with the completion of another LNG project.

Oil & Gas. Revenues from Oil & Gas increased by approximately $67 million in the first six months of 2011 as compared to the first six months of 2010. Oil and Gas revenue increased by approximately $90 million primarily due to the start of several new technical service projects as well as higher progress and additional scopes of work on existing projects. The increases in revenue were partially offset due to lower volume and progress on projects that were either completed or nearing completion during the first six months of 2011. Job income increased by approximately $25 million as a result of the new project awards and increased activity on existing projects.

Downstream. Downstream revenue in the first six months of 2011 decreased by $8 million primarily due to several refining and petrochemical projects that were either completed or nearing completion during the first six months of 2011. Revenue on these projects decreased approximately $76 million as compared to the prior year. The decreases in revenue were partially offset by revenues of $68 million from newly awarded projects that started either in late 2010 or early 2011 as well as increased activity on existing projects including the Yanbu and Kior projects. Downstream job income decreased $10 million during the first six months of 2011 due to lower job income on projects in Africa and the Middle East that were either completed or nearing completion in late 2010 or early 2011.

Technology. Technology revenue and job income in the first six months of 2011 increased $19 million and $7 million over the same period of the prior year, respectively, primarily due to the progress achieved on a new grassroots ammonia, urea and granulation complex project in Brazil and other petrochemical projects located in China, India and South America. Partially offsetting these increases were decreases in revenue and job income associated with the completion of engineering services on several projects located in Turkmenistan, India, China, Korea, and Angola.

Infrastructure, Government and Power ("IGP") Business Group

North America Government and Defense ("NAGD"). Revenue from our NAGD Operations decreased approximately $733 million in the first six months of 2011 over the same period in the prior year. The decrease in NGAD revenue includes a $923 million decline resulting from an overall reduction in volume for U.S. military support activities primarily in Iraq under our LogCAP III contract. The lower volume is primarily due to the continued reductions in staff and personnel on the project as combat troop levels declined. Although the decreases in revenue on the LogCAP III project have been partially offset by an increase in revenue of $201 million on a task order under the LogCAP IV contract, we expect our overall volume of work to continue to decrease in Iraq in the second half of 2011.

Job income from NAGD decreased by approximately $22 million in the first six months of 2011 over the same period of the prior year primarily due to overall lower volume of activity on our LogCAP III contract as a result of the overall reduction in volume of U.S. military support activities in Iraq and Afghanistan. Additionally, we recognized only $16 million in award fees in the first half of 2011 as compared to $60 million in the first half of 2010. Partially offsetting these declines was increased activity on the LogCAP IV contract as well as higher fixed-fees recognized and lower unallowable costs recognized on the LogCAP III contract compared to the first six months of 2010.

International Government and Defense ("IGD"). Revenue from IGD decreased approximately $30 million primarily attributable to reduction in revenue primarily related to lower activity on the Temporary Deployable Accommodation project as well as lower activity on existing task orders for other projects. These decreases were offset by increases in revenue from commencement of service in the second quarter of 2011 under a NATO contract in Afghanistan. Job income increased $10 million in the second quarter of 2011 compared to the same period of the prior year, mainly due to reduced cost estimates for the remaining period of performance for construction activities on the Allenby & Connaught project and improved operations-related efficiencies in the contingency logistics and construction management projects.

Infrastructure and Minerals ("I&M"). Revenue from I&M increased approximately $114 million in the first six months of 2011 over the same period of the prior year primarily due to the addition of project revenue from the acquisition of R&S in December 2010, increased activity on various engineering projects and incentives earned on a project in Australia. This increased revenue was partially offset by lower overall activity on several projects due to the prevailing economic conditions and ongoing effects of the severe flooding in Queensland, Australia in January of 2011. Job income from I&M increased $15 million in the first six months of 2011 over the same period of the prior year primarily as a result of a project incentive earned on a transport project and the R&S acquisition partially offset by the severe flooding in Queensland, Australia and other completed projects.

Power and Industrial ("P&I"). Revenue from P&I decreased approximately $77 million, and job income decreased $15 million in the first six months of 2011 over the same period in the prior year largely as a result of the completion of procurement, construction and fieldwork activities on various projects during 2010 and as a result of a declining workload on an waste-to-energy refurbishment project as it approached completion in April 2011. These decreases were partially offset by the commencement of work on a waste-to-energy expansion project in Florida and by increased staffing on a reimbursable power engineering project.

Services

Services revenue in the first six months of 2011 decreased by $25 million as compared to the same period of the prior year. Revenue declined $182 million in our U.S. Construction Group and $68 million in our Canada operations. The primary driver for the declines was the completion of several projects or projects being near completion. These declines were partially offset by an increase in revenue of $176 million from our Building Services group primarily due to increased activity on several hospital projects. Also partially offsetting these declines was a $50 million increase from our Industrial Services group primarily as a result of increased construction maintenance and services under a new multi-site contract throughout the Eastern and Gulf Coast regions of the U.S. and several public municipality projects as well as increased turnaround work based in Canada.

Job income decreased by approximately $17 million in the first six months of 2011 as compared to the same period of the prior year. This was due to the decline in U.S. Construction and Canada activity from the completion of several projects or projects being near completion. This decline was partially offset by increased Building group project activity on numerous large hospital projects as well as increased activity on the various industrial service projects in the U.S. and turnaround work in Canada.

Ventures

Ventures revenue was $34 million and job income was $23 million in the first six months of 2011 as compared to revenue of $28 million and job income of $17 million in the first six months of 2010. The increase in revenue and job income is primarily attributable to increased sales volume and higher ammonia prices related to the EBIC ammonia plant project in Egypt.

Labor cost absorption. Labor cost absorption income was $9 million for the first six months of 2011 and was zero in the first six months of 2010. Labor cost absorption represents costs incurred by our central labor and resource groups (above) or under the amounts charged to the operating business units. Labor cost absorption income improved in 2011 primarily due to higher chargeability and utilization in several of our engineering offices as well as a higher headcount in the labor resource pool.

General and Administrative expense. General and administrative expense was $102 million in the first six months of 2011 compared with $104 million for the prior year second quarter. General and administrative expense decreased $2 million in the first six months of 2011 largely due to lower incentive compensation and costs associated with enterprise resource planning implementation efforts.

Allocation of Services Business Unit to IGP and Hydrocarbons

The Services business segment provides construction and maintenance services to clients in a number of markets. We believe customer focus, attention to highly productive delivery, and a diverse market presence are keys to our success in delivering construction and maintenance services. Accordingly, the Services business segment focuses on these key success factors. The analysis shown below is supplementally provided to present the revenues of our reportable business segments by market. The revenues managed by the Services business segment have been allocated based on the markets served by the Services business segment. The perspective highlights the markets served by our Services segment.

	Six Months Ended June 30, 2011		
	Business Unit Revenue	Allocation of Services	Total Allocated Revenue
Hydrocarbons business group:			
Gas Monetization	$1,526	$ —	$1,526
Oil & Gas	255	89	344
Downstream	282	202	484
Technology	84	—	84
Total Hydrocarbons business group revenue	2,147	291	2,438
Infrastructure, Government and Power ("IGP"):			
North America Government and Defense	1,203	46	1,249
International Government and Defense	167	—	167
Infrastructure and Minerals	251	—	251
Power and Industrial	124	505	629
Total IGP business group revenue	1,745	551	2,296
Services	842	(842)	—
Other	44	—	44
Total KBR Revenue	$ 4,778	$ —	$ 4,778

	Six Months Ended June 30, 2010		
	Business Unit Revenue	Allocation of Services	Total Allocated Revenue
Hydrocarbons business group:			
Gas Monetization	$ 1,383	$ —	$ 1,383
Oil & Gas	188	179	367
Downstream	290	286	576
Technology	65	—	65
Total Hydrocarbons business group revenue	1,926	465	2,391
Infrastructure, Government and Power ("IGP"):			
North America Government and Defense	1,936	33	1,969
International Government and Defense	197	—	197
Infrastructure and Minerals	137	—	137
Power and Industrial	201	369	570
Total IGP business group revenue	2,471	402	2,873
Services	867	(867)	—
Other	38	—	38
Total KBR Revenue	$ 5,302	$ —	$ 5,302

Non-operating items

Net interest expense was $10 million in the first six months of 2011 and $9 million in the first six months of 2010. Interest expense included commitment fees paid under the terms of our credit facility, fees associated with outstanding performance-related and financial-related issued letters of credit, as well as fees paid to former parent for guarantees provided to us for various financial commitments and was approximately $8 million for both the second quarter of 2011 and second quarter of 2010. Additionally, interest expense includes interest on the non-recourse project-finance debt related to Fasttrax which was approximately $5 million in the first six months of 2011 and $3 million in the first six months of 2010. Interest expense in both quarters was partially offset by interest income earned on invested cash.

We had foreign currency gains of $3 million in the first six months of 2011 and foreign currency losses of $5 million in the first six months of 2010. Foreign currency gains in the first six months of 2011 were primarily due to the weakening U.S. Dollar against most major currencies. Foreign currency losses in the first six months of 2010 were primarily due to the weakening Euro and from currencies with no hedge market such as the Algerian Dinar. Some of these positions were not fully hedged.

Provision for income taxes was $61 million in the first six months of 2011 and $103 million in the first six months of 2010. Our effective tax rate was approximately 20% for the six months ended June 30, 2010 and 36% for the six months ended June 30, 2010. Our effective tax rate for the first six months of 2011 was lower than our statutory rate of 35% primarily due to due to favorable tax rate differentials on foreign earnings and lower tax expense on foreign income from unincorporated joint ventures. In addition, we recognized discrete tax benefits in the first quarter of 2011 from the execution of tax planning strategies, the release of a tax reserve due to expiration of a statute and from the reduction of deferred tax liabilities recorded in prior periods as a result of changes in estimates of the tax liability that will be owed upon the planned liquidation of an Australian unconsolidated joint venture that is in receivership. The tax liability that will result from ultimate liquidation of the Australian joint venture is dependent upon the amount and timing of the debts to be discharged during the liquidation process. Although we do not control the process, we anticipate the joint venture will be liquidated in the second half of 2011. As a result, the deferred tax liabilities may be further adjusted based on actions taken by the administrator and timing of the wind-up and liquidation process. Our effective tax rate excluding discrete items was approximately 30% for the first six months ended June 30, 2011.

Our effective tax rate for the first six months of 2010 was higher than our statutory rate of 35% primarily due to discrete items charged to income tax expense related to increased tax accruals due to several items including Subpart F income and true-up of prior year foreign taxes. Our effective tax rate excluding discrete items was approximately 34% for the six months ended June 30, 2010.

Net income attributable to noncontrolling interests was $39 million in the first six months of 2011 and $29 million in the first six months of 2010. The $10 million increase was primarily due a cumulative contract-to-date impact related to the effects of foreign currency and tax-related transfer pricing on a project in our Gas Monetization business unit as well as higher earnings on certain LNG and GTL projects. These increases were partially offset by lower noncontrolling interests due to the purchase of the remaining 44.94% interest in our MWKL subsidiary.

Backlog

Backlog represents the dollar amount of revenue we expect to realize in the future as a result of performing work on contracts awarded and in progress. We generally include total expected revenue in backlog when a contract is awarded and/or the scope is definitized. For long-term contracts with a defined contract term, the amount included in backlog is limited to five years. In many instances, arrangements included in backlog are complex, nonrepetitive in nature, and may fluctuate depending on expected revenue and timing. Where contract duration is indefinite, projects included in backlog are limited to the estimated amount of expected revenue within the following twelve months. Certain contracts provide maximum dollar limits, with actual authorization to perform work under the contract being agreed upon on a periodic basis with the customer. In these arrangements, only the amounts authorized are included in backlog. For projects where we act solely in a project management capacity, we only include our management fee revenue of each project in backlog.

For our projects related to unconsolidated joint ventures, we have included in the table below our percentage ownership of the joint venture's revenue in backlog. However, because these projects are accounted for under the equity method, only our share of future earnings from these projects will be recorded in our revenue. Our backlog for projects related to unconsolidated joint ventures totaled $1.8 billion at June 30, 2011 and $1.7 billion at December 31, 2010. We also consolidate joint ventures which are majority-owned and controlled or are variable interest entities in which we are the primary beneficiary. Our backlog included in the table below for projects related to consolidated joint ventures with noncontrolling interests includes 100% of the backlog associated with those joint ventures and totaled $3.8 billion at June 30, 2011 and $4.4 billion at December 31, 2010.

Backlog[1]
(in millions)

	June 30, 2011	December 31, 2010
Hydrocarbons:		
Gas Monetization	$ 4,839	$ 5,509
Oil & Gas	370	325
Downstream	630	525
Technology	232	201
Total Hydrocarbons backlog	6,071	6,560
Infrastructure, Government and Power ("IGP"):		
North America Government and Defense	988	1,043
International Government and Defence	1,244	1,223
Infrastructure and Minerals	575	446
Power and Industrial	578	177
Total IGP backlog	3,385	2,889
Services	1,622	1,771
Ventures	896	821
Total backlog for continuing operations	$11,974	$ 12,041

(1) All backlog is attributable to firm orders as of June 30, 2011 and December 31, 2010. Backlog attributable to unfunded government orders was $114 million at June 30, 2011 and $137 million as of December 31, 2010.

We estimate that as of June 30, 2011, 58% of our backlog will be executed within one year. As of June 30, 2011, 24% of our backlog was attributable to fixed-price contracts and 76% was attributable to cost-reimbursable contracts. For contracts that contain both fixed-price and cost-reimbursable components, we classify the components as either fixed-price or cost-reimbursable according to the composition of the contract except for smaller contracts where we characterize the entire contract based on the predominant component.

Hydrocarbons backlog declined approximately $489 million primarily because of a decline in Gas Monetization backlog of approximately $670 million due to work performed on projects of $722 million primarily on the Escravos GTL, Gorgon LNG, Skikda LNG, Pearl GTL and other projects partially offset by new awards of $52 million in the first six months of 2011. New awards of $604 million in our Oil & Gas, Downstream and Technology business units were partially offset by $423 million of work performed on existing projects in those business units.

IGP Backlog increased by $496 million as a result of new awards of $929 million primarily in the P&I, I&M and IGD business units, which includes the recent award of a fixed-price contract associated with a waste-to-energy plant expansion project in P&I. This increase in new awards was partially offset by work performed on existing projects of approximately $433 million across all IGP business units.

Services backlog declined $149 million primarily due to work performed of approximately $722 million on various construction projects in the U.S. and Canada partially offset by new awards of approximately $573 million including major awards in our Building Group and Industrial Services product lines.

Liquidity and Capital Resources

Cash and equivalents totaled $712 million at June 30, 2011 and $786 million at December 31, 2010, which included $212 million and $136 million, respectively, of cash held by our joint ventures that we consolidate for accounting purposes. Joint venture cash balances are limited to joint venture activities and are not available for use on other projects, general cash needs or distributions to us without approval of the board of directors of the respective joint ventures and we expect to use the cash to pay project costs.

As of June 30, 2011, we had restricted cash of $2 million related to the amounts held on deposit with certain banks to collateralize standby letters of credit. Of this, $1 million is included in “Other current assets” and $1 million is included in “Other assets” in the accompanying consolidated financial statements.

As of June 30, 2011, foreign cash and equivalents that could be subject to additional U.S. income taxes and withholding taxes payable to the various foreign jurisdictions if remitted, or deemed remitted, as a dividend, excluding cash held by consolidated joint ventures, is estimated to be approximately $300 million.

Cash Flow Activities

	For the Six Months Ended	
	2011	2010
Cash flows provided by operating activities	$ 223	$ 432
Cash flows used in investing activities	(58)	(56)
Cash flows used in financing activities	(248)	(83)
Effect of exchange rate changes on cash	9	(21)
Increase (decrease) in cash and equivalents	$ (74)	$ 272
Cash increase due to consolidation of a variable interest entity	—	22
Net increase (decrease) in cash and equivalents	$ (74)	$ 294

Operating activities. Cash provided by operations totaled $223 million in the first six months of 2011 and was driven primarily by strong performance and collections of advances and distributions of earnings from unconsolidated affiliates. Cash paid for taxes, net of refunds, was approximately $92 million for the first six months of 2011. Additionally, we contributed approximately $53 million to our pension funds during the first six months of 2011 including a one-time contribution of approximately $39 million which we had previously agreed with the trustees of one of our international plans.

Cash provided by operations was $432 million in the first six months of 2010 and was primarily impacted by overall earnings as well as improvements in cash receipts on certain projects in our Gas Monetization, Downstream and International Government and Defense business units. Also contributing to the increase in cash provided by operations was the decline of approximately $96 million in working capital for our LogCAP III project. Additionally, cash held by joint ventures that we consolidate for accounting purposes increased approximately $30 million during the first six months of 2010.

Investing activities. Cash used in investing activities in the first six months of 2011 totaled $58 million which was primarily due to capital expenditures of $47 million primarily related to information technology projects and leasehold improvements. Additionally, we made investments totaling $11 million in an equity method joint venture associated with the lease extension of our corporate headquarters.

Cash used in investing activities for the first six months of 2010 totaled $56 million which included $20 million for the exclusive right to certain technology under a 25-year licensing arrangement. Capital expenditures were $19 million for the first six months of 2010, primarily related to increased corporate infrastructure spending

and leasehold improvements. Additionally, we financed approximately $19 million for the purchase of computer software for internal use during the second quarter of 2010. In the second quarter of 2010 we acquired Energo Engineering for approximately $16 million in cash, subject to an escrowed holdback amount of $6 million to secure working capital adjustments. Additionally, we made a $7 million investment in an equity method joint venture associated with our lease extension of our corporate headquarters.

Financing activities. Cash used in financing activities in the first six months of 2011 totaled $248 million and included $164 million of payments to acquire the noncontrolling interest in MWKL, $46 million related to distributions to owners of noncontrolling interests in several of our consolidated joint ventures, $37 million of payments to repurchase approximately 1 million shares of our common stock, $15 million related to dividend payments to our shareholders, an $10 million of payments on debt related to the Fasttrax VIE as well as the payment of financed computer software purchased in 2010. These payments were partially offset by a return of cash of approximately $16 million used to collateralize standby letters of credit.

Cash used in financing activities for the first six months of 2010 totaled $83 million and included $58 million of payments to repurchase approximately 2.6 million shares of our common stock, $30 million related to distributions to owners of noncontrolling shareholders of several of our consolidated joint ventures and $16 million related to dividend payments to shareholders. These payments were partially offset by the return of approximately $24 million of collateralized cash related to our standby letters of credit.

Future sources of cash. Future sources of cash include cash flows from operations, including cash advances from our clients, cash derived from working capital management and use of our RCF.

Future uses of cash. Future uses of cash will primarily relate to working capital requirements, capital expenditures and acquisitions. In addition, we will use cash to fund pension obligations, operating leases, cash dividends, share repurchases and various other obligations as they arise. Our capital expenditures will be focused primarily on information technology, real estate, facilities and equipment.

Revolving Credit Facility ("RCF")

On November 3, 2009, we entered into a $1.1 billion three-year, unsecured, revolving credit agreement (the "Revolving Credit Facility" or "RCF"), with a group of commercial banks. The RCF expires in November 2012 and is available for general corporate purposes including working capital requirements and letters of credit. While there is no sub-limit for letters of credit under this facility, letter of credit fronting commitments were $880 million as of June 30, 2011. Amounts advanced bear interest at variable rates, per annum, based either on the London interbank offered rate ("LIBOR") plus 3% or a base rate plus 2%, with the base rate being equal to the highest of (i) the reference bank's publicly announced base rate, (ii) the Federal Funds Rate plus 0.5%, and (iii) LIBOR plus 1%. Letters of credit fees are charged at per annum rates equal to 1.5% for performance and commercial letters of credit and 3% for all others. Other fees include 0.625%, per annum, for unused commitments, 0.25%, per annum, for letter of credit fronting commitments and 0.05% charged on the face amount of a letter of credit upon issuance. As of June 30, 2011, there were $261 million in letters of credit and no advances outstanding.

The RCF includes financial covenants that we maintain a ratio of consolidated debt to consolidated EBITDA of no more than 3.5 to 1 and a consolidated net worth of no less than $2 billion, plus 50% of consolidated net income for each quarter ending after September 30, 2009, plus 100% of any increase in shareholders' equity attributable to the sale of equity securities. At June 30, 2011, we were in compliance with these ratios and other covenants mentioned below.

The RCF contains a number of other covenants restricting, among other things, our ability to incur additional liens and indebtedness, enter into asset sales, and limits the amounts and types of investments we can make. The RCF permits us, among other things, to declare and pay shareholder dividends and engage in equity repurchases not to exceed $400 million in the aggregate during the term of the RCF. At June 30, 2011, the remaining limit of this covenant that we can use to re-acquire KBR common stock or to pay dividends is approximately $88 million. It also permits us to incur indebtedness in respect of purchase money obligations, capitalized leases and refinancing or renewals secured by liens upon or in property acquired, constructed or improved in an aggregate principal amount not to exceed $200 million. Our subsidiaries may incur unsecured indebtedness not to exceed $100 million in aggregate outstanding principal amount at any time.

Nonrecourse Project Finance Debt

Fasttrax Limited, a joint venture in which we indirectly own a 50% equity interest with an unrelated partner, was awarded a contract in 2001 with the U.K. MoD to provide a fleet of heavy equipment transporters ("HETs") to the British Army. Under the terms of the arrangement, Fasttrax Limited operates and maintains the HET fleet for a term of 22 years. The purchase of the HETs by the joint venture was financed through a series of bonds secured by the assets of Fasttrax Limited. The bonds are guaranteed by Ambac Assurance UK Ltd under a policy that guarantees the schedule of the principle and interest payments to the bond trustee in the event of non-payment by Fasttrax Limited.

The guaranteed secured bonds were issued in two classes consisting of Class A 3.5% Index Linked Bonds in the amount of £56 million and Class B 5.9% Fixed Rate Bonds in the amount of £16.7 million. The secured bonds are an obligation of Fasttrax Limited and will never be a debt obligation of KBR because they are non-recourse to the joint venture partners. Accordingly, in the event of a default on the term loan, the lenders may only look to the resources of Fasttrax Limited for repayment. Payments on both classes of bonds are due in semi-annual installments over the term of the bonds which end in 2021. Subordinated notes payable to our 50% partner initially bear interest at 11.25% increasing to 16% over the term of the note through 2025. Payments on the subordinated debt are due in semi-annual installments over the term of the note.

Off balance sheet arrangements

Letters of credit, surety bonds and bank guarantees. In connection with certain projects, we are required to provide letters of credit or surety bonds to our customers. Letters of credit are provided to customers in the ordinary course of business to guarantee advance payments from certain customers, support future joint venture funding commitments and to provide performance and completion guarantees on engineering and construction contracts. We have approximately $1.8 billion in committed and uncommitted lines of credit to support the issuance of letters of credit and as of June 30, 2011, and we had utilized $586 million of our credit capacity. Surety bonds are also posted under the terms of certain contracts primarily related to state and local government projects to guarantee our performance.

The letters of credit outstanding included $261 million issued under our RCF and $325 million issued under uncommitted bank lines at June 30, 2011. Of the total letters of credit outstanding, $220 million relate to our joint venture operations and $23 million of the letters of credit have terms that could entitle a bank to require additional cash collateralization on demand. Approximately $164 million of the $261 million letters of credit issued under our RCF have expiry dates close to or beyond the maturity date of the facility. Under the terms of the RCF, if the original maturity date of November 2, 2012 is not extended then the issuing banks may require that we provide cash collateral for these extended letters of credit no later than 95 days prior to the original maturity date. As the need arises, future projects will be supported by letters of credit issued under our RCF or other lines of credit arranged on a bilateral basis. We believe we have adequate letter of credit capacity under our existing RCF and bilateral lines of credit to support our operations for the next twelve months.

Other obligations. As of June 30, 2011, we had commitments to provide $30 million in funding to our privately financed projects including future equity funding for our Allenby and Connaught project. Our commitments to fund our privately financed projects are supported by letters of credit as described above. At June 30, 2011, approximately $17 million of the $30 million in commitments will become due within one year.

Other factors affecting liquidity

Government claims. Included in receivables in our balance sheets are unapproved claims for costs incurred under various government contracts totaling $149 million at June 30, 2011 of which $121 million is included in "Account receivable" and $28 million is included in "Unbilled receivables on uncompleted contracts." Unapproved claims relate to contracts where our costs have exceeded the customer's funded value of the task order. The $121 million of unapproved claims included in Accounts receivable results primarily from de-obligated funding on certain task orders that were also subject to Form 1's relating to certain DCAA audit issues discussed above. We believe such disputed costs will be resolved in our favor at which time the customer will be required to obligate funds from appropriations for the year in which resolution occurs. The remaining unapproved claims balance of approximately $28 million primarily represents costs for which incremental funding is pending in the normal course of business. The majority of costs in this category are normally funded within several months after the costs are incurred. The unapproved claims outstanding at June 30, 2011 are considered to be probable of collection and have been previously recognized as revenue.

Liquidated damages. Many of our engineering and construction contracts have milestone due dates that must be met or we may be subject to penalties for liquidated damages if claims are asserted and we were responsible for the delays. These generally relate to specified activities that must be met within a project by a set contractual date or achievement of a specified level of output or throughput of a plant we construct. Each contract defines the conditions under which a customer may make a claim for liquidated damages. However, in many instances, liquidated damages are not asserted by the customer, but the potential to do so is used in negotiating claims and closing out the contract.

Based upon our evaluation of our performance and other legal analysis, we have not accrued for possible liquidated damages related to several projects, totaling $19 million at June 30, 2011 (including amounts related to our share of unconsolidated subsidiaries), that we could incur based upon completing the projects as currently forecasted.

Transactions with Former Parent. As of June 30, 2011, "Due to former parent, net" in the accompanying financial statements was approximately $53 million and was comprised primarily of net amounts owed to Halliburton under the tax sharing agreement for estimated income taxes and other receivables due from Halliburton under the MSA. Our estimate of amounts due to Halliburton under the tax sharing agreement was approximately $45 million at June 30, 2011 and relates to income taxes primarily for the years from 2001 through 2006. Although we believe we have appropriately accrued for these amounts owed to Halliburton, there may be differences of interpretation between us and Halliburton regarding the terms of the tax sharing agreement which may result in changes to the amounts ultimately paid to or received from Halliburton for income taxes at the time of settlement. Under the MSA, Halliburton agreed to indemnify us for certain penalties and fines, including reimbursement of certain legal fees, associated with matters existing at the date of our separation from Halliburton. The remaining balance as of June 30, 2011 is associated with various other amounts payable to or receivable from Halliburton resulting from our separation in 2007 which we will continue to evaluate prior to final settlement with Halliburton.

Included in "Other assets" in the accompanying financial statements is an income tax receivable of approximately $18 million related to a foreign tax credit generated prior to our split-off from Halliburton in 2007. The receivable will be collected from Halliburton after Halliburton receives the refund from an amended tax return that was filed in the second quarter of 2011.

We have recorded a indemnification receivable due from Halliburton of approximately $12 million associated with our estimated liability in the Barracuda-Caratinga matter which is included in "Other current assets" in the accompanying financial statements.

Legal Proceedings

Information related to various commitments and contingencies is described in Notes 7 and 8 to the condensed consolidated financial statements.

Environmental Regulation

We are subject to numerous environmental, legal, and regulatory requirements related to our operations worldwide. In the United States, these laws and regulations include, among others: the Comprehensive Environmental Response, Compensation, and Liability Act; the Resources Conservation and Recovery Act; the Clean Air Act; the Federal Water Pollution Control Act; and the Toxic Substances Control Act. In addition to federal and state laws and regulations, other countries where we do business often have numerous environmental regulatory requirements by which we must abide in the normal course of our operations. These requirements apply to our business segments where we perform construction and industrial maintenance services or operate and maintain facilities.

We continue to monitor site conditions and until further information is available, we are only able to estimate a possible range of remediation costs. These locations were primarily utilized for manufacturing or fabrication work and are no longer in operation. The use of these facilities created various environmental issues including deposits of metals, volatile and semi-volatile compounds, and hydrocarbons impacting surface and subsurface soils and groundwater. The range of remediation costs could change depending on our ongoing site analysis and the timing and techniques used to implement remediation activities. We do not expect costs related to environmental matters will have a material adverse effect on our condensed consolidated financial position or results of operations. Based on the information presently available to us, we have accrued approximately $7 million for the assessment and

remediation costs associated with all environmental matters, which represents the low end of the range of possible costs that could be as much as $13 million. See Note 8 to our consolidated financial statements for more information on environmental matters.

We have been named as a potentially responsible party ("PRP") in various clean-up actions taken by federal and state agencies in the U.S. Based on the early stages of these actions, we are unable to determine whether we will ultimately be deemed responsible for any costs associated with these actions and accordingly, no amounts have been accrued for potential liabilities.

New Accounting Standards

Information related to new accounting standards is described in Note 14 to the condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

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

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

Item 4. Controls and Procedures

In accordance with Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2011 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

During the most recent fiscal quarter, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information related to various commitments and contingencies is described in Notes 7 and 8 to the condensed consolidated financial statements and in Managements' Discussion and Analysis of Financial Condition and Results of Operations – Legal Proceedings and the information discussed therein is incorporated herein.

Item 1A. Risk Factors

There are no material changes from the risk factors previously disclosed in Part I, Item 1A in our Annual Report on Form 10-K, which is incorporated herein by reference, for the year ended December 31, 2010.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) None.

(b) None.

(c) On June 8, 2010, we initiated a Board of Directors authorized share repurchase program allowing us to maintain, over time, our outstanding shares at approximately 150 million shares. The authorization does not specify an expiration date. The following is a summary of share repurchases of our common stock settled during the three months ended June 30, 2011.

Purchase Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs [a]
April 1 – 29, 2011				
Repurchase Program [a]	—	$ —	—	1,577,735
Employee Transactions [b]	20,135	$ 37.77	—	—
May 2 – 31, 2011				
Repurchase Program [a]	218,600	$35.39	218,600	1,432,228
Employee Transactions [b]	5,823	$ 37.82	—	—
June 3 – 27, 2011				
Repurchase Program [a]	724,213	$35.71	724,213	759,156
Employee Transactions [b]	1,891	$36.06	—	—
Total				
Repurchase Program [a]	942,813	$35.63	942,813	—
Employee Transactions [b]	27,849	$37.67	—	—

(a) We may continue to repurchase shares of our outstanding common shares as necessary to maintain, over time, our outstanding shares at approximately 150 million shares.

(b) Reflects shares acquired from employees in connection with the settlement of income tax and related benefit withholding obligations arising from vesting in restricted stock units.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

None.

Item 6. Exhibits

	Exhibit Number	Description
	3.1	KBR Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to KBR's registration statement on Form S-1; Registration No. 333-133302)
	3.2	Amended and Restated Bylaws of KBR, Inc. (incorporated by reference to Exhibit 99.2 to KBR's current report on Form 8-K filed July 5, 2011; File No. 1-33146)
	4.1	Form of specimen KBR common stock certificate (incorporated by reference to Exhibit 4.1 to KBR's registration statement on Form S-1; Registration No. 333-133302)
*	10.1	Three Year Revolving Credit Agreement dated as of November 3, 2009 among KBR, Inc., the Lenders party thereto, BBVA Compass, as Syndication Agent, The Royal Bank of Scotland PLC, Bank of America, N.A. and Regions Bank, as Co-Documentation Agents, Citigroup Global Markets Inc. and RBS Securities Inc., as Co-Lead Arrangers, and Citibank, N.A. as Administrative Agent (Re-filed with a complete set of exhibits. Originally filed as Exhibit 10.1 to KBR's current report on Form 8-K filed November 6, 2009; File No. 1-33146)
*	31.1	Certification by Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*	31.2	Certification by Chief Financial Officer Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
**	32.1	Certification by the Chief Executive Officer Furnished Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**	32.2	Certification by the Chief Financial Officer Furnished Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
***	101.INS	XBRL Instance Document
***	101.SCH	XBRL Taxonomy Extension Schema Document
***	101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
***	101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
***	101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
***	101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed with this Form 10-Q

** Furnished with this Form 10-Q

*** Submitted pursuant to Rule 405 and 406T of Regulation S-T.

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, thereunto duly authorized.

KBR, INC.

/s/ Susan K. Carter
Susan K. Carter
Executive Vice President and Chief Financial Officer

/s/ Dennis S. Baldwin
Dennis S. Baldwin
Senior Vice President and Chief Accounting Officer

Date: July 27, 2011

Exhibit 10.1

EXECUTION COPY

U.S. $1,075,000,000

THREE YEAR REVOLVING CREDIT AGREEMENT

Dated as of November 3, 2009

Among

KBR, INC.
as Borrower,

THE ISSUING BANKS NAMED HEREIN
as Issuing Banks,

THE BANKS NAMED HEREIN
as Banks,

CITIBANK, N.A.
as Administrative Agent,

BBVA COMPASS
Syndication Agent,

THE ROYAL BANK OF SCOTLAND PLC,
BANK OF AMERICA, N.A. and
REGIONS BANK
Co-Documentation Agents

Co-Lead Arrangers:

CITIGROUP GLOBAL MARKETS INC.
and
RBS SECURITIES INC.

TABLE OF CONTENTS

		Page
	Article I DEFINITIONS AND ACCOUNTING TERMS	
Section 1.01	Certain Defined Terms	1
Section 1.02	Computation of Time Periods	20
Section 1.03	Accounting Terms; GAAP	20
Section 1.04	Miscellaneous	20
Section 1.05	Ratings	21
Section 1.06	Exchange Rate	21
	Article II AMOUNTS AND TERMS OF THE REVOLVING CREDIT ADVANCES	
Section 2.01	The Revolving Credit Advances	21
Section 2.02	Making the Revolving Credit Advances	23
Section 2.03	Issuance of and Drawings and Reimbursement Under Letters of Credit	24
Section 2.04	Fees	27
Section 2.05	Reduction of Commitments	28
Section 2.06	Repayment of Advances; Required Cash Collateral	28
Section 2.07	Interest	30
Section 2.08	Additional Interest on Eurodollar Rate Advances	31
Section 2.09	Interest Rate Determination	31
Section 2.10	Optional Prepayments	32
Section 2.11	Payments and Computations	32
Section 2.12	Compensation for Losses	33
Section 2.13	Increased Costs and Capital Requirements	34
Section 2.14	Taxes	35
Section 2.15	Sharing of Payments, Etc.	37
Section 2.16	Illegality	37
Section 2.17	Conversion of Advances	38
Section 2.18	Replacement of Bank	38
Section 2.19	Evidence of Indebtedness	39
Section 2.20	Increase in the Aggregate Revolving Credit Commitments; Increase in Letter of Credit Commitment	39
Section 2.21	Defaulting Lenders	40
	Article III CONDITIONS OF LENDING	
Section 3.01	Conditions Precedent to Effectiveness	43
Section 3.02	Conditions Precedent to Each Revolving Credit Advance, Each Commitment Increase and Each Issuance, Renewal, Amendment, Increase and Extension of Each Letter of Credit	44
Section 3.03	Determinations Under ***Section 3.01***	45
	Article IV REPRESENTATIONS AND WARRANTIES	
Section 4.01	Representations and Warranties of the Borrower	45

Article V
COVENANTS OF THE BORROWER

Section 5.01	Affirmative Covenants	51
Section 5.02	Negative Covenants	55
Section 5.03	Financial Covenants	61

Article VI
EVENTS OF DEFAULT

Section 6.01	Events of Default	61
Section 6.02	Actions in Respect of the Letters of Credit upon Default	63
Section 6.03	Application of Funds	64

Article VII
THE ADMINISTRATIVE AGENT

Section 7.01	Appointment and Authority	64
Section 7.02	Duties of Administrative Agent; Exculpatory Provisions	65
Section 7.03	Reliance by Administrative Agent	65
Section 7.04	Rights as a Bank	66
Section 7.05	Bank Credit Decision	67
Section 7.06	Delegation of Duties	68
Section 7.07	Resignation; Replacement of Administrative Agent	68
Section 7.08	Co-Lead Arrangers, Syndication Agent, Documentation Agent	69
Section 7.09	Guarantee Matters	69
Section 7.10	Administrative Agent May File Proofs of Claim	69

Article VIII
MISCELLANEOUS

Section 8.01	Amendments, Etc.	70
Section 8.02	Notices, Etc.	71
Section 8.03	No Waiver; Remedies; Enforcement	74
Section 8.04	Expenses and Taxes; Compensation; Indemnification	74
Section 8.05	Right of Set-Off	75
Section 8.06	Limitation and Adjustment of Interest	76
Section 8.07	Binding Effect	77
Section 8.08	Assignments and Participations	77
Section 8.09	No Liability of Issuing Banks	80
Section 8.10	Counterparts; Integration, Effectiveness; Electronic Execution	80
Section 8.11	Judgment	81
Section 8.12	Governing Law	81
Section 8.13	Jurisdiction; Damages	81
Section 8.14	Confidentiality	82
Section 8.15	Patriot Act Notice	84
Section 8.16	Waiver of Jury Trial	84
Section 8.17	Certain Matters with Respect to Existing Credit Agreement	85

SCHEDULES

Schedule I	-	Commitments
Schedule II	-	Existing Letters of Credit
Schedule III	-	Subsidiary Guarantors
Schedule IV	-	Issuing Bank Information
Schedule 4.01(b)	-	Loan Parties, Subsidiaries and Project Finance Subsidiaries
Schedule 5.02(a)(i)	-	Existing Liens
Schedule 5.02(a)(viii)	-	HSBC Letters of Credit
Schedule 5.02(b)(ii)	-	Existing Debt

EXHIBITS

Exhibit A	-	Form of Note
Exhibit B-1	-	Form of Notice of Revolving Credit Borrowing
Exhibit B-2	-	Form of Notice of Issuance and Application for Letter of Credit
Exhibit C	-	Form of Guarantee
Exhibit D	-	Form of Assignment and Acceptance

THREE YEAR REVOLVING CREDIT AGREEMENT
Dated as of November 3, 2009

KBR, Inc., a Delaware corporation (the "***Borrower***"), the lenders party hereto, the Issuing Banks party hereto, and Citibank, N.A., a national banking association ("***Citibank***"), as Administrative Agent hereunder, agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

Section 1.01 Certain Defined Terms. As used in this Agreement, the terms "Borrower" and "Citibank" shall have the meanings set forth above and the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"***Administrative Agent***" means Citibank in its capacity as administrative agent and any successor in such capacity pursuant to ***Section 7.07***.

"***Administrative Questionnaire***" means an Administrative Questionnaire in the form approved by the Administrative Agent.

"***Advance***" means a Revolving Credit Advance under ***Section 2.01*** or a Letter of Credit Advance under ***Section 2.03*** and refers to a Base Rate Advance or a Eurodollar Rate Advance (each, a "***Type***" of Advance).

"***Affected Bank***" has the meaning specified in ***Section 2.16***.

"***Affiliate***" means, as to any Person, any other Person that, directly or indirectly, Controls, is Controlled by or is under common Control with such Person.

"***Agent's Account***" means the account of the Administrative Agent maintained by the Administrative Agent with Citibank at its office at 2 Penns Way, Suite 200, New Castle, Delaware 19720, Account No. 36852248, Attention: KBR Account Officer, or such other account as the Administrative Agent shall specify in writing to the Banks.

"***Agent Parties***" has the meaning specified in ***Section 8.02(f)***.

"***Agreement***" means this Three Year Revolving Credit Agreement dated as of the date hereof among the Borrower, the Banks and the Administrative Agent, as amended from time to time in accordance with the terms hereof.

"***Applicable Lending Office***" means, with respect to each Bank, (i) in the case of a Base Rate Advance, such Bank's Domestic Lending Office, and (ii) in the case of a Eurodollar Rate Advance, such Bank's Eurodollar Lending Office.

"***Applicable Margin***" means 3% per annum for Eurodollar Rate Advances and 2% per annum for Base Rate Advances.

"***Approved Electronic Communications***" has the meaning set forth in ***Section 8.02(c)***.

"***Approved Electronic Platform***" has the meaning specified in ***Section 8.02(c)***.

"***Approved Fund***" means any Fund that is administered or managed by (a) a Bank, (b) an Affiliate of a Bank or (c) an entity or an Affiliate of an entity that administers or manages a Bank.

"***Assignment and Acceptance***" means an Assignment and Acceptance entered into by a Bank and an Eligible Assignee (with the consent of any party

the Administrative Agent.

"***Assuming Lender***" has the meaning specified in ***Section 2.20***.

"***Available Amount***" of any Letter of Credit means, at any time, the Dollar Equivalent of the maximum amount available to be drawn under such Letter of Credit at the time of such determination (assuming compliance at such time with all conditions to drawing); provided, however, that with respect to any Letter of Credit that by its terms or the terms of any L/C Related Document, provides for one or more automatic increases in the maximum available amount thereof, the Available Amount of such Letter of Credit shall, for all purposes other than the calculation of fees under ***Section 2.04(b)***, be deemed to be the maximum amount available to be drawn under such Letter of Credit after giving effect to all such increases, whether or not such maximum available amount is in effect at such time.

"***Banks***" means the Issuing Banks and the other banks and other financial institutions party hereto from time to time as lenders, including each Eligible Assignee that becomes a party hereto pursuant to ***Section 8.08(a)***, ***(b)*** and ***(d)***.

"***Base Rate***" means, for any day, a fluctuating interest rate per annum as shall be in effect on such day, which rate per annum shall at all times be equal to the highest of (a) the rate of interest announced publicly by Reference Bank in New York, New York, from time to time, as Reference Bank's base rate in effect for such day, (b) the sum of 1/2 of 1% per annum *plus* the Federal Funds Rate in effect for such day, and (c) the sum of the Eurodollar Rate for an Interest Period of one month commencing on such day *plus* 1% per annum.

"***Base Rate Advance***" means an Advance which bears interest as provided in ***Section 2.07(a)***.

"***Borrowing***" means a borrowing consisting of Advances of the same Type made on the same day by the Banks pursuant to ***Section 2.01*** and, if such Advances are Eurodollar Rate Advances, having Interest Periods of the same duration.

"***Business Day***" means a day of the year on which banks are not required or authorized to close in New York City and, if the applicable Business Day relates to any Eurodollar Rate Advance, on which dealings in Dollar deposits are carried on in the London interbank market.

"***Capitalized Leases"*** means leases that should be, in accordance with GAAP, recorded as capitalized leases.

"***Capitalized/Operating Leases***" means leases that would have been classified as operating leases under GAAP as in effect on the Effective Date but that are classified as Capitalized Leases because of changes in GAAP that take effect after the Effective Date.

"***Cash Collateralize***" means, in respect of an obligation, provide and pledge (as a first priority perfected security interest) cash collateral in Dollars, at a location and pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent (and " ***Cash Collateral***" and "***Cash Collateralization***" have corresponding meanings).

"***Cash Equivalents***" means

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) marketable direct obligations issued by any state of the United States or any political subdivision of any such state or any public instrumentality thereof, in each case maturing within one year after such date and having, at the time of the acquisition thereof, the highest rating obtainable from either S&P or Moody's;

(c) commercial paper maturing no more than one year from the date of creation thereof and having, at the time of the acquisition thereof, a rating of at least A-1 from S&P or at least P-1 from Moody's;

(d) certificates of deposit or bankers' acceptances maturing within one year after such date and issued or accepted by any Bank or by any commercial bank organized under the laws of the United States, any state thereof, the District of Columbia or any foreign country recognized by the United States that (a) is at least "adequately capitalized" (as defined in the regulations of its primary Federal banking regulator), (b) has Tier 1 capital (as defined in such regulations) of not less than $100,000,000 (or the Foreign Currency Equivalent thereof) and (c) has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act);

(e) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in ***clause (a)*** above and entered into with a financial institution satisfying the criteria described in ***clause (d)*** above;

(f) money market funds that (i) comply with the criteria set forth in Securities and Exchange Commission Rule 2a 7 under the Investment Company Act of 1940, (ii) are rated AAA by S&P and Aaa by Moody's and (iii) have portfolio assets of at least $5,000,000,000; and

(g) substantially similar investments denominated in foreign currencies (including similarly capitalized foreign banks).

"***CERCLIS***" means the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the U.S. Environmental Protection Agency.

"***Change in Law***" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority.

"***Change of Control***" means the occurrence of any of the following: (a) any Person or two or more Persons acting in concert shall have acquired beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of Voting Interests of the Borrower (or other securities convertible into such Voting Interests) representing 25% or more of the combined voting power of all Voting Interests of the Borrower or (b) during any period of 24 consecutive months, the Continuing Directors shall cease for any reason (other than death or disability) to constitute a majority of the board of directors of the Borrower.

"***Co-Lead Arrangers***" means Citigroup Global Markets Inc. and RBS Securities Inc.

"***Code***" means the Internal Revenue Code of 1986, as amended, or any successor Federal tax code, and the regulations promulgated and rulings issued thereunder, in each case as now or hereafter in effect, and any reference to any statutory provision shall be deemed to be a reference to any successor provision or provisions.

"***Commercial Letter of Credit***" means a letter of credit qualifying as a "commercial letter of credit" under *12 C.F.R. Part 3*, *Appendix A*, *Section 3(b)(3)(i)* or any successor U.S. Comptroller of the Currency regulation.

"***Commitment***" means a Revolving Credit Commitment or a Letter of Credit Commitment.

"***Commitment Date***" has the meaning specified in ***Section 2.20***.

"***Commitment Fee***" has the meaning specified in ***Section 2.04(a)***.

"***Commitment Increase***" has the meaning specified in ***Section 2.20***.

"***Communications***" has the meaning specified in ***Section 8.02(b)***.

"***Consolidated Debt***" means at any time the Indebtedness of the Borrower and its consolidated Subsidiaries calculated on a consolidated basis as of such time excluding Project Finance Subsidiaries and Permitted Non-Recourse Indebtedness.

"***Consolidated EBITDA***" means, for any period, for the Borrower and its consolidated Subsidiaries (excluding Project Finance Subsidiaries) on a consolidated basis, an amount equal to the sum of (a) Consolidated Net Income Attributable to Borrower for such period *plus* (b) the following to the extent deducted in calculating such Consolidated Net Income Attributable to Borrower: (i) Consolidated Interest Charges for such period, (ii) income tax expenses, (iii) depreciation expense, (iv) amortization expense, (v) net income attributable to noncontrolling interests, (vi) charges related to restructuring, asset impairment or other extraordinary items or related to non-cash estimate project losses (including non-extraordinary items), and (vii) charges indemnified or required to be indemnified by Halliburton Company, *minus* (c) cash payments related to restructuring, asset impairment or other extraordinary items or related to non-cash estimate project losses (including non-extraordinary items) to the extent previously included in the computation of Consolidated EBITDA pursuant to ***clause (a)*** of this definition (except to the extent indemnified or required to be indemnified by Halliburton Company); provided, however, that with respect to any Project Finance Subsidiary, any cash distribution made by such Project Finance Subsidiary to the Borrower or any Subsidiary of the Borrower (other than any Project Finance Subsidiary) to the extent not previously included in the equity and earnings of such Person shall be included for purposes of calculation of Consolidated EBITDA. For the purposes of determining Consolidated EBITDA for any period during which the purchase or other acquisition of Equity Interests or other property or assets of any Person is consummated, Consolidated EBITDA shall be adjusted in a manner consistent with Regulation S-X promulgated under the Securities Act of 1933, as amended, or as reasonably satisfactory to the Administrative Agent, in each case, to give effect to the consummation of such purchase or acquisition on a pro forma basis in accordance with GAAP, as if such purchase or acquisition occurred on the first day of such period.

"***Consolidated Interest Charges***" means, for any period, for the Borrower and its consolidated Subsidiaries on a consolidated basis, the sum of all interest, premium payments, fees, charges and related expenses in connection with borrowed money (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with GAAP, and all fees paid in respect of letters of credit, surety bonds and similar instruments.

"***Consolidated Net Income Attributable to Borrower***" means, for any period, net income attributable to the Borrower on a consolidated basis for that period.

"***Consolidated Net Worth***" means at any time the total consolidated Shareholders' Equity of the Borrower and its consolidated Subsidiaries calculated on a consolidated basis as of such time (excluding treasury stock), and, except as otherwise provided in ***Section 1.03(a)***, determined in accordance with GAAP.

"***Continuing Directors***" means, during any period, the directors of the Borrower on the first date of such period, and each other director if, in each case, such other director's nomination for election to the board of directors of the Borrower is recommended by at least a majority of the then Continuing Directors.

"***Control***" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "***Controlling***" and "***Controlled***" have meanings correlative thereto.

"***Convert***", "***Conversion***" and "***Converted***" each refers to a conversion of Revolving Credit Advances of one Type into Revolving Credit Advances of the other Type pursuant to ***Section 2.09***, ***Section 2.16*** or ***Section 2.17***.

"***Customary Permitted Liens***" means, with respect to any Person, any of the following Liens:

(a) Liens with respect to the payment of taxes, assessments or governmental charges in each case that are not yet due or that are being contested in good faith by appropriate proceedings and with respect to which adequate reserves or other appropriate provisions are being maintained to the extent required by GAAP;

(b) Liens of landlords arising by statue or lease contracts entered into in the ordinary course, inchoate, statutory or construction Liens and Liens of suppliers, mechanics, carriers, materialmen, warehousemen, producers, operators or workmen and other Liens imposed by law created in the ordinary course of business for amounts not yet overdue for a period of more than 60 days or that are being contested in good faith by appropriate proceedings and with respect to which adequate reserves or other appropriate provisions are being maintained to the extent required by GAAP;

(c) Liens, pledges or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance or other types of social security benefits, other than Liens imposed by ERISA;

(d) encumbrances arising by reason of zoning restrictions, easements, licenses, reservations, covenants, rights-of-way, utility easements, building restrictions and other similar encumbrances on the use of real property not materially detracting from the value of such real property and not materially interfering with the ordinary conduct of the business conducted at such real property;

(e) encumbrances arising under leases or subleases of real property that do not, individually or in the aggregate, materially detract from the value of such real property or materially interfere with the ordinary conduct of the business conducted at such real property; and

(f) financing statements with respect to a lessor's rights in and to personal property leased to such Person in the ordinary course of such Person's business.

"***Default***" means any event or condition which with notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"***Defaulting Lender***" means, at any time, a Bank as to which the Administrative Agent has notified the Borrower that (i) such Bank has failed for three or more Business Days to comply with its obligations under this Agreement to make an Advance and/or make a payment to the Issuing Bank in respect of a Letter of Credit Advance (each a "***funding obligation***"), (ii) such Bank has notified the Administrative Agent, or has stated publicly, that it will not comply with any such funding obligation hereunder, or has defaulted generally on its funding obligations under other loan agreements, credit agreements or similar financing agreements, (iii) such Bank has, for five or more Business Days, failed to confirm in writing to the Administrative Agent, in response to a written request of the Administrative Agent, that it will comply with its funding obligations hereunder or (iv) a Lender Insolvency Event has occurred and is continuing with respect to such Bank (provided that neither the reallocation of funding obligations provided for in ***Section 2.21(a)*** as a result of a Bank's being a Defaulting Lender nor the performance by Non-Defaulting Lenders of such reallocated funding obligations will by themselves cause the relevant Defaulting Lender to become a Non-Defaulting Lender). Any determination that a Bank is a Defaulting Lender under ***clauses (i)*** through ***(iv)*** above will be made by the Administrative Agent in good faith. The Administrative Agent will promptly send to all parties hereto a copy of any notice to the Borrower provided for in this definition.

"***Documentation Agent***" means each of The Royal Bank of Scotland plc, Bank of America, N.A. and Regions Bank, solely in its capacity as co-documentation agent under this Agreement.

"***Dollar Equivalent***" means, on any date, (i) in relation to an amount denominated in a currency other than Dollars, the equivalent in Dollars determined by using the Spot Rate (determined as of such date, if such date is a Revaluation Date, or if such date is not a Revaluation Date, as of the most recent Revaluation Date) and (ii) in relation to an amount denominated in Dollars, such amount.

"***Dollars***" and "***$***" means lawful money of the United States of America.

"***Domestic Lending Office***" means, with respect to any Bank, the office of such Bank specified as its "Domestic Lending Office" in its Administrative Questionnaire or in the Assignment and Acceptance pursuant to which it became a Bank, as applicable, or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Administrative Agent.

"***Domestic Subsidiary***" means any Subsidiary incorporated or organized under the laws of a state of the United States or the District of Columbia.

"***Effective Date***" has the meaning specified in ***Section 3.01***.

"***Eligible Assignee***" means (i) any Bank, (ii) any Affiliate of any Bank, (iii) an Approved Fund, and (iv) with the consent of the Administrative Agent and each Issuing Bank (which consent shall not be unreasonably withheld), and so long as no Event of Default under ***Section 6.01(a)*** or ***Section 6.01(e)*** shall have occurred and be continuing, the Borrower (which consent shall not be unreasonably withheld), any

other Person (other than a natural Person); provided, however, that no (x) Loan Party or any Affiliate of any Loan Party or (y) Defaulting Lender or Potential Defaulting Lender or any Person who, upon becoming a Bank hereunder, would constitute a Defaulting Lender or Potential Defaulting Lender, shall be an Eligible Assignee.

"***Environmental Action***" means any action, suit, demand, demand letter, claim, notice of non compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, any Environmental Permit or Hazardous Material or arising from alleged injury or threat to health, safety or the environment, including (a) by any Governmental Authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any Governmental Authority or third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"***Environmental Law***" means any Federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, writ, judgment, injunction, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment, health, safety or natural resources, including those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"***Environmental Liability***" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower, any other Loan Party or any of their respective Subsidiaries directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"***Environmental Permit***" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"***Equity Interests***" means, with respect to any Person, shares of capital stock of (or other ownership or profit interests in) such Person, warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other interests), and other ownership or profit interests in such Person (including partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

"***ERISA***" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"***ERISA Affiliate***" means any Person that is a member of the Borrower's controlled group, or under common control with the Borrower, within the meaning of *Section 414(b), (c), (m) or (o)* of the Code.

"***ERISA Event***" means (a) (i) the occurrence of a reportable event, within the meaning of *Section 4043* of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC, or (ii) the requirements of *subsection (1)* of *Section 4043(b)* of

ERISA (without regard to *subsection (2)* of such Section) are met with respect to a contributing sponsor, as defined in *Section 4001(a)(13)* of ERISA, of a Plan, and an event described in *paragraph (9)*, *(10)*, *(11)*, *(12)* or *(13)* of *Section 4043(c)* of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan pursuant to *Section 4041 or 4041A* of ERISA; (d) the cessation of operations that is treated as a withdrawal under *Section 4062(e)* of ERISA; (e) the withdrawal by the Borrower or any ERISA Affiliate from a Single Employer Plan or Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in *Section 4001(a)(2)* of ERISA; (f) (i) the incurrence by the Borrower or any ERISA Affiliate of any liability with respect to the complete or partial withdrawal by the Borrower or any ERISA Affiliate from a Multiemployer Plan or (ii) the receipt by the Borrower or any ERISA Affiliate of notification that a Multiemployer Plan is in reorganization; (g) the imposition of any liability upon the Borrower or any ERISA Affiliate under Title IV of ERISA other than for PBGC premiums due but not delinquent under *Section 4007* of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to *Section 4042* of ERISA, or the occurrence of any event or condition described in *Section 4042* of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, a Plan.

"***Eurocurrency Liabilities***" has the meaning assigned to that term in Regulation D of the Federal Reserve Board, as in effect from time to time.

"***Eurodollar Lending Office***" means, with respect to any Bank, the office of such Bank specified as its "Eurodollar Lending Office" specified in its Administrative Questionnaire or in the Assignment and Acceptance pursuant to which it became a Bank, as applicable (or, if no such office is specified, its Domestic Lending Office), or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Administrative Agent.

"***Eurodollar Rate***" means, for any Interest Period for each Eurodollar Rate Advance comprising part of the same Borrowing, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters LIBOR01 Page (or any successor page) as the London interbank offered rate for deposits in U.S. dollars at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period for a period equal to such Interest period (provided that, if for any reason such rate is not available, the term "Eurodollar Rate" shall mean, for any Interest Period for all Eurodollar Rate Advances comprising part of the same Borrowing, an interest rate per annum (rounded upward to the nearest whole multiple of 1/100 of 1% per annum, if such rate per annum is not such a multiple) equal to the rate per annum at which deposits in Dollars are offered by the principal office of Reference Bank in London, England to major banks in the London interbank market at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period in an amount substantially equal to Reference Bank's Eurodollar Rate Advance comprising part of such Borrowing and for a period equal to such Interest Period).

"***Eurodollar Rate Advance***" means an Advance which bears interest as provided in ***Section 2.07(b)***.

"***Eurodollar Rate Reserve Percentage***" of any Bank for any Interest Period for all Eurodollar Rate Advances comprising part of the same borrowing means the reserve percentage applicable during such Interest Period (or if more than one such percentage shall be so applicable, the daily average of such percentages for those days in such Interest Period during which any such percentage shall be so applicable) under regulations issued from time to time by the Federal Reserve Board for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) for such Bank with respect to liabilities or assets consisting of or including Eurocurrency Liabilities having a term equal to such Interest Period.

"***Events of Default***" has the meaning specified in ***Section 6.01***.

"***Excluded Taxes***" means, with respect to the Administrative Agent, any Bank and any Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Bank, in which its Applicable Lending Office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under ***Section 2.18***), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party hereto (or designates a new lending office) or is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with ***Section 2.14(f)***, except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to ***Section 2.14(a)***.

"***Existing Credit Agreement***" means that certain Five Year Revolving Credit Agreement dated as of December 16, 2005 among KBR Holdings, LLC, as borrower, Citibank, N.A., as paying agent and co-administrative agent, the other agents therein named, the issuing banks named therein, and the lenders a party thereto, as amended.

"***Existing Debt***" has the meaning specified in ***Section 5.02(b)(ii)***.

"***Existing Letters of Credit***" means each of the letters of credit issued under the Existing Credit Agreement outstanding on the Effective Date that are described on ***Schedule II*** hereto.

"***Extended Letter of Credit***" has the meaning specified in ***Section 2.01(b)***.

"***FAS 13***" means Statement Number 13 issued by the Financial Accounting Standards Board as same may be amended or interpreted from time to time.

"***FAS 167***" means Statement Number 167 issued by the Financial Accounting Standards Board as same may be amended or interpreted from time to time.

"***Federal Funds Rate***" means, for any day, a fluctuating interest rate per annum equal for such day to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average rate quoted to Reference Bank for such day on such transactions as determined by the Administrative Agent.

"***Federal Reserve Board***" means the Board of Governors of the Federal Reserve System or any successor thereof.

"***FIN 46R***" means FASB Interpretation No. 46 "Consolidation of Variable Interest Entities" published January 2003 by the Financial Accounting Standards Board, as the same may be amended or interpreted from time to time.

"***Foreign Currency***" means any lawful currency (other than Dollars).

"***Foreign Currency Equivalent***" means at any time, with respect to any amount denominated in Dollars, the equivalent amount thereof in the applicable Foreign Currency as determined on the basis of the Spot Rate (determined in respect of the most recent Revaluation Date) for the purchase of such Foreign Currency with Dollars.

"***Foreign Currency Letter of Credit***" means a Letter of Credit denominated in a Foreign Currency.

"***Foreign Currency Letter of Credit Contingency Amount***" means, at any time, an amount equal to 10% of the aggregate Available Amount of all Foreign Currency Letters of Credit outstanding at such time.

"***Foreign Lender***" means any Bank that is organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"***Fund***" means any Person (other than a natural Person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

"***GAAP***" means generally accepted accounting principles in the United States of America.

"***Gap Cash Collateral Amount***" has the meaning set forth in the definition of "***Unused Revolving Credit Commitment***".

"***Governing Body***" means the board of directors or other body having the power to direct or cause the direction of the management and policies of a Person that is a corporation, partnership, trust, joint venture, joint stock company, or limited liability company.

"***Governmental Authority***" means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

"***Guarantee***" means the guarantee of the Subsidiary Guarantors substantially in the form of ***Exhibit C***, together with each Guarantee Supplement delivered pursuant to ***Section 5.01(j)***, in each case as amended, amended and restated, modified or otherwise supplemented.

"***Guarantee Supplement***" has the meaning specified in ***Section 5.01(j)***.

"***Guaranty Obligation***" means, as to any Person, any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness of another Person in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain equity or other financial statement conditions or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee in respect of such Indebtedness of the payment thereof or to protect such obligees against loss in respect thereof (in whole or in part); provided, however, that the term "***Guaranty Obligation***" shall not include endorsements of instruments for deposit or collection in the ordinary course of business.

"***Hazardous Materials***" means (a) petroleum or petroleum products, by-products or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

"***Hedging Obligation***" means an Obligation of the Borrower or a Subsidiary entered into in the ordinary course of business pursuant to an interest rate swap, cap or collar agreement, interest rate future or option contract, currency swap agreement, currency future or option contract or other hedging agreement.

"***Increase Date***" has the meaning specified in ***Section 2.20***.

"***Increasing Lender***" has the meaning specified in ***Section 2.20***.

"***Indebtedness***" means, for any Person and without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than trade accounts payable and other similar current obligations arising in the ordinary course of business), (c) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (d) all contingent and non-contingent obligations of such Person in connection with letters of credit, bankers' acceptances, bank guaranties, and similar instruments (including, in the case of the Borrower, indemnification obligations of the Borrower to Halliburton Company, in respect of letters of credit) and all non-contingent reimbursement obligations in connection with surety bonds, (e) all obligations of such Person under Capitalized Leases, (f) all Guaranty Obligations of such Person with respect to the obligations of another of a type described in ***clauses (a)*** through ***(e)*** above, (g) all indebtedness referred to in ***clauses (a)*** through ***(e)*** above of another Person secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness (provided that, for purposes of determining the amount of Indebtedness of the type described in this clause, the amount of such Indebtedness shall be limited to the lesser of the fair market value of such asset or the amount of such Indebtedness, and (h) all Indebtedness referred to in ***clauses (a)*** through ***(g)*** above of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person; provided that as used in the definition of "***Consolidated Debt***" Indebtedness shall not include (i) contingent obligations under letter of credit reimbursement agreements with respect to (A) fifty percent (50%) of the face amount of any Performance Letters of Credit and (B) one hundred percent (100%) of the face amount of any Commercial Letters of Credit, in each case, so long as such letters of credit remain undrawn, (ii) Hedging Obligations, (iii) contingent obligations with respect to surety bonds, (iv) letters of credit, acceptances and bank guarantees to the extent collateralized with cash and/or cash equivalents, and (v) Indebtedness in respect of Capitalized/Operating Leases to the extent that such Indebtedness does not exceed $500,000,000 at any time outstanding. For the avoidance of doubt, in calculating the Consolidated Debt of the Borrower and its consolidated Subsidiaries, where one letter of credit, acceptance or bank guarantee is issued for the account of the Borrower or one of its Subsidiaries and which supports another letter of credit, acceptance or bank guarantee of the Borrower or such Subsidiary, the related Indebtedness shall only be included once.

"***Indemnified Party***" has the meaning specified in ***Section 8.04(b)***.

"***Indemnified Taxes***" means Taxes other than Excluded Taxes.

"***Information Memorandum***" means the document in the form approved by the Borrower concerning the Loan Parties and their Subsidiaries which, at the Borrower's request and on its behalf, was prepared in relation to this transaction and distributed by the Co-Lead Arrangers to selected financial institutions before the date of this Agreement.

"***Interest Period***" means, for each Eurodollar Rate Advance comprising part of the same Borrowing, the period commencing on the date of such Eurodollar Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurodollar Rate Advance and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, with respect to Eurodollar Rate Advances, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months (or, as to any Interest Period, such other period as the Borrower and each of the Banks may agree to for such Interest Period), in each case as the Borrower may, upon notice received by the Administrative Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period (or, as to any Interest Period, at such other time as the Borrower and the Banks may agree to for such Interest Period), select; provided, however, that:

(a) Interest Periods commencing on the same date for Advances comprising part of the same Borrowing shall be of the same duration;

(b) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day;

(c) any Interest Period which begins on the last Business Day of the calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month in which it would have ended if there were a numerically corresponding day in such calendar month; and

(d) the Borrower may not select an Interest Period for any Advance if the last day of such Interest Period would be later than the date on which the Advances are then payable in full or if any Event of Default shall have occurred and be continuing at the time of selection.

"***Investment***" in any Person means any loan or advance to such Person, any purchase or other acquisition of any Equity Interests or Indebtedness or the assets comprising a division or business unit or a substantial part or all of the business of such Person, any capital contribution to such Person or any other direct or indirect investment in such Person, including any acquisition by way of a merger or consolidation (or similar transaction) and any arrangement pursuant to which the investor incurs Indebtedness of the type referred to in ***clause (f)*** or ***(g)*** of the definition of "Indebtedness" in respect of such Person.

"***Issuing Bank***" means each of (a) Citibank, The Royal Bank of Scotland plc, Compass Bank, Bank of America, N.A., Regions Bank and National Bank of Kuwait, S.A.K., New York Branch in their capacities as initial issuing banks, (b) any other Bank that, by written agreement with the Borrower (and with the consent of the Administrative Agent not to be unreasonably withheld), agrees to be an Issuing Bank, and (c) any Eligible Assignee to which a Letter of Credit Commitment has been assigned pursuant

to ***Section 8.08*** so long as each such Eligible Assignee expressly agrees to perform in accordance with their terms all the obligations that by the terms of this Agreement are required to be performed by it as an Issuing Bank and notifies the Administrative Agent of its Applicable Lending Office and the amount of its Letter of Credit Commitment (which information shall be recorded by the Administrative Agent in the Register), for so long as such initial Issuing Bank or Eligible Assignee, as the case may be, shall have a Letter of Credit Commitment. An Issuing Bank may, with the prior consent of the Borrower (not to be unreasonably withheld), arrange for one or more Letters of Credit to be issued by an Affiliate of such Issuing Bank, in which case the term "Issuing Bank" shall include any such Affiliate solely with respect to such Letters of Credit issued by such Affiliate; provided that such designation shall not result in or grant to such Affiliate the status or rights of a Bank pursuant to this Agreement.

"***Joint Venture"*** means any Person (other than a Subsidiary of the Borrower) in which the Borrower (including ownership through Subsidiaries) owns Equity Interests representing less than 100% of the Equity Interests of such Person.

"***Joint Venture Debt***" has the meaning specified in ***Section 5.02(a)(vi).***

"***JV Subsidiary***" means each Subsidiary of the Borrower (a) that directly holds an Equity Interest in any Joint Venture and (b) that has no other material assets.

"***L/C Cash Collateral Account***" means the l/c cash collateral deposit account, Account No. 30618602, with Citibank, as securities intermediary and depository bank, at its office at One Penns Way, 2nd Floor, New Castle, Delaware 19720, in the name of the Borrower but under the sole control and dominion of the Administrative Agent and subject to the terms of this Agreement.

"***L/C Exposure***" means, at any time and without duplication, the sum of (a) the aggregate undrawn portion of all uncancelled and unexpired Letters of Credit *plus* (b) the aggregate unpaid reimbursement obligations of the Borrower in respect of drawings of drafts under any Letter of Credit made by a Letter of Credit beneficiary.

"***L/C Related Documents***" has the meaning specified in ***Section 2.06(b)(iii)(A)***.

"***Lender Insolvency Event***" means that (i) a Bank or its Parent Company is insolvent, or is generally unable to pay its debts as they become due, or admits in writing its inability to pay its debts as they become due, or makes a general assignment for the benefit of its creditors, or (ii) such Bank or its Parent Company is the subject of a bankruptcy, insolvency, reorganization, liquidation or similar proceeding, or a receiver, trustee, conservator, intervenor or sequestrator or the like has been appointed for such Bank or its Parent Company or such Bank or its Parent Company has taken any action in furtherance of or indicating its consent to or acquiescence in any such proceeding or appointment; provided, that a Bank shall not become a Defaulting Lender solely as the result of the acquisition or maintenance of an ownership interest in such Bank or its Parent Company or the exercise of control over such Bank or its Parent Company by a Governmental Authority or an instrumentality thereof.

"***Letter of Credit***" has the meaning set forth in ***Section 2.01(b)***.

"***Letter of Credit Advance***" means an Advance made by any Issuing Bank or any Bank pursuant to ***Section 2.03(d)***.

"***Letter of Credit Commitment***" of any Issuing Bank means, at any time, the amount set forth (a) opposite such Issuing Bank's name on ***Schedule I*** under the heading "Letter of Credit Commitments", (b) in the relevant Assignment and Acceptance to which such Issuing Bank is a party or (c) in such other agreement pursuant to which such Issuing Bank becomes an Issuing Bank hereunder, in each case as such amount may be terminated, reduced or increased pursuant to ***Section 2.05***, ***Section 2.20***, ***Section 6.01*** or ***Section 8.08***.

"***Letter of Credit Fees***" means fees payable pursuant to ***Section 2.04(b)*** or ***Section 2.04(c)***.

"***Lien***" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement, including the lien or retained security title of a conditional vendor, a statutory deemed trust and any easement, right of way or other encumbrance on title to real property; provided, however, that for the avoidance of doubt, the interest of a Person as owner or lessor under charters or leases of property.

"***Loan Documents***" means this Agreement, the Guarantee and the Notes.

"***Loan Parties***" means the Borrower and the Subsidiary Guarantors.

"***Material Adverse Change***" means a material adverse change in the business, condition (financial or otherwise), operations, performance, properties, contingent liabilities or material agreements of the Borrower, the Subsidiary Guarantors and their respective Subsidiaries, taken as a whole.

"***Material Adverse Effect***" means a material adverse effect on (a) the business, condition (financial or otherwise), operations, performance, properties, contingent liabilities or material agreements of the Borrower, the Subsidiary Guarantors and their respective Subsidiaries, taken as a whole, (b) the rights and remedies of the Administrative Agent or any Bank under any Loan Document or (c) the ability of each of the Borrower or any Subsidiary Guarantor to perform its Obligations under any Loan Document to which it is or is to be a party.

"***Material Domestic Subsidiary***" means, at any date, any wholly-owned Domestic Subsidiary of the Borrower which is a Material Subsidiary of the Borrower.

"***Material Subsidiary***" means, as at any date of determination, KBR Holdings, LLC and each other Subsidiary now existing or hereafter acquired or formed by the Borrower generating more than 5% of total revenues for the Borrower and its Subsidiaries for the most recently ended four fiscal quarters. In calculating total revenues and revenues attributable to interests in Subsidiaries which interests are not owned by Borrower shall be excluded.

"***Maturity Date***" means the date that is the third anniversary of the Effective Date provided, however, that if such date is not a Business Day, the Maturity Date shall be the next preceding Business Day.

"***Moody's***" means Moody's Investors Service, Inc. or any successor to its debt ratings business.

"***Multiemployer Plan***" means any employee benefit plan of the type described in *Section 4001(a)(3)* of ERISA, to which the Borrower or any ERISA Affiliate makes or is obligated to make contributions or has any liability, or during the preceding five plan years, has made or been obligated to make contributions.

"***Multiple Employer Plan***" means a single employer plan, as defined in *Section 4001(a)(15)* of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and at least one Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under *Section 4064 or 4069* of ERISA in the event such plan has been or were to be terminated.

"***Non-Defaulting Lender***" means, at any time, a Bank that is not a Defaulting Lender or a Potential Defaulting Lender.

"***Note***" means a promissory note of the Borrower payable to the order of any Bank, in substantially the form of ***Exhibit A*** hereto, evidencing the aggregate indebtedness of the Borrower to such Bank resulting from the Advances owing to such Bank.

"***Notice of Issuance and Application for Letter of Credit***" has the meaning specified in ***Section 2.03(a)***.

"***Notice of Revolving Credit Borrowing***" has the meaning specified in ***Section 2.02(a)***.

"***NPL***" means the National Priorities List under CERCLA.

"***Obligations***" means all advances to, and debts, liabilities, obligations, covenants and duties of, any Loan Party arising under any Loan Document or otherwise with respect to any Advance or Letter of Credit, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest and fees that accrue after the commencement by or against any Loan Party or any Affiliate thereof of any proceeding under any the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions naming such Person as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

"***Other Taxes***" means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"***Parent Company***" means, with respect to a Bank, the bank holding company (as defined in Federal Reserve Board Regulation Y), if any, of such Bank, and/or any Person owning, beneficially or of record, directly or indirectly, a majority of the shares of such Bank.

"***Participant***" has the meaning assigned to such term in ***Section 8.08***.

"***Patriot Act***" shall mean the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. 107-56, signed into law October 26, 2001.

"***PBGC***" means the Pension Benefit Guaranty Corporation (or any successor).

"***Performance Letter of Credit***" means a letter of credit qualifying as a "performance based standby letter of credit" under *12 C.F.R. Part 3, Appendix A, Section 3(b)(2)(i)* or any successor U.S. Comptroller of the Currency regulation.

"***Permitted Non-Recourse Indebtedness***" means Indebtedness of the Borrower, any Subsidiary, or any Project Finance Subsidiary of the Borrower incurred in connection with the acquisition or

construction by the Borrower, such Subsidiary or such Project Finance Subsidiary of any property with respect to which the holders of such Indebtedness agree that they will look solely to the property so acquired or constructed and securing such Indebtedness provided that neither the Borrower nor any such Subsidiary (other than a Project Finance Subsidiary) (i) provides any direct or indirect credit support, including any undertaking, agreement or instrument that would constitute Indebtedness or (ii) is otherwise directly or indirectly liable for such Indebtedness; and provided further that no default with respect to such Indebtedness would cause, or permit (after notice or passage of time or otherwise), according to the terms thereof, any holder (or any representative of any such holder) of any other Indebtedness (other than Project Financing or Permitted Non-Recourse Indebtedness) of the Borrower or such Subsidiary (other than a Project Finance Subsidiary and Subsidiaries thereof) to declare a default on such other Indebtedness or cause the payment, repurchase, redemption. defeasance or other acquisition or retirement for value thereof to be accelerated or payable prior to any scheduled principal payment, scheduled sinking fund or maturity.

"***Person***" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"***Plan***" means a Single Employer Plan, a Multiple Employer Plan or a Welfare Plan.

"***Platform***" has the meaning specified in ***Section 8.02(b)***.

"***Potential Defaulting Lender***" means, at any time, a Bank (i) as to which the Administrative Agent has notified the Borrower that an event of the kind referred to in the definition of "*Lender Insolvency Event*" has occurred and is continuing in respect of any subsidiary or financial institution affiliate of such Bank, (ii) as to which the Administrative Agent or any Issuing Bank has in good faith determined and notified the Borrower and, in the case of any Issuing Bank, the Administrative Agent that such Bank or its Parent Company or a subsidiary or financial institution affiliate thereof has notified the Administrative Agent or such Issuing Bank, or has stated publicly, that it will not comply with its funding obligations generally under other loan agreements, credit agreements or other similar financing agreements or (iii) that has, or whose Parent Company has, a non-investment grade rating from Moody's or S&P or another nationally recognized rating agency. Any determination that a Bank is a Potential Defaulting Lender under any of ***clauses (i)*** through ***(iii)*** above will be made by the Administrative Agent or, in the case of ***clause (ii)***, any Issuing Bank in good faith. The Administrative Agent will promptly send to all parties hereto a copy of any notice to the Borrower provided for in this definition.

"***Pro Rata Share***" of any amount means, with respect to any Bank at any time, such amount times a fraction the numerator of which is the amount of such Bank's Revolving Credit Commitment at such time (or, if the Commitments shall have been terminated pursuant to ***Section 2.05*** or ***Section 6.01***, such Revolving Credit Commitment as in effect immediately prior to such termination) and the denominator of which is the Revolving Credit Facility at such time (or, if the Commitments shall have been terminated pursuant to ***Section 2.05*** or ***Section 6.01***, the Revolving Credit Facility as in effect immediately prior to such termination).

"***Project Finance Subsidiary***" means (a) a Subsidiary of the Borrower designated as a "Project Finance Subsidiary" by the Borrower by notice to the Administrative Agent, and (b) any Person which is not a Subsidiary of the Borrower or any of its Subsidiaries in which the Borrower or any of its Subsidiaries holds a minority interest with respect to which the earnings of such Person are included in the consolidated financial statements of the Borrower and its consolidated Subsidiaries, provided that in the case of ***(a)*** and ***(b)***, such Subsidiary or other Person is a special-purpose entity created solely to (i) construct or acquire an asset or project that will be or is financed solely with Project Financing for such asset or project and related equity investments in, loans to, or capital contributions in, such Person that are not prohibited hereby and/or (ii) own an interest in any such asset or project. ***Schedule 4.01(b)*** identifies Project Finance Subsidiaries as of the Effective Date.

"***Project Financing***" means Indebtedness and other Obligations that (a) are incurred by a Project Finance Subsidiary, (b) are secured by a Lien of the type permitted under ***Section 5.02(a)(v)*** and (c) constitute Permitted Non-Recourse Indebtedness (other than recourse to the assets of, and Equity Interests in, any Project Finance Subsidiary).

"***Projections***" has the meaning specified in ***Section 4.01(m)***.

"***Property***" or "***asset***" (in each case, whether or not capitalized) means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"***Reference Bank***" means Citibank N.A., a national banking association, or such substitute Reference Bank as may from time to time be appointed by the Administrative Agent.

"***Register***" has the meaning specified in ***Section 8.08(b)***.

"***Regulation U***" means Regulation U of the Federal Reserve Board, as the same is from time to time in effect, and all official rulings and interpretations thereunder or thereof.

"***Related Parties***" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"***Required Banks***" means, at any time, Banks having more than 50% of the sum of (i) the aggregate principal amount of the Advances outstanding at such time and (ii) the Available Amount of all Letters of Credit outstanding at such time (calculated by reference to each Bank's Pro Rata Share); provided however, in the event that the sum of ***clauses (i)*** and ***(ii)*** above equals zero, "Required Banks" shall mean, at any time, Banks having more than 50% of the aggregate Revolving Credit Commitments.

"***Responsible Officer***" means each of the chairman and chief executive officer, the president, the chief financial officer, the treasurer, the secretary or any vice president (whether or not further described by other terms, such as, for example, senior vice president or vice president-operations) of the Borrower or, if any such office is vacant, any Person performing any of the functions of such office.

"***Revaluation Date***" means, with respect to any Foreign Currency Letter of Credit, each of the following: (i) each date of issuance (or, in the case of the Existing Letters of Credit, the Effective Date), extension and renewal of any Letter of Credit pursuant to ***Section 2.01(b)***, (ii) each date of an amendment of any Letter of Credit pursuant to ***Section 2.01(b)*** having the effect of increasing the amount thereof, (iii) each date of any Revolving Credit Advance pursuant to ***Section 2.01(a)***, (iv) each date of any payment by an Issuing Bank under any Foreign Currency Letter of Credit pursuant to ***Section 2.06(b)(i)***, (v) the date of delivery of a monthly report pursuant to ***Section 2.03(c)(ii)*** by an Issuing Bank and (vi) such additional dates as the Borrower, the Administrative Agent, any Issuing Bank, the Required Banks may reasonably request.

"***Revolving Credit Advance***" means an Advance by a Bank to the Borrower pursuant to ***Section 2.01*** and refers to a Base Rate Advance or a Eurodollar Rate Advance.

"***Revolving Credit Borrowing***" means a borrowing consisting of simultaneous Revolving Credit Advances of the same Type made by the Banks.

"***Revolving Credit Commitment***" means, with respect to any Bank at any time, the amount set forth opposite such Bank's name on ***Schedule I*** hereto under the caption "Revolving Credit Commitment" or, if such Bank has entered into one or more Assignment and Acceptances, set forth for such Bank in the Register maintained by the Administrative Agent pursuant to ***Section 8.08(b)*** as such Bank's "Revolving Credit Commitment", as such amount may be reduced, increased or terminated at or prior to such time pursuant to ***Section 2.05***, ***Section 2.20*** or ***Section 6.01***.

"***Revolving Credit Exposure***" means, with respect to any Bank at any time, the sum of the outstanding principal amount of such Bank's Revolving Credit Advances at such time.

"***Revolving Credit Facility***" means, at any time, the aggregate amount of the Banks' Revolving Credit Commitments at such time.

"***S&P***" means Standard & Poor's Ratings Service Group, a division of The McGraw-Hill Companies, Inc. on the date hereof, or any successor to its debt ratings business.

"***Shareholders' Equity***" means, as of any date of determination, consolidated shareholders' equity of the Borrower and its consolidated Subsidiaries as of that date determined in accordance with GAAP.

"***Single Employer Plan***" means a single employer plan, as defined in *Section 4001(a)(15)* of ERISA, that (a) is maintained for employees of the Borrower or any ERISA Affiliate and no Person other than the Borrower and the ERISA Affiliates or (b) was so maintained and in respect of which the Borrower or any ERISA Affiliate could have liability under *Section 4069* of ERISA in the event such plan has been or were to be terminated.

"***Solvent***" means, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature and (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"***Spot Rate***" means, for any Foreign Currency, the rate determined by the Administrative Agent to be the quoted spot rate at which Reference Bank's principal office in London offers to exchange Dollars for such Foreign Currency at approximately 11:00 A.M. (London time) on the date as of which the foreign exchange computation is made; provided that the Administrative Agent may obtain such quoted spot rate from another financial institution designated by the Administrative Agent if the Reference Bank's principal office in London does not have a spot exchange rate for such Foreign Currency as of the date of determination.

"***Subsidiary***" of any Person means any corporation (including a business trust), partnership, joint stock company, trust, unincorporated association, joint venture or other entity of which more than 50% of the outstanding capital stock, securities or other ownership interests having ordinary voting power to elect directors of such corporation or, in the case of any other entity, others performing similar functions (irrespective of whether or not at the time capital stock, securities or other ownership interests of any

other class or classes of such corporation or such other entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person, by such Person and one or more other Subsidiaries of such Person or by one or more other Subsidiaries of such Person. Unless otherwise specified, all references herein to a "Subsidiary" or to "Subsidiaries" shall refer to a Subsidiary or Subsidiaries of the Borrower.

"***Subsidiary Guarantors***" means the Subsidiaries of the Borrower listed on ***Schedule III*** hereto and each other Material Domestic Subsidiary of the Borrower that shall be required to execute and deliver a Guarantee Supplement pursuant to ***Section 5.01(j)*** and each other Subsidiary which shall execute and deliver a Guarantee Supplement in accordance with the procedures set forth for Material Domestic Subsidiaries in ***Section 5.01(j)***; provided that (i) within 10 Business Days after the date financial statements are delivered pursuant to ***Section 5.01(d)(i)*** or ***(ii)***, as the case may be, the Borrower shall cause additional Subsidiaries, if any are required, to each duly execute and deliver to the Administrative Agent a Guarantee Supplement, in form and substance reasonably satisfactory to the Administrative Agent, guaranteeing the other Loan Parties' Obligations under the Loan Documents such that the aggregate revenues of the Borrower and all Subsidiary Guarantors shall not be less than 95% of the aggregate revenues of the Borrower and the wholly-owned Domestic Subsidiaries of the Borrower for the four-quarter period ending on the date of such financial statements and (ii) within 60 days thereafter, deliver to the Administrative Agent, upon the request of the Administrative Agent in its sole discretion, a signed copy of a favorable opinion, addressed to the Administrative Agent and the Banks, of counsel for the Loan Parties reasonably acceptable to the Administrative Agent as to (A) such Guarantee Supplement being the legal, valid and binding obligations of each additional Subsidiary Guarantor party thereto enforceable in accordance with its terms and (B) such other matters as the Administrative Agent may reasonably request.

"***Syndication Agent***" means Compass Bank, solely in its capacity as syndication agent under this Agreement.

"***Taxes***" means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"***Termination Date***" means Maturity Date, or the earlier date of termination in whole of the Commitments pursuant to ***Section 2.05*** or ***Section 6.01***.

"***Type***" has the meaning specified in the definition of Advance.

"***Unused Revolving Credit Commitment***" means, with respect to any Bank at any time, (a) such Bank's Revolving Credit Commitment at such time *minus* (b) without duplication, the sum of (i) the aggregate principal amount of all Revolving Credit Advances and Letter of Credit Advances made by such Bank and outstanding at such time *plus* (ii) such Bank's Pro Rata Share of (A) the aggregate Available Amount of all Letters of Credit outstanding at such time, (B) the aggregate principal amount of all Letter of Credit Advances made by the Issuing Banks pursuant to ***Section 2.03(d)*** and outstanding at such time, (C) the Foreign Currency Letter of Credit Contingency Amount and (D) to the extent not funded with Advances that remain outstanding at such time, the aggregate amount of any cash collateral that has been pledged and remains pledged at such time pursuant to ***Section 5.02(a)(ix)*** (the "***Gap Cash Collateral Amount***").

"***Utilized Commitment Amount***" has the meaning set forth in ***Section 2.01(a)***.

"***Voting Interests***" means shares of capital stock issued by a corporation, or equivalent Equity Interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote to the election of directors (or Persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such contingency.

"***Welfare Plan***" means an employee welfare benefit plan, as defined in *Section 3(1)* of ERISA, that is maintained for employees of any Loan Party or in respect of which any Loan Party could have liability.

"***Withdrawal Liability***" has the meaning specified in *Part I* of *Subtitle E* of *Title IV* of ERISA.

Section 1.02 Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "***from***" means "*from and including*" and the words "***to***" and "***until***" each means "*to but excluding*".

Section 1.03 Accounting Terms; GAAP.

(a) Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Banks request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith. Notwithstanding the foregoing, any entity that is not a Subsidiary but would be required to be consolidated in the financial statements of the Borrower because of FIN 46R or FAS 167, (i) shall not be considered a " *Subsidiary*" for purposes of this Agreement and (ii) shall not be included in any computation of any financial covenant herein.

(b) In this Agreement, references to "*pro forma compliance*" shall mean pro forma compliance as determined in accordance with GAAP for the immediately preceding four fiscal quarters as of the date of determination and as such methodology is reasonably approved by the Administrative Agent.

Section 1.04 Miscellaneous. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words " ***include***," "***includes***" and "***including***" shall be deemed to be followed by the phrase "without limitation." The word " ***will***" shall be construed to have the same meaning and effect as the word "***shall***." The words "***hereof***", "***herein***" and "***hereunder***" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section, Schedule and Exhibit references are to Articles and Sections of and Schedules and Exhibits to this Agreement, unless otherwise specified. Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, and (iii) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time.

Section 1.05 Ratings. A rating, whether public or private, by S&P or Moody's shall be deemed to be in effect on the date of announcement or publication by S&P or Moody's, as the case may be, of such rating or, in the absence of such announcement or publication, on the effective date of such rating and will remain in effect until the announcement or publication of, or (in the absence of such announcement or publication) the effective date of, any change in such rating. In the event the standards for any rating by Moody's or S&P are revised, or such rating is designated differently (such as by changing letter designations to numerical designations), then the references herein to such rating shall be deemed to refer to the revised or redesignated rating for which the standards are closest to, but not lower than, the standards at the date hereof for the rating which has been revised or redesignated, all as determined by the Required Banks in good faith. Long-term debt supported by a letter of credit, guarantee or other similar credit enhancement mechanism shall not be considered as senior unsecured long-term debt. If either Moody's or S&P has at any time more than one rating applicable to senior unsecured long-term debt of any Person, the lowest such rating shall be applicable for purposes hereof. For example, if Moody's rates some senior unsecured long-term debt of any Person Baa1 and other such debt of such Person Baa2, the senior unsecured long-term debt of such Person shall be deemed to be rated Baa2 by Moody's.

Section 1.06 Exchange Rate.

(a) The Spot Rates used in determining the Dollar Equivalent of Foreign Letters of Credit and the Foreign Currency Equivalent shall be the Spot Rates determined as of the most recent Revaluation Date. Except for purposes of financial statements delivered by the Borrower hereunder or calculating financial covenants hereunder or except as otherwise provided herein, the applicable amount of any currency (other than Dollars) for purposes of the Loan Documents shall be such Dollar Equivalent amount as so determined by the Administrative Agent.

(b) Whenever in this Agreement in connection with the issuance, amendment or extension of a Letter of Credit, an amount, such as a required minimum or multiple amount is expressed in Dollars, but if such Letter of Credit is a Foreign Currency Letter of Credit, such amount shall be the relevant Foreign Currency Equivalent of such Dollar amount (rounded to the nearest unit of such Foreign Currency, with 0.5 of a unit being rounded upward), as determined by the Administrative Agent.

ARTICLE II
AMOUNTS AND TERMS OF THE REVOLVING CREDIT ADVANCES

Section 2.01 The Revolving Credit Advances.

(a) Each Bank severally agrees, on the terms and conditions hereinafter set forth, to make Revolving Credit Advances in Dollars to the Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an aggregate amount not to exceed such Bank's Unused Revolving Credit Commitment at such time; provided that (i) no Revolving Credit Advance shall be required to be made, except as a part of a Revolving Credit Borrowing that is in an aggregate amount not less than $10,000,000 in the case of Eurodollar Rate Advances and $5,000,000 in the case of Base Rate Advances and in an integral multiple of $1,000,000, (ii) each Revolving Credit Borrowing shall consist of Revolving Credit Advances of the same Type made on the same day by the Banks ratably according to their respective Revolving Credit Commitments, (iii) in the event there are Foreign Currency Letters of Credit then outstanding, the Spot Rates used in determining

the Unused Revolving Credit Commitment shall be determined as of the date of the Revolving Credit Advance, and after giving effect to such Revolving Credit Advance, the sum of the aggregate L/C Exposure *plus* the Foreign Currency Letter of Credit Contingency Amount *plus* the aggregate Revolving Credit Exposure *plus* the Gap Cash Collateral Amount (the sum of such amounts being herein referred to as the " ***Utilized Commitment Amount***") shall not exceed the aggregate Revolving Credit Commitments. The acceptance by the Borrower of the proceeds of a Revolving Credit Advance shall be deemed a representation that such Revolving Credit Advance complies with the conditions set forth in ***clauses (i)***, ***(ii)*** and ***(iii)*** of the preceding sentence. Within the limits of each Bank's Unused Revolving Credit Commitment in effect from time to time, the Borrower may borrow, prepay pursuant to ***Section 2.10*** and reborrow under this ***Section 2.01***. The Borrower agrees to give a Notice of Revolving Credit Borrowing in accordance with ***Section 2.02(a)*** as to each Revolving Credit Advance.

(b) Letters of Credit. Each Issuing Bank agrees, on the terms and conditions hereinafter set forth, to issue letters of credit (collectively, together with the Existing Letters of Credit, the "***Letters of Credit***", and each a "***Letter of Credit***") for the account of the Borrower (such issuance, and any funding of a draw thereunder and any Letter of Credit Advance with respect thereto, to be made by the Issuing Banks (including through such branches or Affiliates as such Issuing Bank and the Borrower shall jointly agree) in reliance on the agreements of the other Banks pursuant to ***Section 2.03***) from time to time on any Business Day during the period from the Effective Date until 10 days prior to the Maturity Date in an aggregate Available Amount (with respect to Foreign Currency Letters of Credit, calculated by the applicable Issuing Bank using the Spot Rates determined as of the date of such issuance, amendment or extension, as applicable) (i) for all Letters of Credit issued by the Issuing Banks, not to exceed at any time the aggregate Letter of Credit Commitments at such time *minus* the aggregate principal amount of the Letter of Credit Advances outstanding at such time, (ii) for all Letters of Credit issued by such Issuing Bank, not to exceed at any time the Letter of Credit Commitment of such Issuing Bank at such time *minus* the aggregate principal amount of the Letter of Credit Advances owed to such Issuing Bank outstanding at such time and (iii) for each such Letter of Credit, not to exceed an amount equal to the Unused Revolving Credit Commitments of the Banks at such time. Each request by the Borrower for the issuance or amendment of a Letter of Credit shall be deemed to be a representation that the Letter of Credit so requested complies with the conditions set forth in the provisos to the preceding sentence.

No Letters of Credit shall have expiration dates later than 10 Business Days prior to the Maturity Date; provided, however, that if the applicable Issuing Bank and the Administrative Agent each consent, in their sole discretion, the expiration date (including any expiration date which may be extended automatically under the terms of the Letters of Credit) of any Letter of Credit may extend beyond the date referred to in this sentence (each such Letter of Credit, together with any Letter of Credit outstanding on the Effective Date with an expiration date beyond the Maturity Date, an " ***Extended Letter of Credit***"); provided, further, that, on or prior to the date that is 95 days prior to the Maturity Date (or, if later, the date of issuance of the applicable Extended Letter of Credit), the Borrower shall provide cash collateral for each Extended Letter of Credit that is outstanding or is issued after the date that is 95 days prior to the Maturity Date in an amount equal to (x) if the Extended Letter of Credit is not a Foreign Currency Letter of Credit, 102% of the face amount of such Extended Letter of Credit or (y) if the Extended Letter of Credit is a Foreign Currency Letter of Credit, 110% of the face amount of such Extended Letter of Credit; provided, further, that at no time shall the aggregate amount of Extended Letters of Credit *plus* the unpaid principal amount of Revolving Credit Advances exceed the sum of the Revolving Credit Facility *plus* the amount of cash collateral then held with respect to the Extended Letters of Credit. The cash collateral specified in the foregoing sentence shall be provided to the Administrative Agent by the Borrower by requesting a Revolving Credit Advance pursuant to ***Section 2.01(a)***. If the Borrower shall fail to make such request, the Administrative Agent may make such request on the Borrower's behalf. The Banks agree that they will make such Revolving Credit

Advance whether or not the applicable conditions precedent in ***Section 3.02*** are then satisfied. Upon the furnishing by the Borrower of such cash collateral on the ninety-fifth day prior to the Maturity Date to the Administrative Agent, the Administrative Agent shall transfer to individual cash collateral accounts established by each Issuing Bank which has issued an Extended Letter of Credit the pro rata share of such cash collateral allocable to such Issuing Bank. Simultaneous with receipt of such cash collateral, such Extended Letters of Credit, shall for all purposes cease to be Letters of Credit hereunder. Thereafter, fees, costs and expenses, as well as terms for release of such cash collateral, shall be as agreed from time to time between the Borrower and such Issuing Bank; provided that in the absence of such agreement between the Borrower and such Issuing Bank, the terms of this Agreement shall, as between the Borrower and such Issuing Bank, continue to govern the fees, costs and expenses payable in respect of such Extended Letters of Credit. Within the limits referred to above, the Borrower may request the issuance of Letters of Credit under this ***Section 2.01(b)***, repay any Letter of Credit Advances resulting from drawings thereunder pursuant to ***Section 2.03(d)*** and request the issuance of additional Letters of Credit under this ***Section 2.01(b)***.

Section 2.02 Making the Revolving Credit Advances.

(a) Each Revolving Credit Borrowing shall be made on notice (a "***Notice of Revolving Credit Borrowing***"), given not later than 11:00 A.M. (New York City time) (i) on the date of a proposed Revolving Credit Borrowing comprised of Base Rate Advances and (ii) on the third Business Day prior to the date of a proposed Revolving Credit Borrowing comprised of Eurodollar Rate Advances, by the Borrower to the Administrative Agent, which shall give to each Bank prompt notice thereof, which notice may be by facsimile. Each Notice of Revolving Credit Borrowing shall be by facsimile, confirmed immediately in writing, in substantially the form of ***Exhibit B-1***, specifying therein the requested (i) date of such Revolving Credit Borrowing, (ii) Type of Revolving Credit Advances comprising such Revolving Credit Borrowing, (iii) aggregate amount of such Revolving Credit Borrowing, and (iv) if such Revolving Credit Borrowing is to be comprised of Eurodollar Rate Advances, the initial Interest Period for each such Revolving Credit Advance. In addition, in the event that any Foreign Currency Letters of Credit are then outstanding, the Borrower shall also submit with such Notice of Revolving Credit Borrowing, a certificate setting forth the Available Amount of all outstanding Foreign Currency Letters of Credit and the amount of the Unused Revolving Credit Commitment as of the date of such certificate using the London closing mid rate published by Bloomberg (or any successor) on such date (or, if such exchange rates are not available, the Spot Rates determined as of such date). Each Bank shall, before 2:00 p.m. (New York City time) on the date of such Revolving Credit Borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at its address referred to in ***Section 8.02***, in same day funds, such Bank's ratable portion of such Revolving Credit Borrowing. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in ***Article III***, the Administrative Agent will make such funds available to the Borrower at the Administrative Agent's aforesaid address.

(b) Notwithstanding any other provision in this Agreement, at no time shall there be more than ten Revolving Credit Borrowings outstanding; provided that for purposes of the limitation set forth in this sentence, all Revolving Credit Borrowings consisting of Base Rate Advances shall constitute a single Revolving Credit Borrowing.

(c) Each Notice of Revolving Credit Borrowing shall be irrevocable and binding on the Borrower. In the case of any Revolving Credit Borrowing that the related Notice of Revolving Credit Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Bank against any loss, cost or expense incurred by such Bank as a result of any failure to fulfill on or before the date specified in such Notice of Revolving Credit Borrowing for such Revolving Credit Borrowing the applicable conditions set forth in ***Article III***, including any loss

(excluding loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Bank to fund the Revolving Credit Advance to be made by such Bank as part of such Revolving Credit Borrowing when such Revolving Credit Advance, as a result of such failure, is not made on such date.

(d) Unless the Administrative Agent shall have received notice from a Bank prior to the proposed date of any Revolving Credit Borrowing that such Bank will not make available to the Administrative Agent such Bank's share of such Revolving Credit Borrowing, the Administrative Agent may assume that such Bank has made such share on such date in accordance with ***subsection (a)*** of this ***Section 2.02*** and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Bank has not in fact made its share of the applicable Revolving Credit Borrowing available to the Administrative Agent, then the applicable Bank and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to and including the date of payment to the Administrative Agent, at (i) in the case of a payment to be made by such Bank, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation and (ii) in the case of a payment to be made by the Borrower, the interest rate applicable at the time to Revolving Credit Advances comprising such Revolving Credit Borrowing. If the Borrower and such Bank shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Bank pays its share of the applicable Borrowing to the Administrative Agent, then the amount so paid shall constitute such Bank's Revolving Credit Advance included in such Revolving Credit Borrowing. Any payment by the Borrower shall be without prejudice to any claim the Borrower may have against a Bank that shall have failed to make such payment to the Administrative Agent.

(e) The failure of any Bank to make the Revolving Credit Advance to be made by it as part of any Revolving Credit Borrowing shall not relieve any other Bank of its obligation, if any, hereunder to make its Revolving Credit Advance on the date of such Revolving Credit Borrowing, but no Bank shall be responsible for the failure of any other Bank to make the Revolving Credit Advance to be made by such other Bank on the date of any Revolving Credit Borrowing.

Section 2.03 Issuance of and Drawings and Reimbursement Under Letters of Credit .

(a) Request for Issuance. Each Letter of Credit shall be issued upon notice and application, given not later than 11:00 A.M. (New York City time) on at least the third Business Day (or a later day, if acceptable to the relevant Issuing Bank in its sole discretion, but in no event later than the first Business Day) prior to the date of the proposed issuance of such Letter of Credit, by the Borrower to any Issuing Bank, with a copy of such notice of issuance and any certificate delivered pursuant to this ***Section 2.03(a)*** being delivered concurrently to the Administrative Agent. Each of the Borrower and such Issuing Bank shall give to the Administrative Agent prompt notice of such notice of issuance by telex or facsimile. Each such notice of issuance of a Letter of Credit (a "***Notice of Issuance and Application for Letter of Credit***") shall be by telephone, confirmed immediately in writing, or telex or facsimile (or by electronic communication if arrangements for doing so have been approved by the applicable Issuing Bank), in the form of ***Exhibit B-2***, specifying therein the requested (A) date of such issuance (which shall be a Business Day), (B) Available Amount of such Letter of Credit, (C) expiration date of such Letter of Credit, (D) name and address of the Subsidiary on behalf of which such issuance of such Letter of Credit is requested, if applicable, (E) name and address of the beneficiary of such Letter of Credit, (F) form of such Letter of Credit and (G) the requested currency of such Letter of Credit, if other than Dollars. In addition, in the event that such Letter of Credit is a Foreign Currency Letter of Credit or any Foreign Currency Letters of Credit are then outstanding, the

Borrower shall also submit with such Notice of Issuance and Application for Letter of Credit, a certificate setting forth the Available Amount of all outstanding Foreign Currency Letters of Credit and the amount of the Unused Revolving Credit Commitment as of the date of such certificate using the London closing mid rate published by Bloomberg (or any successor) on such date (or, if such exchange rates are not available, the Spot Rates determined as of such date). If the requested form of such Letter of Credit is acceptable to such Issuing Bank in its reasonable discretion, such Issuing Bank will, upon fulfillment of the applicable conditions set forth in ***Article III***, make such Letter of Credit available to the Borrower at its office referred to in ***Section 8.02*** or as otherwise agreed with the Borrower in connection with such issuance; provided that

(i) each Letter of Credit shall be denominated in Dollars or in a Foreign Currency, provided, however, no Issuing Bank shall be obligated to issue any Foreign Currency Letter of Credit, but each Issuing Bank shall be permitted to do so in its sole discretion if requested by the Borrower;

(ii) if any Bank becomes, and during the period it remains, a Defaulting Lender or a Potential Defaulting Lender, no Issuing Bank will be required to issue any Letter of Credit or to amend any outstanding Letter of Credit to increase the face amount thereof, alter the drawing terms thereunder or extend the expiry date thereof, unless such Issuing Bank is satisfied that any exposure that would result therefrom is eliminated or fully covered by the Commitments of the Non-Defaulting Lenders or by Cash Collateralization or a combination thereof satisfactory to the applicable Issuing Bank; and

(iii) no Issuing Bank shall be required to issue any Letter of Credit if after giving effect to such issuance the aggregate face amount of all outstanding Letters of Credit issued under this Agreement by such Issuing Bank would exceed its Letter of Credit Commitment, unless such Issuing Bank shall have otherwise agreed.

Notwithstanding the foregoing, no Issuing Bank shall issue any Letter of Credit after it has received a notice from the Administrative Agent or the Required Banks that a Default or Event of Default has occurred and is continuing, until it receives a subsequent notice from the Administrative Agent or the Required Banks that such Default or Event of Default has been cured or waived.

(b) Notice of Issuance, Amendment or Extension of Letters of Credit. The Borrower and each Issuing Bank shall promptly notify the Administrative Agent of any issuance of, amendment to, or extension of, any Letter of Credit issued hereunder, including, with respect to any Foreign Currency Letter of Credit, the Available Amount of such Letter of Credit (calculated by the applicable Issuing Bank using the Spot Rate determined as of the date of issuance, amendment or extension of such Letter of Credit).

(c) Letter of Credit Reports.

(i) Each Issuing Bank shall furnish to the Administrative Agent on the fifth Business Day of each calendar quarter a written report (A) summarizing issuance and expiration dates of Letters of Credit issued by such Issuing Bank during the preceding calendar quarter and drawings during such calendar quarter under all Letters of Credit issued by such Issuing Bank and (B) setting forth the average daily aggregate Available Amount during the preceding calendar quarter of all Letters of Credit issued by such Issuing Bank. The Administrative Agent shall promptly deliver such report to the Banks and the Borrower by the means provided for delivery of Communications pursuant to ***Section 8.02***.

(ii) Each Issuing Bank with one or more outstanding Foreign Currency Letters of Credit shall furnish to the Administrative Agent on the fifth Business Day of each calendar month a written report setting forth the Available Amount of each Foreign Currency Letter of Credit outstanding as of such date (calculated using the Spot Rates determined as of such date).

(d) Drawing and Reimbursement. The payment by any Issuing Bank of a draft drawn under any Letter of Credit shall constitute for all purposes of this Agreement the making by such Issuing Bank of a Letter of Credit Advance, which shall be a Base Rate Advance, in the Dollar Equivalent amount of such draft (in the case of Foreign Currency Letters of Credit, calculated by the applicable Issuing Bank using the applicable Spot Rate determined as of the date of such payment). Upon the issuance of a Letter of Credit by any Issuing Bank under ***Section 2.03(a)***, such Issuing Bank shall be deemed, without further action by any party hereto, to have sold to each Bank, and each Bank shall be deemed, without further action by any party hereto, to have purchased from such Issuing Bank, a participation in such Letter of Credit in an amount for each Bank equal to such Bank's Pro Rata Share of the Available Amount of such Letter of Credit, effective upon the issuance of such Letter of Credit. In consideration and in furtherance of the foregoing, each Bank hereby absolutely and unconditionally agrees to pay such Bank's Pro Rata Share of each Letter of Credit Advance made by such Issuing Bank and not reimbursed by the Borrower forthwith on the date due by making available for the account of its Applicable Lending Office to the Administrative Agent for the account of such Issuing Bank by deposit to the Agent's Account, in same day funds, an amount equal to such Bank's Pro Rata Share of such Letter of Credit Advance. Each Bank acknowledges and agrees that its obligation to acquire participations pursuant to this ***Section 2.03(d)*** in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or an Event of Default or the termination of the Commitments, and that each such payment shall be made without any off-set, abatement, withholding or reduction whatsoever. Upon any such participation of a Bank of a portion of a Letter of Credit Advance, such Issuing Bank represents and warrants to such other Bank that such Issuing Bank is the legal and beneficial owner of such interest being assigned by it, free and clear of any Liens, but makes no other representation or warranty and assumes no responsibility with respect to such Letter of Credit Advance, the Loan Documents or the Borrower. If and to the extent that any Bank shall not have so made the amount of such Letter of Credit Advance available to the Administrative Agent, such Bank agrees to pay to the Administrative Agent forthwith on demand such amount together with interest thereon, for each day from the date such Letter of Credit Advance is due until the date such amount is paid to the Administrative Agent, at the Federal Funds Rate for its account or the account of such Issuing Bank, as applicable. If such Bank shall pay to the Administrative Agent such amount for the account of such Issuing Bank on any Business Day, such amount so paid in respect of principal shall constitute a Letter of Credit Advance made by such Bank on such Business Day for purposes of this Agreement, and the outstanding principal amount of the Letter of Credit Advance made by such Issuing Bank shall be reduced by such amount on such Business Day.

(e) Failure to Make Letter of Credit Advances. The failure of any Bank to make the Letter of Credit Advance to be made by it on the date specified in ***Section 2.03(d)*** shall not relieve any other Bank of its obligation hereunder to make its Letter of Credit Advance on such date, but no Bank shall be responsible for the failure of any other Bank to make the Letter of Credit Advance to be made by such other Bank on such date.

(f) Existing Letters of Credit. All Existing Letters of Credit shall be deemed to have been issued pursuant to this Agreement, and from and after the Effective Date shall be subject to and governed by the terms and conditions hereof. The Borrower's reimbursement obligations in respect of each Existing Letter of Credit, and each Bank's participation obligations in connection therewith, shall be governed by the terms of this Agreement.

(g) Applicability of ISP and UCP. Unless otherwise expressly agreed by the applicable Issuing Bank and the Borrower when a Letter of Credit is issued (including any such agreement applicable to an Existing Letter of Credit), (i) the rules of the ISP shall apply to each Performance Letter of Credit, and (ii) the rules of the Uniform Customs and Practice for Documentary Credits, as most recently published by the International Chamber of Commerce at the time of issuance, shall apply to each Commercial Letter of Credit.

Section 2.04 Fees.

(a) Commitment Fees. The Borrower agrees to pay to the Administrative Agent for the account of each Bank a commitment fee on the amount of such Bank's Unused Revolving Credit Commitment (determined without regard to any Foreign Currency Letter of Credit Contingency Amount and without regard to any Gap Cash Collateral Amount), payable quarterly in arrears (within three Business Days after receipt from the Administrative Agent of an invoice therefor) for each period ending on the last day of each March, June, September and December hereafter, commencing December 31, 2009, and on the Termination Date, at a rate per annum equal to 0.625% (the "***Commitment Fee***").

(b) Letter of Credit Fees, Etc.

(i) The Borrower shall pay to the Administrative Agent for the account of each Bank a commission, payable in arrears quarterly (within three Business Days after receipt of an invoice therefor) for each period ending on the last day of each March, June, September and December, commencing December 31, 2009, and on the Termination Date, and thereafter on demand if any Letters of Credit remain outstanding after the Termination Date, on such Bank's Pro Rata Share of the average daily aggregate Available Amount during such quarter of all Letters of Credit then outstanding at a rate equal to the Applicable Margin on Eurodollar Rate Advances in effect from time to time; provided, however, that with respect to Performance Letters of Credit and Commercial Letters of Credit such commission shall be equal to 50% of such Applicable Margin in effect from time to time.

(ii) The Borrower shall pay to each Issuing Bank, for its own account, (A) a fronting fee, payable in arrears quarterly (within three Business Days after receipt of an invoice therefor) for each period ending on the last day of each March, June, September and December, commencing December 31, 2009 and on the Termination Date, which shall accrue on the average daily amount of such Issuing Bank's Letter of Credit Commitment at the rate of 0.25% per annum, (B) an issuance fee for each Letter of Credit issued by such Issuing Bank in an amount equal to 0.05% of the Available Amount of such Letter of Credit on the date of issuance of such Letter of Credit, payable on such date and (C) such other customary commissions and fees and other standard costs and charges in connection with the issuance or administration of each Letter of Credit as the Borrower and Issuing Bank shall agree.

(iii) Notwithstanding the foregoing, the Letter of Credit Fees set forth in ***Section 2.04(b)(i)*** and ***clause (A)*** of ***Section 2.04(b)(ii)*** shall accrue at a rate equal to the sum of the rate specified in ***Section 2.04(b)(i)*** or ***Section 2.04(b)(ii)(A)***, as applicable, *plus* 2% (A) while an Event of Default exists under ***Section 6.01(a)*** or upon the occurrence of an Event of Default described in ***Section 6.01(e)***, and (B) at the request of the Required Banks, during the existence of an Event of Default other than an Event of Default of the type described in the preceding ***clause (A)***.

(c) Other Fees. The Borrower agrees to pay to the Administrative Agent, the Co-Lead Arrangers, and the Banks such other fees as may be separately agreed to in writing.

Section 2.05 Reduction of Commitments.

(a) Revolving Credit Commitment. The Borrower shall have the right, upon at least three Business Days notice to the Administrative Agent and to an Issuing Bank, to terminate in whole or reduce ratably in part the Unused Revolving Credit Commitments; provided that each partial reduction shall be in the minimum aggregate amount of $10,000,000 and in an integral multiple of $5,000,000; provided further, that no such termination or reduction shall be made pursuant to this ***Section 2.05(a)***, unless after giving effect thereto, the Revolving Credit Facility equals or exceeds the aggregate Letter of Credit Commitments of the Issuing Banks. Each reduction of the Unused Revolving Credit Commitments shall be made ratably among the Banks in accordance with their respective Pro Rata Shares, except as otherwise provided in this Agreement. Any termination or reduction of any of the Commitments under this ***Section 2.05(a)*** shall be permanent.

(b) Letter of Credit Commitment. The Borrower shall have the right upon at least three (3) Business Days notice to the Administrative Agent and to an Issuing Bank to reduce or terminate the Letter of Credit Commitment of such Issuing Bank; provided further that no termination or reduction of the Letter of Credit Commitment of any Issuing Bank shall be made pursuant to this ***Section 2.05(b)***, unless after giving effect thereto, the Letter of Credit Commitment of such Issuing Bank equals or exceeds the sum of the Available Amount of all outstanding Letters of Credit issued by such Issuing Bank *plus* the principal amount of all outstanding Letter of Credit Advances relating to any Letter of Credit issued by such Issuing Bank.

Section 2.06 Repayment of Advances; Required Cash Collateral.

(a) Revolving Credit Advances. The Borrower shall repay the principal amount of each Revolving Credit Advance owing to each Bank on the Termination Date or on such earlier date as may be applicable pursuant hereto.

(b) Letter of Credit Advances.

(i) Each Issuing Bank, shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit issued by such Issuing Bank. Such Issuing Bank shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by facsimile) of (A) such demand for payment and whether such Issuing Bank has made or will make a Letter of Credit Advance with respect thereto and (B) in the case of a Foreign Currency Letter of Credit, the Dollar Equivalent of the payment made by such Issuing Bank under the applicable Letter of Credit (using a Spot Rate determined as of the date of such payment); provided that any failure to give or delay in giving any such notice shall not relieve the Borrower of its obligation to reimburse such Issuing Bank and the Banks with respect to any such Letter of Credit Advance.

(ii) The Borrower shall repay to the Administrative Agent for the account of each Issuing Bank and each other Bank that has made a Letter of Credit Advance on the earlier of the third Business Day following the date on which such Letter of Credit Advance is made and the Termination Date the outstanding principal amount of each Letter of Credit Advance made by each of them.

(iii) The obligations of the Borrower under this Agreement and any other agreement or instrument, in each case relating to any Letter of Credit, shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement and such other agreement or instrument under all circumstances, including the following circumstances (it being understood that any such payment by the Borrower is without prejudice to, and does not constitute a waiver of, any rights the Borrower might have or might acquire as a result of the payment by any Issuing Bank of any draft or the reimbursement by the Borrower thereof):

(A) any lack of validity or enforceability of any Loan Document, any Letter of Credit or any other agreement or instrument relating thereto (all of the foregoing being, collectively, the "***L/C Related Documents***");

(B) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations of the Borrower in respect of any L/C Related Document or any other amendment or waiver of or any consent to departure from all or any of the L/C Related Documents;

(C) the existence of any claim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of a Letter of Credit (or any Persons for which any such beneficiary or any such transferee may be acting), any Issuing Bank or any other Person, whether in connection with the transactions contemplated by the L/C Related Documents or any unrelated transaction;

(D) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(E) any payment by any Issuing Bank under a Letter of Credit against presentation of a draft or certificate that does not strictly comply with the terms of such Letter of Credit; or any payment made by any Issuing Bank under a Letter of Credit to any Person purporting to be a trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, liquidator, receiver or other representative of or successor to any beneficiary or any transferee of such Letter of Credit, including any arising in connection with any proceeding under any applicable bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws;

(F) any exchange, release or non-perfection of any collateral, or any release or amendment or waiver of or consent to departure from any guarantee, for all or any of the Obligations of the Borrower in respect of the L/C Related Documents;

(G) any adverse change in the relevant exchange rates of any relevant Foreign Currencies; or

(H) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or a guarantor.

(c) Required Payment and Cash Collateral. If on any date the Utilized Commitment Amount as of such date exceeds an amount equal to the aggregate Revolving Credit Commitments on such date, the Borrower shall, within three Business Days thereafter, (i) prepay Advances in an amount equal to such excess or (ii) if no Advances are outstanding at such time, pay to the Administrative Agent in same day funds at the Administrative Agent's office, for deposit in the L/C Cash Collateral Account, an amount equal to such excess, which amount shall be released within three Business Days after request from the Borrower to the Administrative Agent that the Utilized Commitment Amount as of such date no longer exceeds an amount equal to the aggregate Revolving Credit Commitments, provided that if a Default then exists, such amount shall not be released and shall be held as collateral for the Obligations.

a security interest in and Lien on the L/C Cash Collateral Account and all cash, deposit accounts and all balances therein and all proceeds of the foregoing, to secure the Obligations of the Borrower in respect of Letters of Credit and the other Obligations of the Borrower. Cash Collateral shall be maintained in blocked, non-interest bearing deposit accounts at Citibank.

Section 2.07 Interest. The Borrower shall pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(a) During such periods as such Advance is a Base Rate Advance, a rate per annum equal at all times to the Base Rate in effect from time to time *plus* the Applicable Margin, payable quarterly in arrears on the last day of each March, June, September and December and on the date such Base Rate Advance shall be Converted or paid in full; provided that the principal amount of Base Rate Advances shall bear interest, payable on demand, at a rate per annum equal at all times to the sum of the rate otherwise payable thereon *plus* 2% (A) while an Event of Default exists under ***Section 6.01(a)*** or upon the occurrence of an Event of Default described in ***Section 6.01(e)***, and (B) at the request of the Required Banks, during the existence of an Event of Default other than an Event of Default of the type described in the preceding ***clause (A)***.

(b) During such periods as such Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of the Eurodollar Rate for such Interest Period *plus* the Applicable Margin, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurodollar Rate Advance shall be Converted or paid in full; provided that the principal of Eurodollar Rate Advances shall bear interest, payable on demand, at a rate per annum equal to the sum of the Eurodollar Rate for such Interest Period *plus* the Applicable Margin *plus* 2% (A) while an Event of Default exists under ***Section 6.01(a)*** or upon the occurrence of an Event of Default described in ***Section 6.01(e)***, and (B) at the request of the Required Banks, during the existence of an Event of Default other than an Event of Default of the type described in the preceding clause (A).

(c) Upon the occurrence and during the continuance of an Event of Default under ***Section 6.01(a)***, the Borrower shall pay simple interest, to the fullest extent permitted by law, on the amount of any interest, fee or other amount (other than principal of Advances which is covered by ***Section 2.07(a)*** and ***Section 2.07(b)***) payable hereunder that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal to the sum of the Base Rate in effect from time to time *plus* the Applicable Margin *plus* 2%.

Section 2.08 Additional Interest on Eurodollar Rate Advances. So long as a Bank shall be required under regulations of the Federal Reserve Board to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency Liabilities, Borrower shall pay to Bank additional interest on the unpaid principal amount of each Advance of such Bank during such periods as such Advance is a Eurodollar Rate Advance, from the date of such Advance until such principal amount is paid in full, at an interest rate per annum equal at all times to the remainder obtained by subtracting (i) the Eurodollar Rate for the Interest Period then in effect for such Eurodollar Rate Advance from (ii) the rate obtained by dividing such Eurodollar Rate by a percentage equal to 100% *minus* the Eurodollar Rate Reserve Percentage of such Bank for such Interest Period, payable on each date on which interest is payable on such Eurodollar Rate Advance. Such additional interest shall be determined by such Bank and notified to the Borrower through the Administrative Agent.

Section 2.09 Interest Rate Determination.

(a) The Administrative Agent shall give prompt notice to the Borrower and the Banks of the applicable interest rate determined by the Administrative Agent for purposes of ***Section 2.07(b)***. Each such determination shall, absent clearly demonstrable error, be final and conclusive and binding on all parties hereto.

(b) If the Administrative Agent is unable to determine the Eurodollar Rate for any Eurodollar Rate Advances:

(i) the Administrative Agent shall forthwith notify the Borrower and the Banks that the interest rate cannot be determined for such Eurodollar Rate Advances,

(ii) each such Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance (or if such Advance is then a Base Rate Advance, will continue as a Base Rate Advance), and

(iii) the obligation of the Banks to make Eurodollar Rate Advances or to Convert Revolving Credit Advances into Eurodollar Rate Advances shall be suspended until the Administrative Agent shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist.

(c) If, with respect to any Eurodollar Rate Advances, the Required Banks notify the Administrative Agent (A) that the Eurodollar Rate for any Interest Period for such Advances will not adequately reflect the cost to such Required Banks of making, funding or maintaining their respective Eurodollar Rate Advances for such Interest Period or (B) that Dollar deposits for the relevant amounts and Interest Period for their respective Advances are not available to them in the London interbank market, the Administrative Agent shall forthwith so notify the Borrower and the Banks, whereupon:

(i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance, and

(ii) the obligation of the Banks to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended until the Administrative Agent shall notify the Borrower and the Banks that the circumstances causing such suspension no longer exist.

(d) If the Borrower shall fail to select the duration of any Interest Period for any Eurodollar Rate Advances in accordance with the provisions contained in the definition of "*Interest Period*" in ***Section 1.01***, the Administrative Agent will forthwith so notify the Borrower and the Banks

and such Revolving Credit Advances will automatically, on the last day of the then existing Interest Period therefor, Convert into Base Rate Advances (or if such Advances are then Base Rate Advances, will continue as Base Rate Advances).

(e) On the date on which the aggregate unpaid principal amount of Eurodollar Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than $10,000,000, such Advances shall automatically Convert into Base Rate Advances, and on and after such date the right of the Borrower to Convert such Advances into Eurodollar Rate Advances shall terminate.

(f) Upon the occurrence and during the continuance of any Event of Default, (i) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (ii) the obligation of the Banks to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended.

Section 2.10 Optional Prepayments. The Borrower shall have no right to prepay any principal amount of any Advance other than as provided in this ***Section 2.10***. The Borrower may, upon notice given to the Administrative Agent before 11:00 A.M. (New York City time) on at least the first Business Day prior to the date of prepayment in the case of Base Rate Advances or upon at least three Business Days' notice to the Administrative Agent in the case of Eurodollar Rate Advances, in each case stating (a) the proposed date (which shall be a Business Day), (b) the aggregate principal amount of the prepayment, (c) the Type(s) of Advances to be prepaid and (d) if Eurodollar Rate Advances are to be prepaid, the Interest Period(s) of such Advances. Upon the giving of such notice, the Borrower shall, subject to the terms thereof, prepay the outstanding principal amounts of the Advances comprising part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the principal amount prepaid; provided, however, that (x) each partial prepayment shall be in an aggregate principal amount not less than $10,000,000 in the case of Eurodollar Rate Advances and $5,000,000 in the case of Base Rate Advances and in integral multiples of $1,000,000, and after giving effect thereto no Borrowing then outstanding shall have a principal amount of less than $5,000,000; and (y) in the case of any such prepayment of a Eurodollar Rate Advance, the Borrower shall be obligated to reimburse the Banks in respect thereof pursuant to ***Section 2.12***.

Section 2.11 Payments and Computations.

(a) All payments made by the Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff. The Borrower shall make each payment hereunder and under the Notes not later than 11:00 A.M. (New York City time) on the day when due in Dollars to the Administrative Agent (except that payments under ***Section 2.08*** shall be paid directly to the Bank entitled thereto) at the Agent's Account, in same day funds. The Administrative Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, Commitment Fees or Letter of Credit Fees ratably (except amounts payable pursuant to ***Section 2.13*** or ***Section 2.14*** and except that any Bank may receive less than its ratable share of interest to the extent ***Section 2.21*** or ***Section 8.06*** is applicable to it) to the Banks for the account of their respective Applicable Lending Offices, and like funds relating to the payment of any other amount payable to any Bank to such Bank for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to ***Section 8.08(b)***, from and after the effective date specified in such Assignment and Acceptance, the Administrative Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Bank assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves. At

the time of each payment of any principal of or interest on any Borrowing to the Administrative Agent, the Borrower shall notify the Administrative Agent of the Borrowing to which such payment shall apply. In the absence of such notice the Administrative Agent may specify the Borrowing to which such payment shall apply.

(b) All computations of interest based on the Base Rate (except during such times as the Base Rate is determined pursuant to ***clauses (b)*** or ***(c)*** of the definition thereof), of Commitment Fees and of Letter of Credit Fees shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate, the Federal Funds Rate or, during such times as the Base Rate is determined pursuant to ***clauses (b)*** or ***(c)*** of the definition thereof, the Base Rate shall be made by the Administrative Agent, and all computations of interest pursuant to ***Section 2.08*** shall be made by a Bank, on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or fees are payable. Each determination by the Administrative Agent (or in the case of ***Section 2.08***, by a Bank) of an interest rate hereunder shall be conclusive and binding for all purposes, absent manifest error.

(c) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest, Commitment Fees and Letter of Credit Fees, as the case may be; provided, however, if such extension would cause payment of interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Banks or the Issuing Banks hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Banks or the Issuing Banks, as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of Banks or the Issuing Banks, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Bank or Issuing Bank, with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

Section 2.12 Compensation for Losses. If any payment or purchase of principal of, or Conversion of, any Eurodollar Rate Advance is made other than on the last day of the Interest Period for such Advance, as a result of a payment, purchase or Conversion pursuant to ***Section 2.09***, ***Section 2.10***, ***Section 2.16***, ***Section 2.17*** or ***Section 2.18***, acceleration of the maturity of the Advances pursuant to ***Section 6.01*** or for any other reason other than a payment by the Borrower under ***Section 2.02(d)***, the Borrower shall, within 15 days after demand by any Bank (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Bank any amounts required to compensate such Bank for any additional losses, costs or expenses which it may reasonably incur as a result of such payment, purchase or Conversion, including any loss (excluding loss of anticipated profits), cost or expense reasonably incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Bank to fund or maintain such Advance. A certificate as to the amount of such additional losses, costs or expenses, submitted to the Borrower and the Administrative Agent by such Bank, shall be conclusive and binding for all purposes, absent manifest error.

Section 2.13 Increased Costs and Capital Requirements.

(a) Increased Costs Generally. If any Change in Law shall (i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, any Bank (except any reserve requirement reflected in the Eurodollar Rate Reserve Percentage) or any Issuing Bank; (ii) subject any Bank or any Issuing Bank to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any participation in a Letter of Credit, any Letter of Credit Advance, or any Eurodollar Rate Advance made by it, or change the basis of taxation of payments to such Bank or Issuing Bank in respect thereof (except for Indemnified Taxes or Other Taxes covered by ***Section 2.14*** and the imposition of, or any change in the rate of, any Excluded Tax payable by such Bank or Issuing Bank); or (iii) impose on any Bank or any Issuing Bank or the London interbank market any other condition, cost or expense affecting this Agreement or Eurodollar Rate Advance made by such Bank or any Letter of Credit, participation therein or Letter of Credit Advance; and the result of any of the foregoing shall be to increase the cost to such Bank of making or maintaining any Eurodollar Rate Advance (or of maintaining its obligation to make any such Advance), or to increase the cost to such Bank or Issuing Bank of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or to issue any Letter of Credit) or Letter of Credit Advance, or to reduce the amount of any sum received or receivable by such Bank or Issuing Bank hereunder (whether of principal, interest or any other amount) then, upon request of such Bank or Issuing Bank, the Borrower will pay to such Bank or Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Bank or Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) Capital Requirements. If any Change in Law affecting a Bank or Issuing Bank or any lending office of a Bank or Issuing Bank or a Bank's or Issuing Bank's Parent Company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Bank's or Issuing Bank's capital or on the capital of such Bank's or Issuing Bank's Parent Company, if any, as a consequence of this Agreement, the Commitments of such Bank or the Advances made by, or participations in Letters of Credit held by, such Bank, or the Letters of Credit issued by such Issuing Bank, to a level below that which such Bank or Issuing Bank or such Bank's or the Issuing Bank's Parent Company could have achieved but for such Change in Law (taking into consideration such Bank's or the Issuing Bank's policies and the policies of such Bank's or the Issuing Bank's Parent Company with respect to capital adequacy), then from time to time the Borrower will pay to such Bank or Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Bank or Issuing Bank or such Bank's or Issuing Bank's Parent Company for any such reduction suffered.

(c) Certificates for Reimbursement. A certificate of the applicable Bank or Issuing Bank setting forth in the amount or amounts necessary to compensate such Bank or Issuing Bank or its Parent Company, as the case may be, as specified in ***Section 2.13(a)*** or ***Section 2.13(b)*** above and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Bank or Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Delay in Requests. Failure or delay on the part of any Bank or any Issuing Bank to demand compensation pursuant to the foregoing provisions of this Section shall not constitute a waiver of such Bank's or Issuing Bank's right to demand such compensation, provided that the Borrower shall not be required to compensate a Bank pursuant to the foregoing provisions of this Section for any increased costs incurred or reductions suffered more than three months prior to the date that such Bank notifies the Borrower of the Change in Law or compliance requirement giving rise to such increased costs or reductions and of such Bank's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the three-month period referred to above shall be extended to include the period of retroactive effect thereof).

(e) Designation of a Different Lending Office. If any Bank requests compensation under this ***Section 2.13***, then such Bank shall use reasonable efforts to designate a different lending office for funding or booking its Advances hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Bank, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to this ***Section 2.13*** in the future and (ii) would not subject such Bank to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Bank. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Bank in connection with any such designation or assignment.

Section 2.14 Taxes.

(a) Payments Free of Taxes. Any and all payments by the Borrower hereunder or under any other Loan Documents shall be made, in accordance with ***Section 2.11***, free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes, provided that if the Borrower shall be required by applicable law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Bank or Issuing Bank, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) Payment of Other Taxes by the Borrower. Without limiting the provisions of ***Section 2.14(a)*** above, the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Indemnification by the Borrower. The Borrower shall indemnify the Administrative Agent, each Bank and each Issuing Bank, within 10 days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent, such Bank or such Issuing Bank, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Bank or Issuing Bank (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Bank or the Issuing Bank, shall be conclusive absent manifest error.

(d) Treatment of Certain Refunds. If the Administrative Agent, a Bank or an Issuing Bank determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this ***Section 2.14***, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this ***Section 2.14*** with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent, such Bank or such Issuing Bank, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund), provided that the Borrower, upon the request of the Administrative Agent, such Bank or such Issuing Bank, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the

Administrative Agent, such Bank or such Issuing Bank in the event the Administrative Agent, such Bank or such Issuing Bank is required to repay such refund to such Governmental Authority. This ***Section 2.14(d)*** shall not be construed to require the Administrative Agent, any Bank or any Issuing Bank to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person.

(e) Evidence of Payments. As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(f) Status of Banks. Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Bank, if requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Bank is subject to backup withholding or information reporting requirements.

Without limiting the generality of the foregoing, in the event that the Borrower is resident for tax purposes in the United States of America, any Foreign Lender shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Bank under this Agreement (and from time to time thereafter upon the request of the Borrower or the Administrative Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(i) duly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States of America is a party,

(ii) duly completed copies of Internal Revenue Service Form W-8ECI,

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under *section 881(c)* of the Code, (x) a certificate to the effect that such Foreign Lender is not (A) a "bank" within the meaning of *section 881(c)(3)(A)* of the Code, (B) a "10 percent shareholder" of the Borrower within the meaning of *section 881(c)(3)(B)* of the Code, or (C) a "controlled foreign corporation" described in *section 881(c)(3)(C)* of the Code and (y) duly completed copies of Internal Revenue Service Form W-8BEN, or

(iv) any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in United States Federal withholding tax duly completed together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower to determine the withholding or deduction required to be made.

(g) Designation of a Different Lending Office. If any Bank requires the Borrower to pay any additional amount to such Bank or any Governmental Authority for the account of such Bank

pursuant to this ***Section 2.14***, then such Bank shall use reasonable efforts to designate a different lending office for funding or booking its Advances hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Bank, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to this ***Section 2.14*** in the future and (ii) would not subject such Bank to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Bank. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Bank in connection with any such designation or assignment.

Section 2.15 Sharing of Payments, Etc. If any Bank shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Advances or other obligations hereunder (except amounts payable pursuant to ***Section 2.08***, ***Section 2.13*** or ***Section 2.14***, and except that any Bank may receive less than its ratable share of interest to the extent ***Section 8.06*** is applicable to it and any Defaulting Lender may receive less than its ratable share of interest, fees and other amounts payable to it under this Agreement to the extent ***Section 2.21*** is applicable to it) resulting in such Bank's receiving payment of a proportion of the aggregate amount of its Advances and accrued interest thereon or other such obligations greater than its Pro Rata Share thereof as provided herein, then the Bank receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Advances and such other obligations of the other Banks, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Banks ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Advances and other amounts owing them, provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest; and (ii) the provisions of this ***Section 2.15*** shall not be construed to apply to (A) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement, (B) any payment obtained by a Bank as consideration for the assignment of or sale of a participation in any of its Advances to any assignee or Participant, other than to the Borrower or any Subsidiary thereof (as to which the provisions of this ***Section 2.15*** shall apply), or (C) any collateral obtained by an Issuing Bank in connection with arrangements made to address the risk with respect to an Defaulting Lender or Potential Defaulting Lender. The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Bank acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Bank were a direct creditor of the Borrower in the amount of such participation.

Section 2.16 Illegality. Notwithstanding any other provision of this Agreement, if any Bank (each an " ***Affected Bank***") shall notify the Borrower and the Administrative Agent that the introduction of or any Change in Law makes it unlawful, or any central bank or other Governmental Authority asserts that it is unlawful, for any Bank, or its Eurodollar Lending Office, to perform its obligations hereunder to make Eurodollar Rate Advances or to fund or maintain Eurodollar Rate Advances hereunder, (i) the obligation of the Affected Bank to make, or to Convert Advances into, Eurodollar Rate Advances shall forthwith be suspended (and any request by the Borrower for a Borrowing comprised of Eurodollar Rate Advances shall, as to each Affected Bank, be deemed a request for a Base Rate Advance to be made on the same day as the Eurodollar Rate Advances of the Banks that are not Affected Banks and such Base Rate Advance shall be considered as part of such Borrowing) until the Affected Bank shall notify the Borrower, the Banks and the Administrative Agent that the circumstances causing such suspension no longer exist and (ii) forthwith after such notice from an Affected Bank to the Administrative Agent and the Borrower, all Eurodollar Rate Advances of such Affected Bank shall be deemed to be Converted to Base Rate Advances (but will otherwise continue to be considered as a part of the respective Borrowings that they were a part of prior to such Conversion); provided, however, that, before making any such demand, such Bank agrees to use reasonable efforts (consistent with its internal policy and legal and

regulatory restrictions) to designate a different Eurodollar Lending Office if the making of such a designation would allow such Bank or its Eurodollar Lending Office to continue to perform its obligations to make Eurodollar Rate Advances or to continue to fund or maintain Eurodollar Rate Advances and would not, in the judgment of such Bank, be otherwise materially disadvantageous to such Bank. In the event any Bank shall notify the Administrative Agent of the occurrence of any circumstance contemplated under this ***Section 2.16***, all payments and prepayments of principal that would otherwise have been applied to repay the Eurodollar Rate Advances that would have been made by such Bank or the Converted Eurodollar Rate Advances shall instead be applied to repay the Base Rate Advances made by such Bank in lieu of such Eurodollar Rate Advances or resulting from the Conversion of such Eurodollar Rate Advances and shall be made at the time that payments on the Eurodollar Rate Advances of the Banks that are not Affected Banks are made. Each Bank that has delivered a notice of illegality pursuant to this ***Section 2.16*** above agrees that it will notify the Borrower as soon as practicable if the conditions giving rise to the illegality cease to exist.

Section 2.17 Conversion of Advances. The Borrower may on any Business Day, upon notice given to the Administrative Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of ***Section 2.02(b)***, ***Section 2.09*** and ***Section 2.16***, Convert all Advances of one Type comprising the same Borrowing into Advances of the other Type; provided, however, that (i) any Conversion of any Eurodollar Rate Advances into Base Rate Advances shall be made on, and only on, the last day of an Interest Period for such Eurodollar Rate Advances, except as provided in ***Section 2.16***, and (ii) Advances comprising a Borrowing may not be Converted into Eurodollar Rate Advances if the outstanding principal amount of such Borrowing is less than $10,000,000 or if any Event of Default shall have occurred and be continuing on the date the related notice of Conversion would otherwise be given pursuant to this ***Section 2.17***. Each such notice of a Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Advances to be Converted, and (iii) if such Conversion is into Eurodollar Rate Advances, the duration of the initial Interest Period for each such Advance. Each notice of Conversion shall be irrevocable and binding on the Borrower. If any Event of Default shall have occurred and be continuing on the third Business Day prior to the last day of any Interest Period for any Eurodollar Rate Advances, the Borrower agrees to Convert all such Advances into Base Rate Advances on the last day of such Interest Period.

Section 2.18 Replacement of Bank. If any Bank requests compensation under ***Section 2.13***, or if the Borrower is required to pay any additional amounts to any Bank or any Governmental Authority for the account of any Bank pursuant to ***Section 2.14***, or if any Bank exercises its rights under ***Section 2.16***, or if any Bank fails to execute and deliver a consent, amendment, or waiver to this Agreement requested by the Borrower by the date specified by the Borrower (or gives the Borrower written notice prior to such date of its intention not to do so), or if any Bank is a Defaulting Lender, then the Borrower may, at its sole expense and effort, upon notice to such Bank and the Administrative Agent, require such Bank to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, ***Section 8.08***), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Bank, if a Bank accepts such assignment), provided that, (i) the Borrower shall have paid (or made arrangements for such payment) to the Administrative Agent the assignment fee specified in ***Section 8.08***; (ii) such Bank shall have received payment of an amount equal to the outstanding principal of its Advances, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under ***Section 2.12***) from the assignee and/or the Borrower; (iii) in the case of any such assignment resulting from a claim for compensation under ***Section 2.13*** or payments required to be made pursuant to ***Section 2.14***, such assignment will result in a reduction in such compensation or payments thereafter; and (iv) such assignment does not conflict with applicable law.

Section 2.19 Evidence of Indebtedness. Each Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Bank resulting from each Advance owing to such Bank from time to time, including the amounts of principal and interest payable and paid to such Bank from time to time hereunder. The Borrower agrees that upon notice by any Bank to the Borrower (with a copy of such notice to the Administrative Agent) to the effect that a Promissory Note or other evidence of indebtedness is required or appropriate in order for such Bank to evidence (whether for purposes of pledge, enforcement or otherwise) the Advances owing to, or to be made by, such Bank, the Borrower shall promptly execute and deliver to such Bank, with a copy to the Administrative Agent, a Note in substantially the form of ***Exhibit A*** hereto, payable to the order of such Bank in a principal amount equal to the Revolving Credit Commitment of such Bank. All references to Notes in the Loan Documents shall mean Notes, if any, to the extent issued hereunder.

Section 2.20 Increase in the Aggregate Revolving Credit Commitments; Increase in Letter of Credit Commitment .

(a) The Borrower may, at any time and from time to time prior to the Termination Date but in any event not more than once in any 12 month period, by notice to the Administrative Agent, elect to increase the aggregate amount of the Revolving Credit Commitments by an amount of not less than $20,000,000 and in integral multiples of $10,000,000 in excess thereof (each a " ***Commitment Increase***") to be effective as of a date (the "***Increase Date***") as specified in the related notice to the Administrative Agent; provided, however, that (i) in no event shall the aggregate amount of the Revolving Credit Commitments at any time exceed $1,200,000,000 and (ii) on the date of any request by the Borrower for a Commitment Increase and on the related Increase Date, the applicable conditions set forth in ***Section 3.02*** shall be satisfied.

(b) To achieve the full amount of a requested increase, and subject to the approval of the Administrative Agent and each Issuing Bank (which approvals shall not be unreasonably withheld), the Borrower may (i) request that one or more Banks increase their Revolving Credit Commitments, (ii) invite all Banks to increase their respective Revolving Credit Commitment, and/or (iii) invite additional Eligible Assignees to become Banks pursuant to a joinder agreement in form and substance reasonably satisfactory to the Administrative Agent.

(c) In the event that the Borrower has indicated its wish for the Commitment Increase to be comprised in whole or in part from increases in the Revolving Credit Commitments of the Banks, the Administrative Agent shall promptly notify the Banks of a request by the Borrower for a Commitment Increase, which notice shall include (i) the proposed amount of such requested Commitment Increase, (ii) the proposed Increase Date and (iii) the date by which Banks wishing to participate in the Commitment Increase must commit to an increase in the amount of their respective Revolving Credit Commitments (the "***Commitment Date***"). No Bank shall be required to increase its Revolving Credit Commitment, and may decide whether to do so in its sole discretion. Each Bank shall notify the Administrative Agent within the requested time period whether or not it agrees to increase its Revolving Credit Commitment and, if so, in what amount. Any Bank not responding within the requested time period shall be deemed to have declined to increase its Revolving Credit Commitment. The Administrative Agent shall promptly notify the Borrower of the Banks' responses to each request made hereunder.

(d) Promptly following each Commitment Date, the Administrative Agent shall notify the Borrower of the amount by which each Bank and/or Eligible Assignee, as the case may be, is willing to commit to the requested Commitment Increase, and the Borrower will promptly notify the Administrative Agent of the Commitment Increase that it wishes to allocate to such Bank (each an " ***Increasing Lender***") or Eligible Assignee (each such Eligible Assignee, an "***Assuming Lender***"), as

the case may be; provided, however, that the Revolving Credit Commitment of each such Eligible Assignee shall be in an amount of $10,000,000 or an integral multiple of $1,000,000 in excess thereof. The Borrower, at its discretion, may withdraw its request for a Commitment Increase at any time prior to the Increase Date.

(e) On each Increase Date, each Assuming Lender shall become a Bank party to this Agreement with a Revolving Credit Commitment, and the Revolving Credit Commitment of each Increasing Lender shall be increased by, in each case, the amount of the Commitment Increase allocated to it by the Borrower, with the consent of each Issuing Bank; provided, however, that the Administrative Agent shall have received on or before such Increase Date the following, each dated such date:

(i) a joinder agreement from each Assuming Lender, if any, in form and substance satisfactory to the Borrower and the Administrative Agent, duly executed by such Eligible Assignee, the Administrative Agent and the Borrower; and

(ii) confirmation from each Increasing Lender of the increase in the amount of its Commitment in a writing satisfactory to the Borrower and the Administrative Agent.

(f) At any time, any Issuing Bank and the Borrower may agree to increase the Letter of Credit Commitment of such Issuing Bank with the consent of the Administrative Agent which shall not be unreasonably withheld.

(g) Any Bank may become an Issuing Bank by written agreement between such Bank and the Borrower, subject to notice to and the consent of the Administrative Agent. The Administrative Agent shall notify the Banks of the designation of any additional Issuing Bank hereunder.

(h) On each Increase Date, upon fulfillment of the conditions set forth in ***Section 2.20(e)***, at the time any Issuing Bank and the Borrower agree to increase the Letter of Credit Commitment of such Issuing Bank pursuant to ***Section 2.20(f)***, and at the time any Bank becomes an Issuing Bank pursuant to ***Section 2.20(g)***, the Administrative Agent shall notify the Banks (including each Assuming Lender, if applicable) and the Borrower, on or before 1:00 P.M. (New York City time) of the occurrence of the Commitment Increase to be effected on the applicable Increase Date, the Letter of Credit Commitment increase and the effective date thereof or any Bank becoming an Issuing Bank and the effective date thereof, as the case may be, and, in each case shall record in the Register the relevant information with respect to each Increasing Lender, each Assuming Lender, each Letter of Credit Commitment increase or adjustment, as applicable, and any addition of an Issuing Bank, as applicable, on such date. On the last day of the first Interest Period ending after an Increase Date, the Borrower shall make such Borrowings and prepayments as shall be necessary to cause the outstanding Advances to be ratable with the revised Commitments resulting from any non-ratable increase in the Commitments under this ***Section 2.20***.

Section 2.21 Defaulting Lenders.

(a) Reallocation of Defaulting Lender Commitment, Etc. If a Bank becomes, and during the period it remains, a Defaulting Lender, the following provisions shall apply with respect to any outstanding L/C Exposure of such Defaulting Lender:

(i) the L/C Exposure of such Defaulting Lender will, subject to the limitations in provisos ***(A)*** and ***(B)*** below, automatically be reallocated (effective on the day such

Bank becomes a Defaulting Lender) among the Non-Defaulting Lenders pro rata in accordance with their respective Commitments; provided that (A) no Event of Default shall have occurred and be continuing, (B) the sum of each Non-Defaulting Lender's total Revolving Credit Exposure and its Pro Rata Share of the L/C Exposure may not in any event exceed the Commitment of such Non-Defaulting Lender as in effect at the time of such reallocation, and (C) neither such reallocation nor any payment by a Non-Defaulting Lender pursuant thereto will constitute a waiver or release of any claim the Borrower, the Administrative Agent, the Issuing Banks or any other Bank may have against such Defaulting Lender or cause such Defaulting Lender to be a Non-Defaulting Lender; and

(ii) to the extent that any portion (the "***unreallocated portion***") of the Defaulting Lender's L/C Exposure cannot be so reallocated, whether by reason of proviso ***(A)*** or ***(B)*** in ***clause (i)*** above or otherwise, the Borrower will, not later than five Business Days after demand by the Administrative Agent (at the direction of the applicable Issuing Banks), (A) Cash Collateralize the obligations of the Borrower to the applicable Issuing Banks in respect of such L/C Exposure in an amount at least equal to the aggregate amount of the unreallocated portion of such L/C Exposure or (B) make other arrangements satisfactory to the Administrative Agent, and to the applicable Issuing Banks in their sole discretion to protect them against the risk of non-payment by such Defaulting Lender.

(b) Defaulting Lender Waterfall. Any amount paid by the Borrower for the account of a Defaulting Lender under this Agreement (whether on account of principal, interest, fees, indemnity payments or other amounts) shall, in lieu of being paid or distributed to such Defaulting Lender, be applied by the Administrative Agent, to the fullest extent permitted by law, to the making of payments from time to time in the following order of priority: first to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent under this Agreement, second to the payment of any amounts owing by such Defaulting Lender to the applicable Issuing Banks (pro rata as to the respective amounts owing to each of them) under this Agreement, third if requested by an Issuing Bank, in the event and to the extent that the Borrower has not satisfied its obligations under ***Section 2.21(a)(ii)***, held in a segregated non-interest bearing account for future funding obligations of such Defaulting Lender in respect of any unreallocated portion of such Defaulting Lender's L/C Exposure, fourth, if such Defaulting Lender's Unused Revolving Credit Commitment has not been terminated pursuant to ***Section 2.21(f)***, to make any Revolving Credit Advance not made by such Defaulting Lender to the extent such Revolving Credit Advance was not made by the Non-Defaulting Lenders and fifth to such Defaulting Lender or as a court of competent jurisdiction may otherwise direct.

(c) Cash Collateral Call. If any Bank becomes, and during the period it remains, a Defaulting Lender or a Potential Defaulting Lender, if any Letter of Credit is at the time outstanding, the applicable Issuing Bank may (except, in the case of a Defaulting Lender, to the extent the Commitments have been fully reallocated pursuant to ***Section 2.21(a)***), by notice to the Borrower and such Defaulting Lender or Potential Defaulting Lender through the Administrative Agent, require the Borrower to Cash Collateralize the obligations of the Borrower to such Issuing Bank in respect of such Letter of Credit in amount at least equal to the aggregate amount of the unreallocated obligations (contingent or otherwise) of such Defaulting Lender or such Potential Defaulting Lender in respect thereof, or to make other arrangements satisfactory to the Administrative Agent, and to such Issuing Bank in its sole discretion to protect it against the risk of non-payment by such Defaulting Lender or Potential Defaulting Lender.

(d) Right to Give Drawdown Notices. In furtherance of the foregoing, if any Bank becomes, and during the period it remains, a Defaulting Lender or a Potential Defaulting Lender, each Issuing Bank is hereby authorized by the Borrower (which authorization is irrevocable and coupled

with an interest) to give, in its discretion, through the Administrative Agent, Notices of Revolving Credit Borrowing pursuant to ***Section 2.02*** in such amounts and in such times as may be required to (i) reimburse an unreimbursed drawing under any outstanding Letter of Credit and/or (ii) Cash Collateralize the obligations of the Borrower in respect of outstanding Letters of Credit in an amount at least equal to the aggregate amount of the obligations (contingent or otherwise) of such Defaulting Lender or Potential Defaulting Lender in respect of such Letter of Credit.

(e) Fees. Anything herein to the contrary notwithstanding, during such period as a Bank is a Defaulting Lender, such Defaulting Lender will not be entitled to any fees accruing during such period pursuant to ***Section 2.04(a)*** (without prejudice to the rights of the Banks other than Defaulting Lenders in respect of such fees). In the event and to the extent that a portion of the L/C Exposure of such Defaulting Lender is reallocated to the Non-Defaulting Lenders pursuant to ***Section 2.21(a)***, the fees that would have accrued for the benefit of such Defaulting Lender pursuant to ***Section 2.04(a)*** will instead accrue for the benefit of and be payable to such Non-Defaulting Lenders, pro rata in accordance with their respective Commitments.

(f) Termination of Defaulting Lender Commitment. The Borrower may terminate any Defaulting Lender's Unused Revolving Credit Commitment, and, if applicable, the unused amount of any Defaulting Lender's Letter of Credit Commitment upon not less than three Business Days' prior notice to the Administrative Agent (which will promptly notify the Banks thereof), and in such event the provisions of ***Section 2.21(b)*** will apply to all amounts thereafter paid by the Borrower for the account of such Defaulting Lender under this Agreement (whether on account of principal, interest, fees, indemnity or other amounts), provided that neither such termination nor any other provision, or act taken by the Borrower, hereunder will be deemed to be a waiver or release of any claim the Borrower, the Administrative Agent, the Issuing Banks or any Bank may have against such Defaulting Lender.

(g) Replacement of Defaulting Lender. The Borrower may require a Defaulting Lender to assign and delegate its interests, rights and obligations under this Agreement in accordance with ***Section 2.18***.

(h) Cure. If the Borrower, the Administrative Agent, and the Issuing Banks agree in writing in their discretion that a Bank that is a Defaulting Lender or a Potential Defaulting Lender should no longer be deemed to be a Defaulting Lender or Potential Defaulting Lender, as the case may be, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any amounts then held in the segregated account referred to in ***Section 2.21(b)***), such Bank will, to the extent applicable, purchase such portion of outstanding Advances of the other Banks and/or make such other adjustments as the Administrative Agent may determine to be necessary to cause the Revolving Credit Exposure and L/C Exposure of the Banks to be on a pro rata basis in accordance with their respective Commitments, whereupon such Bank will cease to be a Defaulting Lender or Potential Defaulting Lender and will be a Non-Defaulting Lender (and the Revolving Credit Exposure and L/C Exposure of each Bank will automatically be adjusted on a prospective basis to reflect the foregoing); provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrower while such Bank was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender or Potential Defaulting Lender to Non-Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from such Bank's having been a Defaulting Lender or Potential Defaulting Lender.

ARTICLE III
CONDITIONS OF LENDING

Section 3.01 Conditions Precedent to Effectiveness. This Agreement shall become effective on and as of the first date (the "***Effective Date***") on which the Administrative Agent shall have received counterparts of this Agreement duly executed by the Borrower and all of the Banks and the following additional conditions precedent shall have been satisfied, except that ***Section 2.04(a)*** shall become effective as of the first date on which the Administrative Agent shall have received counterparts of this Agreement duly executed by the Borrower and all of the Banks:

(a) The Borrower shall have notified the Administrative Agent in writing as to the proposed Effective Date.

(b) The Administrative Agent shall have received on or before the Effective Date the following, each dated such day, in form and substance reasonably satisfactory to the Administrative Agent and each Bank:

(i) The Notes duly executed by the Borrower to the order of the Banks to the extent requested by any Bank pursuant to ***Section 2.19***.

(ii) The Guarantee duly executed by each Subsidiary Guarantor.

(iii) Certified copies of the resolutions of the Governing Body of each Loan Party approving each Loan Document to which it is a party, and of all documents evidencing other necessary corporate or organizational action and governmental approvals, if any, with respect to each Loan Document.

(iv) A copy of a certificate of the Secretary of State of the jurisdiction of incorporation of each Loan Party, dated reasonably near the Effective Date certifying (A) as to a true and correct copy of the charter or other formation document, as the case may be, of such Loan Party and each amendment thereto on file in such Secretary of State's office and (B) that (1) such amendments are the only amendments to such Loan Party's charter on file in such Secretary's office, and (2) such Loan Party is duly organized and in good standing or presently subsisting under the laws of the State of the jurisdiction of its organization.

(v) A certificate of each Loan Party signed on behalf of such Loan Party by its Secretary or any Assistant Secretary, dated the Effective Date (the statements made in which certificate shall be true on and as of the Effective Date), certifying as to (A) the absence of any amendments to the charter or other formation document, as the case may be, of such Loan Party since the date of the Secretary of State's certificate referred to in ***Section 3.01(b)(iv)***, (B) a true and correct copy of the bylaws, limited liability company agreement or partnership agreement, as the case may be, of such Loan Party as in effect on the date on which the resolutions referred to in ***Section 3.01(b)(iii)*** were adopted and on the Effective Date, and (C) the due organization and good standing or valid existence of such Loan Party as a corporation, limited liability company or limited partnership organized under the laws of the jurisdiction of its organization, and the absence of any proceeding for the dissolution or liquidation of such Loan Party.

(vi) A certificate of the Secretary or an Assistant Secretary of each Loan Party certifying the names and true signatures of the officers of such Loan Party authorized to sign each Loan Document to which it is a party and the other documents to be delivered by the Loan Parties hereunder.

(vii) A certificate signed by a Responsible Officer of the Borrower certifying (A) that the conditions specified in ***Section 3.02(a)*** and ***Section 3.02(b)*** have been satisfied and (B) that there has been no event or circumstance since December 31, 2008 that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect.

(viii) A favorable opinion of Jeff King, Vice President–Legal, of the Borrower, in form satisfactory to the Lenders.

(ix) A favorable opinion of Andrews Kurth, LLP, counsel for the Loan Parties, in form satisfactory to the Lenders.

(c) Evidence that the Commitments (as such term is defined in Existing Credit Agreement) under the Existing Credit Agreement have been, or concurrently with the Effective Date are being, terminated, that from and after the Effective Date all Letters of Credit (as therein defined) then outstanding shall cease to be treated as "Letters of Credit" for purposes of the Existing Credit Agreement and shall instead be "Existing Letters of Credit" as herein defined, and all amounts then due and outstanding under the Existing Credit Agreement are being repaid in full.

(d) All accrued fees and reasonable out-of-pocket expenses of the Co-Lead Arrangers (including the reasonable fees and expenses of counsel to the Co-Lead Arrangers for which invoices have been submitted) shall have been paid.

(e) The Borrower shall have paid all accrued fees and reasonable out-of-pocket expenses of the Administrative Agent (including reasonable fees and expenses of counsel for which invoices have been submitted).

(f) Any other fees required to be paid by the Borrower on or before the Effective Date shall have been paid.

Section 3.02 Conditions Precedent to Each Revolving Credit Advance, Each Commitment Increase and Each Issuance, Renewal, Amendment, Increase and Extension of Each Letter of Credit. The obligation of each Bank to make an Advance (other than a Letter of Credit Advance made by an Issuing Bank or a Revolving Credit Bank pursuant to ***Section 2.03(d)***) (including the initial Revolving Credit Advance) and each Issuing Bank to issue, renew, extend or amend Letters of Credit (including the initial Letter of Credit), each Commitment Increase and each amendment of a Letter of Credit that has the effect of increasing the Available Amount of such Letter of Credit or extending the expiration date thereof shall be subject to the conditions precedent that on the date of such Advance, such Commitment Increase or such issuance, renewal, extension, amendment or increase of a Letter of Credit, the following statements shall be true (and each of the giving of the applicable Notice of Revolving Credit Borrowing, Notice of Issuance and Application for Letter of Credit, request for amendment of any Letter of Credit, request for a Commitment Increase, request for increase of a Letter of Credit or extending the Expiration Date thereof and the acceptance by the Borrower of the proceeds of such Advance or such Commitment Increase, such Letter of Credit or of the renewal, amendment, increase or extension of such Letter of Credit shall constitute a representation and warranty by the Borrower that on the date of such Advance, such Commitment Increase or such issuance, renewal, amendment, increase or extension of such Letter of Credit such statements are true):

(a) the representations and warranties contained in each Loan Document are correct on and as of the date of such Revolving Credit Advance, Commitment Increase or such issuance, renewal, amendment, increase or extension of a Letter of Credit (except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and

correct as of such earlier date, and except that for purposes of this Section, the representations and warranties contained in ***Section 4.01(f)*** and ***Section 4.01(g)*** shall be deemed to refer to the most recent statements furnished pursuant to ***clauses (i)*** and ***(ii)***, as applicable, of ***Section 5.01(d)***) before and after giving effect to such Revolving Credit Advance, Commitment Increase or such issuance, renewal, amendment, increase or extension of a Letter of Credit and to the application of the proceeds therefrom, as though made on and as of such date;

(b) no event has occurred and is continuing, or would result from such Borrowing or such issuance or renewal or from the application of the proceeds therefrom, which constitutes a Default or an Event of Default;

(c) there exists no request or directive issued by any Governmental Authority, central bank or comparable agency, injunction, stay, order, litigation or proceeding purporting to affect or calling into question the legality, validity or enforceability of any Loan Document or the consummation of any transaction (including any Advance or proposed Advance or issuance, renewal, amendment, increase or extension of a Letter of Credit or proposed Letter of Credit) contemplated hereby; and

(d) the Administrative Agent and, if applicable, the Issuing Bank shall have received a Notice of Revolving Credit Borrowing or Notice of Issuance and Application for Letter of Credit, as applicable, in accordance with the requirements hereof.

The acceptance of the benefits of each Revolving Credit Advance, each Commitment Increase and each issuance, renewal, amendment, increase and extension of each Letter of Credit shall constitute a representation and warranty by the Borrower to each of the Banks that each of the conditions specified in ***clauses (a)***, ***(b)*** and ***(c)*** above have been satisfied on and as of the date of such acceptance.

Section 3.03 Determinations Under ***Section 3.01***. For purposes of determining compliance with the conditions specified in ***Section 3.01***, a Bank shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to such Persons unless an officer of the Administrative Agent responsible for the transactions contemplated by this Agreement shall have received notice from such Person prior to the date that the Borrower, by notice to the Administrative Agent, designates as the proposed Effective Date, specifying its objection thereto. The Administrative Agent shall promptly notify the Banks and the Borrower of the occurrence of the Effective Date, which notice shall be conclusive and binding.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

Section 4.01 Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) Each Loan Party and each of its Subsidiaries (i) is a corporation, limited liability company or limited partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (ii) is duly qualified and in good standing as a foreign corporation, company or limited partnership in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed and (iii) has all requisite corporate, limited liability company or partnership (as applicable) power and authority (including all permits, approvals, licenses or other authorizations) to (A) own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted and (B) execute, deliver and

perform its obligations under the Loan Documents to which it is a party, except in each case referred to in ***clauses (ii)*** or ***(iii)(A)*** for any failures to be so organized, existing, qualified to do business or in good standing or to have such power and authority which could not reasonably be expected, individually or in the aggregate, have a Material Adverse Effect.

(b) Set forth on ***Schedule 4.01(b)*** hereto is a list of the Loan Parties and their direct Subsidiaries as of the Effective Date, showing as of the Effective Date hereof as to each such Person the jurisdiction of its organization, the number of shares, membership interests or partnership interests (as applicable) of each class of its Equity Interests authorized, and the number outstanding, on the date hereof and the percentage of each such class of its Equity Interests owned (directly or indirectly) by the applicable Loan Party. All of the outstanding Equity Interests in each Subsidiary Guarantor have been validly issued, are fully paid and non-assessable and are owned by the Borrower or one or more of its Subsidiaries free and clear of all Liens. As of the date hereof, the copy of the charter of the Borrower and each Subsidiary Guarantor and each amendment thereto provided pursuant to ***Section 3.01(b)(iv)*** is a true and correct copy of each such document, each of which is valid and in full force and effect.

(c) The execution, delivery and performance by each Loan Party of each Loan Document to which it is or is to be a party and the consummation of the transactions contemplated hereby or thereby (including each Revolving Credit Borrowing and issuance or renewal of a Letter of Credit hereunder and the use of the proceeds thereof) and the transactions contemplated thereby (i) are within such Loan Party's organizational power, (ii) have been duly authorized by all necessary organizational action, and (iii) do not contravene (A) such Loan Party's certificate of organization, by-laws or other governing document, (B) any law, rule, regulation, order, writ, injunction or decree applicable to such Loan Party, or (C) any contractual restriction under any material agreements binding on or affecting such Loan Party or any Subsidiary of such Loan Party or any other contractual restriction the contravention of which would have a Material Adverse Effect.

(d) No authorization, approval, consent, license or other action by, and no notice to or filing with, any Governmental Authority, and no material approval, consent, license or other action by any other Person, is required for the due execution, delivery and performance by, or enforcement against, any Loan Party of each Loan Document to which it is or is to be a party, or for the consummation of the transactions contemplated hereby or thereby (including each Revolving Credit Borrowing and issuance or renewal of a Letter of Credit hereunder and the use of the proceeds thereof) and the transactions contemplated thereby, except consents, authorizations, filings and notices which have been obtained or made and are in full force and effect.

(e) This Agreement has been, and each other Loan Document when delivered hereunder will have been, duly executed and delivered by each Loan Party party thereto and constitute legal, valid and binding obligations of each Loan Party party thereto enforceable against such Loan Party in accordance with their respective terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally.

(f) The consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at December 31, 2008, and the related consolidated statement of income, consolidated Shareholders' Equity and consolidated statement of cash flows of the Borrower and its consolidated Subsidiaries for the fiscal year then ended (accompanied by an unqualified opinion of KPMG LLP, independent public accountants) and the consolidated results of operations of the Borrower and its consolidated Subsidiaries for the fiscal year then ended, (i) have been furnished to each Bank, (ii) were prepared in accordance with GAAP applied on a consistent basis, (iii) fairly present the financial condition of the Borrower and its consolidated Subsidiaries as of the date thereof and their results of operations for the

period covered thereby in accordance with GAAP applied on a consistent bases, except as otherwise expressly noted therein, and (iv) show all material indebtedness and other liabilities, direct or contingent, of the Borrower and its consolidated Subsidiaries as of the date thereof, including liabilities for taxes, material commitments, and Indebtedness. Since December 31, 2008 through the date hereof there has been no Material Adverse Change.

(g) The unaudited consolidated balance sheets of the Borrower and its consolidated Subsidiaries dated as at June 30, 2009, and the related consolidated statements of income or operations, consolidated Shareholders' Equity and cash flows for the fiscal quarter ended on that date (i) have been furnished to each Bank, (ii) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein, and (iii) fairly present the financial condition of the Borrower and its consolidated Subsidiaries as of the date thereof and their results of operations for the period covered thereby.

(h) Each Loan Party and its Subsidiaries is in compliance, in all material respects, with the requirements of all applicable laws, rules, regulations and orders, including ERISA, Environmental Laws and Environmental Permits.

(i) As of the Effective Date, each Loan Party is, individually and together with its Subsidiaries, Solvent.

(j) (i) There are no actions, suits, investigations, proceedings, claims or disputes pending against or, to the Borrower's knowledge threatened against or affecting, the Borrower, any of its Subsidiaries or any of its or their respective rights or properties, at law, in equity, in arbitration or before any court or by or before any arbitrator or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, (A) that draws into question or purports to affect any transaction contemplated by this Agreement or the legality, validity, binding effect or enforceability of the Borrower's Obligations, the Loan Documents or the rights and remedies of the Banks relating to this Agreement and the other Loan Documents, or (B) other than as set forth in (x) Forms 10-K for the fiscal year ended December 31, 2008 and 10-Q for the fiscal quarter ended June 30, 2009 filed by the Borrower with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, and (y) the Confidential Information Memorandum prepared in connection with this Agreement, that could reasonably be expected to have a Material Adverse Effect, and

(ii) There has been no material adverse change in the status of any matter described in ***clause (x)*** or ***(y)*** of the above ***subsection (j)(i)*** that could reasonably be likely to have a Material Adverse Effect.

(k) Neither the Borrower nor any Subsidiary is engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U). No proceeds of any Advance or any Letter of Credit will be used in any manner that is not permitted by ***Section 5.02(i)***. Following the application of the proceeds of each Borrowing or drawing under each Letter of Credit, not more than 25% of the value of the assets (either of the Borrower only or of the Borrower and its Subsidiaries on a consolidated basis) subject to the provisions of ***Section 5.02(a)*** or ***Section 5.02(e)*** or subject to any restriction contained in any agreement or instrument between the Borrower and any Bank or any Affiliate of any Bank relating to Indebtedness and within the scope of ***Section 6.01(d)*** will be margin stock.

(l) No Loan Party is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended.

(m) No statement or information contained in this Agreement or any other document, certificate or statement furnished to the Administrative Agent or the Banks by or on behalf of any Loan Party for use in connection with the transactions contemplated by this Agreement or the other Loan Documents (as modified or supplemented by other information furnished) contains as of the date such statement, information, document or certificate was so furnished any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances under which they were made; provided, however, that, with respect to any such information, exhibit or report consisting of statements, estimates, pro forma financial information, forward-looking statements and projections regarding the future performance of the Borrower or any of its Subsidiaries ("***Projections***"), no representation or warranty is made other than that such Projections have been prepared in good faith based upon assumptions believed to be reasonable at the time.

(n) Other than as could not reasonably be expected to have a Material Adverse Effect, (i) there are no strikes, lockouts or other material labor disputes or grievances against the Borrower or any of its Subsidiaries, or, to the Borrower's knowledge, threatened against or affecting the Borrower or any of its Subsidiaries, and (ii) no significant unfair labor practice charges or grievances are pending against the Borrower or any of its Subsidiaries, or to the Borrower's knowledge, threatened against any of them before any Governmental Authority. All payments due from the Borrower or any of its Subsidiaries pursuant to the provisions of any collective bargaining agreement have been paid or accrued as a liability on the books of the Borrower or such Subsidiary, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(o) (i) Each Loan Party and its ERISA Affiliates have operated and administered each Plan in compliance with ERISA and all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect.

(ii) No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan that has resulted in or could reasonably be expected to result in a Material Adverse Effect.

(iii) No Loan Party and no ERISA Affiliate has incurred or is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan that has resulted in or could reasonably be expected to result in a Material Adverse Effect.

(iv) No Loan Party and no ERISA Affiliate has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and no such Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, within the meaning of Title IV of ERISA to the extent such termination or reorganization has resulted in or is reasonably expected to result in a Material Adverse Effect.

(v) The present value of the aggregate benefit liabilities under each of the Plans of the Borrower (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan as of such determination date allocable to such benefit liabilities by more than the amount disclosed in the Borrower's financial statements for the year ended December 31, 2008 and each Plan will be able to fulfill its benefit obligations as they come due in accordance with the Plan documents and under GAAP, except in each case where such

excess or such inability could not reasonably be expected to have a Material Adverse Effect. The term "benefit liabilities" has the meaning specified in *Section 4001* of ERISA and the terms "current value" and "present value" have the meaning specified in *Section 3* of ERISA.

(vi) The execution and delivery of this Agreement, the other Loan Documents and any related documents will not involve any transaction that is subject to the prohibitions of *Section 406* of ERISA or in connection with which a tax could be imposed pursuant to *Section 4975(c)(1)(A)-(D)* of the Code, except in each case where the imposition of such tax could not reasonably be expected to have a Material Adverse Effect.

(vii) The expected post-retirement benefit obligation (determined as of the last day of the Borrower's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by *Section 4980B* of the Code) of the Borrower is properly accounted for in accordance with GAAP in all material respects in the Borrower's financial statements most recently delivered pursuant to ***Section 5.01(d)(ii)*** for the relevant year ended.

(p) (i) Except where such event could not, individually or in the aggregate with other similar events, reasonably be expected to have a Material Adverse Effect, the operations and properties of each Loan Party and each of its Subsidiaries comply with all applicable Environmental Laws and Environmental Permits, all past non-compliance with such Environmental Laws and Environmental Permits has been resolved without ongoing obligations or costs, and no circumstances exist that could be reasonably expected to (A) form the basis of an Environmental Action against any Loan Party or any of its Subsidiaries or any of their properties or (B) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law.

(ii) Except where such event could not, individually or in the aggregate with other similar events, reasonably be expected to have a Material Adverse Effect, (A) none of the properties currently or formerly owned or operated by any Loan Party or any of its Subsidiaries is listed or proposed for listing on the NPL or on the CERCLIS or any analogous foreign, state or local list or is adjacent to any such property; (B) there are no and never have been any underground or aboveground storage tanks or any surface impoundments, septic tanks, pits, sumps or lagoons in which Hazardous Materials are being or have been treated, stored or disposed on any property currently owned or operated by any Loan Party or any of its Subsidiaries or, to the best of its knowledge, on any property formerly owned or operated by any Loan Party or any of its Subsidiaries; (C) there is no asbestos or asbestos-containing material on any property currently owned or operated by any Loan Party or any of its Subsidiaries; and (D) Hazardous Materials have not been released, discharged or disposed of on any property currently or formerly owned or operated by any Loan Party or any of its Subsidiaries.

(iii) All Hazardous Materials generated, used, treated, handled or stored at, or transported to or from, any property currently or formerly owned or operated by any Loan Party or any of its Subsidiaries have been disposed of in a manner not reasonably expected to result, individually or in the aggregate, in a Material Adverse Effect.

(q) (i) Neither any Loan Party nor any of its Subsidiaries is party to any tax sharing agreement other than that certain Tax Sharing Agreement dated as of January 1, 2006 by and between Halliburton Company, KBR Holdings, LLC and the Borrower.

(ii) Each Loan Party and each of its Subsidiaries has filed, or caused to be filed, all Federal, state and other material tax returns and reports required to be filed, and has paid all material Federal, state and other taxes, assessments, fees and other governmental charges levied or imposed upon them or their properties, income or assets otherwise due and payable, except taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary, as applicable, has set aside on its books adequate reserves. There is no proposed tax assessment against the Borrower or any Subsidiary that would, if made, have a Material Adverse Effect.

(r) Each Loan Party and each of its Subsidiaries maintains, or the Borrower or a Subsidiary of the Borrower maintains on behalf of such Loan Party or such Subsidiary, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which each Loan Party and such Subsidiary operates.

(s) Each Loan Party has (i) good and marketable title to (in the case of fee interests in real property), (ii) valid leasehold interests in (in the case of leasehold interests in real or personal property), or (iii) good title to (in the case of all other personal property), all of their respective properties and assets, in each case to the extent reasonably necessary to the conduct of such Loan Party's business.

(t) Neither the Borrower nor any of its Subsidiaries is in violation of any laws relating to terrorism or money laundering, including the Patriot Act, except to the extent such violation could not reasonably be expected to have a Material Adverse Effect.

(u) (i) None of the proceeds of the Advances made, nor Letters of Credit issued, under this Agreement will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

(ii) Neither the Borrower nor any Subsidiary (A) is, or will become, a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in *Section 1* of the Anti-Terrorism Order or (B) engages or will engage in any dealings or transactions, or is or will be otherwise associated, with any such Person. The Borrower and the Subsidiaries are in compliance, in all material respects, with the Patriot Act.

(iii) None of the proceeds of the Advances made, nor Letters of Credit issued, under this Agreement will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended, assuming in all cases that such Act applies to the Borrower or any of the Subsidiaries.

(v) The Borrower has disclosed to the Administrative Agent and the Banks all agreements, instruments and corporate or other restrictions to which the Borrower or any of its Subsidiaries is subject, and all other matters known to it, that, in each case, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

ARTICLE V
COVENANTS OF THE BORROWER

Section 5.01 Affirmative Covenants. So long as any Advance or any other amount payable by the Borrower hereunder or under any other Loan Document shall remain unpaid, any Letter of Credit shall be outstanding or any Bank shall have any Commitment hereunder, the Borrower will, unless the Required Banks shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, with all applicable laws, rules, regulations and orders (including ERISA, Environmental Laws and Environmental Permits) except to the extent that failure to so comply (in the aggregate for all such failures) could not reasonably be expected to have a Material Adverse Effect.

(b) Preservation of Corporate or Organizational Existence, Etc. (i) Preserve and maintain and cause each of its Subsidiaries to preserve and maintain (unless, in the case of any Subsidiary, the Borrower or such Subsidiary determines that such preservation and maintenance is no longer necessary in the conduct of the business of the Borrower and its Subsidiaries, taken as a whole), its corporate or organizational existence, rights (charter and statutory), franchises, permits, licenses, approvals and privileges in the jurisdiction of its organization; provided, however, that the Borrower and its Subsidiaries may consummate any merger, consolidation conveyance, transfer, lease, disposition, spin-off, split-off or similar transaction permitted under ***Section 5.02(d)*** and provided further that neither the Borrower nor any of its Subsidiaries shall be required to preserve any right, permit, license, approval, privilege, franchise or, solely in the case of Subsidiaries, existence, where the failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and (ii) qualify and remain qualified and cause each of its Subsidiaries to qualify and remain qualified, as a foreign organization in each jurisdiction in which qualification is necessary or desirable in view of its business and operations or the ownership of its Properties, except where the failure to so qualify or remain qualified could not, individually or in the aggregate, reasonably be expected to give rise to a Material Adverse Effect.

(c) Payment of Taxes and Other Obligations, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, their respective obligations and liabilities before the same shall become delinquent, including (i) all Indebtedness, as and when payable, subject to any subordination provisions; and (ii) all taxes, assessments, charges and like levies levied or imposed upon it or upon its income, profits or Property prior to the date on which penalties attach thereto, and all lawful claims that, if unpaid, might by law become a Lien upon its Property; provided that neither the Borrower nor any Subsidiary shall be required to pay and discharge any such tax, assessment, charge, levy or claim so long as the validity or amount thereof shall be contested in good faith by appropriate proceedings and Borrower or the applicable Subsidiary shall have set aside on its books adequate reserves with respect thereto in accordance with GAAP or if the failure to pay, discharge or contest (in the aggregate for all such failures) could not reasonably be expected to have a Material Adverse Effect.

(d) Reporting Requirements. Furnish to the Administrative Agent:

(i) not later than 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, the consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such quarter and the consolidated statements of income and cash flows of the Borrower and its consolidated Subsidiaries for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, all in reasonable detail and duly certified (subject to normal year-end adjustments) by a Responsible Officer of the Borrower as having been prepared in accordance with GAAP and fairly presenting the financial

condition, results of operations, Shareholders' Equity and the cash flows of the Borrower and its Subsidiaries in accordance with GAAP together with (A) a certificate of said officer stating that no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action that the Borrower has taken and proposes to take with respect thereto and (B) a schedule in form satisfactory to the Administrative Agent of the computations used by the Borrower in determining compliance with the covenants contained in ***Section 5.03***, including a reconciliation in reasonable detail of the effect on Consolidated EBITDA of non-cash estimated project losses (including non-extraordinary items) and cash payments related thereto and the effect of excluding entities excluded because of the last sentence of ***Section 1.03(a)*** with respect to FIN 46R, on the computation of compliance with the covenants contained in ***Section 5.03***;

(ii) not later than 90 days after the end of each fiscal year of the Borrower, copies of the audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such fiscal year and audited consolidated statements of income, retained earnings and cash flows of the Borrower and its consolidated Subsidiaries for such fiscal year, in each case accompanied by an opinion as to such audit report of KPMG LLP or other independent public accountants of recognized standing acceptable to the Required Banks certified in a manner to which the Administrative Agent has not objected, together with a certificate of a Responsible Officer of the Borrower (A) as to compliance with the terms of this Agreement, (B) stating that no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action that the Borrower has taken and proposes to take with respect thereto and (C) setting forth in reasonable detail the calculations necessary to demonstrate compliance with ***Section 5.03*** and reconciling in reasonable detail the effect of excluding entities excluded because of the last sentence of ***Section 1.03(a)*** with respect to FIN 46R, on the computation of compliance with the covenants contained in ***Section 5.03***;

(iii) as soon as possible, and in any event within five days after any Responsible Officer has obtained knowledge of the occurrence of any Default or Event of Default, written notice thereof setting forth details of such Default or Event of Default and the actions that the Borrower has taken and proposes to take with respect thereto;

(iv) if the Indebtedness of the Borrower becomes rated by Moody's or S&P, promptly upon the Borrower obtaining knowledge thereof, notice of any withdrawal or change or proposed withdrawal or change of the rating of any of the Borrower's Indebtedness by Moody's or S&P;

(v) promptly after the sending or filing thereof, copies of all reports that the Borrower sends to any of its holders of common stock;

(vi) promptly, and in any event within 10 Business Days, after a Responsible Officer has obtained knowledge of the commencement or occurrence thereof, notice of (A) any action, suit, investigation, litigation or proceeding before any Governmental Authority affecting any Loan Party or any of its Subsidiaries of the type described in ***Section 4.01(j)*** which could reasonably be expected to have a Material Adverse Effect; and (B) any other matter that has resulted or could reasonably be expected to result in a Material Adverse Effect;

(vii) in addition to any information, records, reports, notices, or other documents required to be provided under ***subsections (A)*** through ***(D)*** below, any information provided by a Loan Party pursuant to this provision will include a written statement setting forth details as to such ERISA Event and the action, if any, that each Loan Party and its ERISA Affiliates propose to take with respect thereto.

(A) Within 10 Business Days after any Loan Party knows or has reason to know that any ERISA Event has occurred which is reasonably likely to result in liability to the Loan Party in excess of $25,000,000, a statement of a Responsible Officer of the Borrower describing such ERISA Event and the action, if any, that such Loan Party or ERISA Affiliate has taken and proposes to take with respect thereto and (II) on the date any records, documents or other information must be furnished to the PBGC with respect to any Plan pursuant to ERISA, a copy of such records, documents and information.

(B) Within 10 Business Days after receipt thereof by any Loan Party or any ERISA Affiliate from the sponsor of a Multiemployer Plan, copies of each notice concerning (1) the imposition of Withdrawal Liability by any such Multiemployer Plan, (2) the reorganization or termination, within the meaning of Title IV of ERISA, of any such Multiemployer Plan, if the amount of liability incurred, or that may be incurred, by such Loan Party in connection with any event described in ***clause (1)*** or ***(2)*** is reasonably likely to be in excess of $25,000,000.

(C) Within 10 Business days after receipt thereof by any Loan Party or any ERISA Affiliate, copies of each notice from the PBGC of its intention to seek termination of any Plan or of the appointment of a trustee thereunder, which in either case is reasonably likely to result in liability to such Loan Party in excess of $25,000,000.

(D) Within 10 Business Days of the occurrence of any event affecting any Plan which could result in the incurrence by any Loan Party or any ERISA Affiliate of any liability incurred, or that may be incurred, by any Loan Party under any post-retirement Welfare Plan that is reasonably likely to be in excess of $25,000,000, copies of all notices related thereto.

(viii) such other information as any Bank through the Administrative Agent may from time to time reasonably request.

Information required to be delivered pursuant to ***Section 5.01(d)(i)*** or ***Section 5.01(d)(ii)*** shall be deemed to have been delivered on the date on which the Borrower provides notice to the Administrative Agent that such information has been posted on the Borrower's website on the Internet at http://www.kbr.com or at another website identified in such notice and accessible by the Banks without charge; provided that the Borrower shall deliver paper copies of the information referred to in such Sections to the Administrative Agent for distribution to (x) any Bank to which the above referenced websites are for any reason not available if such Bank has so notified the Borrower and (y) any Bank that has notified the Borrower that it desires paper copies of all such information; provided further that the Administrative Agent shall notify the Banks as provided in ***Section 8.02*** of any materials delivered pursuant to this ***Section 5.01(d)*** (other than ***clause (v)*** hereof). Information required to be delivered pursuant to ***Section 5.01(d)(v)*** shall be deemed to have been delivered on the date when posted on a website as provided in the preceding sentence.

(e) Inspections. At any reasonable time and from time to time, in each case upon reasonable notice to the Borrower and subject to any applicable restrictions or limitations on access to any facility or information that is classified or restricted by contract or by law, regulation or

governmental guidelines, permit each Bank to visit and inspect the properties of the Borrower or any Material Subsidiary of the Borrower, and to examine and make copies of and abstracts from the records and books of account of the Borrower and its Material Subsidiaries and discuss the affairs, finances and accounts of the Borrower and its Material Subsidiaries with its and their officers and independent accountants provided, however, that advance notice of any discussion with such independent public accountants shall be given to the Borrower and the Borrower shall have the opportunity to be present at any such discussion.

(f) Keeping of Books. Keep proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and each Subsidiary in accordance with GAAP on a consolidated basis.

(g) Maintenance of Properties, Etc. Maintain and preserve, and cause each of its Material Subsidiaries to maintain and preserve, all of its material properties that are used or useful in the conduct of the business of the Borrower and its Material Subsidiaries, taken as a whole, in good working order and condition, ordinary wear and tear excepted.

(h) Maintenance of Insurance. Maintain, and cause each of its Material Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Material Subsidiary operates; provided that the Loan Parties shall be permitted to self-insure in such amounts and covering such risks as is usual and customary among companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Material Subsidiary operates.

(i) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions with any Affiliate on terms that are fair and reasonable and no less favorable to the Borrower or such Subsidiary, than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate; provided, however, that the foregoing restriction shall not apply to transactions in the ordinary course of business between or among the Borrower and its Subsidiaries or to other transactions between or among the Borrower and its wholly-owned Subsidiaries.

(j) Covenant to Guarantee Obligations. Upon the (i) formation or acquisition of any new direct or indirect Material Domestic Subsidiary by any Loan Party or (ii) if a Subsidiary of any Loan Party becomes a Material Domestic Subsidiary, at the Borrower's expense: (A) within 10 Business Days after such formation or acquisition or in case of ***clause (ii)*** above, within 10 days after the delivery of the financial statements required by ***Section 5.01(d)*** for the fiscal quarter during which such Subsidiary becomes a Material Domestic Subsidiary, cause each such Material Domestic Subsidiary to duly execute and deliver to the Administrative Agent a supplement to the Guarantee, in form and substance reasonably satisfactory to the Administrative Agent, guaranteeing the other Loan Parties' Obligations under the Loan Documents (each a "***Guarantee Supplement***"); (B) within 60 days after such request, formation or acquisition, deliver to the Administrative Agent, upon the request of the Administrative Agent in its sole discretion, a signed copy of a favorable opinion, addressed to the Administrative Agent and the Banks, of counsel for the Loan Parties reasonably acceptable to the Administrative Agent as to (1) such Guarantee Supplement being the legal, valid and binding obligations of each additional Subsidiary Guarantor party thereto enforceable in accordance with its terms and (2) such other matters as the Administrative Agent may reasonably request; and (C) at any time and from time to time, promptly execute and deliver, and cause each Loan Party and each such additional Subsidiary Guarantor to execute and deliver, any and all further instruments and documents and take, and cause each Loan Party and each such additional Subsidiary Guarantor to take, all such

other action as the Administrative Agent may reasonably deem necessary or desirable in obtaining the full benefits of the Guarantee. In addition, the Borrower (i) shall comply with the requirements set forth in the definition of "Subsidiary Guarantor" and (ii) may cause any other Subsidiary to become a Subsidiary Guarantor by delivering a Guarantee Supplement to the Guarantee and within 60 days thereafter, deliver to the Administrative Agent, upon the request of the Administrative Agent in its sole discretion, a signed copy of a favorable opinion, addressed to the Administrative Agent and the Banks, of counsel for the Loan Parties reasonably acceptable to the Administrative Agent as to (A) such Guarantee Supplement being the legal, valid and binding obligations of each additional Subsidiary Guarantor party thereto enforceable in accordance with its terms and (B) such other matters as the Administrative Agent may reasonably request.

Section 5.02 Negative Covenants. So long as any Advance or any other amount payable by the Borrower hereunder or under any other Loan Document shall remain unpaid, any Letter of Credit shall be outstanding or any Bank shall have any Commitment hereunder, the Borrower will not, without the written consent of the Required Banks:

(a) Liens, Etc. Create or suffer to exist, or permit any of its Subsidiaries to create or suffer to exist, any Lien on or with respect to any of its Properties whether now owned or hereafter acquired or assign, or permit any of its Subsidiaries to assign, any accounts or other right to receive income, except:

(i) Liens on or with respect to any of the properties of the Borrower and any of its Subsidiaries existing on the date hereof and set forth on ***Schedule 5.02(a)(i)***;

(ii) (A) Liens upon or in property acquired (including acquisitions through merger or consolidation) or constructed or improved by the Borrower or any of its Subsidiaries including general intangibles, proceeds and improvements, accessories and upgrades thereto and created contemporaneously with, or within 12 months after, such acquisition or the completion of construction or improvement, to secure Indebtedness (including Capitalized Leases) incurred to finance the payment of all or a portion of the purchase price of such property or the cost of construction or improvements thereon, as the case may be and (B) Liens on property (including any unimproved portion of partially improved property) of the Borrower or any of its Subsidiaries created within 12 months of completion of construction of a new plant or plants on such property to secure Indebtedness incurred to finance such construction (including Indebtedness incurred to finance such construction if, in the opinion of the Borrower, such property or such portion thereof was prior to such construction substantially unimproved for the use intended by the Borrower); provided, however, no such Lien shall extend to or cover any property other than the property being acquired, constructed or improved (including any unimproved portion of a partially improved property) including general intangibles, proceeds and improvements, accessories and upgrades thereto;

(iii) Any Lien existing on any property including general intangibles, proceeds and improvements, accessories and upgrades thereto prior to the acquisition (including acquisition through merger or consolidation) thereof by the Borrower or any of its Subsidiaries or existing on any property of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary, provided that such a Lien is not created in contemplation or in connection with such acquisition or such Person becoming a Subsidiary and no such Lien shall be extended to cover property other than the asset being acquired including general intangibles proceeds and improvements, accessories and upgrades thereto;

(iv) Liens to secure any extension, renewal, refunding or replacement (or successive extensions, renewals, refinancing, refundings or replacements), in whole or in part, of any Indebtedness secured by any Lien referred to in ***clauses (ii)*** and ***(iii)***; provided that (A) the principal amount of the Indebtedness secured thereby is no greater than the outstanding principal amount of such Indebtedness immediately before such extension, renewal, refinancing, refunding or replacement and (B) such Lien shall only extend to such assets as are already subject to a Lien in respect of such Indebtedness;

(v) (A) Liens on Equity Interests in (and assets of) any Project Finance Subsidiary, so long as such Liens secure only Project Financing and (B) Liens on property acquired or constructed with the proceeds of Permitted Non-Recourse Indebtedness so long as such Liens secure only such Permitted Non-Recourse Indebtedness;

(vi) (A) Liens on Equity Interests in any Joint Venture and Liens on assets of a JV Subsidiary to secure Joint Venture Debt of such Joint Venture. "Joint Venture Debt" shall mean Indebtedness and other obligations of a JV Subsidiary or of a Joint Venture owned by a JV Subsidiary as to which the creditors will not, pursuant to the terms in the agreements governing such Indebtedness, have any recourse to the Equity Interests in or assets of the Borrower or any Subsidiary, other than the assets of such JV Subsidiary and the assets of such Joint Venture, provided that neither the Borrower nor any Subsidiary (other than such JV Subsidiary) (i) provides any direct or indirect credit support, including any undertaking, agreement or instrument that would constitute Indebtedness or (ii) is otherwise directly or indirectly liable for such Indebtedness;

(vii) Customary Permitted Liens;

(viii) Liens on cash collateral securing reimbursement obligations in respect of (A) letters of credit listed on ***Schedule 5.02(a)(viii)*** in the amounts and with the maturity dates set forth therein and (B) letters of credit, acceptances and bank guarantees, provided that the aggregate principal amount of obligations secured by Liens permitted by this ***clause (viii)(B)*** shall not exceed at any time in the aggregate the sum of (1) $150,000,000 *plus* (2) the aggregate amount of letters of credit which had been Extended Letters of Credit but ceased to be Letters of Credit hereunder following being cash collateralized as contemplated by ***Section 2.01(b)*** hereof;

(ix) in addition to the Liens on cash collateral permitted by the preceding ***clause (viii)***, in the event that the aggregate Letter of Credit Commitments at any time are less than the aggregate Revolving Credit Commitments at such time (the " ***Gap Amount***") and the Borrower and/or its Subsidiaries obtain letters of credit issued for its or their account in a face amount not to exceed the Gap Amount, the Borrower shall be permitted to pledge cash collateral to secure such letters of credit in an amount not to exceed an amount equal to the aggregate Unused Revolving Credit Commitments at such time (calculated immediately prior to giving effect to such cash collateral pledge), provided however, that to the extent such cash collateral is not funded with Advances that remain outstanding hereunder, the Unused Revolving Credit Commitments under this Agreement shall be calculated as though the full amount of any such cash collateral were funded through Advances that remain outstanding hereunder;

(x) Liens securing obligations under surety bonds issued in the ordinary course of the Borrower's and its Subsidiaries' business and indemnification agreements related thereto on assets related to the work bonded by such surety bonds, including equipment, property, contracts, distributions and accounts related thereto and cash collateral required thereby;

(xi) banker's Liens, Liens in favor of securities intermediaries, rights of setoff and other similar Liens existing solely with respect to cash and Cash Equivalents on deposit in one or more accounts maintained by the Borrower, in each case granted in the ordinary course of business in favor of the bank or other securities intermediary with which such an account is maintained, securing amounts owing to such bank or other securities intermediary with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements; *provided* that in no case shall any such Liens secure (either directly or indirectly) the repayment of any Indebtedness other than customary liability for account overdrafts;

(xii) Liens arising out of judgments, attachments or awards not resulting in an Event of Default or Default under ***Section 6.01(f)*** or ***(h)***;

(xiii) Liens consisting of Capitalized/Operating Leases;

(xiv) other Liens incurred in the ordinary course of business of the Borrower and its Subsidiaries securing Indebtedness that does not in the aggregate exceed at any time outstanding $75,000,000.

(b) Indebtedness of Subsidiaries. Permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Indebtedness, except:

(i) Indebtedness under the Loan Documents;

(ii) Indebtedness of Subsidiaries outstanding on the Effective Date specified in ***Schedule 5.02(b)(ii)*** ("***Existing Debt***") and any refinancings, refundings, renewals, replacements or extensions thereof; provided that the aggregate principal amount of all such Indebtedness is not increased at the time of any such refinancing, refunding, renewal, replacement or extension except by an amount equal to a reasonable premium or other reasonable amount paid, and fees and expenses reasonably incurred, in connection with such refinancing, refunding, renewal, replacement or extension;

(iii) Indebtedness of any Person that becomes a Subsidiary of any Loan Party or is merged or consolidated into a Subsidiary of any Loan Party after the date hereof in accordance with the terms of ***Section 5.02(d)***, which Indebtedness is existing at the time such Person becomes a Subsidiary of such Loan Party or at the time of such merger or consolidation, as the case may be (other than Indebtedness incurred solely in contemplation of such Person becoming a Subsidiary of such Loan Party);

(iv) Indebtedness owed to the Borrower or to other Subsidiaries;

(v) Reimbursement obligations of a Subsidiary in respect of letters of credit, surety bonds, acceptances and bank guarantees issued for the account of such Subsidiary in the ordinary course of such Subsidiary's business;

(vi) Indebtedness in respect of (A) purchase money obligations and Capitalized Leases and refinancings or renewals thereof secured by Liens of the type permitted by ***Section 5.02(a)(ii)***, in an aggregate principal amount not to exceed $200,000,000 at any time outstanding, and (B) other Capitalized/Operating Leases;

(vii) Obligations in respect of worker's compensation claims, self insurance obligations, reimbursement obligations in respect of appeal bonds and obligations under completion guaranties, in each case incurred by a Subsidiary in the ordinary course of its business;

(viii) Indebtedness in respect of any Project Financing and other Permitted Non-Recourse Indebtedness; and

(ix) unsecured Indebtedness not to exceed $100,000,000 in aggregate principal amount at any time outstanding.

(c) Change in Nature of Business. Make any material change in the nature of the business of the Borrower and its Subsidiaries as carried on at the date hereof, taken as a whole.

(d) Mergers, Etc. Merge or consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions), all or substantially all of its assets (whether now owned or hereafter acquired) to, any Person; provided, however, that:

(i) the Borrower may merge with a Person if (A) the Borrower is the surviving corporation, and (B) after giving effect to such merger no Default or Event of Default shall have occurred and all representations and warranties shall be true and correct;

(ii) any Subsidiary may merge with any one or more Subsidiaries, provided that if a Subsidiary Guarantor (or a Subsidiary thereof) is a party to such transaction, a Subsidiary Guarantor (or a Subsidiary thereof) shall be the continuing or surviving Person, and if a Domestic Subsidiary is a party to such transaction, a Domestic Subsidiary shall be the surviving or continuing Person; and

(iii) any Subsidiary may convey, transfer, lease or otherwise dispose of all or a substantial part of its assets to the Borrower or to another Subsidiary; provided, however, if the transferor is a Subsidiary Guarantor (or a Subsidiary thereof), the transferee shall be a Subsidiary Guarantor (or a Subsidiary thereof).

(e) Sales, Etc., of Assets. Sell, lease, transfer or otherwise dispose of (each, a "***Disposition***"), or permit any of its Subsidiaries to make any Disposition of, any assets, except:

(i) sales of inventory in the ordinary course of its business and the granting of any option or other right to purchase, lease or otherwise acquire inventory in the ordinary course of its business;

(ii) in a transaction authorized by ***Section 5.02(d)***;

(iii) sales, transfers or other dispositions of assets among the Borrower and its Subsidiaries; provided, however no Subsidiary Guarantor shall be permitted to transfer, lease or otherwise dispose of, all or substantially all of its assets to a foreign Subsidiary of the Borrower (as used in this ***subsection (iii)***, "foreign Subsidiary" means a Subsidiary that is not a Domestic Subsidiary);

(iv) goods, equipment or other property that are, in the reasonable opinion of the Borrower or such Subsidiary, obsolete or unproductive or utilized as trade-in for goods, equipment or other property of at least comparable value;

(v) in order to resolve disputes that occur in the ordinary course of business, Borrower and its Subsidiaries may discount or otherwise compromise for less than the face value thereof, notes or accounts receivable;

(vi) licenses or sublicenses by Borrower and its Subsidiaries of software, trademarks, patents and other intellectual property and leases of real property interests in the ordinary course of business and which do not materially interfere with the business of Borrower or any of its Subsidiaries;

(vii) transfers of condemned property to the respective Governmental Authority that has condemned the same (whether by deed in lieu of condemnation or otherwise), and transfers of properties that have been subject to a casualty to the respective insurer of such property or its designee as part of an insurance settlement;

(viii) sales, transfers or other dispositions by the Borrower or any of its Subsidiaries of Equity Interests (and assets of) in Project Finance Subsidiaries and joint venture interests held by the Borrower or any of its Subsidiaries;

(ix) dispositions by the Borrower or any of its Subsidiaries of assets with an aggregate book value not to exceed $100,000,000 during any fiscal year of the Borrower (plus any sales, transfers or other dispositions the net cash proceeds of which are reinvested in equipment or other productive assets within one year of such sale, transfer or other disposition); and

(x) the sale by the Borrower and its Subsidiaries of the Nigg, Scotland fabrication yard.

(f) Investments in Other Persons. Make or hold, or permit any of its Subsidiaries to make or hold, any Investment in any Person, except:

(i) Investments existing on the date hereof;

(ii) Investments by the Borrower and its Subsidiaries in their Subsidiaries (including, if as a result of such Investment (A) a Person becomes a Subsidiary of the Borrower) or (B) a Person is merged, consolidated or amalgamated with or into, or conveys substantially all of its assets to, or is liquidated into, the Borrower or a Subsidiary; provided that any advances and guarantees by the Borrower and its Subsidiaries in favor of their respective Subsidiaries (other than Subsidiary Guarantors) shall be in the ordinary course of business consistent with past practices; and provided further that any such merger is permitted by ***Section 5.02(d)***;

(iii) any Investment in Cash Equivalents;

(iv) Investments with the net cash proceeds from the sale of Equity Interests in the Borrower, and any acquisition of assets solely in exchange for an issuance of Equity Interests of the Borrower; and

(v) Investments in (A) Allenby Connaught not to exceed an aggregate amount of $105,000,000, (B) Egypt Basic Industries Company (EBIC) not to exceed an aggregate amount of $22,500,000 and (C) other joint ventures and other minority interests not to exceed $250,000,000**,** in each case at any time outstanding and in each case *plus* the net cash proceeds of sales of Investments made pursuant to this ***Section 5.02(f)(v)*** and sales of other minority interests

and dividends and distributions (including repayment of loans and advances) received from Project Finance Subsidiaries and Joint Ventures and from Investments made pursuant to this ***Section 5.02(f)(v)***.

For purposes of this ***Section 5.02(f)***, the amount of an Investment shall be determined as of the date of such Investment, and such amount shall be equal to the cash amount or the fair market value of other property or asset invested.

(g) Restricted Payments. Purchase, redeem, retire, defease or otherwise acquire for value any of its Equity Interests now or hereafter outstanding, return any capital to its stockholders, partners or members (or the equivalent Persons thereof) as such, or permit any of its Subsidiaries to do any of the foregoing, or permit any of its Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any Equity Interests in the Borrower or in a Subsidiary other than a wholly-owned Subsidiary, except that, so long as no Default or Event of Default shall have occurred and be continuing at the time of any action described below or would result therefrom:

(i) Borrower may purchase any of its Equity Interests provided that the aggregate purchase price paid from and after the Effective Date, when added to the amount of dividends paid from and after the Effective Date (other than dividends payable in Equity Interests), shall not exceed $400 million (such amount, as decreased by any such dividends and/or purchases, the " ***Distribution Cap***"), provided that no such purchases shall be made from the proceeds of a Borrowing hereunder. In the event that the Borrower issues additional Equity Interests in the form of common stock after the Borrower shall have paid any such dividends and/or made any such purchases, the Distribution Cap shall be replenished by (i) the amount of the net cash proceeds of the issuance of any such Equity Interests and/or (ii) the amount of any portion of the purchase price for an Investment permitted by ***Section 5.02(f)(ii)*** paid by the issuance of any such Equity Interests, so long as, in the case of either of ***clauses (i)*** and ***(ii)***, the Distribution Cap does not exceed $400 million at any time; and

(ii) the Borrower or any Subsidiary of the Borrower may redeem, repurchase, retire or otherwise acquire any of its Equity Interests in connection with a compensation plan, program or practice, provided that the aggregate price paid from and after the Effective Date for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed $25 million in any fiscal year of the Borrower.

(h) Accounting Changes. Make or permit, or permit any of its Subsidiaries to make or permit, any change in (i) accounting policies or reporting practices, except as required or permitted by GAAP, or (ii) fiscal year.

(i) Use of Proceeds. Use the proceeds of any Advance or any Letter of Credit for any purpose other than for working capital and general corporate purposes of the Borrower and its Subsidiaries; or use any such proceeds (i) in a manner which violates or results in a violation of any law or regulation, (ii) to purchase or carry any margin stock (as defined in Regulation U), (iii) to extend credit for the purpose of purchasing or carrying any margin stock (as defined in Regulation U), or (iv) to pay dividends or repurchase any Equity Interests in the Borrower or any Subsidiary.

(j) Restrictive Agreements. Enter into or be a party to, or permit any of its Subsidiaries to enter into or be a party to, any agreement or other arrangement that

(i) prohibits or otherwise limits the ability (A) of the Borrower or any Subsidiary to create, incur or permit to exist any Lien upon any of its property to secure the

Obligations, (B) of any Subsidiary (other than a Project Finance Subsidiary) to pay dividends or other distributions in respect of its Equity Interests (whether in cash, securities or otherwise) to, or transfer property to, the Borrower or any Subsidiary Guarantor, or (C) of any Subsidiary to repay loans or advances to the Borrower or any Subsidiary Guarantor; provided that the foregoing restrictions in this ***clause (j)(i)*** shall not apply to restrictions and conditions (1) imposed by law or by any Loan Document, (2) contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold, or (3) imposed by any agreement relating to any Indebtedness secured by Liens permitted under ***Section 5.02(a)*** provided that such restrictions or conditions relate only to the property covered by such Liens; and provided further that the above ***clause (j)(i)(A)*** shall not apply to customary provisions in leases and other contracts restricting the assignment thereof; or

(ii) requires that if a Lien is granted to secure the Obligations, a Lien must also be granted to secure the obligations of such Person under such agreement.

Section 5.03 Financial Covenants. So long as any Advance or any other amount payable by the Borrower hereunder or under any other Loan Document shall remain unpaid, any Letter of Credit shall be outstanding or any Bank shall have any Commitment hereunder, the Borrower:

(a) Consolidated Debt to Consolidated EBITDA. Shall not permit, as of the last day of any fiscal quarter, the ratio of Consolidated Debt to Consolidated EBITDA, for the four fiscal quarters ending on such date, to be greater than 3.50 to 1.00.

(b) Consolidated Net Worth. Shall maintain at all times a Consolidated Net Worth of not less than the sum of (i) $2,000,000,000.00, *plus* (ii) an amount equal to 50% of the Consolidated Net Income earned in each fiscal quarter ending on or after September 30, 2009 (with no deduction for a net loss in any such fiscal quarter) *plus* (iii) an amount equal to 100% of the aggregate increases in Shareholders' Equity of the Borrower after the date hereof by reason of the issuance and sale of Equity Interests of the Borrower or any Subsidiary (other than issuances to the Borrower or a wholly-owned Subsidiary), including upon any conversion of debt securities of the Borrower into such Equity Interests.

ARTICLE VI
EVENTS OF DEFAULT

Section 6.01 Events of Default. If any of the following events ("***Events of Default***") shall occur and be continuing:

(a) (i) The Borrower shall fail to pay any principal of any Advance when the same becomes due and payable, whether at the due date thereof or by acceleration thereof or otherwise or (ii) the Borrower shall fail to pay any interest on any Advance or any fees hereunder or other amount payable hereunder, or any Loan Party shall fail to make any other payment under any Loan Document, in each case under this ***clause (ii)***, within three Business Days of when the same becomes due and payable, whether at the due date thereof or by acceleration thereof or otherwise; or

(b) Any representation, warranty or certification made by any Loan Party (or any of its Responsible Officers) herein pursuant to or in connection with any Loan Document or in any certificate or document furnished to any Bank pursuant to or in connection with any Loan Document, or any representation or warranty deemed to have been made by any Loan Party pursuant to ***Section 3.02***, shall prove to have been incorrect or misleading in any material respect when made or so deemed to have been made; or

(c) (i) The Borrower shall fail to perform or observe any term, covenant or agreement contained in ***Section 2.21(a)(ii)(A)***, ***Section 5.01(b)***, ***(e)***, ***(i)*** or ***(j)***, ***Section 5.02*** or ***Section 5.03*** of this Agreement; or (ii) any Loan Party shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed (other than any term, covenant or agreement covered by ***Section 6.01(a)***) and, in each case under this ***clause (ii)***, such failure shall remain unremedied for 30 days after notice thereof shall have been given to such Loan Party by the Administrative Agent or by any Bank; or

(d) (i) Any Loan Party or any of its Material Subsidiaries shall fail to pay any principal of, premium or interest on or any other amount payable in respect of any Indebtedness of such Loan Party or such Material Subsidiary (as the case may be) that is outstanding in a principal amount of at least $100,000,000 either individually or in the aggregate for all such Loan Parties and Material Subsidiaries (but excluding Indebtedness outstanding hereunder), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Indebtedness and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness or otherwise to cause, or to permit the holder thereof to cause, such Indebtedness to mature; or any such Indebtedness shall become due prior to its stated maturity (other than by a regularly-scheduled required payment and mandatory prepayments from proceeds of asset sales, debt incurrence, excess cash flow, equity issuances and insurance proceeds); provided that for the avoidance of doubt the parties acknowledge and agree that any payment required to be made under a guarantee described in the definition herein of Indebtedness shall be due and payable at the time such payment is due and payable under the terms of such guarantee (taking into account any applicable grace period) and such payment shall not be deemed to have been accelerated or have become due as a result of the obligation guaranteed having become due; or (ii) any Loan Party or any of its Material Subsidiaries shall fail to pay when due any amount owed in respect of any Hedging Obligation in an amount equal to or greater than $100,000,000 either individually or in the aggregate for all such Loan Parties and Material Subsidiaries; or

(e) Any Loan Party or any Material Subsidiary of any Loan Party shall be adjudicated a bankrupt or insolvent by a court of competent jurisdiction, or generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Loan Party or any such Material Subsidiary seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its Property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 90 days, or any of the actions sought in such proceeding (including the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its Property) shall occur; or such Loan Party or any such Material Subsidiary shall take any corporate or organizational action to authorize any of the actions set forth above in this ***subsection (e)***; or

(f) One or more final, non-appealable judgments or orders by a court of competent jurisdiction for the payment of money in excess of $100,000,000 in the aggregate (to the extent not covered by insurance available from a financially sound insurer that has acknowledged coverage) shall be rendered against any Loan Party or any Material Subsidiary of any Loan Party and either (i) enforcement proceedings are commenced by a creditor upon such judgment or order or (ii) any such judgment or order shall remain undischarged and unstayed for a period of 30 days; or

(g) Any judgment, writ, warrant of attachment or execution or similar process shall be issued or levied against a substantial part of the property of any Loan Party or any Material Subsidiary of any Loan Party and such judgment, writ, warrant of attachment or execution or similar process shall not be released, stayed, vacated or fully bonded within 30 days after its issue or levy; or

(h) Any non monetary judgment or order by a court or Governmental Authority of competent jurisdiction shall be rendered against any Loan Party or any Subsidiary of any Loan Party that could reasonably be likely to have a Material Adverse Effect, and either (i) enforcement proceedings are commenced by a creditor upon such judgment or order or (ii) any such judgment or order shall remain undischarged and unstayed for a period of 30 days; or

(i) Any provision of any Loan Document after delivery thereof pursuant to ***Section 3.01*** or ***5.01(j)*** shall for any reason cease to be valid and binding on or enforceable against any Loan Party party to it, or any such Loan Party shall so state in writing; or

(j) A Change of Control shall occur; or

(k) Any Loan Party shall incur, or, in the reasonable opinion of the Required Banks, shall be reasonably likely to incur liability in excess of $100,000,000 in the aggregate as a result of the occurrence of an ERISA Event or the termination of a Multiemployer Plan;

then, and in any such event, the Administrative Agent (i) shall at the request, or may with the consent, of the Required Banks, by notice to the Borrower, declare the obligation of each Bank to make Advances (other than Letter of Credit Advances by an Issuing Bank or a Bank pursuant to ***Section 2.03(d)***) and of each Issuing Bank to issue Letters of Credit to be terminated, whereupon the same (and all of the Commitments) shall forthwith terminate, (ii) shall at the request, or may with the consent, of the Required Banks, by notice to the Borrower, declare the Advances, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Advances, all such interest and all such other amounts shall become and be forthwith due and payable, and (iii) the obligation of the Borrower to deposit Cash Collateral as described in ***Section 6.02*** shall automatically be effective, in each case, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or any other notice of any kind, all of which are hereby expressly waived by the Borrower, and (iv) shall at the request, or may with the consent, of the Required Banks, exercise on behalf of itself and the Banks all rights and remedies available to it and the Banks under the Loan Documents; provided, however, that in the event of any actual or deemed entry of an order for relief with respect to the Borrower under the Bankruptcy Code, (A) the Commitment of each Bank and the obligation of each Bank to make Advances (other than Letter of Credit Advances by an Issuing Bank or a Bank pursuant to ***Section 2.03(d)***) and of each Issuing Bank to issue Letters of Credit shall automatically be terminated, and (B) the Advances, all interest thereon and all other amounts payable under this Agreement shall automatically and immediately become and be due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration, or any other notice of any kind, all of which are hereby expressly waived by the Borrower.

Section 6.02 Actions in Respect of the Letters of Credit upon Default . If any Event of Default shall have occurred and be continuing, the Administrative Agent may, or shall at the request of the Required Banks, irrespective of whether it is taking any of the actions described in ***Section 6.01*** or otherwise, make demand upon the Borrower to, and forthwith upon such demand the Borrower will, pay to the Administrative Agent on behalf of the Banks in same day funds at the Administrative Agent's

office designated in such demand, for deposit in the L/C Cash Collateral Account, an amount equal to the aggregate Available Amount of all Letters of Credit then outstanding. If at any time the Administrative Agent determines that any funds held in the L/C Cash Collateral Account are subject to any right or claim of any Person other than the Administrative Agent and the Banks or that the total amount of such funds is less than the aggregate Available Amount of all Letters of Credit, the Borrower will, forthwith upon demand by the Administrative Agent, pay to the Administrative Agent, as additional funds to be deposited and held in the L/C Cash Collateral Account, an amount equal to the excess of (a) such aggregate Available Amount over (b) the total amount of funds, if any, then held in the L/C Cash Collateral Account that the Administrative Agent determines to be free and clear of any such right and claim. Upon the drawing of any Letter of Credit for which funds are on deposit in the L/C Cash Collateral Account, such funds shall be applied to reimburse the relevant Issuing Bank or the Banks, as applicable, to the extent permitted by applicable law. If any amount remains on deposit as Cash Collateral after all Letters of Credit have either been fully drawn or expired, such remaining amount shall be applied to the other obligations, if any, in the order set forth below.

Section 6.03 Application of Funds. After the exercise of remedies provided for in this ***Article VI*** (or after the Advances have automatically become immediately due and payable as set forth in the proviso to at the end of ***Section 6.01***), any amounts received on account of the Obligations shall be applied by the Administrative Agent in the following order:

First, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts (including fees, charges and disbursements of counsel to the Administrative Agent and amounts payable under ***Article II***) payable to the Administrative Agent in its capacity as such;

Second, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal, interest and Letter of Credit Fees) payable to the Banks and the Issuing Banks (including fees, charges and disbursements of counsel to the respective Banks and Issuing Banks) and amounts payable under ***Article II***, ratably among them in proportion to the respective amounts described in this ***clause Second*** payable to them;

Third, to payment of that portion of the Obligations constituting accrued and unpaid Letter of Credit Fees and interest on the Advances, Letter of Credit Advances and other Obligations arising under the Loan Documents, ratably among the Banks and the Issuing Banks in proportion to the respective amounts described in this ***clause Third*** payable to them;

Fourth, to payment of that portion of the Obligations constituting unpaid principal of the Advances and Letter of Credit Advances, ratably among the Banks and the Issuing Banks in proportion to the respective amounts described in this ***clause Fourth*** held by them;

Fifth, to the Administrative Agent for the account of the Issuing Banks, to Cash Collateralize that portion of L/C Exposure comprised of the aggregate undrawn amount of Letters of Credit; and

Last, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by applicable law.

ARTICLE VII
THE ADMINISTRATIVE AGENT

Section 7.01 Appointment and Authority. Each of the Banks and the Issuing Banks hereby irrevocably appoints Citibank to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to

exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent, the Banks and the Issuing Banks, and neither the Borrower nor any other Loan Party shall have rights as a third party beneficiary of any such provisions.

Section 7.02 Duties of Administrative Agent; Exculpatory Provisions .

(a) The Administrative Agent's duties hereunder and under the other Loan Documents are solely ministerial and administrative in nature and the Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, but shall be required to act or refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the written direction of the Required Banks (or such other number or percentage of the Banks as shall be expressly provided for herein or in the other Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent or any of its Affiliates to liability or that is contrary to any Loan Document or applicable law.

(b) The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Banks (or such other number or percentage of the Banks as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in ***Section 6.01***, ***Section 6.02*** and ***Section 8.01***) or (ii) in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default or the event or events that give or may give rise to any Default unless and until the Borrower or any Bank shall have given notice to the Administrative Agent describing such Default and such event or events.

(c) Neither the Administrative Agent nor any member of the Agent's Group shall be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation or other information made or supplied in or in connection with this Agreement, any other Loan Document or the Information Memorandum, (ii) the contents of any certificate, report or other document delivered hereunder or thereunder or in connection herewith or therewith or the adequacy, accuracy and/or completeness of the information contained therein, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or the perfection or priority of any Lien or security interest created or purported to be created hereunder or thereunder or (v) the satisfaction of any condition set forth in ***Article III*** or elsewhere herein, other than (but subject to the foregoing ***clause (ii)***) to confirm receipt of items expressly required to be delivered to the Administrative Agent.

(d) Nothing in this Agreement or any other Loan Document shall require the Administrative Agent or any of its Related Parties to carry out any "know your customer" or other checks in relation to any person on behalf of any Bank and each Bank confirms to the Administrative Agent that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Administrative Agent or any of its Related Parties.

Section 7.03 Reliance by Administrative Agent . The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent,

statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of an Advance, or the issuance of a Letter of Credit, that by its terms must be fulfilled to the satisfaction of a Bank or Issuing Bank, the Administrative Agent may presume that such condition is satisfactory to such Bank or Issuing Bank unless the Administrative Agent shall have received notice to the contrary from such Bank or Issuing Bank prior to the making of such Advance or the issuance of such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

Section 7.04 Rights as a Bank.

(a) The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Bank as any other Bank and may exercise the same as though it were not the Administrative Agent and the term "Bank" or "Banks" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Banks.

(b) Each Bank understands that the Person serving as Administrative Agent, acting in its individual capacity, and its Affiliates (collectively, the "***Agent's Group***") are engaged in a wide range of financial services and businesses (including investment management, financing, securities trading, corporate and investment banking and research) (such services and businesses are collectively referred to in this ***Section 7.04(b)*** as "***Activities***") and may engage in the Activities with or on behalf of one or more of the Loan Parties or their respective Affiliates. The Agent's Group may, in undertaking the Activities, engage in trading in financial products or undertake other investment businesses for its own account or on behalf of others (including the Loan Parties and their Affiliates and including holding, for its own account or on behalf of others, equity, debt and similar positions in the Borrower, another Loan Party or their respective Affiliates), including trading in or holding long, short or derivative positions in securities, loans or other financial products of one or more of the Loan Parties or their Affiliates. Each Bank understands and agrees that in engaging in the Activities, the Agent's Group may receive or otherwise obtain information concerning the Loan Parties or their Affiliates (including information concerning the ability of the Loan Parties to perform their respective Obligations hereunder and under the other Loan Documents) which information may not be available to the Banks that are not members of the Agent's Group. None of the Administrative Agent nor any member of the Agent's Group shall have any duty to disclose to any Bank or use on behalf of the Banks, and shall not be liable for the failure to so disclose or use, any information about or derived from the Activities or otherwise (including any information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of any Loan Party or any Affiliate of any Loan Party) or to account for any revenue or profits obtained in connection with the Activities, except that the Administrative Agent shall deliver or otherwise make available to each Bank such documents as are expressly required by any Loan Document to be transmitted by the Administrative Agent to the Banks.

(c) Each Bank further understands that there may be situations where members of the Agent's Group or their respective customers (including the Loan Parties and their Affiliates) either

now have or may in the future have interests or take actions that may conflict with the interests of any one or more of the Banks (including the interests of the Banks hereunder and under the other Loan Documents). Each Bank agrees that no member of the Agent's Group is or shall be required to restrict its activities as a result of the Person serving as Administrative Agent being a member of the Agent's Group, and that each member of the Agent's Group may undertake any Activities without further consultation with or notification to any Bank. None of (i) this Agreement nor any other Loan Document, (ii) the receipt by the Agent's Group of information (including Information (as such term is used in ***Section 8.15***)) concerning the Loan Parties or their Affiliates (including information concerning the ability of the Loan Parties to perform their respective Obligations hereunder and under the other Loan Documents) nor (iii) any other matter shall give rise to any fiduciary, equitable or contractual duties (including without limitation any duty of trust or confidence) owing by the Administrative Agent or any member of the Agent's Group to any Bank including any such duty that would prevent or restrict the Agent's Group from acting on behalf of customers (including the Loan Parties or their Affiliates) or for its own account.

Section 7.05 Bank Credit Decision.

(a) Each Bank and Issuing Bank confirms to the Administrative Agent, each other Bank and Issuing Bank and each of their respective Related Parties that it (i) possesses (individually or through its Related Parties) such knowledge and experience in financial and business matters that it is capable, without reliance on the Administrative Agent, any other Bank, any other Issuing Bank or any of their respective Related Parties, of evaluating the merits and risks (including tax, legal, regulatory, credit, accounting and other financial matters) of (A) entering into this Agreement, (B) making Advances and other extensions of credit hereunder and under the other Loan Documents and (C) in taking or not taking actions hereunder and thereunder, (ii) is financially able to bear such risks and (iii) has determined that entering into this Agreement and making Advances and other extensions of credit hereunder and under the other Loan Documents is suitable and appropriate for it.

(b) Each Bank and Issuing Bank acknowledges that (i) it is solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with this Agreement and the other Loan Documents, (ii) that it has, independently and without reliance upon the Administrative Agent or any other Bank or any of their respective Related Parties, made its own appraisal and investigation of all risks associated with, and its own credit analysis and decision to enter into, this Agreement based on such documents and information, as it has deemed appropriate and (iii) it will, independently and without reliance upon the Administrative Agent or any other Bank or any of their respective Related Parties continue to be solely responsible for making its own appraisal and investigation of all risks arising under or in connection with, and its own credit analysis and decision to take or not take action under, this Agreement and the other Loan Documents based on such documents and information as it shall from time to time deem appropriate, which may include, in each case:

(i) the financial condition, status and capitalization of the Borrower and each other Loan Party;

(ii) the legality, validity, effectiveness, adequacy or enforceability of this Agreement and each other Loan Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Loan Document;

(iii) determining compliance or non-compliance with any condition hereunder to the making of an Advance, or the issuance of a Letter of Credit and the form and substance of all evidence delivered in connection with establishing the satisfaction of each such condition;

(iv) the adequacy, accuracy and/or completeness of the Information Memorandum and any other information delivered by the Administrative Agent, any other Bank or by any of their respective Related Parties under or in connection with this Agreement or any other Loan Document, the transactions contemplated hereby and thereby or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Loan Document.

Section 7.06 Delegation of Duties. The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. Each such sub-agent and the Related Parties of the Administrative Agent and each such sub-agent shall be entitled to the benefits of all provisions of this ***Article VII*** and ***Section 8.04*** (as though such sub-agents were the "Administrative Agent" under the Loan Documents) as if set forth in full herein with respect thereto.

Section 7.07 Resignation; Replacement of Administrative Agent .

(a) Administrative Agent. The Administrative Agent may at any time give notice of its resignation to the Banks, the Issuing Banks and the Borrower. Upon receipt of any such notice of resignation, the Required Banks shall have the right, in consultation with the Borrower, to appoint a successor, which shall be a bank with an office in the United States, or an Affiliate of any such bank with an office in the United States. If no such successor shall have been so appointed by the Required Banks and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Banks and the Issuing Banks, appoint a successor Administrative Agent meeting the qualifications set forth above provided that if the Administrative Agent shall notify the Borrower and the Banks that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (i) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Banks or the Issuing Bank under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (ii) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Bank and Issuing Bank directly, until such time as the Required Banks appoint a successor Administrative Agent as provided for above in this paragraph. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged therefrom as provided above in this ***Section 7.07(a)***). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and ***Section 8.04*** shall continue in effect for the benefit of such retiring Administrative Agent, its sub agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

(b) Issuing Bank. If a Bank becomes, and during the period it remains, a Defaulting Lender or a Potential Defaulting Lender any Issuing Bank may, upon prior written notice to the Borrower and the Administrative Agent, resign as an Issuing Bank effective at the close of business New York time on a date specified in such notice (which date may not be less than five Business Days after the date of such notice); provided that such resignation by the Issuing Bank will have no effect on the validity or enforceability of any Letter of Credit then outstanding or on the obligations of the Borrower or any Bank under this Agreement with respect to any such outstanding Letter of Credit or otherwise to the applicable Issuing Bank.

, if at any time the Required Banks determine that the Person serving as Administrative Agent is (without taking into account any provision in the definition of "*Defaulting Lender*" or "*Potential Defaulting Lender*" requiring notice from the Administrative Agent or any other party) a Defaulting Lender or a Potential Defaulting Lender, the Required Banks (determined after giving effect to ***Section 8.01***) may by notice to the Borrower and such Person remove such Person as Administrative Agent and, in consultation with the Borrower, appoint a replacement Administrative Agent hereunder. Such removal will, to the fullest extent permitted by applicable law, be effective on the earlier of (i) the date a replacement Administrative Agent is appointed and (ii) the date 30 Business Days after the giving of such notice by the Required Banks (regardless of whether a replacement Administrative Agent has been appointed).

Section 7.08 Co-Lead Arrangers, Syndication Agent, Documentation Agent . Anything herein to the contrary notwithstanding, no Co-Lead Arranger, Syndication Agent or Documentation Agent listed on the cover page hereof shall have any powers, duties or responsibilities under this Agreement or any of the other Loan Documents, except in its capacity, as applicable, as the Administrative Agent, a Bank or an Issuing Bank hereunder.

Section 7.09 Guarantee Matters. Each of the Banks (including in its capacity as an Issuing Bank or a potential Issuing Bank, as applicable) irrevocably authorize the Administrative Agent, to release a Subsidiary Guarantor from its obligations under the Guarantee if such Person ceases to be a Subsidiary as a result of a transaction permitted hereunder. Upon request by the Administrative Agent at any time, the Required Banks will confirm in writing the Administrative Agent's authority to release any Subsidiary Guarantor from its obligations under the Guarantee pursuant to this ***Section 7.09***. In each case as specified in this ***Section 7.09***, the Administrative Agent will, at the Borrower's expense, execute and deliver to the applicable Loan Party such documents as such Loan Party may reasonably request to release such Subsidiary Guarantor from its obligations under the Guarantee, in each case in accordance with the terms of the Loan Documents and this ***Section 7.09***.

Section 7.10 Administrative Agent May File Proofs of Claim . In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Borrower or any of its Subsidiaries, the Administrative Agent (irrespective of whether the principal of any Advance shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Advances and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Banks, the Issuing Banks and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Banks and the Administrative Agent and their respective agents and counsel and all other amounts due the Banks and the Administrative Agent under ***Section 2.04*** and ***Section 8.04***) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Bank and each Issuing Bank to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Banks or the Issuing Banks, as the case may be, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under ***Section 2.04*** and ***Section 8.04***.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Bank and any Issuing Bank any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Bank or Issuing Bank or to authorize the Administrative Agent to vote in respect of the claim of any Bank in any such proceeding.

ARTICLE VIII
MISCELLANEOUS

Section 8.01 Amendments, Etc.

(a) No amendment or waiver of any provision of any Loan Document, nor consent to any departure by the Loan Party therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such amendment, waiver or consent shall: (i) waive any of the conditions specified in ***Section 3.01(b)*** of this Agreement without the written consent of each Bank; (ii) increase the Commitment of any Bank or subject any Bank to any additional obligations without the written consent of such Bank; (iii) reduce the principal of, or interest on, the Advances or any fees or other amounts payable hereunder, without the written consent of each Bank to whom such amount is payable; provided, however, that only the consent of the Required Banks shall be necessary to amend the default rate of interest payable pursuant to ***Section 2.07(a)***, ***Section 2.07(b)*** or ***Section 2.07(c)*** hereof or to waive any obligation of the Borrower to pay interest or Letter of Credit Fees at the default rate specified in ***Section 2.04*** or ***Section 2.07(c)***, as applicable; (iv) postpone any date fixed for any payment of principal of, or interest on, the Advances or any fees or other amounts payable hereunder without the written consent of each Bank to whom such amount is payable; (v) amend the definition of "Required Banks" without the written consent of each Bank; (vi) amend ***Section 2.15*** in a manner that would alter the pro rata sharing of the payments required thereby or this ***Section 8.01*** of this Agreement without the written consent of each Bank; or (vii) except as provided in ***Section 8.01(b)*** and to the extent the release of any Subsidiary Guarantor from its obligations under the Guarantee is permitted pursuant to ***Section 7.09*** (in which in each such case such release may be made by the Administrative Agent acting alone), release all or substantially all of the value of the Guarantee without the written consent of each Bank; and provided, further, that (x) no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Banks required above to take such action, affect the rights or duties of the Administrative Agent under this Agreement or any of the Notes and (y) no amendment, waiver or consent shall, unless in writing and signed by each Issuing Bank in addition to the Banks required above to take such action, affect the rights or obligations of the Issuing Banks under this Agreement.

(b) Notwithstanding the foregoing, any guarantee of a Subsidiary Guarantor under the Guarantee shall be terminated from time to time as necessary to effect the sale, merger or consolidation of any Subsidiary Guarantor permitted by this Agreement and the Administrative Agent shall execute and deliver all release and termination documents reasonably requested in connection therewith.

(c) Anything herein to the contrary notwithstanding, during such period as a Bank is a Defaulting Lender, to the fullest extent permitted by applicable law, the Commitment and the outstanding Revolving Credit Advances or other extensions of credit of such Bank hereunder will not be taken into account in determining whether the Required Banks or all of the Banks, as required, have approved any amendment or waiver hereunder (and the definition of "Required Banks" will automatically be deemed modified accordingly for the duration of such period); provided, that any such amendment or waiver that would increase or extend the term of the Commitment of such Defaulting Lender, extend the date fixed for the payment of principal or interest owing to such Defaulting Lender hereunder, reduce the principal amount of any obligation owing to such Defaulting Lender, reduce the amount of or the rate or amount of interest on any amount owing to such Defaulting Lender or of any fee payable to such Defaulting Lender hereunder, alter the payment application provisions of ***Section 2.21(b)*** in a manner adverse to such Defaulting Lender or alter the terms of this proviso, will require the consent of such Defaulting Lender.

Section 8.02 Notices, Etc.

(a) All notices, demands, requests, consents and other communications provided for in this Agreement shall be given in writing, or by any telecommunication device capable of creating a written record (including electronic mail), and addressed to the party to be notified as follows:

(i) if to the Borrower or any other Loan Party,

KBR, Inc.
601 Jefferson Avenue
Houston, TX 77002
Facsimile No.: (713) 753-2517
E-Mail Address: Steven.Mathews2@kbr.com
Attention: Treasurer

(ii) if to the Administrative Agent,

Two Penns Way, Suite 200
New Castle, Delaware 19720
Facsimile No.: (302) 894-6120
E-Mail Address: global.loans.support@citi.com
Attention: Bank Loan Syndications Department

with a copy to:

2800 Post Oak Blvd, Suite 400
Houston, Texas 77056
Facsimile No.: (713) 481-0253
E-Mail Address: amy.pincu@citi.com
Attention: Amy Pincu, Managing Director

(iii) if to any Issuing Bank listed on the signature pages hereof, to it at the address specified opposite its name on ***Schedule IV*** hereto or as on file with the Administrative Agent,

(iv) if to any other Issuing Bank, to the address specified in the agreement pursuant to which it becomes an Issuing Bank,

(v) if to any other Bank, to it at its address (or telecopier number) set forth in its Administrative Questionnaire.

or at such other address as shall be notified in writing (x) in the case of the Borrower, the Administrative Agent, to the other parties and (y) in the case of all other parties, to the Borrower and the Administrative Agent.

(b) All notices, demands, requests, consents and other communications described in ***Section 8.02(a)*** shall be effective (i) if delivered by hand, including any overnight courier service, upon personal delivery, (ii) if delivered by mail, when deposited in the mails, (iii) if delivered by posting to an Approved Electronic Platform, an Internet website or a similar telecommunication device requiring that a user have prior access to such Approved Electronic Platform, website or other device (to the extent permitted by ***Section 8.02(a)***; to be delivered thereunder), when such notice, demand, request, consent and other communication shall have been made generally available on such Approved Electronic Platform, Internet website or similar device to the class of Person being notified (regardless of whether any such Person must accomplish, and whether or not any such Person shall have accomplished, any action prior to obtaining access to such items, including registration, disclosure of contact information, compliance with a standard user agreement or undertaking a duty of confidentiality) and such Person has been notified in respect of such posting that a communication has been posted to the Approved Electronic Platform and (iv) if delivered by electronic mail or any other telecommunications device, when transmitted to an electronic mail address (or by another means of electronic delivery) as provided in ***Section 8.02(a)***; provided, however, that notices and communications to the Administrative Agent pursuant to ***Article II*** or ***Article VII***) shall not be effective until received by the Administrative Agent.

(c) The Borrower hereby agrees that it will provide to the Administrative Agent all information, documents and other materials that it is obligated to furnish, or otherwise chooses to furnish, to the Administrative Agent pursuant to the Loan Documents, including all notices, requests, financial statements, financial and other reports, certificates and other information materials, but excluding (A) any request for or other communication that relates to a request for a new, or a conversion of an existing, borrowing, letter of credit or other extension of credit (including any election of an interest rate or interest period relating thereto), (B) any notice pursuant to ***Section 2.10*** and any other notice that relates to the payment of any principal or other amount due under the Credit Agreement prior to the scheduled date therefor, (C) any notice of any Default or Event of Default, (D) any notice, information and other material required to be delivered to satisfy any condition precedent to the effectiveness of the Credit Agreement and/or any borrowing or other extension of credit hereunder (all such non-excluded communications being referred to herein, collectively as "***Communications***") by transmitting the Communications in an electronic/soft medium in a format acceptable to the Administrative Agent to oploanswebadmin@citigroup.com or such other electronic email address (or similar means of electronic delivery) as the Administrative Agent may notify to the Borrower. In addition, the Borrower agrees to continue to provide the Communications to the Administrative Agent in such other manner as may be specified in the Loan Documents but only to the extent requested by the Administrative Agent. The Borrower and the Banks agree that the Administrative Agent may, but shall not be obligated to, make the Communications and the other notices and information described in

clauses (A) through **(D)** above (collectively, the "***Approved Electronic Communications***") available to the Banks by posting the Approved Electronic Communications on Intralinks, DebtDomain or a substantially similar electronic system chosen by the Administrative Agent to be its electronic transmission system (the "***Approved Electronic Platform***"); provided that the foregoing provisions of this sentence shall not apply to notices to any Bank or Issuing Bank described in ***clauses (A)*** and ***(B)*** above in this ***subsection (c)*** if such Bank or Issuing Bank has notified the Administrative Agent that it is incapable of receiving such notices via the Approved Electronic Platform. THE APPROVED ELECTRONIC PLATFORM AND THE APPROVED ELECTRONIC COMMUNICATIONS ARE PROVIDED "AS IS" AND "AS AVAILABLE". THE AGENT PARTIES (AS DEFINED BELOW) DO NOT WARRANT THE ACCURACY OR COMPLETENESS OF THE APPROVED ELECTRONIC COMMUNICATIONS, OR THE ADEQUACY OF THE APPROVED ELECTRONIC PLATFORM AND EXPRESSLY DISCLAIM LIABILITY FOR ERRORS OR OMISSIONS IN THE APPROVED ELECTRONIC COMMUNICATIONS OR THE APPROVED ELECTRONIC PLATFORM. NO WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR STATUTORY, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON INFRINGEMENT OF THIRD PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS, IS MADE BY THE AGENT PARTIES IN CONNECTION WITH THE APPROVED ELECTRONIC COMMUNICATIONS OR THE APPROVED ELECTRONIC PLATFORM. IN NO EVENT SHALL THE ADMINISTRATIVE AGENT OR ANY OF ITS AFFILIATES OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, ADVISORS OR REPRESENTATIVES (COLLECTIVELY, "***AGENT PARTIES***") HAVE ANY LIABILITY TO THE BORROWER, ANY BANK OR ANY OTHER PERSON OR ENTITY FOR DAMAGES OF ANY KIND, INCLUDING DIRECT OR INDIRECT, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES, LOSSES OR EXPENSES (WHETHER IN TORT, CONTRACT OR OTHERWISE) ARISING OUT OF THE BORROWER'S OR THE ADMINISTRATIVE AGENT'S TRANSMISSION OF COMMUNICATIONS THROUGH THE INTERNET, EXCEPT TO THE EXTENT THE LIABILITY OF ANY AGENT PARTY IS FOUND IN A FINAL NON-APPEALABLE JUDGMENT BY A COURT OF COMPETENT JURISDICTION TO HAVE RESULTED PRIMARILY FROM SUCH AGENT PARTY'S GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

(d) Although the Approved Electronic Platform and its primary web portal are secured with generally-applicable security procedures and policies implemented or modified by the Administrative Agent from time to time (including, as of the Effective Date, a dual firewall and a User ID/Password Authorization System) and the Approved Electronic Platform is secured through a single-user-per-deal authorization method whereby each user may access the Approved Electronic Platform only on a deal-by-deal basis, each of the Banks and the Borrower, on behalf of itself and each other Loan Party, acknowledges and agrees that the distribution of material through an electronic medium is not necessarily secure and that there are confidentiality and other risks associated with such distribution. In consideration for the convenience and other benefits afforded by such distribution and for the other consideration provided hereunder, the receipt and sufficiency of which is hereby acknowledged, each of the Banks and the Borrower, on behalf of itself and each other Loan Party, hereby approves distribution of the Approved Electronic Communications through the Approved Electronic Platform and understands and assumes the risks of such distribution.

(e) Nothing herein shall prejudice the right of the Administrative Agent or any Bank to give any notice or other communication to any Loan Party pursuant to any Loan Document in any other manner specified in such Loan Document.

(f) Each of the Banks and the Borrower, on behalf of itself and each other Loan Party, agree that the Administrative Agent may, but (except as may be required by applicable law) shall

not be obligated to, store the Approved Electronic Communications on the Approved Electronic Platform in accordance with the Administrative Agent's generally-applicable document retention procedures and policies.

Section 8.03 No Waiver; Remedies; Enforcement. No failure on the part of any Bank or the Administrative Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Loan Parties or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with ***Article VI*** for the benefit of all Banks and Issuing Banks; provided, however, that the foregoing shall not prohibit (a) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Loan Documents, (b) each Issuing Bank from exercising the rights and remedies that inure to its benefit (solely in its capacity as an Issuing Bank) hereunder and under the other Loan Documents, (c) any Bank from exercising setoff rights in accordance with ***Section 8.05*** (subject to the terms of ***Section 2.15***), or (d) any Bank from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to any Loan Party under any Debtor Relief Law; and provided, further, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Loan Documents, then (i) the Required Banks shall have the rights otherwise ascribed to the Administrative Agent pursuant to ***Article VI*** and (ii) in addition to the matters set forth in ***clauses (b)***, ***(c)*** and ***(d)*** of the preceding proviso and subject to ***Section 2.15***, any Bank may, with the consent of the Required Banks, enforce any rights and remedies available to it and as authorized by the Required Banks.

Section 8.04 Expenses and Taxes; Compensation; Indemnification.

(a) The Borrower agrees to pay on demand (i) all reasonable out-of-pocket expenses (including reasonable fees and expenses of counsel) of the Administrative Agent and its Affiliates in connection with the preparation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof, (ii) all reasonable out-of-pocket expenses incurred by each Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket costs and expenses incurred by the Administrative Agent, any Bank or any Issuing Bank (including the fees, charges and disbursements of any counsel for the Administrative Agent, any Bank or any Issuing Bank) in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with Advances made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Advances or Letters of Credit.

(b) The Borrower agrees to indemnify and hold harmless the Administrative Agent, the Banks, the Co-Lead Arrangers and their respective directors, officers, employees, affiliates, advisors, attorneys and agents (each, an " ***Indemnified Party***") from and against any and all claims, damages, losses, liabilities and expenses (including fees and expenses of counsel) for which any of them may become liable or which may be incurred by or asserted against any of the Indemnified Parties in connection with or arising out of (i) any Loan Document or any other document or instrument delivered in connection herewith or the actual or proposed use of the proceeds of any Advance or Letter

of Credit or any of the transactions contemplated hereby or thereby, (ii) any actual or alleged presence or Release of Hazardous Materials on or from any property owned or operated by the Borrower or any Subsidiary, or any Environmental Liability related in any way to the Borrower or any Subsidiary, or (iii) any investigation, litigation, or proceeding, whether or not any of the Indemnified Parties is a party thereto, related to or in connection with any of the foregoing or any Loan Document, including any transaction in which any proceeds of any Advance or Letter of Credit are applied, **including in each of the foregoing cases, any such claim, damage, loss, liability or expense resulting from the negligence of any Indemnified Party** , but excluding any such claim, damage, loss, liability or expense (A) sought to be recovered by any Indemnified Party to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnified Party or (B) results from a dispute solely between or among Indemnified Parties which does not arise, directly or indirectly, from any act or omission of any Loan Party or any of its Subsidiaries or from any circumstance constituting a Default or Event of Default; provided however, that the foregoing ***clause (B)*** shall not limit the Borrower's obligation to indemnify and hold harmless the Administrative Agent in its capacity as such.

(c) To the fullest extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnified Party, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Advance or Letter of Credit or the use of the proceeds thereof. No Indemnified Party shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby.

(d) To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under ***Section 8.04(a)*** or ***Section 8.04(b)*** to be paid by it to the Administrative Agent (or any sub-agent thereof), any Issuing Bank or any Related Party of any of the foregoing but without affecting the Borrower's obligation to pay such amounts, each Bank severally agrees to pay to the Administrative Agent (or any such sub-agent), any Issuing Bank or such Related Party, as the case may be, such Bank's Pro Rata Share (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) or any Issuing Bank in its capacity as such, or against any such Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) or such Issuing Bank in connection with such capacity. The obligations of the Banks under this ***Section 8.04(d)*** are subject to the provisions of ***Section 2.02(e)*** and ***Section 2.03(e)***.

(e) All amounts due under this Section shall be payable promptly after demand therefor.

(f) Without prejudice to the survival of any other agreement of the Borrower hereunder, all obligations of the Borrower under ***Section 2.13***, ***Section 2.14*** and this ***Section 8.04*** shall survive the termination of the Commitments and this Agreement and the payment in full of all amounts hereunder and under the Notes.

Section 8.05 Right of Set-Off. If an Event of Default shall have occurred and be continuing, each Bank and each Issuing Bank, and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held

and other obligations (in whatever currency) at any time owing by such Bank, Issuing Bank or any such Affiliate to or for the credit or the account of the Borrower or any other Loan Party against any and all of the obligations of the Borrower or such Loan Party now or hereafter existing under this Agreement or any other Loan Document to such Bank or such Issuing Bank, irrespective of whether or no such Bank or such Issuing Bank shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower or such Loan Party may be contingent or unmatured or are owed to a branch or office of such Bank or such Issuing Bank different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Bank, each Issuing Bank and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Bank, Issuing Bank or their respective Affiliates may have. Each Bank and the Issuing Bank agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application.

Section 8.06 Limitation and Adjustment of Interest .

(a) Notwithstanding anything to the contrary set forth herein, in any other Loan Document or in any other document or instrument, no provision of any of the Loan Documents or any other instrument or document furnished pursuant hereto or in connection herewith is intended or shall be construed to require the payment or permit the collection of interest in excess of the maximum non-usurious rate permitted by applicable law. Accordingly, if the transactions with any Bank contemplated hereby would be usurious under applicable law, if any, then, in that event, notwithstanding anything to the contrary in any Note payable to such Bank, this Agreement or any other document or instrument, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under applicable law that is contracted for, taken, reserved, charged or received by such Bank under any Note payable to such Bank, this Agreement or any other document or instrument shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be canceled automatically and, if theretofore paid, shall, at the option of such Bank, be credited by such Bank on the principal amount of the indebtedness owed to such Bank by the Borrower or refunded by such Bank to the Borrower, and (ii) in the event that the maturity of any Note payable to such Bank is accelerated or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to such Bank may never include more than the maximum amount allowed by such applicable law and excess interest, if any, to such Bank provided for in this Agreement or otherwise shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall, at the option of such Bank, be credited by such Bank on the principal amount of the indebtedness owed to such Bank by the Borrower or refunded by such Bank to the Borrower. In determining whether or not the interest contracted for, taken, reserved, charged or received by any Bank exceeds the maximum non-usurious rate permitted by applicable law, such determination shall be made, to the extent that doing so does not result in a violation of applicable law, by amortizing, prorating, allocating and spreading, in equal parts during the period of the full stated term of the loans hereunder, all interest at any time contracted for, taken, charged, received or reserved by such Bank in connection with such loans.

(b) In the event that at any time the interest rate applicable to any Advance made by any Bank would exceed the maximum non-usurious rate allowed by applicable law, the rate of interest to accrue on the Advances by such Bank shall be limited to the maximum non-usurious rate allowed by applicable law, but shall accrue, to the extent permitted by law, on the principal amount of the Advances made by such Bank from time to time outstanding, if any, at the maximum non-usurious rate allowed by applicable law until the total amount of interest accrued on the Advances made by such Bank equals the amount of interest which would have accrued if the interest rates applicable to the Advances pursuant to ***Article II*** had at all times been in effect. In the event that upon the final payment

of the Advances made by any Bank and termination of the Commitment of such Bank, the total amount of interest paid to such Bank hereunder and under the Notes is less than the total amount of interest which would have accrued if the interest rates applicable to such Advances pursuant to ***Article II*** had at all times been in effect, then the Borrower agrees to pay to such Bank, to the extent permitted by law, an amount equal to the excess of (a) the lesser of (i) the amount of interest which would have accrued on such Advances if the maximum non-usurious rate allowed by applicable law had at all times been in effect or (ii) the amount of interest which would have accrued on such Advances if the interest rates applicable to such Advances pursuant to ***Article II*** had at all times been in effect over (b) the amount of interest otherwise accrued on such Advances in accordance with this Agreement.

Section 8.07 Binding Effect. This Agreement shall become effective as provided in ***Section 3.01*** hereof and thereafter the provisions of this Agreement shall be binding upon and inure to the benefit of the Borrower and the Administrative Agent and each Bank and their respective successors and assigns permitted hereby, except that the Borrower may not assign any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each of the Banks and no Bank may assign or otherwise transfer any of its rights or obligations hereunder except (a) to an assignee in accordance with the provisions of ***Section 8.08(a)***, (b) by way of participation in accordance with the provisions of ***Section 8.08(b)*** or (c) by way of pledge or assignment of a security interest subject to the restrictions of ***Section 8.08(f)*** (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in ***Section 8.08(d)*** and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Banks) any legal or equitable right, remedy or claim under or by reason of this Agreement.

Section 8.08 Assignments and Participations.

(a) Assignments by Banks. Any Bank may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Advances at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of the assigning Bank's Commitment and the Advances at the time owing to it or in the case of an assignment to a Bank, an Affiliate of a Bank or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in ***subsection (a)(i)(A)*** of this Section, the aggregate amount of the Commitment (which for this purpose includes Advances outstanding thereunder) of, if the applicable Commitment is not then in effect, the principal outstanding balance of the Advances of the assigning Bank subject to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Acceptance, as of the Trade Date) shall be in increments of $1,000,000 and shall not be less than $10,000,000, in respect of a term facility, unless each of the Administrative Agent and, so long as no Event of Default exists under ***Section 6.01(a)*** or ***Section 6.01(e)*** has occurred and is continuing, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed).

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Bank's rights and obligations under this Agreement with respect to the Advance or the Commitment assigned.

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by ***paragraph (a)(i)(B)*** of this Section and, in addition:

(A) the consent of the Borrower (such consent not to unreasonably withheld or delayed) shall be required unless (x) an Event of Default exists under ***Section 6.01(a)*** or ***Section 6.01(e)*** at the time of such assignment or (y) such assignment is to a Bank, an Affiliate of a Bank or an Approved Fund; provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent with five Business Days after having received notice thereof.

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of any Commitment if such assignment is to a Person that is not a Bank with a Commitment in respect of such facility, an Affiliate of such Bank or an Approved Fund with respect to such Bank ; and

(C) the consent of each Issuing Bank (such consent not to be unreasonably withheld or delayed) shall be required for any assignment that increases the obligation of the assignee to make Letter of Credit Advances or otherwise participate in exposure under one or more Letters of Credit (whether or not then outstanding).

(iv) Assignment and Acceptance. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of $3,500, and the assignee, if it is not a Bank, shall deliver to the Administrative Agent an Administrative Questionnaire.

(v) No Assignment to Borrower. No such assignment shall be made to the Borrower or any of the Borrower's Affiliates of Subsidiaries.

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural Person.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to ***Section 8.08(b)***, from and after the effective date specified in each Assignment and Acceptance, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Bank under this Agreement, and the assigning Bank thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from is obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party thereto) but shall continue to be entitled to the benefits of ***Section 2.12***, ***Section 2.13***, ***Section 2.14*** and ***Section 8.04*** with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Bank of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Bank of a participation in such rights and obligations in accordance with ***Section 8.08(c)***.

(b) The Administrative Agent shall maintain at its address referred to in ***Section 8.02*** a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Banks and the Commitment of, and the principal amount of the Revolving Credit Advances owing to, each Bank from time to time (the "***Register***"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Administrative Agent and the Banks may treat each Person whose name is recorded in the Register as a Bank hereunder for all purposes of this Agreement. Upon its receipt of an Assignment and Acceptance executed and delivered to it in accordance with the terms of this Agreement, the Administrative Agent shall accept such Assignment and Acceptance and record such assignment in the Register. The Register shall be available for inspection by the Borrower or any Bank, at any reasonable time and from time to time upon reasonable prior notice.

(c) Participations. Any Bank may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural Person or the Borrower or any of its Affiliates) (each a "***Participant***") in or to all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment, the Advances owing to it and the Notes held by it); provided that (i) such Bank's obligations under this Agreement shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the Banks and the Issuing Bank shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement, and (iv) the terms of any such participation shall not restrict such Bank's ability to make any amendment or waiver of this Agreement or any Note or such Bank's ability to consent to any departure by the Borrower therefrom without the approval of the Participant; provided that such participation may provide that such Bank will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso in ***Section 8.01(a)*** that affects such Participant. Subject to ***Section 8.08(d)***, the Borrower agrees that each Participant shall be entitled to the benefits of ***Section 2.12***, ***Section 2.13*** and ***Section 2.14*** to the same extent as if it were a Bank and had acquired its interest by assignment pursuant to ***Section 8.08(a)***. To the extent permitted by law, each Participant also shall be entitled to the benefits of ***Section 8.05*** as though it were a Bank, provided such Participant agrees to be subject to ***Section 2.15*** as though it were a Bank.

(d) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under ***Section 2.13*** and ***Section 2.14*** than the applicable Bank would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Bank shall not be entitled to the benefits of ***Section 2.14*** unless the Borrower is notified if the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with ***Section 2.14(f)*** as though it were a Bank.

(e) Each Issuing Bank may assign to an Eligible Assignee all of its rights and obligations under the undrawn portion of its Letter of Credit Commitment at any time; provided, however, that (i) each such assignment shall be to an Eligible Assignee and (ii) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with a processing and recordation fee of $3,500.

(f) Any Bank may, in connection with any assignment or participation or proposed assignment or participation pursuant to this ***Section 8.08***, disclose to the assignee or Participant or proposed assignee or Participant, any information relating to the Borrower or any of its Subsidiaries furnished to such Bank by or on behalf of the Borrower or any of its Subsidiaries; provided that, prior to any such disclosure, the assignee or Participant or proposed assignee or Participant shall agree to comply with ***Section 8.14***.

(g) Certain Pledges. Any Bank may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Bank, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that not such pledge or assignment shall release such Bank from any of its obligations hereunder or substitute any such pledge or assignee for such Bank as a party hereto.

Section 8.09 No Liability of Issuing Banks. The Borrower assumes all risks of the acts or omissions of any beneficiary or transferee of any Letter of Credit with respect to its use of such Letter of Credit. Neither any Issuing Bank nor any of its officers or directors shall be liable or responsible for: (a) the use that may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by such Issuing Bank against presentation of documents that do not comply with the terms of a Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit, except that the Borrower shall have a claim against such Issuing Bank, and such Issuing Bank shall be liable to the Borrower, to the extent of any direct, but not consequential, damages suffered by the Borrower that the Borrower proves were caused by (i) such Issuing Bank's willful misconduct or gross negligence as determined in a final, non-appealable judgment by a court of competent jurisdiction in determining whether documents presented under any Letter of Credit comply with the terms of the Letter of Credit or (ii) such Issuing Bank's willful failure to make lawful payment under a Letter of Credit after the presentation to it of a draft and certificates strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, such Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

Section 8.10 Counterparts; Integration, Effectiveness; Electronic Execution.

(a) Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Loan Documents, and any separate letter agreements with respect to fees payable to the Administrative Agent, constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof.

(b) Delivery of an executed counterpart of a signature page of this Agreement, any other Loan Document and any documents executed in connection therewith by facsimile or other electronic means shall be effective as delivery of a manually executed counterpart.

(c) Electronic Execution of Assignments. The words "execution," "signed," "signature," and words of like import in any Assignment and Acceptance shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

Section 8.11 Judgment.

(a) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in Dollars into another currency, the parties hereto agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase Dollars with such other currency at Reference Bank's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

(b) If for the purposes of obtaining judgment in any court it is necessary to convert a sum due hereunder in a Foreign Currency into Dollars, the parties agree to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures the Administrative Agent could purchase such Foreign Currency with Dollars at Reference Agent's principal office in London at 11:00 A.M. (London time) on the Business Day preceding that on which final judgment is given.

(c) The obligation of the Borrower in respect of any sum due from it in any currency (the "***Primary Currency***") to any Bank or the Administrative Agent hereunder shall, notwithstanding any judgment in any other currency, be discharged only to the extent that on the Business Day following receipt by such Bank or the Administrative Agent (as the case may be), of any sum adjudged to be so due in such other currency, such Bank or the Administrative Agent (as the case may be) may in accordance with normal banking procedures purchase the applicable Primary Currency with such other currency; if the amount of the applicable Primary Currency so purchased is less than such sum due to such Bank or the Administrative Agent (as the case may be) in the applicable Primary Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify such Bank or the Administrative Agent (as the case may be) against such loss, and if the amount of the applicable Primary Currency so purchased exceeds such sum due to any Bank or the Administrative Agent (as the case may be) in the applicable Primary Currency, such Bank or the Administrative Agent (as the case may be) agrees to remit to the Borrower such excess.

Section 8.12 Governing Law. This Agreement and the other Loan Documents shall be governed by, and construed in accordance with, the laws of the State of New York.

Section 8.13 Jurisdiction; Damages.

(a) To the fullest extent it may effectively do so under applicable law, each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its Property, to the non-exclusive jurisdiction of any New York state court or federal court sitting in New York City, and any appellate court from any appeal thereof, in any action or proceeding arising out of or relating to this Agreement, or any other Loan Document, or any other instrument or document furnished pursuant hereto or in connection herewith or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of such action or proceeding may be heard and determined in any such court;

(b) Each of the parties hereto hereby irrevocably and unconditionally waives to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in ***Section 8.13(a)*** and any objection that it may now or hereafter have to the laying of venue of any action or proceeding in any such court.

(c) Each party hereto irrevocably consents to service of process in the manner provided for notices in ***Section 8.02***. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by applicable law.

(d) Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(e) Nothing herein shall affect the right that any party hereto may otherwise have to bring any action or proceeding relating to this Agreement, any of the Notes or any other instrument or document furnished pursuant hereto or in connection herewith in the courts of any other jurisdiction. Each of the Borrower, the Administrative Agent and the Banks hereby irrevocably and unconditionally waives, to the fullest extent it may effectively do so under applicable law, any right it may have to claim or recover in any action or proceeding referred to in this ***Section 8.13*** any exemplary or punitive damages. The Borrower hereby further irrevocably waives, to the fullest extent it may effectively do so under applicable law, any right it may have to claim or recover in any action or proceeding referred to in this ***Section 8.13*** any special or consequential damages.

Section 8.14 Confidentiality.

(a) Each of the Administrative Agent and each of the Banks agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (i) to its Related Parties (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (ii) to the extent requested by any regulatory authority purporting to have jurisdiction over it (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (iii) to the extent required by applicable laws or regulations or by any subpoena or similar legal process, (iv) to any other party hereto, (v) in connection with the exercise of any remedies hereunder or under any other Loan Document, any action or proceeding relating to this Agreement or any other Loan Document, the enforcement of rights hereunder or thereunder or any litigation or proceeding to which the Administrative Agent or any Bank or any of its respective Affiliates may be a party, (vi) subject to an agreement containing provisions substantially the same as those of this Section, to (A) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (B) any actual or prospective party (or its managers, administrators, trustees, partners, directors, officers, employees, agents, advisors and other representatives) surety, reinsurer, guarantor or credit liquidity enhancer (or their advisors) to or in connection with any swap, derivative or other similar transaction under which payments are to be made by reference to the Obligations or to the Borrower and its obligations or to this Agreement or payments hereunder, (C) to any rating agency when required by it, (D) the CUSIP Service Bureau or any similar organization, (vii) with the consent of the Borrower or (viii) to the extent such Information (A) becomes publicly available other than as a result of a breach of this Section or (B) becomes available to the Administrative Agent, any Bank or any of their respective Affiliates on a nonconfidential basis from a source other than a Loan Party.

For purposes of this Section, "***Information***" means all information received from a Loan Party or any of its respective Subsidiaries relating to a Loan Party or any of its respective Subsidiaries or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Bank on a nonconfidential basis prior to disclosure by any Loan Party or any of its respective Subsidiaries, provided that, in the case of information received from a Loan Party or any of its Subsidiaries after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

(b) Treatment of Information. (i) Certain of the Banks may enter into this Agreement and take or not take action hereunder or under the other Loan Documents on the basis of information that does not contain material non-public information with respect to any of the Loan Parties or their securities ("***Restricting Information***"). Other Banks may enter into this Agreement and take or not take action hereunder or under the other Loan Documents on the basis of information that may contain Restricting Information. Each Bank acknowledges that United States federal and state securities laws prohibit any person from purchasing or selling securities on the basis of material, non-public information concerning the issuer of such securities or, subject to certain limited exceptions, from communicating such information to any other Person. Neither the Administrative Agent nor any of its Related Parties shall, by making any Communications (including Restricting Information) available to a Bank, by participating in any conversations or other interactions with a Bank or otherwise, make or be deemed to make any statement with regard to or otherwise warrant that any such information or Communication does or does not contain Restricting Information nor shall the Administrative Agent or any of its Related Parties be responsible or liable in any way for any decision a Bank may make to limit or to not limit its access to Restricting Information. In particular, none of the Administrative Agent nor any of its Related Parties (A) shall have, and the Administrative Agent, on behalf of itself and each of its Related Parties, hereby disclaims, any duty to ascertain or inquire as to whether or not a Bank has or has not limited its access to Restricting Information, such Bank's policies or procedures regarding the safeguarding of material, nonpublic information or such Bank's compliance with applicable laws related thereto or (B) shall have, or incur, any liability to any Loan Party or Bank or any of their respective Related Parties arising out of or relating to the Administrative Agent or any of its Related Parties providing or not providing Restricting Information to any Bank.

(ii) Each Loan Party agrees that (A) all Communications it provides to the Administrative Agent intended for delivery to the Banks whether by posting to the Approved Electronic Platform or otherwise shall be clearly and conspicuously marked "PUBLIC" if such Communications do not contain Restricting Information which, at a minimum, shall mean that the word "PUBLIC" shall appear prominently on the first page thereof, (B) by marking Communications "PUBLIC," each Loan Party shall be deemed to have authorized the Administrative Agent and the Banks to treat such Communications as either publicly available information or not material information (although, in this latter case, such Communications may contain sensitive business information and, therefore, remain subject to the confidentiality undertakings of this Section) with respect to such Loan Party or its securities for purposes of United States Federal and state securities laws, (C) all Communications marked "PUBLIC" may be delivered to all Banks and may be made available through a portion of the Approved Electronic Platform designated "Public Side Information," and (D) the Administrative Agent shall be entitled to treat any Communications that are not marked "PUBLIC" as Restricting Information and may post such Communications to a portion of the Approved Electronic Platform not designated "Public Side Information." Neither the Administrative Agent nor any of its Affiliates shall be responsible for any statement or other designation by a Loan Party regarding whether a Communication contains or does not contain material non-public information with respect to any of the Loan Parties or their securities nor shall the Administrative Agent or any of its Affiliates incur any liability to any Loan Party, any Bank or any other Person for any action taken by the Administrative Agent or any of its Affiliates based upon such statement or designation, including any action as a result of which Restricting Information is provided to a Bank that may decide not to take access to Restricting Information. Nothing in this ***subsection (b)*** shall modify or limit a Bank's obligations under ***Section 8.14(a)*** with regard to Communications and the maintenance of the confidentiality of or other treatment of Information.

(c) Each Bank acknowledges that circumstances may arise that require it to refer to Communications that might contain Restricting Information. Accordingly, each Bank agrees that it will nominate at least one designee to receive Communications (including Restricting Information) on its behalf and identify such designee (including such designee's contact information) on such Bank's Administrative Questionnaire. Each Bank agrees to notify the Administrative Agent from time to time of such Bank's designee's e-mail address to which notice of the availability of Restricting Information may be sent by electronic transmission.

(d) Each Bank acknowledges that Communications delivered hereunder and under the other Loan Documents may contain Restricting Information and that such Communications are available to all Banks generally. Each Bank that elects not to take access to Restricting Information does so voluntarily and, by such election, acknowledges and agrees that the Administrative Agent and other Banks may have access to Restricting Information that is not available to such electing Bank. None of the Administrative Agent nor any Bank with access to Restricting Information shall have any duty to disclose such Restricting Information to such electing Bank or to use such Restricting Information on behalf of such electing Bank, and shall not be liable for the failure to so disclose or use, such Restricting Information.

(e) The provisions of the foregoing subsections of this Section are designed to assist the Administrative Agent, the Banks and the Loan Parties, in complying with their respective contractual obligations and applicable law in circumstances where certain Banks express a desire not to receive Restricting Information notwithstanding that certain Communications hereunder or under the other Loan Documents or other information provided to the Banks hereunder or thereunder may contain Restricting Information. Neither the Administrative Agent nor any of its Related Parties warrants or makes any other statement with respect to the adequacy of such provisions to achieve such purpose nor does the Administrative Agent or any of its Related Parties warrant or make any other statement to the effect that a Loan Party's or Bank's adherence to such provisions will be sufficient to ensure compliance by such Loan Party or Bank with its contractual obligations or its duties under applicable law in respect of Restricting Information and each of the Banks and each Loan Party assumes the risks associated therewith.

Section 8.15 Patriot Act Notice. Each Bank and the Administrative Agent (for itself and not on behalf of any Bank) hereby notifies the Borrower that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Bank or the Administrative Agent, as applicable, to identify the Borrower in accordance with the Patriot Act. The Borrower shall provide, to the extent commercially reasonable in light of applicable restrictions or limitations under contract or law, regulation or governmental guidelines, such information and take such actions as are reasonably requested by the Administrative Agent or any Banks in order to assist the Administrative Agent and the Banks in maintaining compliance with the Patriot Act.

Section 8.16 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTL ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 8.17 Certain Matters with Respect to Existing Credit Agreement . Each Bank which is a "*Bank*" under the Existing Credit Agreement, in its capacity as a Bank as defined in the Existing Credit Agreement and if applicable in its capacity as an "Issuing Bank" as defined in the Existing Credit Agreement, (a) waives the requirement in *Section 2.05* of the Existing Credit Agreement that the Borrower provide prior notice of termination of Unused Revolving Credit Commitments as therein defined, and (b) agrees that from and after the Effective Date, the Existing Letters of Credit shall cease to be "Letters of Credit" issued pursuant to the Existing Credit Agreement.

[Remainder of page intentionally blank.**]**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWER:

KBR, INC.

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

CITIBANK, N.A., as Administrative Agent and as a Bank

By: _____
Name:
Title:

CITIBANK, N.A., as an Issuing Bank

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

THE ROYAL BANK OF SCOTLAND PLC,
as an Issuing Bank and as an Issuing Bank and a Bank

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

COMPASS BANK,
as an Issuing Bank and a Bank

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

BANK OF AMERICA, N.A.,
as an Issuing Bank and a Bank

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

REGIONS BANK,
as an Issuing Bank and a Bank

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

NATIONAL BANK OF KUWAIT, S.A.K., GRAND CAYMAN BRANCH,
as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

NATIONAL BANK OF KUWAIT, S.A.K., NEW YORK BRANCH,
as an Issuing Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

SUMITOMO MITSUI BANKING CORPORATION,
as a Bank

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

THE BANK OF NOVA SCOTIA,
as a Bank

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED,
as a Bank

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

ING BANK N.V.,
as a Bank

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

UBS LOAN FINANCE LLC,
as a Bank

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

LLOYDS TSB BANK PLC,
as a Bank

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

STANDARD CHARTERED BANK,
as a Bank

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

WELLS FARGO BANK, N.A.,
as a Bank

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

ABU DHABI INTERNATIONAL BANK INC.,
as a Bank

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

BARCLAYS BANK PLC,
as a Bank

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

COMERICA BANK,
as a Bank

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

FIFTH THIRD BANK,
as a Bank

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

STATE STREET BANK,
as a Bank

By: _____
Name:
Title:

Signature Page
to
Three Year Revolving Credit Agreement

SCHEDULE I

COMMITMENTS

Name of Bank	Revolving Credit Commitment	Letter of Credit Commitment
Citibank, N.A.	$ 100,000,000.00	$ 200,000,000.00
The Royal Bank of Scotland plc	$ 100,000,000.00	The greater of (i) an amount equal to the aggregate Available Amount of the Letters of Credit set forth on **Schedule V**, as the same may be reduced from time to time and (ii) $ 200,000,000.00
Sumitomo Mitsui Banking Corporation	$ 100,000,000.00	
Compass Bank	$ 90,000,000.00	$ 150,000,000.00
Bank of America, N.A.	$ 80,000,000.00	$ 150,000,000.00
The Bank of Nova Scotia	$ 80,000,000.00	
Regions Bank	$ 80,000,000.00	80,000,000.00
Australia and New Zealand Banking Group Limited	$ 50,000,000.00	
ING Bank N.V.	$ 50,000,000.00	
National Bank of Kuwait, S.A.K., Cayman Branch	$ 50,000,000.00	
National Bank of Kuwait, S.A.K., New York Branch		$ 50,000,000.00
UBS Loan Finance LLC	$ 50,000,000.00	
Lloyds TSB Bank plc	$ 40,000,000.00	
Standard Chartered Bank	$ 40,000,000.00	
Wells Fargo Bank, N.A.	$ 40,000,000.00	
Abu Dhabi International Bank Inc.	$ 25,000,000.00	
Barclays Bank PLC	$ 25,000,000.00	
Comerica Bank	$ 25,000,000.00	
Fifth Third Bank	$ 25,000,000.00	
State Street Bank and Trust Company	$ 25,000,000.00	
Total	$ 1,075,000,000.00	

SCHEDULE II

EXISTING LETTERS OF CREDIT

(The exchange rate for foreign currency letters of credit have been determined by extracting live spot rates (mid rates) from Bloomberg at 9am CST on August 25, 2009)

Legal Entity	Beneficiary (short name)	Issuing Bank	Issue date	Expiry (Current)	Amount (current)		Amount (current) USD
BE&K International, Inc.	BNY Mellon	Bank of America	4/20/2009	4/30/2010	USD	4,331,275.00	4,331,275.00
BE&K International, Inc.	BNY Mellon	Bank of America	4/20/2009	4/30/2010	USD	595,269.00	595,269.00
BE&K Const. Co. LLC	Progress Energy Carolinas, Inc.	Bank of America	5/1/2009	7/30/2011	USD	12,909,340.00	12,909,340.00
BE&K Const. Co. LLC	Red River Environmental Products, LLC	Citibank	12/26/2008	12/28/2010	USD	14,368,325.00	14,368,325.00
Kellogg Brown & Root International Inc	Sonangol E.P.	Citibank	2/19/2009	1/1/2011	USD	1,000,000.00	1,000,000.00
Kellogg Brown & Root International Inc	Sonangol E.P.	Citibank	2/19/2009	1/1/2011	USD	12,000,000.00	12,000,000.00
Kellogg Brown & Root Overseas Limited	Sonangol E.P.	Citibank	3/26/2009	1/1/2011	USD	5,415,120.00	5,415,120.00
KBR, Inc.	Ministry of Labor - Jordan	Citibank	2/19/2008	3/1/2010	JOD	1,800.00	2,543.09
Kellogg Brown & Root Services Inc	US DEPARTMENT OF STATE	Citibank	12/30/2005	1/12/2010	USD	1,780,055.75	1,780,055.75

Legal Entity	Beneficiary (short name)	Issuing Bank	Issue date	Expiry (Current)	Amount (current)		Amount (current) USD
Kellogg Brown & Root Services Inc	U. S. Army Corps of Engineers Transatlantic Progra	Citibank	10/1/2007	8/15/2010	USD	2,200,000.00	2,200,000.00
BE&K, Inc	The Travelers Indemnity Company	Bank of America	12/17/2008	1/1/2010	USD	335,000.00	335,000.00
BE&K, Inc	The Travelers Indemnity Company	Bank of America	3/16/2009	4/1/2010	USD	15,040,000.00	15,040,000.00
BE&K, Inc	St. Paul Fire and Marine Insurance Co.	Bank of America	3/16/2009	4/1/2010	USD	1,045,314.00	1,045,314.00
BE&K Building Group, Inc.	Zurich American Insurance Company	Bank of America	5/28/2009	5/31/2010	USD	3,472,094.00	3,472,094.00
KBR, Inc.	Ace&Pacific Employers&Illinois Union	Citibank	5/18/2007	1/1/2010	USD	33,375,320.00	33,375,320.00
KBR Holdings, LLC	ACE American Insurance Company	Citibank	6/6/2008	1/1/2010	USD	6,246,098.00	6,246,098.00
Suitt Construction Co., Inc	The Travelers Indemnity Company	Compass Bank	8/11/2009	8/31/2010	USD	250,000.00	250,000.00

Legal Entity	Beneficiary (short name)	Issuing Bank	Issue date	Expiry (Current)	Amount (current)		Amount (current) USD
Kellogg Brown & Root LLC	Pemex Refinacion	Citibank	5/18/2009	1/27/2010	USD	112,988.00	112,988.00
P. T. KBR Engineers Indonesia	BP BERAU LTD	Citibank	6/11/2009	11/15/2012	USD	13,113.00	13,113.00
Kellogg Brown & Root International Inc (Delaware)	BEA & Sonatrach	Citibank	12/27/2007	3/31/2015	DZD	620,345,137.03	8,562,236.11
Kellogg Brown & Root International Inc (Delaware)	The Royal Bank of Scotland – London Trade Services Centre	The Royal Bank of Scotland plc	8/31/2007	3/31/2015	EUR	13,281,618.60	19,463,098.77
Kellogg Brown & Root International Inc (Delaware)	The Royal Bank of Scotland – London Trade Services Centre	The Royal Bank of Scotland plc	11/2/2007	3/31/2015	EUR	69,841,573.02	102,346,971.01
Kellogg Brown & Root International Inc (Delaware)	The Royal Bank of Scotland – London Trade Services Centre	The Royal Bank of Scotland plc	8/27/2007	3/31/2015	USD	54,382,594.72	54,382,594.72
Kellogg Brown & Root International Inc (Delaware)	The Royal Bank of Scotland – London Trade Services Centre	The Royal Bank of Scotland plc	12/24/2007	3/31/2015	USD	92,000,100.00	92,000,100.00

SCHEDULE III

SUBSIDIARY GUARANTORS

1. KBR Holdings, LLC
2. Kellogg Brown & Root Services, Inc.
3. Kellogg Brown & Root LLC
4. Kellogg Brown & Root International, Inc.
5. KBR Acquisition Holdings, LLC

SCHEDULE IV

ISSUING BANK INFORMATION

ISSUING BANK	CONTACT INFORMATION
Citibank, N.A.	Mark Rosenthal Citi Global Loan Operations 1615 Brett Road OPS III New Castle, DE 19720 Telephone: 302-323-7330 Fax: 212.994.0961 E-mail: Mark.Rosenthal@citi.com
The Royal Bank of Scotland plc	Mohamed Abdul Kadir Noorudeen The Royal Bank of Scotland plc 600 Washington Boulevard Stamford, CT 06901 Telephone: 312-338-7330 Fax: 203-873-5019 E-mail: Mohamed.Abdul.Kadir.Noorudeen@rbs.com
Bank of America, N.A.	Varsha Mehandiratta Bank of America, N.A. 2001 Clayton Rd., Bldg. B Concord, CA 94520 Telephone: (415) 436-4777 Ext. 8548 Fax: (972) 728-6160 Varsha.mehandiratta@bankofamerica.com
Compass Bank	Keri Seadler Compass Bank 24 Greenway Plaza, Ste. 1403 Houston, TX 77047 Telephone: 713-968-8234 Fax: 205-524-0385 Keri.seadler@bbvacompass.com
Regions Bank	Kimberly Coke Regions Bank Letter of Credit Specialist 10451 NW 117th Avenue, 2nd Floor Miami, FL 33178 Telephone: (786(845-4405 Fax: (205) 264-5003 sncservices@regions.com
National Bank of Kuwait, S.A.K. New York Branch	Digna San Juan National Bank of Kuwait New York Manager 299 Park Avenue 17th Floor New York, NY 10171 Telephone: (212) 303-9835 Fax: (212) 838-4105 Digna.sanjuan@nbkny.com

SCHEDULE V

THE ROYAL BANK OF SCOTLAND PLC LETTERS OF CREDIT

(The exchange rate for foreign currency letters of credit have been determined by extracting live spot rates (mid rates) from Bloomberg at 9am CST on August 25, 2009)

Legal Entity	Beneficiary (short name)	Issue date	Expiry (Current)	Amount (current)		Amount (current) USD
Kellogg Brown & Root International Inc (Delaware)	The Royal Bank of Scotland – London Trade Services Centre	8/31/2007	3/31/2015	EUR	13,281,618.60	19,463,098.77
Kellogg Brown & Root International Inc (Delaware)	The Royal Bank of Scotland – London Trade Services Centre	11/2/2007	3/31/2015	EUR	69,841,573.02	102,346,971.01
Kellogg Brown & Root International Inc (Delaware)	The Royal Bank of Scotland – London Trade Services Centre	8/27/2007	3/31/2015	USD	54,382,594.72	54,382,594.72
Kellogg Brown & Root International Inc (Delaware)	The Royal Bank of Scotland – London Trade Services Centre	12/24/2007	3/31/2015	USD	92,000,100.00	92,000,100.00

SCHEDULE 4.01(b)

LOAN PARTIES
AND THEIR RESPECTIVE SUBSIDIARIES

BORROWER:

KBR, INC.

Incorporated in the State of Delaware, United States of America

SUBSIDIARY GUARANTORS:

1. **KBR HOLDINGS, LLC**

   Organized in the State of Delaware, United States of America
   No. of Shares Authorized: 135,627,000 Issued: 135,627,000
   Outstanding: 135,627,000
   All shares are Common
   100% of the 135,627,000 Shares of Common Stock owned by KBR, Inc.

2. **KELLOGG BROWN & ROOT LLC**

   Organized in the State of Delaware, United States of America
   No. of Shares Authorized: 1,000 Issued: 1,000 Outstanding: 1,000
   All shares are Common
   100% of the 1,000 Shares of Common Stock owned by KBR Holdings, LLC

3. **KELLOGG BROWN & ROOT INTERNATIONAL, INC.**

   Incorporated in the State of Delaware, United States of America
   No. of Shares Authorized: 1,000 Issued: 1,000 Outstanding: 1,000
   All shares are Common
   100% of the 1,000 Shares of Common Stock owned by Kellogg Brown & Root LLC

4. **KELLOGG BROWN & ROOT SERVICES, INC.**

   Incorporated in the State of Delaware, United States of America
   No. of Shares Authorized: 18,000 Issued: 18,000 Outstanding: 18,000
   All shares are Common
   100% of the 18,000 Shares of Common Stock owned by KBR Holdings, LLC

5. **KBR ACQUISITION HOLDINGS, LLC**

   Organized in the State of Delaware, United States of America
   No. of Shares Authorized: 1,000 Issued: 1,000 Outstanding: 1,000
   All shares are Common
   100% of the 1,000 Shares of Common Stock owned by KBR Holdings, LLC

DIRECT SUBSIDIARIES OF THE SUBSIDIARY GUARANTORS

A. **KBR Holdings, LLC**

Subsidiary	Percentage Ownership by KBR Holdings, LLC	Entity Type	Jurisdiction
EGS Holdings, LLC	100%	LLC	Delaware
KBR Acquisition Holdings, LLC	100%	LLC	Delaware
KBR Group Holdings, LLC	100%	LLC	Delaware
Kellogg Brown & Root LLC	100%	LLC	Delaware
Kellogg Brown & Root Services, Inc.	100%	Corporation	Delaware

B. **Kellogg Brown & Root LLC**

Subsidiary	Percentage Ownership by Kellogg Brown & Root LLC	Entity Type	Jurisdiction
Turnaround Group of Texas, Inc.	100%	Corporation	Texas
KBR Charitable Foundation, Inc.	100%	Corporation	Delaware
JOINT VENTURE (Pearl GTL - Offshore)	50%	Unincorporated joint venture	N/A
JGC/KBR JOINT VENTURE(TANGGUH -YOKOHAMA OFFSHORE)	50%	Unincorporated joint venture	N/A
Kellogg Brown & Root (California), Inc.	100%	Corporation	Delaware
JGC-KBR VENTURE-TIGA OFFSHORE	50%	Unincorporated joint venture	N/A
Dresser-Cullen Venture	50%	Unincorporated joint venture	N/A
Brown & Root/Espey Padden	70%	Unincorporated joint venture	N/A
Brown & Root/Turner Collie & Braden Inc, a Joint Venture	50%	Unincorporated joint venture	N/A
NK Engineering Services	50%	G. Partnership	N/A
NK International Supply Limited	50%	Corporation	Cayman Islands
KBR Government Services S de R.L.	99% (*Kellogg Brown & Root International, Inc. owns the other 1% interest)	Corporation	Panama
KBRD, LLC	60%	LLC	Delaware
Kellogg International Services Limited	100%	Corporation	Cayman Islands
Kellogg Brown & Root Services Limited	100%	Corporation	Canada

Subsidiary	Percentage Ownership by Kellogg Brown & Root LLC	Entity Type	Jurisdiction
Kellogg Brown & Root Algeria Inc.	100%	Corporation	Delaware
Kellogg Pan American Corporation	100%	Corporation	Delaware
Kellogg Brown & Root de Venezuela, C.A.	100%	Corporation	Venezuela, Monagas
KRW Energy Systems Inc.	80%	Corporation	Delaware
Kellogg Services, Inc.	100%	Corporation	Delaware
Kellogg Overseas Corporation	100%	Corporation	Delaware
Kellogg Mexico, Inc.	100%	Corporation	Delaware
Kellogg Korea, Inc.	100%	Corporation	Delaware
Kellogg International Services Corporation	100%	Corporation	Delaware
Kellogg China, Inc.	100%	Corporation	Delaware
Kellogg Brown & Root Far East, Inc.	100%	Corporation	Delaware
DKES, Inc.	100%	Corporation	Delaware
KBR South Africa Limited	100%	Corporation	Delaware
Kellogg (Malaysia) Sdn. Bhd.	100%	Private Company	Malaysia
Kellogg Brown & Root, S. de R.L.	99.96% (*Kellogg Brown & Root International, Inc. owns the other 0.04% interest)	LLC	Panama
SubSahara Services Inc.	100%	Corporation	Delaware
Brown & Root - Murphy, L.L.C.	100%	LLC	Delaware
KBR Canada Ltd	100%	Corporation	Saskatchewan, Canada
Kellogg Brown & Root International, Inc.	100%	Corporation	Delaware

C. Kellogg Brown & Root International, Inc.

Company	Percentage Ownership by Kellogg Brown & Root International, Inc.	Entity Type	Jurisdiction
KBR PNG Limited	100%	Corporation	Papua New Guinea
Labor Support Services Limited	100%	Corporation	Cayman Islands
JOINT VENTURE (Pearl GTL - Onshore)	50%	Unincorporated joint venture	N/A
Georgetown Finance Ltd.	100%	Corporation	Cayman Islands
Laurel Financial Services B.V.	100%	Corporation	Netherlands
Arctic Pacific Contractors International, L.L.C.	50%	LLC	Delaware

D. Kellogg Brown & Root Services, Inc.

Company	Percentage Ownership by Kellogg Brown & Root Services, Inc.	Entity Type	Jurisdiction
Vinnell Brown & Root LLC	50%	LLC	Delaware
Kellogg Brown & Root Services International, Inc.	100%	Corporation	Delaware
Williams, Russell and Johnson/Brown & Root Services, a Joint Venture	60%	Unincorporated joint venture	N/A
KSL Services Joint Venture (Los Alamos)	55%	Unincorporated joint venture	N/A
Kellogg Brown & Root Services, Inc. and Espey Consultants, Inc. Joint Venture	70%	Unincorporated joint venture	N/A
World Wide Services I, Incorporated	100%	Corporation	Delaware

E. KBR Acquisition Holdings, LLC

Company	Percentage Ownership by KBR Acquisition Holdings, LLC	Entity Type	Jurisdiction
BE&K, Inc.	100%	Corporation	Delaware

F. Project Finance Subsidiaries

Project Finance Subsidiary	Entity Type	Jurisdiction
Road Management Group Limited	Corporation	United Kingdom
Road Management Consolidated Plc	Corporation	United Kingdom
Road Management Limited	Corporation	United Kingdom
Road Management Services (Gloucester) Limited	Corporation	United Kingdom
Road Management Services (Peterborough) Limited	Corporation	United Kingdom
Road Management Services (A13) Holdings Limited	Corporation	United Kingdom
Road Management Services (A13) Plc	Corporation	United Kingdom
Road Management Services (Darrington) Holdings Limited	Corporation	United Kingdom
Road Management Services (Finance) Plc	Corporation	United Kingdom
Road Management Services (Darrington) Limited	Corporation	United Kingdom
Aspire Defence Holdings Limited	Corporation	United Kingdom
Aspire Defence Limited	Corporation	United Kingdom
Aspire Defence Finance Plc	Corporation	United Kingdom
Fastrax Limited	Corporation	United Kingdom
Fastrax Holdings Limited	Corporation	United Kingdom
Directroute (Fermoy) Holdings Limited	Corporation	Ireland
Directroute (Fermoy) Limited	Corporation	Ireland
Asia Pacific Transport Finance Pty Ltd	Company	Australia
Asia Pacific Transport Pty Ltd	Company	Australia
Asia Pacific Contracting Pty Ltd	Company	Australia
S.A.N.T. (MGT-HOLDING) Pty Ltd	Company	Australia

S.A.N.T. (MGT-OPCO) Pty Ltd	Company	Australia
S.A.N.T. (MGT-UJV) Pty Ltd	Company	Australia
S.A.N.T. (TERM-HOLDING) Pty Ltd	Company	Australia
S.A.N.T. (TERM-OPCO) Pty Ltd	Company	Australia
S.A.N.T. (TERM-UJV) Pty Ltd	Company	Australia
Egyptian Basic Industries Corporation, S.A.E.	Company	Egypt
Freight Link Pty Ltd	Company	Australia
Middle East Petroleum Co PC	Corporation	Cayman Islands

SCHEDULE 5.02(a)(i)

EXISTING LIENS

Pacific Premium Funding and Lease Rental relates to financing taken out by Catalyst to fund an office fitout and leasing of office equipment from the Bank of Queensland. As of October 30, 2009, the balance is $34,000 and is secured by the leased equipment. The obligor is Catalyst Interactive.

SCHEDULE 5.02(a)(viii)

CASH COLLATERALIZED LETTERS OF CREDIT ISSUED BY HSBC

(The exchange rate for foreign currency letters of credit have been determined by extracting live spot rates (mid rates) from Bloomberg at 9am CST on August 25, 2009)

Legal Entity	Beneficiary (short name)	Issue date	Expiry (Current)	Amount (current)		Amount (current) USD
Kellogg Brown & Root LLC	Sabic	1/30/2007	5/27/2011	USD	5,956,500.00	5,956,500.00
Kellogg Brown & Root Saudi Ltd. Co.	Sabic	4/27/2007	5/27/2011	USD	3,728,500.00	3,728,500.00
Granherne, Inc.	Echem	7/21/2009	12/2/2009	USD	10,000.00	10,000.00
Kellogg Brown & Root Ltd	ADGAS	8/17/2009	1/31/2010	USD	190,107.40	190,107.40
Kellogg Brown & Root Services Inc	Tecom Investments	6/14/2006	No expiry date	AED	125,000.00	34,032.13
Kellogg Brown & Root International Inc	Ministry of Economy	9/4/2006	10/31/2010	AED	50,000.00	13,612.85
Kellogg Brown & Root Services Inc	Aldar Properties PJSC	3/16/2007	1/31/2010	AED	5,000,000.00	1,361,285.05
Kellogg Brown & Root Services Inc	MOLSA - UAE Abu Dhabi	6/8/2007	7/15/2010	AED	100,000.00	27,225.70
Kellogg Brown & Root Services Inc	MOLSA - UAE Abu Dhabi	7/3/2008	7/15/2010	AED	150,000.00	40,838.55
Kellogg Brown & Root Pty Limited	Maritime Nominees & Permanent Trustee Australia	9/27/2006	9/30/2010	AUD	3,401,217.60	2,937,401.85

Legal Entity	Beneficiary (short name)	Issue date	Expiry (Current)	Amount (current)		Amount (current) USD
Kellogg Brown & Root Pty Limited	Tribune Properties Pty Ltd	1/18/2007	7/31/2010	AUD	2,868,079.50	2,476,966.49
Kellogg Brown & Root Overseas Operations Limited	Sultanate of Oman	2/26/2009	12/30/2009	OMR	46,500.00	120,779.22
Kellogg Brown & Root Services Inc	QBC Foundation	11/25/2008	12/31/2009	QAR	22,234,958.00	6,106,156.42
Kellogg Brown & Root Services Inc	QGE&W Corporation	4/6/2009	12/23/2009	QAR	300,000.00	82,385.90
Kellogg Brown & Root Services Inc	USACE TP Center	2/13/2009	6/2/2011	USD	3,542,881.00	3,542,881.00
Kellogg Brown & Root LLC	Refineria de Cartagena S.A.	7/21/2008	1/31/2014	USD	418,500.00	418,500.00
Kellogg Brown & Root LLC	Refineria de Cartagena S.A.	10/30/2008	2/26/2010	USD	2,930,000.00	2,930,000.00
KBR E&C Australia Pty Ltd	Woodside Energy LTD	1/9/2006	9/30/2010	AUD	3,000,000.00	2,590,897.31
KBR E&C Australia Pty Ltd	Woodside Pluto Pty Ltd	9/28/2006	8/31/2010	AUD	87,500.00	75,567.84
KBR E&C Australia Pty Ltd	Woodside Energy LTD	3/1/2007	9/30/2010	AUD	424,755.00	366,832.20
KBR E&C Australia Pty Ltd	Woodside Burrup Pty Ltd.	11/6/2007	9/30/2010	AUD	235,100.00	203,039.99
KBR E&C Australia Pty Ltd	Woodside Energy Ltd (ABN 63 005 482 986)	9/1/2008	1/30/2011	AUD	2,600,000.00	2,245,444.34

Legal Entity	Beneficiary (short name)	Issue date	Expiry (Current)	Amount (current)		Amount (current) USD
Kellogg Brown & Root International Inc (Delaware)	BEA & Sonatrach	8/20/2008	3/31/2015	EUR	35,981,306.66	52,727,588.89
Kellogg Brown & Root Asia Pacific Pte Ltd	SMOE.	8/24/2007	1/31/2010	USD	745,900.00	745,900.00
Kellogg Brown & Root International Inc (Delaware)	Qatar Shell GTL Limited	4/3/2009	1/31/2011	USD	7,275,000.00	7,275,000.00
Kellogg Brown & Root Pty Limited	Esso Highlands Limited	6/5/2009	4/3/2010	USD	1,250,000.00	1,250,000.00
Kellogg Brown & Root Pty Limited	ESSO Australia PTY. Ltd	7/13/2009	4/3/2010	USD	250,000.00	250,000.00

SCHEDULE 5.02(b)(ii)

EXISTING DEBT

1. Working Capital Loan to PT Engineers Indonesia (obligor) from minority partner. As of the Effective Date, the balance is $375,000.
2. Capital lease for mail equipment. Remaining balance as of Effective Date is approximately $431,000. The obligor is Kellogg Brown & Root LLC.
3. Pacific Premium Funding and Lease Rental relates to financing taken out by Catalyst to fund an office fitout and leasing of office equipment from the Bank of Queensland. As of the Effective Date, the balance is $34,000 and is secured by the leased equipment. The obligor is Catalyst Interactive.

EXHIBIT A

FORM OF NOTE

$ Dated: ,

FOR VALUE RECEIVED, the undersigned, KBR, INC., a Delaware corporation (the "Borrower"), HEREBY PROMISES TO PAY to the order of **[ ]** or its registered assigns (the "Bank") for the account of its Applicable Lending Office (as defined in the Credit Agreement referred to below) the aggregate principal amount of the Revolving Credit Advances and the Letter of Credit Advances (each as defined in the Credit Agreement referred to below) owing to the Bank by the Borrower pursuant to the Three Year Revolving Credit Agreement dated as of November 3, 2009 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; terms defined therein, unless otherwise defined herein, being used herein as therein defined) among the Borrower, the Bank and certain other lender parties party thereto, Citibank, N.A., as Administrative Agent, and the Issuing Banks party thereto.

The Borrower promises to pay to the Bank or its registered assigns interest on the unpaid principal amount of each Revolving Credit Advance and Letter of Credit Advance from the date of such Revolving Credit Advance or Letter of Credit Advance, as the case may be, until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Credit Agreement.

Both principal and interest are payable in lawful money of the United States of America to Citibank, N.A. as Administrative Agent, at Two Penns Way, Suite 200, New Castle, Delaware 19720 in same day funds. Each Revolving Credit Advance and Letter of Credit Advance owing to the Bank by the Borrower and the maturity thereof, and all payments made on account of principal thereof, shall be recorded by the Bank and, prior to any transfer hereof, endorsed on the grid attached hereto, which is part of this Promissory Note; provided, however, that the failure of the Bank to make any such recordation or endorsement shall not affect the Obligations of the Borrower under this Promissory Note.

This Promissory Note is one of the Notes referred to in, and is entitled to the benefits of, the Credit Agreement. The Credit Agreement, among other things, (i) provides for the making of advances (variously, the Revolving Credit Advances or the Letter of Credit Advances) by the Bank to or for the benefit of the Borrower from time to time in an aggregate amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned, the indebtedness of the Borrower resulting from each such Revolving Credit Advance and Letter of Credit Advance being evidenced by this Promissory Note, and (ii) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events and also for prepayments on account of principal hereof prior to the maturity hereof upon the terms and conditions therein specified.

This Promissory Note shall be governed by, and construed in accordance with, the laws of the State of New York.

KBR, INC.

By _____
Title:

ADVANCES AND PAYMENTS OF PRINCIPAL

Date	Amount of Advance	Amount of Principal Paid or Prepaid	Unpaid Principal Balance	Notation Made By

EXHIBIT B-1

FORM OF
NOTICE OF REVOLVING CREDIT BORROWING

Citibank, N.A.,
as Administrative Agent
under the Credit Agreement
referred to below
Two Penns Way, Suite 200
New Castle, Delaware 19720

[Date**]**

Attention: KBR, Inc. Account Officer

Ladies and Gentlemen:

The undersigned, KBR, Inc., refers to the Three Year Revolving Credit Agreement dated as of November 3, 2009 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined), among the undersigned, the Banks party thereto, Citibank, N.A., as Administrative Agent for the Banks, and hereby gives you notice, irrevocably, pursuant to ***Section 2.02(a)*** of the Credit Agreement that the undersigned hereby requests a Borrowing under the Credit Agreement, and in that connection sets forth below the information relating to such Borrowing (the "Proposed Borrowing") as required by ***Section 2.02(a)*** of the Credit Agreement:

(i) The Business Day of the Proposed Borrowing is **[** , **]**.

(ii) The Type of Advances comprising the Proposed Borrowing is **[**Base Rate Advances**] [**Eurodollar Rate Advances**]**.

(iii) The aggregate amount of the Proposed Borrowing is $ **[ ]**.

(iv) **[**The initial Interest Period for each Eurodollar Rate Advance made as part of the Proposed Borrowing is **[ ]**.

(v) Insert the following if any Foreign Currency Letters of Credit are outstanding: Attached hereto is a certificate setting forth the Available Amount of each outstanding Foreign Currency Letter of Credit, the exchange rate used in calculating such Available Amount, and the amount of the Unused Revolving Credit Commitment, each as of the date of this notice.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Borrowing:

(A) The representations and warranties contained in each Loan Document are correct on and as of the date of such Revolving Credit Advance or such Letter of Credit (except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and except that for purposes of this Section, the representations and warranties contained in *Section 4.01(f)* and *Section 4.01(g)* of the Credit Agreement shall be deemed to refer to the most recent statements furnished pursuant to *clauses (i)* and *(ii)*, as applicable, of *Section 5.01(d)* of the Credit Agreement) before and after giving effect to such Proposed Borrowing or issuance or renewal and to the application of the proceeds therefrom, as though made on and as of such date;

(B) No event has occurred and is continuing, or would result from such Proposed Borrowing or such issuance or renewal or from the application of the proceeds therefrom, which constitutes a Default or an Event of Default; and

(C) There exists no request or directive issued by any Governmental Authority, central bank or comparable agency, injunction, stay, order, litigation or proceeding purporting to affect or calling into question the legality, validity or enforceability of any Loan Document or the consummation of any transaction (including any Advance or proposed Advance or issuance or renewal of a Letter of Credit or proposed Letter of Credit) contemplated hereby.

Delivery of an executed counterpart of this Notice of Borrowing by facsimile shall be effective as delivery of an original executed counterpart of this Notice of Borrowing.

Very truly yours,

KBR, INC.

By _____

Title:

EXHIBIT B-2

FORM OF
NOTICE OF ISSUANCE AND
APPLICATION FOR LETTER OF CREDIT

NOTICE OF [MODIFICATION][ISSUANCE AND APPLICATION]* FOR LETTER OF CREDIT

Date:

[ISSUING BANK]

Attn: [ ]

Letter of Credit Reference No. _____

Advising Bank
(Name and Address)

Applicant:
(address)

Beneficiary (Name and Address)

Amount (In specific currency):

_____

Expiry Date and Place:

This Application is for the issuance of a standby letter of credit under and subject to the terms and conditions of the Three Year Revolving Credit Agreement dated as of November 3, 2009 among KBR, Inc., a Delaware corporation, the Banks party thereto, and Citibank, N.A., as Administrative Agent, as amended from time to time in accordance with the terms thereof (hereinafter called the "Revolving Credit Agreement"). Capitalized terms used herein but not defined are used as defined in the Revolving Credit Agreement.

The Business Day of the Proposed Issuance is .

Insert the following if the requested Letter of Credit is a Foreign Currency Letter of Credit: As of the date hereof, the Available Amount of the requested Letter of Credit is $. The exchange rate used in calculating such Available Amount is .

Insert the following if any Foreign Currency Letters of Credit are outstanding: Attached hereto is a certificate setting forth the Available Amount of each outstanding Foreign Currency Letter of Credit, the exchange rate used in calculating such Available Amount, and the amount of the Unused Revolving Credit Commitment, each as of the date of this notice.

ATTACHED HERETO IS THE FORM OF LETTER OF CREDIT THE APPLICANT IS REQUESTING BE ISSUED.

All banking charges, other than [ISSUING BANK] charges, are for account of: ☐ Beneficiary ☐ Applicant

Transmit the Credit by:

Cable/SWIFT ☐ Airmail ☐ Courier Service ☐ Other (Specify): _____

Special Instructions to Issuing Bank:

Authorized Signatory

Authorized Signatory

* Delete as applicable.

KBR, INC. certifies that the following statements are true on the date hereof, and will be true on the date of the proposed issuance:

(A) The representations and warranties contained in each Loan Document are correct on and as of the date of such proposed issuance of such Letter of Credit (except to the extent that such representations and warranties specifically refer to an earlier date, in which case they shall be true and correct as of such earlier date, and except that the representations and warranties contained in *Section 4.01(f)* and *Section 4.01(g)* of the Credit Agreement shall be deemed to refer to the most recent statements furnished pursuant to *clauses (i)* and *(ii)*, as applicable, of *Section 5.01(d)* of the Credit Agreement) before and after giving effect to such issuance or renewal or proposed Letter of Credit and to the application of the proceeds therefrom, as though made on and as of such date;

(B) No event has occurred and is continuing, or would result from such proposed issuance or renewal or proposed Letter of Credit or from the application of the proceeds therefrom, which constitutes a Default or an Event of Default; and

(C) There exists no request or directive issued by any Governmental Authority, central bank or comparable agency, injunction, stay, order, litigation or proceeding purporting to affect or calling into question the legality, validity or enforceability of any Loan Document or the consummation of any transaction (including any proposed issuance or renewal of a Letter of Credit or proposed Letter of Credit) contemplated hereby.

Delivery of an executed counterpart of this Notice of Issuance and Application for Letter of Credit by facsimile shall be effective as delivery of an original executed counterpart of this Notice of Issuance.

_____ _____

Applicant's Signature Date

EXHIBIT C

FORM OF GUARANTEE

Please see attached.

SUBSIDIARY GUARANTEE

Dated as of November 3, 2009

From

THE GUARANTORS NAMED HEREIN

and

THE ADDITIONAL GUARANTORS REFERRED TO HEREIN

as Guarantors

in favor of

THE LENDER PARTIES REFERRED TO HEREIN

TABLE OF CONTENTS

Section		Page
Section 1.	Guarantee; Limitation of Liability	4
Section 2.	Guarantee Absolute	5
Section 3.	Waivers and Acknowledgments	6
Section 4.	Subrogation	7
Section 5.	Payments Free and Clear of Taxes, Etc.	7
Section 6.	Representations and Warranties	7
Section 7.	Covenants	8
Section 8.	Amendments, Guarantee Supplements, Etc.	8
Section 9.	Notices, Etc.	8
Section 10.	No Waiver; Remedies	9
Section 11.	Right of Set-off	9
Section 12.	Indemnification	9
Section 13.	Subordination	10
Section 14.	Continuing Guarantee; Assignments under the Revolving Credit Agreement	10
Section 15.	Joint and Several Obligations	11
Section 16.	Execution in Counterparts	11
Section 17.	Governing Law; Jurisdiction; Waiver of Jury Trial, Etc.	11

Exhibit A - Guarantee Supplement

SUBSIDIARY GUARANTEE

SUBSIDIARY GUARANTEE dated as of November 3, 2009 (this "***Guarantee***") made by the Persons listed on the signature pages hereof under the caption "Subsidiary Guarantors" and the Additional Guarantors (as defined in ***Section 8(b)*** (such Persons so listed and the Additional Guarantors being, collectively, the "***Guarantors***" and, individually, each a "***Guarantor***") in favor of the Lender Parties (as defined below).

PRELIMINARY STATEMENT. KBR, Inc., a Delaware corporation (the "***Company***"), has entered into a Three Year Revolving Credit Agreement dated as of November 3, 2009 (as amended, amended and restated, supplemented or otherwise modified from time to time, the " ***Revolving Credit Agreement***") with the Banks party thereto (the "***Revolving Credit Banks***" and each, individually, a "***Revolving Credit Bank***") and Citibank, N.A., as Administrative Agent (the "***Administrative Agent***" and, together with the Revolving Credit Banks, the "***Lender Parties***"). Each Guarantor may receive, directly or indirectly, a portion of the proceeds of the Advances under the Revolving Credit Agreement and will derive substantial direct and indirect benefits from the transactions contemplated by the Revolving Credit Agreement. It is a condition precedent to the making of Advances and the issuance of Letters of Credit by the Revolving Credit Banks under the Revolving Credit Agreement that each Guarantor shall have executed and delivered this Guarantee. Capitalized terms used herein but not defined herein shall be used herein as defined in the Revolving Credit Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce the Revolving Credit Banks to make Advances and issue Letters of Credit under the Revolving Credit Agreement, each Guarantor, jointly and severally with each other Guarantor, hereby agrees with the Administrative Agent for the ratable benefit of the Lender Parties as follows:

Section 1. Guarantee; Limitation of Liability. (a) Each Guarantor hereby absolutely, unconditionally and irrevocably guarantees the punctual payment when due, whether at scheduled maturity or on any date of a required prepayment or by acceleration, demand or otherwise, and the punctual performance of, all Obligations of each other Loan Party now or hereafter existing under or in respect of the Loan Documents (including, without limitation, any extensions, modifications, substitutions, amendments or renewals of any or all of the foregoing Obligations), whether direct or indirect, absolute or contingent, and whether for principal, interest, premiums, fees, indemnities, contract causes of action, costs, expenses or otherwise (such Obligations being the " ***Guaranteed Obligations***"), and agrees to pay any and all out-of-pocket expenses (including, without limitation, fees and expenses of counsel) incurred by any Lender Party in enforcing any rights under this Guarantee or any other Loan Document. Without limiting the generality of the foregoing, each Guarantor's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by any other Loan Party to any Lender Party under or in respect of the Loan Documents but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving such other Loan Party.

(b) Each Guarantor, and by its acceptance of this Guarantee, the Administrative Agent and each other Lender Party, hereby confirms that it is the intention of all such Persons that this Guarantee and the Obligations of each Guarantor hereunder not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law (as hereinafter defined), the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar foreign, federal or state law to the extent applicable to this Guarantee and the Obligations of each Guarantor hereunder. To effectuate the foregoing intention, the Administrative Agent, the other Lender Parties and the Guarantors hereby irrevocably agree that the Obligations of each Guarantor under

this Guarantee at any time shall be limited to the maximum amount as will result in the Obligations of such Guarantor under this Guarantee not constituting a fraudulent transfer or conveyance. For purposes hereof, "***Bankruptcy Law***" means any proceeding of the type referred to in *Section 6.01(e)* of the Revolving Credit Agreement or Title 11, U.S. Code, or any similar foreign, federal or state law for the relief of debtors.

(c) Each Guarantor hereby unconditionally and irrevocably agrees that in the event any payment shall be required to be made to any Lender Party under this Guarantee, such Guarantor will contribute, to the maximum extent permitted by law, such amounts to each other Guarantor so as to maximize the aggregate amount paid to the Lender Parties (up to the amount of the payment so required to be made) under or in respect of the Loan Documents.

Section 2. Guarantee Absolute. This is a guarantee of payment and not of collection. Each Guarantor guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of the Loan Documents, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Lender Party with respect thereto. The Obligations of each Guarantor under or in respect of this Guarantee are those of primary obligor, and not merely as surety, and are independent of the Guaranteed Obligations or any other Obligations of any other Loan Party under or in respect of the Loan Documents, and a separate action or actions may be brought and prosecuted against each Guarantor to enforce this Guarantee, irrespective of whether any action is brought against the Company or any other Loan Party or whether the Company or any other Loan Party is joined in any such action or actions. The liability of each Guarantor under this Guarantee shall be irrevocable, absolute and unconditional irrespective of, and each Guarantor hereby irrevocably waives any defenses it may now have or hereafter acquire in any way relating to, any or all of the following:

(a) any lack of validity or enforceability of any Loan Document or any agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Guaranteed Obligations or any other Obligations of any other Loan Party under or in respect of the Loan Documents, or any other amendment or waiver of or any consent to departure from any Loan Document, including, without limitation, any increase in the Guaranteed Obligations resulting from the extension of additional credit to any Loan Party or any of its Subsidiaries or otherwise;

(c) any taking, exchange, release or non-perfection of any Collateral or any other collateral, or any taking, release or amendment or waiver of, or consent to departure from, any other guarantee, for all or any of the Guaranteed Obligations;

(d) any manner of application of any collateral, or proceeds thereof, to all or any of the Guaranteed Obligations, or any manner of sale or other disposition of any collateral for all or any of the Guaranteed Obligations or any other Obligations of any Loan Party under the Loan Documents or any other assets of any Loan Party or any of its subsidiaries;

(e) any change, restructuring or termination of the corporate structure or existence of any Loan Party or any of its subsidiaries;

(f) any failure of any Lender Party to disclose to any Loan Party any information relating to the business, condition (financial or otherwise), operations, performance, properties,

contingent liabilities, material agreements or prospects of any other Loan Party now or hereafter known to such Lender Party (each Guarantor waiving any duty on the part of the Lender Parties to disclose such information);

(g) the failure of any other Person to execute or deliver this Guarantee, any Guarantee Supplement (as hereinafter defined) or any other guarantee or agreement or the release or reduction of liability of any Guarantor or other guarantor or surety with respect to the Guaranteed Obligations; or

(h) any other circumstance (including, without limitation, any statute of limitations) or any existence of or reliance on any representation by any Lender Party that might otherwise constitute a defense available to, or a discharge of, any Loan Party or any other guarantor or surety.

This Guarantee shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations is rescinded or must otherwise be returned by any Lender Party or any other Person upon the insolvency, bankruptcy or reorganization of the Company or any other Loan Party or otherwise, all as though such payment had not been made.

Section 3. Waivers and Acknowledgments. (a) Each Guarantor hereby unconditionally and irrevocably waives promptness, diligence, notice of acceptance, presentment, demand for performance, notice of nonperformance, default, acceleration, protest or dishonor and any other notice with respect to any of the Guaranteed Obligations and this Guarantee and any requirement that any Lender Party protect, secure, perfect or insure any Lien or any property subject thereto or exhaust any right or take any action against any Loan Party or any other Person or any Collateral.

(b) Each Guarantor hereby unconditionally and irrevocably waives any right to revoke this Guarantee and acknowledges that until the Guarantee Termination Date (as defined in ***Section 14*** hereof) this Guarantee is continuing in nature and applies to all Guaranteed Obligations, whether existing now or in the future.

(c) Each Guarantor hereby unconditionally and irrevocably waives (i) any defense arising by reason of any claim or defense based upon an election of remedies by any Lender Party that in any manner impairs, reduces, releases or otherwise adversely affects the subrogation, reimbursement, exoneration, contribution or indemnification rights of such Guarantor or other rights of such Guarantor to proceed against any of the other Loan Parties, any other guarantor or any other Person or any collateral and (ii) any defense based on any right of set-off or counterclaim against or in respect of the Obligations of such Guarantor hereunder.

(d) Each Guarantor acknowledges that the Administrative Agent may, except as otherwise required by non-waivable provisions of the Uniform Commercial Code as in effect from time to time in the State of New York or other, non-waivable provisions of applicable law, without notice to or demand upon such Guarantor and without affecting the liability of such Guarantor under this Guarantee, foreclose under any mortgage by non-judicial sale, and each Guarantor hereby waives any defense to the recovery by the Administrative Agent and the other Lender Parties against such Guarantor of any deficiency after such non-judicial sale and any defense or benefits that may be afforded by applicable law.

(e) Each Guarantor hereby unconditionally and irrevocably waives any duty on the part of any Lender Party to disclose to such Guarantor any matter, fact or thing relating to the business, condition (financial or otherwise), operations, performance, properties, contingent liabilities, material agreements or prospects of any other Loan Party or any of its subsidiaries now or hereafter known by such Lender Party.

(f) Each Guarantor acknowledges that it will receive substantial direct and indirect benefits from the financing arrangements contemplated by the Loan Documents and that the waivers set forth in ***Section 2*** and this ***Section 3*** are knowingly made in contemplation of such benefits.

Section 4. Subrogation. Each Guarantor hereby unconditionally and irrevocably agrees not to exercise any rights that it may now have or hereafter acquire against the Company, any other Loan Party or any other insider guarantor that arise from the existence, payment, performance or enforcement of such Guarantor's Obligations under or in respect of this Guarantee or any other Loan Document, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution or indemnification and any right to participate in any claim or remedy of any Lender Party against the Company, any other Loan Party or any other insider guarantor or any Collateral, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, including, without limitation, the right to take or receive from the Company, any other Loan Party or any other insider guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner, payment or security on account of such claim, remedy or right, unless and until the Guarantee Termination Date (as defined in ***Section 14*** hereto) has occurred. If any amount shall be paid to any Guarantor in violation of the immediately preceding sentence at any time prior to the Guarantee Termination Date, such amount shall be received and held in trust for the benefit of the Lender Parties, shall be segregated from other property and funds of such Guarantor and shall forthwith be paid or delivered to the Administrative Agent in the same form as so received (with any necessary endorsement or assignment) to be credited and applied to the Guaranteed Obligations and all other amounts payable under this Guarantee, whether matured or unmatured, in accordance with the terms of the Loan Documents, or to be held as Collateral for any Guaranteed Obligations or other amounts payable under this Guarantee thereafter arising.

Section 5. Payments Free and Clear of Taxes, Etc. Any and all payments made by any Guarantor under or in respect of this Guarantee or any other Loan Document shall be made, in accordance with *Section 2.11* of the Revolving Credit Agreement, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges and withholdings, and all liabilities with respect thereto subject to the terms and conditions of *Section 2.14* of the Revolving Credit Agreement.

Section 6. Representations and Warranties. Each Guarantor hereby makes each representation and warranty made in *Sections 4.01(a)*, *(c)*, *(d)* and *(e)* of the Revolving Credit Agreement to the extent applicable to such Guarantor and each Guarantor hereby further represents and warrants as follows:

(a) There are no conditions precedent to the effectiveness of this Guarantee that have not been satisfied or waived.

(b) Such Guarantor has, independently and without reliance upon any Lender Party and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Guarantee and each other Loan Document to which it is or is to be a party, and such Guarantor has established adequate means of obtaining from each other Loan Party on a continuing basis information pertaining to, and is now and on a continuing basis will be completely familiar with, the business, condition (financial or otherwise), operations, performance, properties, contingent liabilities, material agreements and prospects of such other Loan Party.

Section 7. Covenants. Each Guarantor covenants and agrees that, until the Guarantee Termination Date, such Guarantor will perform and observe, and cause each of its Subsidiaries to perform and observe, all of the terms, covenants and agreements set forth in the Loan Documents on its or their part to be performed or observed or that the Company has agreed to cause such Guarantor or such Subsidiaries to perform or observe.

Section 8. Amendments, Guarantee Supplements, Etc. (a) No amendment or waiver of any provision of this Guarantee and no consent to any departure by any Guarantor therefrom shall in any event be effective unless the same shall comply with the requirements of *Section 8.01* of the Revolving Credit Agreement.

(b) Upon the execution and delivery by any Person of a guarantee supplement in substantially the form of Exhibit A hereto (each, a " ***Guarantee Supplement***"), (i) such Person shall be referred to as an "***Additional Guarantor***" and shall become and be a Guarantor hereunder, and each reference in this Guarantee to a "***Guarantor***" shall also mean and be a reference to such Additional Guarantor, and each reference in any other Loan Document to a "***Subsidiary Guarantor***" shall also mean and be a reference to such Additional Guarantor, and (ii) each reference herein to " ***this Guarantee***", "***hereunder***", "***hereof***" or words of like import referring to this Guarantee, and each reference in any other Loan Document to the " ***Subsidiary Guarantee***", "***thereunder***", "***thereof***" or words of like import referring to this Guarantee, shall mean and be a reference to this Guarantee as supplemented by such Guarantee Supplement.

Section 9. Notices, Etc. All notices and other communications provided for hereunder shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier as follows: if to any Guarantor, addressed to it in care of the Company at the Company's address specified in *Section 8.02* of the Revolving Credit Agreement, if to the Administrative Agent, at its address specified in *Section 8.02* of the Revolving Credit Agreement, or, as to any party, at such other address as shall be designated by such party in a written notice to each other party. Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by telecopier shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Delivery by facsimile of an executed counterpart of a signature page to any amendment or waiver of any provision of this Guarantee or of any Guarantee Supplement to be executed and delivered hereunder shall be effective as delivery of an original executed counterpart thereof.

Section 10. No Waiver; Remedies. No failure on the part of any Lender Party to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 11. Right of Set-off. If an Event of Default shall have occurred and be continuing, the Administrative Agent, each Revolving Credit Bank, each Issuing Bank, and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by the Administrative Agent, such Revolving Credit Bank, such Issuing Bank or any such Affiliate to or for the credit or the account of any Guarantor against any and all of the Obligations of such Guarantor now or hereafter existing under the Loan Documents, irrespective of whether the Administrative Agent, such Revolving Credit Bank or such Issuing Bank shall have made any demand under this Guarantee or any other Loan Document and although such obligations of such Guarantor may be contingent or unmatured or are owed to a branch or office of the Administrative Agent, such Revolving Credit Bank or such Issuing Bank different from the branch or office holding such deposit or obligated on such indebtedness. The Administrative Agent and each Revolving Credit Bank and each Issuing Bank agrees to notify such Guarantor and the Administrative Agent promptly after any such setoff and application, provided that the failure to give such notice shall not affect the validity of such setoff and application. The rights of the Administrative Agent, each Revolving Credit Bank, each Issuing Bank and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that the Administrative Agent, such Revolving Credit Bank, such Issuing Bank or their respective Affiliates may have.

Section 12. Indemnification. (a) Without limitation on any other Obligations of any Guarantor or remedies of the Lender Parties under this Guarantee, each Guarantor shall, to the fullest extent permitted by law, indemnify, defend and save and hold harmless each Lender Party and each of their Affiliates and their respective officers, directors, employees, agents and advisors (each, an "***Indemnified Party***") from and against, and shall pay on demand, any and all claims, damages, losses, liabilities and reasonable out-of-pocket expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party in connection with or as a result of any failure of any Guaranteed Obligations to be the legal, valid and binding obligations of any Loan Party enforceable against such Loan Party in accordance with their terms.

(b) Each Guarantor hereby also agrees that none of the Indemnified Parties shall have any liability (whether direct or indirect, in contract, tort or otherwise) to any of the Guarantors or any of their respective Affiliates or any of their respective officers, directors, employees, agents and advisors, and each Guarantor hereby agrees not to assert any claim against any Indemnified Party on any theory of liability, for special, indirect, consequential or punitive damages arising out of or otherwise relating to the Loan Documents, the actual or proposed use of the proceeds of the Advances or the Letters of Credit, the Loan Documents or any of the transactions contemplated by the Loan Documents.

(c) Without prejudice to the survival of any of the other agreements of any Guarantor under this Guarantee or any of the other Loan Documents, the agreements and obligations of each Guarantor contained in ***Section 1(a)*** (with respect to enforcement expenses), the last sentence of ***Section 2***, ***Section 5*** and this ***Section 12*** shall survive the payment in full of the Guaranteed Obligations and all of the other amounts payable under this Guarantee.

Section 13. Subordination. Each Guarantor hereby subordinates any and all debts, liabilities and other Obligations owed to such Guarantor by each other Loan Party (the "***Subordinated Obligations***") to the Guaranteed Obligations to the extent and in the manner hereinafter set forth in this ***Section 13***:

(a) Prohibited Payments, Etc. Except during the continuance of an Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Loan Party), each Guarantor may receive payments from any other Loan Party on account of the Subordinated Obligations as permitted pursuant to *Section 5.02* of the Credit Agreement. After the occurrence and during the continuance of any Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Loan Party), however, unless the Administrative Agent otherwise agrees, no Guarantor shall demand, accept or take any action to collect any payment on account of the Subordinated Obligations.

(b) Prior Payment of Guaranteed Obligations. In any proceeding under any Bankruptcy Law relating to any other Loan Party, each Guarantor agrees that the Lender Parties shall be entitled to receive payment in full in cash of all Guaranteed Obligations (including all interest and expenses accruing after the commencement of a proceeding under any Bankruptcy Law, whether or not constituting an allowed claim in such proceeding (" ***Post Petition Interest***")) before such Guarantor receives payment of any Subordinated Obligations.

(c) Turn-Over. After the occurrence and during the continuance of any Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Loan Party), each Guarantor shall, if the Administrative Agent so requests, use commercially reasonable efforts to collect, enforce and receive payments on account of the Subordinated Obligations as trustee for the Lender Parties and deliver such payments to the Administrative Agent on account of the Guaranteed Obligations (including all Post Petition Interest), together with any necessary endorsements or other instruments of transfer, but without reducing or affecting in any manner the liability of such Guarantor under the other provisions of this Guarantee.

(d) Administrative Agent's Authorization. After the occurrence and during the continuance of any Event of Default (including the commencement and continuation of any proceeding under any Bankruptcy Law relating to any other Loan Party), the Administrative Agent is authorized and empowered (but without any obligation to so do), in its discretion, (i) in the name of each Guarantor, to collect and enforce, and to submit claims in respect of, Subordinated Obligations and to apply any amounts received thereon to the Guaranteed Obligations (including any and all Post Petition Interest), and (ii) to require each Guarantor (A) to collect and enforce, and to submit claims in respect of, Subordinated Obligations and (B) to pay any amounts received on such obligations to the Administrative Agent for application to the Guaranteed Obligations (including any and all Post Petition Interest).

Section 14. Continuing Guarantee; Assignments under the Revolving Credit Agreement. This Guarantee is a continuing guarantee and shall (a) remain in full force and effect until the later of the following (the "***Guarantee Termination Date***"): (i) the payment in full in cash of the Guaranteed

Obligations and all other amounts payable under this Guarantee, (ii) the Termination Date and (iii) the latest date of expiration or termination of all Letters of Credit or when such Letters of Credit have been fully cash collateralized; (b) be binding upon the Guarantor, its successors and assigns; and (c) inure to the benefit of and be enforceable by the Lender Parties and their successors, permitted transferees and permitted assigns. Without limiting the generality of ***clause (c)*** of the immediately preceding sentence, any Lender Party may assign or otherwise transfer all or any portion of its rights and obligations under the Revolving Credit Agreement (including, without limitation, all or any portion of its Commitments, the Advances owing to it and the Note or Notes held by it) to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to such Lender Party herein or otherwise, in each case as and to the extent provided in *Section 8.08* of the Revolving Credit Agreement. No Guarantor shall have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lender Parties.

Section 15. Joint and Several Obligations. Each Guarantor acknowledges that (i) this Guarantee is a master Guarantee pursuant to which other Subsidiaries of the Borrower now or hereafter may become parties, and (ii) the guaranty obligations of each of the Guarantors hereunder are joint and several.

Section 16. Execution in Counterparts. This Guarantee and each amendment, waiver and consent with respect hereto may be executed in any number of counterparts and by different parties thereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Guarantee by facsimile or electronic mail in "Portable Document Format" (PDF) shall be effective as delivery of an original executed counterpart of this Guarantee.

Section 17. Governing Law; Jurisdiction; Waiver of Jury Trial, Etc.

(a) This Guarantee shall be governed by, and construed in accordance with, the laws of the State of New York.

(b) Each Guarantor hereby irrevocably and unconditionally submits, for itself and its property, to the non-exclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any appeal thereof, in any action or proceeding arising out of or relating to this Guarantee or any of the other Loan Documents to which it is or is to be a party, or for recognition or enforcement of any judgment, and each Guarantor hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. Each Guarantor agrees that a final, non-appealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Guarantee or any other Loan Document shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Guarantee or any other Loan Document in the courts of any jurisdiction.

(c) Each Guarantor irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, (i) any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Guarantee or any of the other Loan Documents to which it is or is to be a party in any New York State or federal court,

(ii) the defense of an inconvenient forum to the maintenance of such suit, action or proceeding in any such court, and (iii) any right it may have to claim or recover in any action or proceeding referred to in this ***Section 17*** any exemplary or punitive damages or any special or consequential damages.

(d) Each Guarantor irrevocably consents to service of process in the manner provided for notices in *Section 8.01* of the Revolving Credit Agreement. Nothing in this Guarantee will affect the right of any party hereto to serve process in any other manner permitted by applicable law.

(e) EACH GUARANTOR HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY OF THE LOAN DOCUMENTS, THE ADVANCES OR THE ACTIONS OF ANY LENDER PARTY IN THE NEGOTIATION, ADMINISTRATION PERFORMANCE OR ENFORCEMENT THEREOF. EACH GUARANTOR (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT IT, THE OTHER PARTIES HERETO, THE ADMINISTRATIVE AGENT, THE ISSUING BANKS AND THE BANKS HAVE BEEN INDUCED TO ENTER INTO THIS GUARANTEE AND THE OTHER LOAN DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS IN THIS SECTION.

[*Remainder of Page Intentionally Blank; Signature Pages Follow*]

IN WITNESS WHEREOF, each Guarantor has caused this Guarantee to be duly executed and delivered by its officer thereunto duly authorized as of the date first above written.

SUBSIDIARY GUARANTORS:

KBR HOLDINGS, LLC

By: _____
Name:
Title:

KELLOGG BROWN & ROOT LLC

KELLOGG BROWN & ROOT SERVICES, INC.

KELLOGG BROWN & ROOT INTERNATIONAL, INC.

By: _____
Name:
Title:

KBR ACQUISITION HOLDINGS, LLC

By: _____
Name:
Title:

Exhibit A
To The
Subsidiary Guarantee

FORM OF SUBSIDIARY GUARANTY SUPPLEMENT

,

Citibank, N.A.,
as Administrative Agent
Two Penns Way, Suite 200
New Castle, Delaware 19720
Attention: Bank Loan Syndications Department

Ladies and Gentlemen:

Reference is made to (i) the Three Year Revolving Credit Agreement dated as of November 3, 2009 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "***Revolving Credit Agreement***") among KBR, Inc., a Delaware corporation (the "***Company***"), the Banks party thereto (the "***Revolving Credit Banks***"), Citibank, N.A., as Administrative Agent (the "***Administrative Agent***") and (ii) the Subsidiary Guarantee referred to therein (such Subsidiary Guarantee, as in effect on the date hereof and as it may hereafter be amended, supplemented or otherwise modified from time to time, together with this Guarantee Supplement, being the "***Subsidiary Guarantee***"). The capitalized terms defined in the Subsidiary Guarantee or the Revolving Credit Agreement and not otherwise defined herein are used herein as therein defined.

Section 1. Guarantee; Limitation of Liability. (a) The undersigned hereby absolutely, unconditionally and irrevocably guarantees the punctual payment when due, whether at scheduled maturity or on any date of a required prepayment or by acceleration, demand or otherwise, and the punctual performance of, all Obligations of each other Loan Party now or hereafter existing under or in respect of the Loan Documents (including, without limitation, any extensions, modifications, substitutions, amendments or renewals of any or all of the foregoing Obligations), whether direct or indirect, absolute or contingent, and whether for principal, interest, premium, fees, indemnities, contract causes of action, costs, expenses or otherwise (such Obligations being the "***Guaranteed Obligations***"), and agrees to pay any and all out-of-pocket expenses (including, without limitation, fees and expenses of counsel) incurred by the Administrative Agent or any other Lender Party in enforcing any rights under this Guarantee Supplement, the Subsidiary Guarantee or any other Loan Document. Without limiting the generality of the foregoing, the undersigned's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by any other Loan Party to any Lender Party under or in respect of the Loan Documents but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving such other Loan Party.

(b) The undersigned, and by its acceptance of this Guarantee Supplement, the Administrative Agent and each other Lender Party, hereby confirms that it is the intention of all such Persons that this Guarantee Supplement, the Subsidiary Guarantee and the Obligations of the undersigned hereunder and thereunder not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar foreign, federal or state law to the extent applicable to this Guarantee Supplement, the Subsidiary Guarantee and the Obligations of the undersigned hereunder and thereunder. To effectuate the foregoing

intention, the Administrative Agent, the other Lender Parties and the undersigned hereby irrevocably agree that the Obligations of the undersigned under this Guarantee Supplement and the Subsidiary Guarantee at any time shall be limited to the maximum amount as will result in the Obligations of the undersigned under this Guarantee Supplement and the Subsidiary Guarantee not constituting a fraudulent transfer or conveyance.

(c) The undersigned hereby unconditionally and irrevocably agrees that in the event any payment shall be required to be made to any Lender Party under this Guarantee Supplement, the Subsidiary Guarantee or any other guarantee, the undersigned will contribute, to the maximum extent permitted by applicable law, such amounts to each other Guarantor and each other guarantor so as to maximize the aggregate amount paid to the Lender Parties (up to the amount of the payment so required to be made) under or in respect of the Loan Documents.

Section 2. Obligations Under the Guarantee. The undersigned hereby agrees, as of the date first above written, to be bound as a Guarantor by all of the terms and conditions of the Subsidiary Guarantee to the same extent as each of the other Guarantors thereunder. The undersigned further agrees, as of the date first above written, that each reference in the Subsidiary Guarantee to an "***Additional Guarantor***" or a "***Guarantor***" shall also mean and be a reference to the undersigned, and each reference in any other Loan Document to a "***Subsidiary Guarantor***" or a "***Loan Party***" shall also mean and be a reference to the undersigned.

Section 3. Representations and Warranties. The undersigned hereby makes each representation and warranty set forth in ***Section 6*** of the Subsidiary Guarantee to the same extent as each other Guarantor.

Section 4. Delivery by Facsimile or Electronic Mail. Delivery of an executed counterpart of a signature page to this Guarantee Supplement by facsimile or electronic mail in "Portable Document Format" (PDF) shall be effective as delivery of an original executed counterpart of this Guarantee Supplement.

Section 5. Governing Law; Jurisdiction; Waiver of Jury Trial, Etc. (a) This Guarantee Supplement shall be governed by, and construed in accordance with, the laws of the State of New York.

(d) The undersigned hereby irrevocably and unconditionally submits, for itself and its property, to the non-exclusive jurisdiction of any New York State court or any federal court of the United States of America sitting in New York City, and any appellate court from any appeal thereof, in any action or proceeding arising out of or relating to this Guarantee Supplement, the Subsidiary Guarantee or any of the other Loan Documents to which it is or is to be a party, or for recognition or enforcement of any judgment, and the undersigned hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such court. The undersigned agrees that a final and non-appealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Guarantee Supplement or the Subsidiary Guarantee or any other Loan Document shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Guarantee Supplement, the Subsidiary Guarantee or any of the other Loan Documents to which it is or is to be a party in the courts of any other jurisdiction.

(e) The undersigned irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, (i) any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Guarantee Supplement, the Subsidiary Guarantee or any of the other Loan Documents to which it is or is to be a party in any New York State or federal court, (ii) the defense of an inconvenient forum to the maintenance of such suit, action or proceeding in any such court, and (iii) any right it may have to claim or recover in any action or proceeding referred to in this ***Section 5*** any exemplary or punitive damages or any special or consequential damages.

(f) The undersigned irrevocably consents to service of process in the manner provided for notices in *Section 8.01* of the Revolving Credit Agreement. Nothing in this Guarantee Supplement will affect the right of any party hereto to serve process in any other manner permitted by applicable law.

(g) THE UNDERSIGNED HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO ANY OF THE LOAN DOCUMENTS, THE ADVANCES OR THE ACTIONS OF ANY LENDER PARTY IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE OR ENFORCEMENT THEREOF. THE UNDERSIGNED (I) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (II) ACKNOWLEDGES THAT THE UNDERSIGNED, THE ADMINISTRATIVE AGENT, THE ISSUING BANKS AND THE BANKS HAVE BEEN INDUCED TO ENTER INTO THE GUARANTEE AND THE OTHER LOAN DOCUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Very truly yours,

[NAME OF ADDITIONAL GUARANTOR**]**

By: _____

Name:
Title:

EXHIBIT D

FORM OF
ASSIGNMENT AND ACCEPTANCE

Please see attached.

ASSIGNMENT AND ACCEPTANCE

This Assignment and Acceptance (this "Assignment and Acceptance") is dated as of the Effective Date set forth below and is entered into by and between [the][each][1] Assignor identified in item 1 below ([the][each, an] "Assignor") and [the][each][2] Assignee identified in item 2 below ([the][each, an] "Assignee"). [It is understood and agreed that the rights and obligations of [the Assignors][the Assignees] [3] hereunder are several and not joint.][4] Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended to date, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by [the][each] Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Acceptance as if set forth herein in full.

For an agreed consideration, [the][each] Assignor hereby irrevocably sells and assigns to [the Assignee][the respective Assignees], and [the][each] Assignee hereby irrevocably purchases and assumes from [the Assignor][the respective Assignors], subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of [the Assignor's][the respective Assignors'] rights and obligations in [its capacity as a Bank][their respective capacities as Banks] under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of [the Assignor][the respective Assignors] under the respective facilities identified below (including without limitation the Letters of Credit and guarantees included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of [the Assignor (in its capacity as a Bank)][the respective Assignors (in their respective capacities as Banks)] against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by [the][any] Assignor to [the][any] Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as [the][an] "Assigned Interest"). Each such sale and assignment is without recourse to [the][any] Assignor and, except as expressly provided in this Assignment and Acceptance, without representation or warranty by [the][any] Assignor.

1. Assignor[s]: _____

   _____

2. Assignee[s]: _____

[1] For bracketed language here and elsewhere in this form relating to the Assignor(s), if the assignment is from a single Assignor, choose the first bracketed language. If the assignment is from multiple Assignors, choose the second bracketed language.

[2] For bracketed language here and elsewhere in this form relating to the Assignee(s), if the assignment is to a single Assignee, choose the first bracketed language. If the assignment is to multiple Assignees, choose the second bracketed language.

[3] Select as appropriate.

[4] Include bracketed language if there are either multiple Assignors or multiple Assignees.

[for each Assignee, indicate [Affiliate][Approved Fund] of [*identify Bank*]

3. Borrower: KBR, Inc.

4. Administrative Agent: Citibank, N.A., as the administrative agent under the Credit Agreement

5. Credit Agreement: Three Year Revolving Credit Agreement dated as of November 3, 2009 among KBR, Inc., the Banks from time to time party thereto, the Issuing Banks from time to time party thereto, Citibank, N.A., as Administrative Agent, and the other agents parties thereto.

6. Assigned Interest[s]: `

Assignor[s][5]	Assignee[s][6]	Facility Assigned[7]	Aggregate Amount of Commitment/Revolving Credit Advances for all Banks[8]	Amount of Commitment/ Revolving Credit Advances Assigned[8]	Percentage Assigned of Commitment/Revolving Credit Advances[9]	CUSIP Number
			$	$	%	
			$	$	%	
			$	$	%	

[7. Trade Date:][10]

[Page break]

[5] List each Assignor, as appropriate.

[6] List each Assignee, as appropriate.

[7] Fill in the appropriate terminology for the types of facilities under the Credit Agreement that are being assigned under this Assignment (e.g. "Revolving Credit Commitment," "Letter of Credit Commitment," etc.)

[8] Amount to be adjusted by the counterparties to take into account any payments or prepayments made between the Trade Date and the Effective Date.

[9] Set forth, to at least 9 decimals, as a percentage of the Commitment/Advances of all Banks thereunder.

[10] To be completed if the Assignor(s) and the Assignee(s) intend that the minimum assignment amount is to be determined as of the Trade Date.

Effective Date: , 20 [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Acceptance are hereby agreed to:

ASSIGNOR[S][11]

[NAME OF ASSIGNOR]

By: _____
Title:

[NAME OF ASSIGNOR]

By:
Title:

ASSIGNEE[S][12]

[NAME OF ASSIGNEE]

By: _____
Title:

Domestic Lending Office:

Eurodollar Lending Office:

[NAME OF ASSIGNEE]

By: _____
Title:

Domestic Lending Office:

Eurodollar Lending Office:

[11] Add additional signature blocks as needed.
[12] Add additional signature blocks as needed.

[Consented to and][13] Accepted:

CITIBANK, N.A., as
Administrative Agent

By _____
Title:

[Consented to:][14]
KBR, INC.

By _____
Title:

[13] To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.
[14] To be added only if the consent of the Borrower and/or the Issuing Banks is required by the terms of the Credit Agreement.

STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT AND ACCEPTANCE

1. Representations and Warranties.

1.1 Assignor[s]. [The][Each] Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of [the][the relevant] Assigned Interest, (ii) [the][such] Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2. Assignee[s]. [The][Each] Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Acceptance and to consummate the transactions contemplated hereby and to become a Bank under the Credit Agreement, (ii) it meets all the requirements to be an assignee under ***Section 8.08 (b)(iii)***, ***(v)*** and ***(vi)*** of the Credit Agreement (subject to such consents, if any, as may be required under ***Section 8.08 (b)(iii)*** of the Credit Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Bank thereunder and, to the extent of [the][the relevant] Assigned Interest, shall have the obligations of a Bank thereunder, (iv) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the Person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type, (v) it has received a copy of the Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to ***Section 5.01(d)*** thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance and to purchase [the][such] Assigned Interest, (vi) it has, independently and without reliance upon the Administrative Agent or any other Bank and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignmen`t and Acceptance and to purchase [the][such] Assigned Interest, and (vii) if it is a Foreign Lender, attached to the Assignment and Acceptance is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by [the][such] Assignee; and (b) agrees that (i) it will, independently and without reliance upon the Administrative Agent, [the][any] Assignor or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Bank.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of [the][each] Assigned Interest (including payments of principal, interest, fees and other amounts) to [the][the relevant] Assignee whether such amounts have accrued prior to, on or after the Effective Date. The Assignor[s] and the Assignee[s] shall make all appropriate adjustments in payments by the Administrative Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.

3. General Provisions. This Assignment and Acceptance shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Acceptance may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Acceptance by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Acceptance. This Assignment and Acceptance shall be governed by, and construed in accordance with, the law of the State of New York.

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William P. Utt, certify that:

1. I have reviewed this quarterly report on Form 10-Q of KBR, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2011

/s/ William P. Utt

William P. Utt

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Susan K. Carter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of KBR, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 27, 2011

/s/ Susan K. Carter

Susan K. Carter

Chief Financial Officer

EXHIBIT 32.1

WRITTEN STATEMENT OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Executive Officer of KBR, Inc. (the "Company"), hereby certifies that to his knowledge, on the date hereof:

(a) the Form 10-Q of the Company for the quarter ended June 30, 2011, filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section l3(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William P. Utt

William P. Utt
Chief Executive Officer

Date: July 27, 2011

EXHIBIT 32.2

WRITTEN STATEMENT OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

The undersigned, the Chief Financial Officer of KBR, Inc. (the "Company"), hereby certifies that to his knowledge, on the date hereof:

(a) the Form 10-Q of the Company for the quarter ended June 30, 2011, filed on the date hereof with the Securities and Exchange Commission (the "Report") fully complies with the requirements of Section l3(a) or 15(d) of the Securities Exchange Act of 1934; and

(b) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Susan K. Carter

Susan K. Carter
Chief Financial Officer

Date: July 27, 2011