

KBR, INC.
Form DEF 14A
August 15, 2007
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

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

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

KBR, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how much it was determined):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
- o Fee paid previously with preliminary materials.
- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:

(4)

Date Filed:

August 15, 2007

To Our Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders of KBR, Inc. The meeting will be held on Thursday, September 27, 2007, beginning at 9:00 a.m., local time at South Shore Harbour Resort and Conference Center, 2500 South Shore Boulevard, League City, Texas 77573. The Notice of Annual Meeting of Stockholders, proxy statement and proxy card from the Board of Directors are enclosed. The materials provide further information concerning the meeting.

At the meeting, stockholders are being asked to:

- elect two Class I directors to serve for three years and until their successors shall be elected and qualified;
- ratify the selection of KMPG LLP as the independent registered public accounting firm to examine the financial statements of KBR, Inc. for 2007;
- approve the KBR, Inc. 2006 Stock and Incentive Plan, as amended; and
- transact any other business that properly comes before the meeting or any adjournment or postponements of the meeting.

Please refer to the proxy statement for detailed information on each of these proposals.

It is very important that your shares are represented and voted at the meeting. Your shares may be voted electronically on the Internet, by telephone or by returning the enclosed proxy card. Your proxy will not be used if you are present and prefer to vote in person or if you revoke your proxy. We would appreciate your informing us on the proxy card if you expect to attend the meeting so that we can provide adequate seating.

We appreciate the continuing interest of our stockholders in the business of KBR, and we hope you will be able to attend the meeting.

Sincerely,

William P. Utt
*Chairman of the Board, President
and Chief Executive Officer*

**Notice of Annual Meeting of Stockholders
to be Held September 27, 2007**

KBR, Inc., a Delaware corporation, will hold its Annual Meeting of Stockholders on Thursday, September 27, 2007, at 9:00 a.m., local time, at South Shore Harbour Resort and Conference Center, 2500 South Shore Boulevard, League City, Texas 77573. At the meeting, stockholders will be asked to consider and act upon the following matters discussed in the attached proxy statement:

1. To elect two Class I directors to serve for three years and until their successors shall be elected and shall qualify.
2. To consider and act upon a proposal to ratify the appointment of KPMG LLP as the independent registered public accounting firm to examine the financial statements of KBR for the year 2007.
3. To approve the KBR, Inc. 2006 Stock and Incentive Plan, as amended.
4. To transact any other business that properly comes before the meeting or any adjournment or postponements of the meeting.

These items are fully described in the following pages, which are made a part of this Notice. The Board of Directors has set Friday, August 3, 2007, at the close of business, as the record date for the determination of stockholders entitled to notice of and to vote at the meeting and at any adjournment or postponement of the meeting.

We request that you vote your shares as promptly as possible. If you have shares registered in your own name, you may vote your shares in a number of ways:

- electronically via the Internet at www.proxyvote.com,
- by telephone, if you are in the U.S. and Canada, by calling 1-800-690-6903, or
- by marking your votes, dating and signing the proxy card or voting instruction form enclosed and returning it in the postage paid envelope provided.

If you hold KBR shares with a broker or bank, you may also be eligible to vote via the Internet or by telephone if your broker or bank participates in the proxy voting program provided by Broadridge Investor Communication Services.

IF YOU PLAN TO ATTEND:

Attendance at the meeting is limited to stockholders. No guests will be admitted. Admission will be on a first-come, first-served basis. Registration will begin at 8:00 a.m., and the meeting will begin promptly at 9:00 a.m. Each stockholder holding KBR shares in brokerage accounts is required to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Please note that you may be asked to present valid picture identification, such as a driver's license or passport.

By Order of the Board of Directors,

Andrew D. Farley
Senior Vice President and Secretary

August 15, 2007

TABLE OF CONTENTS

| | |
|--|-----|
| <u>PROXY STATEMENT GENERAL INFORMATION</u> | 1 |
| <u>QUESTIONS AND ANSWERS ABOUT VOTING</u> | 3 |
| <u>PROPOSAL FOR ELECTION OF DIRECTORS</u> | 6 |
| <u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u> | 8 |
| <u>CORPORATE GOVERNANCE</u> | 10 |
| <u>COMPENSATION COMMITTEE REPORT</u> | 18 |
| <u>COMPENSATION DISCUSSION AND ANALYSIS</u> | 19 |
| <u>EXECUTIVE COMPENSATION</u> | 35 |
| <u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u> | 46 |
| <u>RELATED PERSON POLICIES</u> | 60 |
| <u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u> | 60 |
| <u>DIRECTOR COMPENSATION</u> | 61 |
| <u>AUDIT COMMITTEE REPORT</u> | 62 |
| <u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u> | 63 |
| <u>PROPOSAL TO RATIFY THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u> | 64 |
| <u>PROPOSAL TO APPROVE THE KBR, INC. 2006 STOCK AND INCENTIVE PLAN, AS AMENDED</u> | 64 |
| <u>OTHER MATTERS</u> | 70 |
| <u>ADDITIONAL INFORMATION AVAILABLE</u> | 70 |
| <u>2006 STOCK AND INCENTIVE PLAN, AS AMENDED</u> | A-1 |

PROXY STATEMENT

GENERAL INFORMATION

The accompanying proxy is solicited by the Board of Directors of KBR, Inc. (KBR , the Company , we or us). By executing and returning the enclosed proxy or by following the enclosed voting instructions, you authorize the persons named in the proxy to represent you and vote your shares on the matters described in the Notice of Annual Meeting of Stockholders.

Subject to space availability, all stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Admission to the meeting will be on a first-come, first-served basis and no guests will be admitted. Registration will begin at 8:00 a.m., and the meeting will begin at 9:00 a.m. Please note that you may be asked to present valid picture identification, such as a driver's license or passport when you check in at the registration desk.

If you hold your shares in street name (that is, through a broker or other nominee), you are required to bring a copy of a brokerage statement reflecting your stock ownership as of the record date.

No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the meeting.

If you attend the meeting, you may vote in person. If you are not present, your shares can be voted only if you have followed the instructions for voting via the Internet or by telephone, or returned a properly executed proxy; and in these cases, your shares will be voted as you specify. If no specification is made, the shares will be voted in accordance with the recommendations of the Board of Directors. You may revoke the authorization given in your proxy at any time before the shares are voted at the meeting.

The record date for determination of the stockholders entitled to vote at the meeting is the close of business on Friday, August 3, 2007. KBR's common stock, par value \$0.001, is the only class of capital stock that is outstanding. As of August 3, 2007, there were 169,120,560 shares of common stock outstanding. Each of the outstanding shares of common stock is entitled to one vote on each matter submitted to the stockholders for a vote at the meeting. A complete list of stockholders entitled to vote will be kept at our offices at the address specified below for ten days prior to, and will be available at, the meeting.

Votes cast by proxy or in person at the meeting will be counted by the persons appointed by us to act as election inspectors for the meeting. Except as set forth below, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter will be the act of the stockholders. Except as set forth below, shares for which a holder has elected to abstain on a matter will count for purposes of determining the presence of a quorum and will have the effect of a vote against the matter.

In the election of directors, the candidates for election receiving the highest number of affirmative votes of the shares entitled to be voted, whether or not a majority of the shares present, up to the number of directors to be elected by those shares, will be elected. Shares present but not voting on the election of directors will be disregarded, except for quorum purposes, and will have no legal effect.

The election inspectors will treat shares held in street name which cannot be voted by a broker on specific matters in the absence of instructions from the beneficial owner of the shares, known as broker non-vote shares, as shares that are present and entitled to vote for purposes of determining the presence of a quorum. In determining the outcome of any matter for which the broker does not have discretionary authority to vote, however, those shares will not have any effect on that matter. Those shares may be entitled to vote on other matters for which brokers may exercise their own discretion.

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In accordance with our confidential voting policy, no vote of any stockholder will be disclosed to KBR's officers, directors or employees, except:

- as necessary to meet legal requirements and to assert claims for and defend claims against KBR;
- when disclosure is voluntarily made or requested by the stockholder;
- when the stockholder writes comments on the proxy card; or
- in the event of a proxy solicitation not approved and recommended by the Board of Directors.

The proxy solicitor, the election inspectors and the tabulators of all proxies, ballots and voting tabulations that identify stockholders are independent and are not employees of KBR.

This proxy statement, the form of proxy and voting instructions are being made available to stockholders on or about August 15, 2007, at www.investoreconnect.com. You may also request a printed copy of this proxy statement and the form of proxy by any of the following methods: (a) telephone at 1-800-579-1639; (b) internet at www.investoreconnect.com; or (c) e-mail at sendmaterial@investoreconnect.com. Our Annual Report to Stockholders, including financial statements, for the fiscal year ended December 31, 2006 is being made available at the same time and by the same methods. The Annual Report is not to be considered as a part of the proxy solicitation material or as having been incorporated by reference.

Our principal executive office is located at 601 Jefferson Street, Suite 3400, Houston Texas 77002 and our website address is www.kbr.com. Information contained on our website, including information referred to in this proxy statement, is not to be considered as part of the proxy solicitation material and is not incorporated into this proxy statement.

QUESTIONS AND ANSWERS ABOUT VOTING

The following are answers to common questions about voting KBR shares at the meeting. If your question is not addressed below or elsewhere in this proxy statement, please contact KBR's Investor Relations Department at (713) 753-5082.

Who is entitled to vote?

Holders of record at the close of business on August 3, 2007, which is the record date for the meeting, will be entitled to one vote per share. Fractional shares will not be voted. On the record date, KBR had 169,120,560 shares of common stock, par value \$0.001 per share, outstanding.

Who is soliciting my proxy to vote my shares?

KBR's Board of Directors is soliciting your proxy, or your authorization for our representatives to vote your shares. Your proxy will be effective for the September 27, 2007 meeting and at any adjournment or postponement of that meeting.

What constitutes a quorum?

For business to be conducted at the meeting, a quorum constituting a majority of the shares of KBR common stock issued and outstanding and entitled to vote must be in attendance or represented by proxy.

How do I give voting instructions?

For shares of KBR's common stock not held in the 401(k) plans: As described on the enclosed proxy card, proxies may be submitted:

- over the Internet,
- by telephone or
- by mail.

Votes submitted over the Internet or by telephone must be received by 11:59 p.m., Eastern Time, on Wednesday, September 26, 2007.

For shares of KBR's common stock held in the 401(k) plans: Voting instructions may be submitted:

- over the Internet,
- by telephone or
- by mail.

By submitting your voting instructions using any of the means described on the enclosed Card, you will be directing U.S. Trust, the Independent Stock Fiduciary for the KBR Stock Fund under KBR's 401(k) plans, how you wish to vote the shares of KBR common stock credited to your plan account. Your instructions for shares held in the 401(k) plans must be received by 11:59 p.m., Eastern Time, on Sunday, September 23, 2007.

Can I change my vote?

For shares of KBR's common stock not held in the 401(k) plans: A proxy may be revoked by a stockholder at any time before it is voted by:

- giving notice of the revocation in writing to KBR's Corporate Secretary at 601 Jefferson Street, Houston, Texas 77002,

- submitting another valid proxy by mail, telephone or over the Internet that is later dated and, if mailed, is properly signed or
- voting in person at the meeting.

For shares of KBR's common stock held in the 401(k) plans: A voting instruction may be revoked by a 401(k) plan participant at any time before the voting deadline of 11:59 p.m., Eastern Time, on Sunday, September 23, 2007, by:

- calling U.S. Trust at 1-800-535-3093 and requesting another Card and completing, signing and submitting the Card in time to reach the tabulator prior to this voting deadline; or
- submitting another voting instruction by telephone or over the Internet prior to the voting deadline.

Only the last voting instruction submitted prior to the deadline will be submitted.

What are voting requirements to elect the directors and approve each of the proposals?

KBR's Bylaws provide that, in general, holders of a majority of the voting stock, present in person or represented by proxy, will constitute a quorum at any meeting of the shareholders. The directors will be elected by a plurality of the shares of KBR's common stock cast in person or represented by proxy at the meeting. Adoption of the proposal to ratify the appointment of the independent registered public accounting firm will require the affirmative vote of a majority of the shares of KBR's common stock present in person or represented by proxy at the meeting and entitled to vote. Adoption of the proposal to approve the KBR, Inc. 2006 Stock and Incentive Plan, as amended will require the affirmative vote of a majority of the shares of KBR's common stock present in person or represented by proxy at the meeting and entitled to vote.

If my shares are held in street name by my broker, will my broker vote my shares for me?

If you are a beneficial owner and your broker holds your shares in its name, the broker is permitted to vote your shares on the election of directors and the ratification of the appointment of our independent registered public accounting firm, even if the broker does not receive voting instructions from you. Accordingly, broker non-votes will have no effect on the quorum requirement or the vote on those matters. However, a broker may not vote your shares on the proposal to approve the KBR, Inc. 2006 Stock and Incentive Plan, as amended unless the broker receives voting instructions from you.

What happens if I abstain or withhold my vote on any proposal?

Abstentions are counted as present in determining whether the quorum requirement is satisfied. Abstentions from voting will not be taken into account in determining the outcome of the election of directors or the approval of the KBR, Inc. 2006 Stock and Incentive Plan, as amended. Abstentions will be included in the voting tally and will have the same effect as a vote against the ratification of the appointment of the independent registered public accounting firm.

Does KBR offer electronic delivery of proxy materials?

Yes. KBR encourages you to reduce printing and mailing costs by signing up for electronic delivery of KBR stockholder communications. With electronic delivery, you will receive documents such as the Annual Report and the proxy statement as soon as they are available, without waiting for them to arrive in the mail. Electronic delivery also can help reduce the number of bulky documents in your personal files and eliminate duplicate mailings. To sign up for electronic delivery, please follow the instructions on your proxy card to vote by internet at www.proxyvote.com and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years.

What is householding?

In accordance with notices that KBR sent to certain stockholders, KBR is sending only one copy of its meeting materials to stockholders who share the same address, unless they have notified KBR that they want to continue receiving multiple copies. This practice, known as householding, is designed to reduce duplicate mailings and save significant printing and postage costs.

If you received a householded mailing this year and you would like to have additional copies of the Annual Report and/or proxy statement mailed to you, or you would like to revoke your consent to the householding of documents, please submit your request to 1-800-542-1061. You will begin to receive individual copies within 30 days after your request.

Unfortunately, householding for bank and brokerage accounts is limited to accounts within the same bank or brokerage firm. For example, if you and your spouse share the same last name and address, and you and your spouse each have two accounts containing KBR stock at two different brokerage firms, your household will receive two copies of the meeting materials one from each brokerage firm. To reduce the number of duplicate sets of meeting materials your household receives, you may wish to enroll some or all of your accounts in our electronic delivery program. See [Does KBR offer electronic delivery of proxy materials?](#)

PROPOSAL FOR ELECTION OF DIRECTORS

Proposal 1 on Proxy Card

On April 5, 2007, Halliburton completed an offer to exchange its 135,627,000 shares of our common stock in the aggregate for outstanding shares of Halliburton common stock, subject to the terms and conditions set forth in a joint registration statement on Form S-4 that we and Halliburton filed with the Securities and Exchange Commission on March 23, 2007. In connection with, and effective upon, the closing of the exchange offer and in accordance with the Master Separation Agreement between us and Halliburton dated November 20, 2006: (i) the Halliburton affiliated directors then serving on our Board of Directors, Messrs. Cornelison, Gaut, Lane and McCollum, resigned, (ii) our Board elected Messrs. Huff and Carroll as nominees to join our Board of Directors, and (iii) our Board of Directors was classified into three classes serving staggered three-year terms, with Messrs. Utt and Curtiss being designated Class I directors, Messrs. Slater and Huff being designated Class II directors and Mr. Carroll being designated a Class III director. On April 17, 2007, Mr. Blount was elected to fill one of the vacancies on the Board and was designated a Class III director. The size of our Board of Directors is currently set at seven and there exists one vacancy on the Board of Directors.

Pursuant to our Certificate of Incorporation and Bylaws, the members of the Board of Directors serve for three year terms and hold office until their successors are elected and qualified or until their earlier resignation or removal. Class I directors will serve until the 2007 Annual Meeting of Stockholders, Class II directors will serve until the Annual Meeting of our stockholders to be held in 2008 and Class III directors will serve until the Annual Meeting of our stockholders to be held in 2009. Each of the three classes has two directors, and the vacancy is a Class III directorship.

The terms of the current Class I directors will expire on the date of the upcoming Annual Meeting of Stockholders. Accordingly, two persons are to be elected to serve as Class I directors at the Annual Meeting of Stockholders. Management's nominees for election by the stockholders to those two positions are the current Class I members of the Board of Directors, Messrs. Utt and Curtiss. Each nominee has indicated his willingness to serve, if elected. If any of the nominees declines to serve or becomes unavailable for any reason, or if a vacancy occurs before the election, the proxies may be voted for such substitute nominee as we may designate. We have no reason to believe that any of the Class I nominees will be unable to serve if elected. If a quorum is present, the nominees for Class I director receiving the highest number of votes will be elected as Class I directors.

The Board of Directors recommends that you vote FOR election of each Class I director nominee listed below. Properly dated and signed proxies, and proxies properly submitted over the Internet and by telephone, will be so voted unless stockholders specify otherwise.

The following biographical information is furnished with respect to each of the Class I director nominees for election at the meeting and each incumbent member of the Board of Directors. The information includes age as of August 3, 2007, present position, if any, with KBR, period served as director, and other business experience during at least the past five years.

Nominees for Class I director-Term Ending 2010

William P. Bill Utt, 50, was named President and Chief Executive Officer of KBR effective March 15, 2006. He was named Chairman in April 2007. Prior to joining KBR, he was president and CEO of SUEZ Energy North America from 2000-2006, with responsibility for the LNG, retail energy, energy marketing and trading, power generation and development businesses. From 1995-2000, he was president and CEO of Tractebel's North American energy businesses. Mr. Utt holds bachelor's and master's degrees in mechanical engineering from the University of Virginia and has a master's degree in business administration from The Colgate Darden Graduate School of Business Administration at the University of

Virginia. Mr. Utt recently served on the National Petroleum Council, which provides advice and analysis to the U.S. Secretary of Energy. Mr. Utt is currently a trustee for the School of Engineering and Applied Science at the University of Virginia. He is also a trustee of Episcopal High School in Houston.

Jeffrey E. Curtiss, 59, is a private investor. From January 2000 to June 2006, Mr. Curtiss served as the Senior Vice President and Chief Financial Officer of Service Corporation International, a leading provider of funeral and cemetery services. Previously, Mr. Curtiss was the Senior Vice President and Chief Financial Officer of Browning-Ferris Industries, Inc. from January 1992 to July 1999. Mr. Curtiss received law degrees from two universities in 1971 and 1975. He received his CPA certificate from Colorado in 1971 and became a CFA charterholder in 2006. Mr. Curtiss joined our Board in November 2006 and is a member of the Compensation Committee, Health, Safety and Environment (HSE) Committee and Nominating and Corporate Governance Committee and is Chairman of the Audit Committee.

Incumbent Class II Directors Term Ending 2008

John R. Huff, 61, has been Chairman of Oceaneering International, Inc.'s Board of Directors since August 1990. Mr. Huff served as a director and Chief Executive Officer of Oceaneering International, an oil field services company, since joining the company in 1986, until his retirement from the position of Chief Executive Officer in May 2006. Mr. Huff is also a director of BJ Services Company, Rowan Companies and Suncor Energy, Inc. Mr. Huff joined the Board in April 2007 and is a member of the Audit Committee, Health, Safety and Environment (HSE) Committee and Nominating and Corporate Governance Committee and is Chairman of the Compensation Committee.

Richard J. Slater, 61, has been chairman of ORBIS LLC, an investment and corporate advisory firm, since February 2003. Previously, Mr. Slater served in various executive positions with Jacobs Engineering Group Inc. (JEG) beginning in May 1980. Mr. Slater was employed as a consultant to the chief executive officer of JEG from January 2003 to October 2006 and prior to that, he served as Executive Vice President, Operations from March 1998 to December 2002. Mr. Slater presently serves as non-executive chairman of Bluebeam Software Inc., and as an independent director of Reliance Steel & Aluminum Co. and as trustee and member of the executive committee of the board of trustees of Claremont Graduate University. Mr. Slater joined the Board in November 2006 and is a member of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee and is Chairman of the Health, Safety and Environment (HSE) Committee.

Incumbent Class III Directors Term Ending 2009

Loren K. Carroll, 63, is currently an independent consultant and an advisor to Smith International, Inc. From March 1994 until April 2006, Mr. Carroll served as President and Chief Executive Officer of M-I SWACO and Executive Vice-President of Smith International, Inc, a worldwide supplier of drilling fluids and related equipment and services to the oil and gas industry. M-I SWACO is owned 60% by Smith International, Inc. Mr. Carroll currently serves as a director of Forest Oil Corporation, Fleetwood Enterprises, Inc. and Veritas DGC, Inc. Mr. Carroll joined the Board in April 2007 and is a member of the Audit Committee, Compensation Committee, Health, Safety and Environment (HSE) Committee and Nominating and Corporate Governance Committee.

W. Frank Blount, 69, is currently Chairman and Chief Executive Officer of TTS Management Corp., a management services company, which is based in Atlanta, Georgia. From June 2000 to October 2002, he served as Chairman and Chief Executive Officer of Cypress Communications Corporation, a telecommunications company. From January 1992 until March 1999, he served as Chief Executive Officer of Telstra Communications Corporation, Australia's principal telecommunications company. Mr. Blount also serves on the Boards of Caterpillar, Inc., Alcatel-Lucent, Hanson PLC, and Entergy, Inc. and the Advisory Board for China Telecom. Mr. Blount joined the Board in April 2007 and is a member of the

Audit Committee, Compensation Committee and Health, Safety and Environment (HSE) Committee and is Chairman of the Nominating and Corporate Governance Committee. Mr. Blount also serves as KBR's Lead Director.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below sets forth certain information, as of July 31, 2007, regarding the beneficial ownership of KBR's common stock by persons known by KBR to beneficially own more than five percent of its outstanding common stock, each director or nominee, each of the named executive officers referenced in the Summary Compensation Table contained in this Proxy Statement, and all directors and executive officers as a group. Information regarding five percent stockholders in the table and footnotes is based on the most recent Statement on Schedule 13G or 13D or amendment thereto filed by each such person with the Securities and Exchange Commission (the "SEC"), except as otherwise known to KBR. To our knowledge, except as otherwise noted in the footnotes to this table or as provided by applicable community property laws, each individual has sole voting and investment power with respect to the shares of common stock listed in the second column below as beneficially owned by the individual.

| Name and Address of Beneficial Owner (1) | Shares of KBR Common Stock Beneficially Owned | | | |
|--|---|---------------------|------|---|
| | Number of Shares(2) | Percentage of Class | | |
| Capital Research and Management Company(3) 333 South Hope Street Los Angeles, California 90071 | 20,531,420 | | 12.2 | % |
| Tontine Management, L.L.C. and affiliates(4) 55 Railroad Avenue Greenwich, Connecticut 06830 | 18,964,512 | | 11.2 | % |
| William P. Utt(5) | 223,590 | | * | |
| Andrew R. Lane | 0 | | | |
| Cedric W. Burgher(5)(6)(7) | 38,572 | | * | |
| John W. Gann, Jr(5)(6)(7) | 40,465 | | * | |
| John L. Rose(5)(6)(7) | 49,588 | | * | |
| Bruce A. Stanski(5)(6)(8) | 72,770 | | * | |
| James H. Lehmann | 0 | | | |
| Louis J. Pucher | 0 | | | |
| W. Frank Blount(5) | 3,500 | | * | |
| Loren K. Carroll(5) | 3,500 | | * | |
| Jeffrey E. Curtiss(5) | 7,000 | | * | |
| John R. Huff(5) | 3,500 | | * | |
| Richard J. Slater(5) | 7,000 | | * | |
| All directors and executive officers as a group (20 persons)(5)(6)(7) | 415,170 | | * | |

* Less than one percent (1%).

(1) The address of each of Messrs. Utt, Burgher, Gann, Rose, Stanski, Lehmann, Pucher, Blount, Carroll, Curtiss, Huff and Slater is c/o KBR, Inc., 601 Jefferson Street, Suite 3400, Houston, Texas 77002. The address of Mr. Lane is c/o Halliburton Company, 5 Houston Center, 1401 McKinney, Suite 2400, Houston, Texas 77010.

(2) Beneficial ownership means the sole or shared power to vote, or to direct the voting of, shares of KBR common stock, or investment power with respect to KBR common stock, or any combination of the

foregoing. Each director and executive officer and the directors and executive officers as a group beneficially own less than 1% of the outstanding shares of KBR common stock.

(3) Based solely on a Schedule G filed May 31, 2007, Capital Research and Management Company (CRM) is an investment adviser and is deemed to be the beneficial owner of 20,531,420 shares. CRM has sole dispositive power over 20,531,420 shares and sole voting power over 10,006,130 shares.

(4) Based solely on a Form 4 filed June 8, 2007, Mr. Jeffrey L. Gendell is the managing member of Tontine Management, L.L.C. (TM), a Delaware limited liability company, the general partner of Tontine Partners, L.P. (TP), a Delaware limited partnership. Mr. Gendell is also the managing member of Tontine Overseas Associates, L.L.C., a Delaware limited liability company (TOA), the investment advisor to Tontine Overseas Fund, Ltd., a Cayman Islands Corporation (TOF) and certain separately managed accounts. Mr. Gendell directly owns no shares of the common stock. TM and TOA directly own no shares of common stock. TP directly owns 11,901,751 shares of common stock. TOF directly owns 6,656,866 shares of common stock. The separately managed accounts directly own 405,895 shares of common stock.

(5) Includes the following shares of restricted stock as to which the holder has sole voting power, but no investment power: Mr. Utt, 184,816; Mr. Burgher, 11,062; Mr. Gann, 2,766; Mr. Rose, 11,062; Mr. Stanski, 11,062; Mr. Blount, 3,500; Mr. Carroll, 3,500; Mr. Curtiss, 7,000; Mr. Huff, 3,500; Mr. Slater, 7,000; and all executive officers and directors as a group, 277,071. The restrictions lapse, and the holder acquires investment power, at a rate of 20% per year over a five year period (except that 55,306 of Mr. Utt s restricted shares must also meet certain performance measures to vest). Also includes the following shares of restricted stock as to which the holder has sole voting power and which were acquired upon the separation of the company from Halliburton Company pursuant to the conversion of outstanding awards of Halliburton restricted stock: Mr. Utt, 38,774; Mr. Burgher, 19,387; Mr. Gann, 22,619; Mr. Rose, 13,477; Mr. Stanski, 61,708; and all executive officers and directors as a group, 260,599. All converted restricted stock that was awarded (originally as Halliburton restricted stock) on or after January 1, 2003, vests, and the holder acquires investment power, at a rate of 20% per year over a five year period. All converted restricted stock that was awarded (originally as Halliburton restricted stock) prior to January 1, 2003, vests, and the holder acquires investment power, at a rate of 10% per year over a ten year period.

(6) Does not include the following shares of restricted stock units as to which the holder has no voting power and no investment power, but which will convert to common stock on a 1-to-1 ratio, subject to certain conditions: Mr. Burgher, 15,955; Mr. Gann, 9,903, Mr. Rose, 19,257; Mr. Stanski, 19,257; and all executive officers as a group, 121,863. The restrictions lapse, and the holder acquires sole voting and investment power, at a rate of 20% per year for a five year period.

(7) Includes shares of common stock that may be purchased by the following within 60 days of July 31, 2007, pursuant to outstanding options: Mr. Burgher, 8,078; Mr. Gann, 15,080; Mr. Rose, 25,049; all executive officers as a group, 78,528.

(8) Does not include any shares that Mr. Stanski may be deemed to beneficially own by virtue of his interest in units in KBR s 401(k) plans.

CORPORATE GOVERNANCE

Corporate Governance Materials

We are committed to good corporate governance and to effective communication with our stockholders. The roles, duties and responsibilities of the Board of Directors and each committee of the Board of Directors are summarized below. To ensure that our stockholders have access to our governing documents, we provide copies of our Code of Business Conduct and Corporate Governance Guidelines and the charters of each of the committees of our Board of Directors on our website at www.kbr.com, and copies will be provided to any stockholder who requests them by writing to our Investor Relations Department at: 601 Jefferson Street, Suite 3400, Houston, Texas 77002.

Role of the Board of Directors

The Board of Directors represents the interests of our stockholders in perpetuating a successful business. It is the responsibility of the Board of Directors to provide oversight of the effectiveness of management's policies and decisions, including the execution of its strategies, with a commitment to enhancing stockholder value over the long term. To this end, Board members are expected to act in the best interests of all stockholders, be knowledgeable about our businesses, exercise informed and independent judgment and maintain an understanding of general economic trends and conditions as well as trends in corporate governance. In addition, it is our Board's policy that Board members are expected to make every effort to attend the meetings of the Board and committees of the Board upon which they serve, as well as stockholder meetings. All of KBR's incumbent directors attended seventy-five percent or more of the aggregate of all meetings of the Board and of committees on which they served during the periods that they served during 2006. Our Corporate Governance Guidelines provide that all Directors should attend our annual meetings. The meeting to which this Proxy Statement relates is our first Annual Meeting of Stockholders.

Independence Standards

Following the closing of our initial public offering on November 21, 2006, we were considered a controlled company under the corporate governance rules of the New York Stock Exchange (NYSE). As a controlled company, we were eligible for exemptions from some of the requirements of these rules, including the requirements (i) that a majority of our Board of Directors consist of independent directors, (ii) that we have a nominating and governance committee and a compensation committee, and that each such committee be composed entirely of independent directors and governed by a written charter addressing the committee's purpose and responsibilities, and (iii) for annual performance valuations of the nominating and governance committee and the compensation committee. Accordingly, upon the closing of our initial public offering, we had seven directors, two of whom satisfied the independence standards set forth in our Corporate Governance Guidelines, the listing standards of the NYSE and the SEC requirements for independence of audit committee members. These two independent directors, Messrs. Curtiss and Slater, served on our Audit Committee and our Compensation Committee.

Effective upon our separation from Halliburton on April 5, 2007, the remaining directors who were appointed by Halliburton and were not independent (other than Mr. Utt) resigned and two more non-employee, independent directors were appointed to replace them. On April 17, 2007, a third non-employee, independent director was appointed. Following our separation from Halliburton, our Corporate Governance Guidelines were also amended to provide that at least two-thirds of our directors must be independent. At this time, all of our directors are independent, as set forth in our Corporate Governance Guidelines and outlined below, except our Chairman, President and Chief Executive Officer, Mr. Utt, who does not qualify as an independent director.

A director will be considered independent under our Corporate Governance Guidelines if he or she:

- has no material relationship with KBR;
- has not been employed by us or any affiliate of ours during the preceding three years, and no member of the director's immediate family has been employed as an executive officer of ours or any of our affiliates during the preceding three years;
- has not received, and does not have an immediate family member who has received, during any twelve-month period within the preceding three years, more than \$100,000 in direct compensation from KBR, other than director's fees, committee fees or pension or deferred compensation for prior service;
- is not a partner or an employee of KBR's independent auditor, and was not during the past three calendar years a partner or employee of KBR's independent auditor who personally worked on KBR's audit;
- does not have an immediate family member who is a partner of KBR's independent auditor or an employee of KBR's independent auditor who participates in that firm's audit, assurance or tax compliance (but not tax planning) practice or was during the past three calendar years a partner or employee of KBR's independent auditor who personally worked on KBR's audit;
- has not been an employee of a customer or supplier of KBR or any of its affiliates and does not have an immediate family member who is an executive officer of any such customer or supplier that makes payments to, or receives payments from, KBR or any of its affiliates in an amount which exceeds the greater of \$1 million or 2% of our or such customer's or supplier's consolidated gross revenues within any of the preceding three years; and
- has not (and has not had a family member who) within the preceding three years served as an executive officer with a company for which a KBR executive served on its compensation committee.

The definition of independence and compliance with this policy will be reviewed periodically by the Nominating and Corporate Governance Committee. All directors complete independence questionnaires at least annually and our Board makes determinations of the independence of its members under the listing standards of the NYSE and the SEC requirements for Audit Committee members. Our Board believes that its membership should include no more than two directors who are also employees of KBR. While this number is not an absolute limitation, other than the Chief Executive Officer, who should at all times be a member of the Board, employee directors should be limited only to those officers whose positions or potential make it appropriate for them to sit on the Board.

Audit Committee Financial Expert Determinations

Our Board has determined that each member of its Audit Committee is financially literate. In addition, the Board has determined that Messrs. Curtiss, Carroll, Huff and Blount qualify as audit committee financial experts, as defined in Item 407(d) of Regulation S-K and, as described above, that each member of the Audit Committee is independent, as defined by our Corporate Governance Guidelines, the NYSE's listing standards and Rule 10A-3 under the Securities Exchange Act of 1934.

Directors Meetings and Stockholder Communications with Directors

The Board of Directors will meet each year immediately following the Annual Meeting of Stockholders to transact such business as may properly be brought before the meeting. Additional regular meetings of the Board of Directors may be held without notice at such times as the Board of Directors may determine, but shall consist of at least four other regularly scheduled meetings. Special meetings may be called by the Chairman of the Board of Directors, the Chief Executive Officer, the President, the

Corporate Secretary or a majority of the directors in office. KBR's Bylaws permit action to be taken without a meeting if all members of the Board of Directors consent to such action in writing or by electronic transmission. From the time of KBR's initial public offering on November 21, 2006 to the end of 2006, the Board of Directors held one meeting.

During each regular Board meeting, KBR's non-employee directors, all of whom have been determined by our Board to be independent under the standards of our Corporate Governance Guidelines and the NYSE, meet in scheduled executive sessions. Our Lead Director, Mr. W. Frank Blount, presides at all executive sessions of the Board.

In addition, each December beginning in 2007, our non-employee directors will meet in executive session to evaluate the performance of our Chief Executive Officer. In evaluating our CEO, the non-employee directors consider qualitative and quantitative elements of the CEO's performance, including:

- leadership and vision;
- integrity;
- keeping the board informed on matters affecting KBR and its operating units;
- performance of the business (including such measurements as total stockholder return and achievement of financial objectives and goals);
- development and implementation of initiatives to provide long-term economic benefit to KBR;
- accomplishment of strategic objectives; and
- development of management.

In addition, the non-employee directors will review annually management succession plans and development programs for senior members of executive management. The evaluation and compensation for the next full year, and management succession plans and development programs will be communicated to the Chief Executive Officer only after review and approval by the Compensation Committee and the full Board of Directors (other than the CEO). Because of our status as a controlled company during 2006, the non-employee directors did not meet without management.

The Chairman of the Board presides at all Board meetings. KBR's Chairman of the Board, William P. Utt, is our President and Chief Executive Officer.

Contact the Board

To foster better communication with our stockholders, KBR has established a process for stockholders and other interested parties to communicate with the Audit Committee and the Board of Directors. The process has been approved by our Board and its Audit Committee and is designed to meet the requirements of the NYSE and the SEC. You may communicate with our Board of Directors or the non-management directors via mail (Board of Directors Director of Business Conduct, KBR, Inc., P.O. Box 3406, Houston, Texas 77253-3406), telephone (1-800-536-4217 (toll-free from the U.S. or Canada) or 770-776-5639 (calling collect from any other country)), or e-mail (fhoukbrbod@kbr.com). Information regarding these methods of communication is also on our website, www.kbr.com, under Corporate Governance.

Our Director of Business Conduct reviews all communications directed to the Audit Committee and the Board of Directors. The Chairman of the Audit Committee is promptly notified of any significant communication involving accounting, internal accounting controls, auditing matters or any other significant communications. Communications addressed to a named director are promptly sent to the director. Communications directed to the non-management directors are promptly sent to the Lead

Director. A report summarizing all communications is sent to each director quarterly and copies of communications are available for review by any director, except that those designated for the non-management directors are not available to management directors. The process has been approved by both the Audit Committee and the Board, and is designed to meet the requirements of the NYSE and the SEC.

Concerns may be reported anonymously or confidentially. Confidentiality shall be maintained as required by law and otherwise shall be maintained unless disclosure is:

- required or advisable in connection with any governmental investigation or report;
- in the interests of KBR, consistent with the goals of KBR's Code of Business Conduct; or
- required or advisable in KBR's legal defense of the matter.

The Board of Directors and Standing Committees of Directors

KBR's Bylaws authorize the Board of Directors to appoint such committees as they deem advisable, with each committee having the authority to perform the duties as determined by the Board. A substantial portion of the analysis and work of the Board is done by standing Board committees. A director is expected to participate actively in the meetings of each committee to which he or she is appointed. At this time, the Board of Directors has four standing committees to which it has delegated certain duties and responsibilities: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Health, Safety and Environment Committee. Each of the standing committees is comprised entirely of non-employee and, in the business judgment of the Board, independent, directors. All of KBR's non-employee, independent directors serve on all of our standing committees. The members and chairmen of the respective committees are indicated below:

| | Audit Committee | Compensation Committee | Nominating and Corporate Governance Committee | HSE Committee |
|--------------------|-----------------|------------------------|---|---------------|
| W. Frank Blount | X | X | X * | X |
| Loren K. Carroll | X | X | X | X |
| Jeffrey E. Curtiss | X * | X | X | X |
| John R. Huff | X | X * | X | X |
| Richard J. Slater | X | X | X | X * |
| William P. Utt | | | | |

* Chairman

The Board of Directors has approved a charter for each of the standing committees, which sets forth the duties and responsibilities delegated to each of the committees by the Board of Directors and governs the committee's actions. The purpose, duties and responsibilities of each committee are briefly described below.

Audit Committee

The Audit Committee was established by the Board in accordance with Section 3(a)(58)(A) of the Exchange Act and currently comprises Messrs. Blount, Carroll, Curtiss, Huff and Slater. Mr. Curtiss serves as Chairman. The Board of Directors has determined that each member of the Audit Committee is independent as defined in the listing standards of the NYSE, and that each member of the Audit Committee is financially literate. In addition, the Board has determined that Messrs. Blount, Carroll, Curtiss and Huff are audit committee financial experts, as defined in Item 407(d)(5) of Regulation S-K.

The Audit Committee held no meetings from the date of our initial public offering on November 21, 2006 through the end of 2006. A copy of the Audit Committee's charter is available on the Corporate Governance page of our website, www.kbr.com.

The Audit Committee reviews and reports to the Board of Directors the scope and results of audits by our principal independent public accountants and our internal auditing staff and, effective for fiscal year 2007, will review with the principal independent public accountants the effectiveness of our system of internal controls. It reviews transactions between us and our directors and officers, our policies regarding those transactions and compliance with our Code of Business Conduct. The Audit Committee also engages our principal independent registered public accounting firm for each fiscal year, reviews the audit and other professional services rendered by our principal independent registered public accounting firm and periodically reviews the independence of our principal independent registered public accounting firm. Additional information about the Audit Committee and its responsibilities is included in the section of this proxy statement entitled "Audit Committee Report" and in the charter of the Audit Committee, which was adopted by the Board of Directors.

Compensation Committee

The Compensation Committee was established by the Board in November 2006, in anticipation of our separation from Halliburton. The Board of Directors has determined that each member of the Compensation Committee is independent as defined in the listing standards of the NYSE. The Compensation Committee did not meet in 2006.

The Compensation Committee reviews and recommends to the Board of Directors the compensation and benefits of our executive officers, establishes and reviews general policies relating to our compensation and benefits and administers the compensation plans described in the Compensation Discussion and Analysis below. The Compensation Committee's responsibilities include, but are not limited to:

- evaluating and developing the compensation policies applicable to our executive officers, including guidance regarding the specific relationship of corporate performance to executive compensation;
- reviewing and approving on an annual basis the corporate goals and objectives relevant to compensation for the Chief Executive Officer;
- evaluating at least annually the CEO's performance in light of established goals and objectives;
- determining and approving, either as a committee or together with other independent directors (as directed by the Board), the CEO's compensation, including salary, bonus, incentive and equity compensation based on this evaluation;
- considering, in determining the long-term incentive compensation component of the CEO's compensation, KBR's performance and relative stockholder return, the value of similar incentive awards to chief executive officers at comparable companies, the awards given to the CEO in past years and any other factors it deems relevant;
- periodically reviewing the compensation paid to non-employee directors (including Board and committee chairpersons) in the form of annual retainers and meeting fees, if any, and making recommendations to the Board regarding any adjustments;
- reviewing and making recommendations to the Board with respect to incentive compensation and other stock-based plans;
- reviewing and discussing with management the Compensation Discussion and Analysis and determining whether to recommend to the Board that it be included in KBR's annual proxy statement or annual report on Form 10-K;

- preparing and publishing, over the names of the members of the Committee, an annual executive compensation report as required by the SEC to be included in KBR's annual proxy statement or annual report on Form 10-K; and
- evaluating its own performance and reviewing the adequacy of its charter, at least annually.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee was established by the Board in March, 2007, in anticipation of our separation from Halliburton. The Board of Directors has determined that each member of the Nominating and Corporate Governance Committee is independent as defined in the listing standards of the NYSE.

The Nominating and Corporate Governance Committee's responsibilities include, but are not limited to:

- reviewing periodically the corporate governance guidelines adopted by the Board of Directors and recommending revisions to the guidelines as appropriate;
- developing and recommending to the Board for its approval an annual self-evaluation process of the Board and its committees, which shall be overseen by the Committee;
- reviewing and periodically updating the criteria for Board membership and evaluating the qualifications of each Director candidate against the criteria;
- assessing the appropriate mix of skills and characteristics required of Board members;
- identifying and screening candidates for Board membership;
- establishing procedures for stockholders to recommend individuals for consideration by the Committee as possible candidates for election to the Board;
- reviewing annually each Director's continuation on the Board and recommending to the Board a slate of Director nominees for election at the Annual Meeting of Stockholders;
- recommending candidates to fill vacancies on the Board;
- reviewing periodically the status of each Director to assure compliance with the Board's policy that at least two-thirds of Directors meet the definition of independent Director;
- reviewing the Board's committee structure, and recommending to the Board for its approval Directors to serve as members and as Chairs of each committee;
- reviewing annually any stockholder proposals submitted for inclusion in KBR's proxy statement and recommending to the Board any KBR statements in response; and
- reviewing periodically KBR's Director compensation practices, conducting studies and recommending changes, if any, to the Board.

Stockholder Nominations of Directors. Stockholders may suggest candidates for nomination by the Nominating and Corporate Governance Committee by contacting the Committee in the manner provided above under "Contact the Board." If selected for nomination by the Nominating and Corporate Governance Committee, as described below under "Process for the Selection of Directors," such candidate will be included in KBR's proxy statement for the annual

meeting of stockholders.

Nominations by stockholders may also be made at an Annual Meeting of Stockholders in the manner provided in our Bylaws, although such nominees will not be included in KBR's proxy statement. The Bylaws provide that a stockholder entitled to vote for the election of Directors may make nominations of

15

persons for election to the Board at a meeting of stockholders by complying with required notice procedures. Nominations shall be made pursuant to written notice to our Secretary at the address set forth on page 2 of this proxy statement, and must be received at our principal executive offices not less than ninety (90) days, nor more than one hundred twenty (120) days, prior to the anniversary date of the immediately preceding annual meeting of stockholders. For this first Annual Meeting of Stockholders, our Bylaws provide that the first anniversary of the preceding year's annual meeting of stockholders was deemed to be May 1, 2007. The notice shall set forth:

- as to each person the stockholder proposes to nominate for election or reelection as a Director:
- the name, age, business address and residence address of the person;
- the principal occupation or employment of the person;
- the class and number of shares of KBR common stock that are beneficially owned by the person;
- all other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended; and
- such person's written consent to serve as a director if elected; and
- as to the stockholder giving the notice:
- the name and record address of the stockholder;
- the class and number of shares of KBR common stock that are beneficially owned by the stockholder;
- a representation that the stockholder intends to appear in person or by proxy at the meeting to propose the nomination; and
- a representation whether the stockholder intends to solicit proxies from the holders of at least the percentage of common stock required to elect the nominee.

The proposed nominee may be required to furnish other information as KBR may reasonably require to determine the eligibility of the proposed nominee to serve as a director. At any meeting of stockholders, the presiding officer may disregard the purported nomination of any person not made in compliance with these procedures.

Qualifications of Directors. Candidates nominated for election or re-election to the Board of Directors should possess the following qualifications:

- personal characteristics:
- highest personal and professional ethics, integrity and values;
- an inquiring and independent mind;
- practical wisdom and mature judgment;
- broad training and experience at the policy-making level in business, government, education or technology;
- expertise that is useful to KBR and complementary to the background and experience of other Board members, so that an optimum balance of members on the Board can be achieved and maintained;

- willingness to devote the required amount of time to carrying out the duties and responsibilities of Board membership;
- commitment to serve on the Board for several years to develop knowledge about KBR's principal operations;
- willingness to represent the best interests of all stockholders and objectively appraise management performance; and
- involvement only in activities or interests that do not create a conflict with the Director's responsibilities to KBR and its stockholders.

The Nominating and Corporate Governance Committee is responsible for assessing the appropriate mix of skills and characteristics required of Board members in the context of the needs of the Board at a given point in time and shall periodically review and update the criteria. Diversity in personal background, race, gender, age and nationality for the Board as a whole may be taken into account in considering individual candidates.

Process for the Selection of New Directors. The Board is responsible for filling vacancies on the Board. The Board has delegated to the Nominating and Corporate Governance Committee the duty of selecting and recommending prospective nominees to the Board for approval. The Nominating and Corporate Governance Committee considers suggestions of candidates for Board membership made by current Committee and Board members, KBR management, and stockholders. Of the two nominees for director at this meeting, Messrs. William P. Utt and Jeffrey E. Curtiss, both are incumbent directors recommended by the non-management directors. The Committee may also retain an independent executive search firm to identify candidates for consideration. The Nominating and Corporate Governance Committee will also consider candidates nominated by the stockholders in accordance with our Bylaws. A stockholder who wishes to recommend a prospective candidate should notify KBR's Secretary, as described in this proxy statement. The Nominating and Corporate Governance Committee has retained the executive search firm, Spencer Stuart, to assist its search in identifying and evaluating Director nominees, and this search firm is in the process of identifying candidates for the current vacancy on the Board.

When the Nominating and Corporate Governance Committee identifies a prospective candidate, the Committee determines whether it will carry out a full evaluation of the candidate. This determination is based on the information provided to the Committee by the person recommending the prospective candidate, and the Committee's knowledge of the candidate. This information may be supplemented by inquiries to the person who made the recommendation or to others. The preliminary determination is based on the need for additional Board members to fill vacancies or to expand the size of the Board, and the likelihood that the candidate will meet the Board membership criteria listed above. The Committee will determine, after discussion with the Chairman of the Board and other Board members, whether a candidate should continue to be considered as a potential nominee. If a candidate warrants additional consideration, the Committee may request an independent executive search firm to gather additional information about the candidate's background, experience and reputation, and to report its findings to the Committee. The Committee then evaluates the candidate and determines whether to interview the candidate. Such an interview would be carried out by one or more members of the Committee and others as appropriate. Once the evaluation and interview are completed, the Committee recommends to the Board which candidates should be nominated. The Board makes a determination of nominees after review of the recommendation and the Committee's report.

Health, Safety and Environment (HSE) Committee

The HSE Committee was established by the Board in April 2007. The Health, Safety and Environment Committee's responsibilities include, but are not limited to:

- reviewing and assessing KBR's health, safety and environmental policies and practices and proposing modifications or additions as needed;
- overseeing the communication and implementation of these policies throughout KBR;
- reviewing annually the health, safety and environmental performance of KBR's operating units and their compliance with applicable policies and legal requirements; and
- identifying, analyzing and advising the Board on health, safety and environmental trends and related emerging issues.

Code of Ethics

KBR has adopted a code of ethics, as defined in Item 406(b) of Regulation S-K. KBR's code of ethics, known as its Code of Business Conduct, applies to all directors, officers and employees of KBR, including its principal executive officer, principal financial officer, principal accounting officer and controller, and also applies to all employees of KBR and KBR's agents. KBR has posted its Code of Business Conduct on its website, www.kbr.com. In addition, KBR intends to satisfy the disclosure requirements regarding any amendment to, or waiver from, a provision of the Business Ethics and Conduct Policy that applies to any of KBR's directors or executive officers including the requirements of Item 5.05 of Form 8-K with respect to our principal executive officer, principal financial officer, principal accounting officer or controller and relates to any element of the definition of code of ethics set forth in Item 406(b) of Regulation S-K by posting such information on its website, www.kbr.com.

In addition, we have agreed that, for five years following our initial public offering, we will consistently implement and maintain the business practices and standards adopted by the Halliburton Board of Directors for us with respect to internal control procedures relating to the use of foreign agents. We may amend such procedures from time to time during the five-year period with Halliburton's prior consent, not to be unreasonably withheld.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis, as provided below, with KBR's management. Based on its review, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Respectfully submitted,

The Compensation Committee of Directors

John R. Huff, Chairman
W. Frank Blount
Loren K. Carroll
Jeffrey E. Curtiss
Richard J. Slater

July 28, 2007

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Philosophy and Objectives

This Compensation Discussion and Analysis explains our compensation philosophy, policies and practices in place during 2006 with respect to our current chief executive officer, our former chief executive officer, our chief financial officer, the other three most highly-compensated executive officers who were employed at the end of 2006 and two former highly compensated executive officers who terminated employment prior to the end of 2006, all of whom are collectively referred to as the named executive officers. The named executive officers, together with the other members of our senior executive management whose compensation is determined by our Compensation Committee and our Board of Directors, are referred to as our senior executive management.

Prior to the closing of our initial public offering on November 21, 2006, Halliburton established and administered our compensation programs. During the remainder of fiscal 2006, we generally continued the compensation programs put in place by Halliburton. Except for our short-term incentive opportunities and base salary, which were established by our Compensation Committee in the first quarter of 2007, our Board of Directors and our Compensation Committee are in the process of evaluating our compensation programs and will revise them as they determine to be appropriate. See *Post-Separation Updates* below for revisions made to our compensation programs following our separation from Halliburton. Because of the role that Halliburton and the Halliburton Compensation Committee played in determining the 2006 compensation for our senior executive management, this discussion includes information concerning Halliburton's compensation policies in addition to information concerning the development of our future compensation policies.

KBR's Compensation Objectives, Policies and Strategy

Overview

As discussed above, our Compensation Committee is evaluating our compensation programs as previously established by Halliburton, including our compensation philosophy and objectives. Pending the outcome of its evaluation, our Compensation Committee has generally continued to apply its understanding of the compensation philosophy and objectives previously administered by Halliburton.

Our compensation plans are designed to achieve the following primary objectives:

- provide a clear and direct relationship between executive pay and Company performance, both on a short and long-term basis;
- emphasize operating performance measures, such as return on capital employed;
- link executive pay to measures that drive shareholder value; and
- support our business strategies and management processes in order to motivate our executives and maximize return on our human resource investment.

Our executive compensation program will be regularly reviewed so that:

- the program's components support our strategies and motivate our executives to achieve business success and generate value for our shareholders; and
- the program is administered in a manner consistent with established compensation policies and guidelines.

The basic elements of our 2006 executive compensation programs are summarized in the table below, and a detailed explanation of each element is set forth under *Elements of Compensation* below. A number of these compensation elements, except for base salary and certain pension, health and welfare benefits, are

performance-based and therefore at risk of forfeiture. See **Post-Separation Updates** below for elements of our 2007 executive compensation programs that have been approved by our Compensation Committee since our separation from Halliburton.

| Element | | Characteristics | Purpose |
|---|--|---|---|
| Base salary | | <ul style="list-style-type: none"> • Fixed annual cash compensation. | <ul style="list-style-type: none"> • Support market-competitiveness of annual pay for skills and experience necessary to meet the requirements of the executive's role with us. |
| | | <ul style="list-style-type: none"> • Periodic increases in base salary based on performance. | |
| | | <ul style="list-style-type: none"> • Targeted near the median compared to peer companies for good performance and up to the 75th percentile for outstanding performance. | |
| Annual cash incentive awards | | <ul style="list-style-type: none"> • Performance-based; dependent on our and/or division performance relative to targeted levels. | <ul style="list-style-type: none"> • Motivate and reward achievement of, and performance in excess of, our critical financial and strategic goals. |
| | | <ul style="list-style-type: none"> • Targeted near the median compared to peer companies for good performance and up to the 75th percentile for outstanding performance. | <ul style="list-style-type: none"> • Provide competitive pay package compared to peer companies at median performance; potential for lesser or greater amounts to motivate participants to achieve or exceed our financial performance goals. |
| Long-term equity incentive plan awards (restricted stock, restricted stock units, stock options) (See Post-Separation Updates below for updates on awards granted after our separation from Halliburton) | | <ul style="list-style-type: none"> • Performance-based equity awards, which are realized to the extent our common stock price increases over time; targeted at the median compared to peer companies. | <ul style="list-style-type: none"> • Align interests of management and shareholders; motivate and reward achievement of increases in the value of our common stock over the long term. • Value realized from exercise of stock options or sale of restricted stock and restricted stock units will reward increases in value of our common stock. |
| | | | <ul style="list-style-type: none"> • Incremental vesting of options, restricted stock and restricted stock units over time facilitates retention and provides incentives to enhance long-term value. |
| | | | <ul style="list-style-type: none"> • Change-in-control protection demonstrates our commitment in exchange for commitment expected of management. |

Retirement savings opportunities

- **Tax-deferred plan under which regular employees may defer compensation for retirement; matching contributions equal to 5.5% of eligible compensation.(1)**
- **Nonqualified retirement plans under which executives may defer compensation for retirement.**
- **Fixed component.**

- **Provide employees the opportunity to save for their retirement.**

- **Provide retirement savings option for executives, whose ability to save in qualified plan is limited.**
- **Provide benefits to meet the health care and welfare needs of employees and their families.**

Health and welfare benefits

- **The same or comparable health and welfare benefits (medical, dental, vision, disability insurance and life insurance) are available to regular, full-time employees.**

(1) Mr. Lane, our former chief executive officer and one of our named executive officers, instead participates in the Halliburton Retirement & Savings Plan, which provides for an employer matching contribution equal to 4% of eligible compensation and a non-elective contribution equal to 4% of eligible compensation.

Our compensation elements are cash based, except for awards under our long-term equity incentive program, which provide equity compensation in the form of restricted stock, restricted stock units or stock options. See **Post-Separation Updates** below for updates on awards granted after our separation from Halliburton. There is no pre-established formula for the allocation between cash and non-cash compensation or short-term and long-term compensation. Instead, our Compensation Committee determines each year for our senior executive management the appropriate level and mix of short and long-term incentive compensation to reward near-term excellent performance and to encourage our executives' commitment to our long-range strategic business goals. To determine the appropriate combination of elements, we consider market pay practices and practices of peer companies, as well as individual performance.

We believe that short-term compensation is an important factor to achieve our goals of attracting, retaining and motivating high-performing, experienced executives. Annual performance criteria and award levels provide appropriate incentives for our executives to focus their efforts on adding value to our business on a day-to-day basis. We believe that long-term incentive compensation strengthens our executives' stake in the Company and aligns their interests with the interests of our shareholders. The combination of performance and vesting components is designed to condition the value that our executives receive on strong Company performance over time.

Our internal stock nomination process is designed and administered to provide equity award grant dates that are prospective and not retrospective, or back-dated. Stock awards approved by our Compensation Committee are effective on the later of the date of the meeting at which the approval occurs or the date of the last signature on the Compensation Committee resolution approving the award, if our Compensation Committee acts without a meeting. For those stock awards approved by our chief executive officer, our chief executive officer is required to approve stock awards with grant dates of the later of the effective date of the action or the date our chief executive officer executes approval of the award. Exercise prices for option awards are set at the closing price of our common stock on the date of

grant. For 2006, we granted options, restricted stock, and restricted stock units only in connection with our initial public offering.

Role of our Committee

Since our initial public offering in November 2006, our Compensation Committee has generally continued the Halliburton compensation programs while evaluating our compensation programs. In 2007, our Compensation Committee reviewed and approved, and recommended to our Board of Directors for approval, the compensation and equity awards for our senior executive management. See Post-Separation Updates below.

Pursuant to its charter, which is available on the corporate governance page of our website, www.kbr.com, our Compensation Committee is primarily responsible for overseeing and evaluating our compensation and employee benefit plans and practices, particularly executive compensation. The duties of our Compensation Committee include:

- developing and periodically evaluating the compensation policies applicable to our executives, including providing guidance regarding the relationship between executive compensation and company performance;
- reviewing and annually approving Company goals and objectives relevant to compensation for our chief executive officer, and evaluating our chief executive officer's performance in light of established goals and objectives;
- determining our chief executive officer's compensation, including salary, bonus, incentive and equity compensation, based on, among other things, company performance and relative shareholder return, the competitiveness of our compensation as compared to our peer companies, compensation paid in previous years and other factors;
- making recommendations to our Board of Directors with respect to compensation for our senior executive management;
- reviewing our incentive compensation and other stock-based plans, recommending changes as needed, and assisting our Board of Directors with administration of such plans;
- maintaining regular contact with our senior executive management;
- reviewing and discussing our annual Compensation Discussion and Analysis disclosure with management, and determining whether to recommend to our Board of Directors that Compensation Discussion and Analysis be included in our annual proxy statement or annual report on Form 10-K;
- preparing a Compensation Committee report for inclusion in our annual proxy statement; and
- evaluating its own performance and the adequacy of its charter at least annually, and recommending to the Board of Directors any changes based on its review.

In 2006, before our initial public offering, our Compensation Committee did not meet but approved certain resolutions by written consent in lieu of a meeting. Going forward, the Compensation Committee will meet at least twice a year to satisfy its duties. Our Compensation Committee met in February 2007 to, among other things, continue to evaluate and revise our overall compensation program. See Post-Separation Updates below.

Our Compensation Committee's charter provides it sole authority to retain advisors, including compensation consultants, as it deems appropriate and without seeking approval of our Board of Directors. We expect that our Compensation Committee will engage consultants periodically to provide

insight into compensation trends and issues and to assist in developing and maintaining compensation practices in alignment with our compensation goals. Our Compensation Committee engaged Hewitt Associates, LLC (Hewitt) to assist in its review of our executive compensation program in the first quarter of 2007. Hewitt reported solely to the Compensation Committee and, except as described below regarding the benefits administration that Hewitt provides to us, did not advise our management or receive any other compensation from us. While we believe that using outside consultants is an efficient way to keep current regarding competitive compensation practices, we expect that our Compensation Committee will not accord undue weight to the advice of outside professional advisors, but instead will make changes in our compensation program in light of whether the program's intended effects are being achieved over time. See Post-Separation Updates below for recent changes in the Compensation Committee's consultant.

Hewitt performs third-party benefit administration services for us. The management of our Hewitt relationship with respect to benefits administration is the responsibility of our internal benefits department.

We have separately retained Towers Perrin as our compensation consultant to advise our management on 2007 pay programs and pay level changes. Towers Perrin works at the direction of our management with respect to the pay programs and pay level changes. In addition, Towers Perrin acts as a benefits consultant for our internal benefits department. The services provided by Towers Perrin for compensation and benefits consulting are under one master services contract.

Benchmarking Compensation

For 2007, we expect that our Compensation Committee will generally continue the benchmarking strategy used by Halliburton; however, our Compensation Committee is evaluating this strategy and will revise it as the Compensation Committee determines is appropriate. The elements of compensation were benchmarked for the named executive officers in 2006.

In determining the appropriate elements and amounts of compensation for our senior executive management, our Compensation Committee will consult with compensation consultants and review compensation data obtained from independent sources. In the first quarter of 2007, for example, Hewitt reviewed raw data and performed regression analysis in assessing market compensation data to provide appropriate comparisons based on company size, complexity and performance, and individual role and job content.

Our peer group companies generally include the following: Chicago Bridge & Iron Company NV, EMCOR Group, Inc., Fluor Corp., Foster Wheeler Ltd, Granite Construction, Inc., Jacobs Engineering Group Inc., McDermott International, Inc., Quanta Services, Inc., The Shaw Group Inc., URS Corp and Washington Group International, Inc. See Post-Separation Updates below for peers used in our performance award formula. We also review published compensation survey sources identifying our general peer companies, measured based on corporate revenue similar to ours. We expect that our Compensation Committee will periodically review and update the companies comprising our peer group as it deems appropriate to maintain a peer group that consists of the publicly-traded and privately-held engineering, construction and services companies against which we believe KBR competes for talent and shareholder investment.

Our Compensation Committee expects to generally target market levels of compensation at the 50th percentile for good performance and between the 50th and 75th percentile competitive level for outstanding performance. In doing so, our Compensation Committee will consider the market data for our peer group companies that reflects the markets in which we compete for business and employees.

Role of Chief Executive Officer in Compensation Decisions

Until other specific roles, duties and policies are established by our Compensation Committee, our chief executive officer will perform substantially the same function with respect to compensation matters as previously performed by Halliburton's chief executive officer. Our chief executive officer will make recommendations to our Compensation Committee based on business conditions and set compensation levels for executives below the senior executive management level. Our chief executive officer also:

- together with our Compensation Committee, receives recommendations from senior executive management on compensation and promotions for senior executive management;
- recommends performance measures, target goals and award schedules for short-term and long-term incentive awards, and reviews performance goals for consistency with our projected business cycle and business plan;
- reviews competitive market data with senior executive management;
- reviews rationale and guidelines of our stock award program;
- recommends changes to stock award program for review and discussion by our Compensation Committee; and
- develops specific recommendations regarding the amount and form of equity compensation to be awarded to other senior executive management and the aggregate amount and form of equity compensation, by employee level and business unit, to be awarded below the senior executive management level.

Elements of compensation and other items that may be approved by our chief executive officer also include:

- changes in base pay or title applicable to executives below the senior executive management level and to key non-officer employees;
- equity awards to executives below the senior executive management level and to key non-officer employees under the KBR, Inc. 2006 Stock and Incentive Plan, as amended (the KBR Plan), subject to any maximum limits set by our Compensation Committee;
- discretionary deferred compensation awards, including any supplemental retirement awards for executives below the senior executive management level and for key non-officer employees;
- special cash compensation awards applicable to executives below the senior executive management level and to key non-officer employees;
- agreements or arrangements relating to the terms of employment, continued employment or termination of employment with respect to executives below the senior executive management level and key non-officer employees, other than arrangements pursuant to the terms of duly approved plans or policies; and
- any retention of restricted shares or stock options upon early retirement and any accelerated lapse of restrictions on shares awarded.

Notwithstanding the role of our chief executive officer, our Compensation Committee will review and annually approve, and recommend to our Board of Directors for approval, the compensation and equity awards for our senior executive management.

Halliburton's Compensation Programs for KBR during 2006

Overview

The Halliburton Compensation Committee reviewed the elements of the individual compensation packages for our senior executive management under its purview. The Halliburton Compensation Committee delegated to Halliburton's chief executive officer the duty to pre-approve the election and administration of the individual compensation packages for our other executives, subject to the Halliburton Compensation Committee's annual review of the overall effect or aggregate impact, as appropriate, of such administrative delegation.

Halliburton's internal stock nomination process has been in place since Halliburton began granting stock options to employees approximately 10 years ago and has been refined regularly to ensure adequate controls. The process states that all award grant dates are to be prospective and not retrospective. Per the Halliburton Company 1993 Stock and Incentive Plan (the 1993 Plan), the Halliburton chief executive officer must approve all stock awards for employees not under purview of the Halliburton Compensation Committee, and the grant date is the later of the effective date of the action or the date the Halliburton chief executive officer physically approves the award, to avoid retrospective or back-dated awards. Exercise prices are set at the fair market value on the date of grant. For senior executive management under the Halliburton Compensation Committee's purview, the grant date is set on the day the Halliburton Compensation Committee meets to determine annual compensation actions, generally in December of each year.

Role of Halliburton Compensation Committee

Pursuant to its charter, during 2006 the Halliburton Compensation Committee was generally responsible for establishing our overall compensation philosophy and objectives. Halliburton's executive compensation program procedures are guided by policy, process and practice. Halliburton policy sets the parameters around those positions that require approval by the Halliburton Compensation Committee and those where delegation to the Halliburton chief executive officer is authorized. The responsibilities outlined in the Halliburton Compensation Committee's Charter are supported by an internal process which guides and details the actions to be taken by the Halliburton Compensation Committee, Halliburton's chief executive officer, Halliburton senior executive management and staff. These processes coincide with the Halliburton Compensation Committee's annual calendar, which details the timing of compensation events and associated Halliburton Compensation Committee actions. Halliburton's executive compensation program was designed and regularly reviewed to ensure that Halliburton is able to attract and retain the best people for the job and that its compensation plans support Halliburton's strategies, focus efforts, help achieve business success and align with Halliburton's shareholders' interests.

The Halliburton Compensation Committee reviewed the elements of the compensation package for each KBR senior executive manager under its purview. Management provided the Halliburton Compensation Committee with historical and prospective breakdowns of each such executive's total compensation as follows:

- individual five-year compensation history;
- income realized from prior stock and option awards;
- stock wealth accumulation charts based on total stock holdings;
- total Halliburton awarded stock position, including vested and unvested awards; and
- detailed discretionary supplemental retirement award calculations.

Third-Party Consultants

During 2006, the Halliburton Compensation Committee engaged Hewitt as its third party independent compensation consultant. Hewitt coordinated and consulted with internal Halliburton executive compensation resources regarding executive compensation matters, but operated solely at the Halliburton Compensation Committee's direction. Hewitt's primary duties were to provide independent and objective market data, compensation analysis and plan design recommendations to the Halliburton Compensation Committee annually and as requested from time to time throughout the year. Additionally, Hewitt attended selected management, Halliburton Compensation Committee or Halliburton Board meetings. Hewitt worked at the direction of the Halliburton Compensation Committee Chairperson and reviewed and advised the Halliburton Compensation Committee on pay programs and pay level changes applicable to selected executives under the Halliburton Compensation Committee's purview. See *Post-Separation Updates* below.

During 2006, Hewitt also performed benefit administration services for Halliburton under a separate contract between Halliburton and Hewitt. The Halliburton/Hewitt relationship with respect to benefits administration was the responsibility of Halliburton's internal benefits department, which had no contact with the Halliburton Compensation Committee's consultant.

Benchmarking Compensation

In determining appropriate elements and amounts of compensation for our senior executive management during 2006, the Halliburton Compensation Committee consulted with Hewitt and reviewed compensation data prepared by Hewitt. The elements of compensation were benchmarked for our named executive officers. In the design and administration of our 2006 executive compensation programs, the Halliburton Compensation Committee generally targeted current market levels of total compensation opportunities near the 50th percentile for good performance and between the 50th and 75th percentile competitive level for outstanding performance. In doing so, the Halliburton Compensation Committee considered the market data for peer group companies that reflected the markets in which Halliburton competed for business and employees. The determination of the Halliburton peer group is based on size in terms of market capitalization, revenue and number of employees; scope in terms of global impact and reach; and industry affiliation including companies that are logically related to Halliburton or have a heavy manufacturing industry focus. The Halliburton 2006 peer group is composed of specific peer companies within the energy services and engineering and construction industries as well as selected companies representing general industry having similar revenue size, number of employees and market capitalization including: Amerada Hess Corporation, Anadarko Petroleum Corporation, Baker-Hughes Incorporated, Fluor Corporation, Marathon Oil Corporation, Occidental Petroleum Corporation, Schlumberger Ltd., Sunoco Incorporated, Unocal Corporation, Valero Energy Corporation, 3M Company, Alcoa Incorporated, Caterpillar Incorporated, Dow Chemical, Eastman Kodak Company, Emerson Electric Company, Georgia-Pacific Corporation, Honeywell International Incorporated, Johnson Controls Incorporated, Raytheon Company, Textron Incorporated, and United Technologies Corporation.

Hewitt reviewed raw data and performed regression analysis in assessing market compensation data to provide appropriate comparisons based on company size. Hewitt applied a consistent pre-tax, present value methodology used in assessing stock-based and other long-term incentive awards, including the Black-Scholes model used to value stock option grants.

Elements of Compensation

Prior to our initial public offering, Halliburton established and administered our executive compensation program. See *Post-Separation Updates* below. Our Compensation Committee has

undertaken to evaluate our executive compensation program and plans to revise the executive compensation program as the Compensation Committee determines is appropriate.

Our 2006 executive compensation program consisted of the following core elements:

- A. base salary;
- B. short-term annual incentives;
- C. long-term incentives;
- D. supplemental retirement; and
- E. other executive benefits and perquisites.

A. Base Salary

The Halliburton Compensation Committee established the 2006 base salary applicable to our executives. Our Compensation Committee has established the 2007 base salary applicable to our executives and may formalize the policies regarding the base salaries of our executives as our Compensation Committee determines is appropriate.

Base salary provides the foundation for an executive's total compensation package since it drives other elements of compensation such as short-term and long-term incentives and retirement benefits. During the first quarter of 2007, our Compensation Committee generally set and maintained base salary at the median of our peer group in an effort to control fixed costs and reward for performance in excess of the median through the variable components of pay. To accomplish this, executive salaries are referenced to market data for comparable positions within the KBR peer group. In addition to considering market comparisons in making salary decisions, our Compensation Committee exercises discretion and judgment based on the following factors:

- level of responsibility;
- experience in current role and equitable compensation relationships among our executives;
- performance and leadership; and
- external factors involving competitive positioning and general economic conditions and marketplace compensation trends.

No specific formula is applied to determine the weight of each factor. Salary reviews are conducted annually to evaluate each executive's individual performance; however, individual salaries are not necessarily adjusted each year.

B. Short-Term (Annual) Incentives

Our executives and key non-officer employees were eligible to participate in the Halliburton Annual Performance Pay Plan for the 2006 calendar year. Halliburton established the Halliburton Annual Performance Pay Plan in 1995 to reward management for improving financial results which drive the creation of value for shareholders of Halliburton and to provide a means to connect cash compensation directly to Halliburton's performance, as measured by cash value added, or CVA. CVA measures the difference between after tax cash income and a capital charge (based upon Halliburton's weighted average cost of capital) to determine the amount of value, in terms of cash flow, added to Halliburton's business. The formula is: $CVA = \text{Cash Flow} - \text{Capital Charge}$. The primary drivers of CVA are operating income and gross invested capital.

Some executives also have their incentive compensation linked to a modified form of CVA called net operating value added, or NOVA, to better evaluate the performance divisions of Halliburton. NOVA utilizes only selected balance sheet items that can be directly controlled by division management. For example, employees have influence over Cash, Accounts Receivable, Unbilled Work, Net Inventory, Net Property Plant & Equipment, Accounts Payable and Advance Billings. Line items such as Reserve for Employee Benefits are not included in the NOVA calculation because divisions do not have control over these costs. These types of costs are managed at the corporate level.

At the beginning of 2006, Halliburton established an incentive reward schedule that equates given levels of CVA performance beyond a threshold, or minimum, level with varying reward opportunities paid in cash. Incentive award opportunities were established at target and maximum levels as a percentage of base salary at the beginning of the 2006 plan year. The maximum amount (shown as challenge) any participant can receive under the Halliburton Annual Performance Pay Plan is limited at two times the target (shown as plan) opportunity level. The level of achievement of annual CVA performance determines the dollar amount of incentive compensation payable to participants.

When establishing target levels for the incentive reward schedule for a given year, the Halliburton Compensation Committee considered, among other things, projected Company performance, strategic business objectives, and forecasted general business and industry conditions. Generally, target levels for the incentive reward schedule reflect the benchmarking objectives set by the Halliburton Compensation Committee, with annual incentive awards near the 50th percentile of the Halliburton peer group for good performance and between the 50th and 75th percentile for outstanding performance. At the time the target levels are established, the outcome is intended to be substantially uncertain but achievable, and to require better than expected performance from our executives. The Halliburton Compensation Committee may adopt different target levels for its annual incentive reward schedule from time to time, as it deems appropriate. Generally, the Halliburton Compensation Committee sets the target levels for the incentive reward schedule such that the relative difficulty of achieving the target levels is consistent from year to year.

With the exception of Mr. Lane, who is now an officer of Halliburton, the 2006 reward opportunities for our officers and certain of our key non-officer employees will be measured by the CVA (and in some cases, NOVA) added to KBR, not Halliburton. Employees of KBR are not currently eligible for any new award opportunities under the Halliburton Annual Performance Pay Plan but will remain eligible to participate in any award opportunities that were available to them prior to the closing of our initial public offering.

Messrs. Stanski, Rose, and Pucher each had bonus reward opportunities that were calculated based on both CVA and NOVA. Half of each executive's bonus reward opportunity was based on KBR's CVA, and the remaining half was based on NOVA for the executive's applicable business division (KBR Government & Infrastructure for Mr. Stanski and KBR Energy & Chemicals for Messrs. Rose and Pucher).

With the exception of Mr. Lane, we expect that each of our named executive officers will have earned an incentive award on the basis of KBR's 2006 performance for their respective business divisions determined based on the following CVA and NOVA performance levels: The Corporate division will have achieved CVA between the threshold and plan levels. The Energy & Chemical division will have achieved NOVA below threshold level. The Government & Infrastructure division will have achieved NOVA at the challenge level. As a result of Halliburton's record performance, it is expected that Mr. Lane will have earned an incentive award equal to the challenge or maximum opportunity level in 2006.

During 2006, bonus award opportunities were based on a percentage of base salary assuming attainment of specified threshold, plan, and challenge performance levels, which were, respectively: (i) for our chief executive officer and our former chief executive officer, 26%, 65%, and 130%, (ii) for our other senior executive management, with the exception of Mr. Gann, 20%, 50%, and 100%,⁽¹⁾ and (iii) for Mr. Gann, 14%, 35%, and 70%.

In the first quarter of 2007, our Compensation Committee implemented short-term incentive opportunities for our executives and key non-officer employees, based on CVA, Fully Burdened Operating Income, Job Income Booked and Overhead Cost Management.

During the first quarter of 2007, our Compensation Committee granted discretionary bonuses to selected senior executive management. The discretionary bonuses were intended to: reward selected senior executive managers for their performance during 2006 and for their performance in their new management roles. In addition, as a result of our full separation from Halliburton, our Compensation Committee approved discretionary bonuses intended to reward selected executives and key non-officer employees for their significant efforts in connection with the separation. Please read Other Information.

C. Long-Term Incentives

1993 Plan and KBR Plan

In 2006, prior to our initial public offering, our named executive officers received long-term incentives under the 1993 Plan. In connection with our initial public offering, we granted awards to our executive officers pursuant to the KBR Plan.

We use long-term incentives to achieve the following objectives:

- reward consistent achievement of value creation and operating performance goals;
- align management's interests with shareholders' interests; and
- encourage long-term perspectives and commitment.

Long-term incentives represent the largest component of total executive compensation opportunity for our executives. We believe this is appropriate given our belief that executive pay should be closely tied to appreciation in shareholder value.

The 1993 Plan and the KBR Plan each provide for a variety of cash-based and stock-based awards, including nonqualified and incentive stock options, restricted stock/units, performance shares/units, stock appreciation rights, and stock value equivalents also known as phantom stock. Each plan allows its plan administrator the discretion to select from among these types of awards to establish individual long-term incentive awards.

In 2006, Halliburton continued its strategy of using a combination of vehicles to meet its long-term incentive objectives. These included restricted stock and performance units as well as nonqualified stock options. The appropriate mix was determined by the Halliburton Compensation Committee based on impact level within the organization. At the executive level, Halliburton placed particular emphasis on operations-based incentives, such as performance units.

Granting a mix of incentives allows us to provide a diversified yet balanced long-term incentive program that effectively addresses volatility in our industry and in the stock market as well as maintaining an incentive to meet performance goals. Stock options and restricted stock/units are directly tied to our stock price performance and therefore, directly to shareholder value. Additionally, restricted stock/units provide a significant incentive for our senior executive management to remain with the Company. Performance units focus executives to improve long-term returns on capital employed.

To retain and provide incentives for our employees going forward, in connection with the initial public offering, we granted the named executive officers a mixture of restricted stock units and non-qualified stock options under the KBR Plan (with the exception of Mr. Utt, who received restricted shares under the terms of his employment agreement in lieu of restricted share units). See *Post-Separation Updates* below.

As of the first date that Halliburton ceased to own more than 20% of our outstanding common stock, which we refer to as the *plan divestiture date*, each stock option and restricted stock award granted under the 1993 Plan that was outstanding as of the *plan divestiture date* and held by our employees, which we refer to as *Halliburton equity awards*, converted to an equity award covering KBR common stock, which we refer to as a *converted equity award*. Each converted equity award has terms and conditions that effectively maintain the intrinsic value and other relevant terms of the Halliburton equity awards as of the *plan divestiture date*. The converted equity awards are administered by our Compensation Committee under a *Transitional Stock Adjustment Plan*. Awards under the *Transitional Stock Adjustment Plan* are limited to awards relating to the conversion of Halliburton equity awards into converted equity awards. As of February 7, 2007, our active employees held outstanding vested stock options covering 1,776,109 shares of Halliburton common stock, outstanding unvested stock options covering 286,717 shares of Halliburton common stock, and 714,088 restricted shares of Halliburton common stock awarded in each case under the 1993 Plan. See *Post-Separation Updates* below.

Halliburton Performance Unit Program.

The Halliburton Performance Unit Program is a long-term program designed to provide selected executives with specified incentive opportunities contingent on the level of achievement of pre-established corporate performance objectives. When establishing target levels of corporate performance, the Halliburton Compensation Committee considered, among other things, projected Company performance, strategic business objectives, and forecasted general business and industry conditions. Generally, the target levels reflected the benchmarking objectives set by the Halliburton Compensation Committee, with program awards near the 50th percentile of the Halliburton peer group for good performance and between the 50th and 75th percentile for outstanding performance. At the time the target levels were established, the outcome was intended to be substantially uncertain but achievable, and to require better than expected performance from our executives. Performance is measured by Halliburton's consolidated Return on Capital Employed (ROCE) compared to both absolute goals and relative goals, as measured by the ROCE achieved by Halliburton's peer companies. Individual incentive opportunities were established based on market references. The program allows for rewards to be paid in cash, stock or a combination thereof.

Our executives ceased to participate in performance unit cycles under the Halliburton Performance Unit Program beginning in 2005; however, our named executive officers who participated in the 2004-2006 Halliburton performance cycle were deemed to have remained employed with Halliburton through the entire 2004-2006 performance cycle for the purpose of determining earned reward amounts under the program. Messrs. Lane, Rose, Stanski, Lehmann, and Pucher participated in this performance cycle, and Mr. Lane, as an officer of Halliburton, will continue to participate in performance cycles. Each of these named executive officers, on the basis of Halliburton's consolidated ROCE, earned an incentive award equal to 200% of their target award, which were paid in the first half of 2007.

D. Retirement Plans

Halliburton Supplemental Executive Retirement Plan

The Halliburton Supplemental Executive Retirement Plan (the *SERP*) was established to provide competitive retirement benefits to selected executives of Halliburton. Determinations as to who would

receive an allocation for a particular plan year and the amount of the allocation were made in the Halliburton Compensation Committee's sole discretion. However, in making such determinations, the Halliburton Compensation Committee considered guidelines that include references to:

- retirement benefits, both qualified and nonqualified, provided from other company programs;
- incumbent compensation and performance;
- length of service; and
- years of service until normal retirement.

Of the named executive officers, only Mr. Lane received an allocation in 2006 under the terms of the Halliburton SERP, as listed in the Nonqualified Deferred Compensation table. No allocations were made for 2006 with respect to any of our former directors, officers or employees. Mr. Stanski was credited with interest for 2006 on amounts already allocated to his account. The total account balances for Messrs. Lane and Stanski are fully vested. Following our separation from Halliburton, we will maintain the portion of the Halliburton SERP that covers our employees. See *Post-Separation Updates* below. Benefits under this plan are payable upon a termination of employment.

Contributions were allocated with the goal of achieving 75% base pay replacement assuming retirement at age 65 with 25 or more years of service. A vesting provision requires five consecutive years of participation in order for awards made in and after 2005 to be fully vested. This vesting provision was put in place to encourage participant retention.

Halliburton Retirement Plan

Effective December 31, 2001, the qualified pension plan of the M.W. Kellogg Company (the *M.W. Kellogg Plan*) merged into the Halliburton Retirement Plan. The M.W. Kellogg Plan benefits were frozen effective May 31, 1988. The participants were 100% vested in their accrued benefits on June 30, 1985. Prior to the freeze, the normal retirement benefit was equal to the sum of 1.0% of final average compensation up to covered compensation, multiplied by years of credited service and 1.6% of final average compensation in excess of covered compensation, multiplied by years of credited service, but not to exceed 60% of final average compensation minus the sum of the straight life annuity determined to be the actuarial equivalent of the balance of the employee's capital accumulation account, as defined in the M.W. Kellogg Plan document, plus the accrued benefit under any other plan granting credit from the same period of service. The M.W. Kellogg Plan permits early retirement at age 55 with 10 years of service; however, certain reduction factors are applied to the benefit formula when this takes place, as defined under the M.W. Kellogg provisions. The M.W. Kellogg Plan provides for normal retirement on the first day of the month following age 65. The payment options under the plan include the following: (a) single life annuity, (b) lump sum, (c) 50%, 75% or 100% contingent life annuity, and (d) 5, 10, or 15-year certain and life annuity. Halliburton Management expects the M.W. Kellogg Plan to continue without interruption but reserves the right to discontinue the M.W. Kellogg Plan. Messrs. Rose, Lehmann and Pucher are the only named executive officers that participate in this plan.

E. Other Executive Benefits and Perquisites

Generally our named executive officers participate in the same programs and receive compensation based upon the same criteria as our other senior executive management. In 2006, Mr. Lane participated in the Halliburton Retirement and Savings Plan. Pursuant to this plan, Halliburton made employer matching contributions equal to 4% of eligible compensation and employer non-elective contributions equal to 4% of eligible compensation. Our other named executive officers participated in the Kellogg Brown & Root, Inc. Retirement and Savings Plan. Pursuant to this plan, we made employer matching contributions equal to 5.5% of eligible compensation.

Our named executive officers were eligible to participate in the Halliburton Employee Stock Purchase Plan through the end of 2006. This plan is a tax-qualified plan, generally available to employees in the U.S. and certain other countries that allows participants to acquire Halliburton stock at a 15% discount to the market price with up to 10% of their salary, subject to IRS limitations, with the objective of allowing employees to profit when the value of the stock increases over time. Under applicable tax law, no participant in the Halliburton Employee Stock Purchase Plan was permitted to purchase more than \$25,000 in market value of Halliburton stock in any calendar year. We do not presently offer an equivalent program for purchase of our stock by employees at a discount.

Messrs. Rose, Lehmann and Pucher are the only named executive officers that participate in the Halliburton Retirement Plan, a frozen defined benefit pension plan described above under the heading Halliburton Retirement Plan.

Our named executive officers may participate in the Halliburton Elective Deferral Plan, a nonqualified deferred compensation plan, to meet their retirement and other future income needs. Participation is completely voluntary. Pre-tax deferrals of up to 75% of base salary and/or incentive compensation are allowed each calendar year. Interest is credited based upon the participant's election from among four benchmark investment options. In 2006, none of the named executive officers participated in the Plan, nor do they have prior participation. We intend to offer a similar nonqualified deferred compensation program for our executives. See Post-Separation Updates below.

Our named executive officers may participate in the Halliburton Company Benefit Restoration Plan, a non-qualified plan that provides a vehicle to restore qualified plan benefits that are reduced as a result of limitations imposed under the Internal Revenue Code or due to participation in other Company sponsored plans. The benefit restoration plan also serves to defer compensation that would otherwise be treated as excessive employee remuneration within the meaning of Section 162(m) of the Internal Revenue Code. The benefit restoration plan is a nonqualified deferred compensation plan that earns interest at the rate of 10% per annum, which is 4.11% above 120% of the Federal Long-Term rate. In 2006, our named executive officers received awards under the benefit restoration plan in the amounts shown in the footnotes to the Summary Compensation Table. Benefits under this plan are payable upon a termination of employment. We intend to implement a similar benefit restoration plan for our named executive officers. See Post Separation Updates below.

Two of our named executive officers, Mr. Rose and Mr. Pucher, participate in the Dresser Industries, Inc. Deferred Compensation Plan, an unfunded, frozen deferred compensation plan. Prior to the plan being frozen on January 1, 2000, a participant could elect to defer compensation into the plan. A participant's deferrals were then converted to units equivalent to Halliburton stock based on a discounted price of Halliburton stock. The discount could be no more than 25% of Halliburton stock fair market value. While additional deferrals are no longer permitted, a participant's benefit may continue to grow in two ways: dividend equivalents on unit accounts and interest paid on cash accounts. A dividend equivalent is the cash equivalent of the dividends that would have been paid on units of Halliburton stock held in the participant's unit account if those units were actual shares of stock. If dividends are paid on Halliburton stock, the participant's unit account is increased by the whole number of units of Halliburton stock that could be purchased, at the applicable discount, by the dividend equivalents. Interest is payable annually on the participant's cash account, if any, at the annual savings account rate of a major bank designated by the plan administrator. Payment of a participant's benefit under the plan commences on the January 15th following the participant's termination of employment and may be paid in a lump sum or annual installments for a period of up to twenty years. A participant's cash account is payable in cash and the unit account is payable in Halliburton stock. See Post-Separation Updates below.

In 2006, Halliburton's and our use of perquisites for executives were limited in both scope and value.

Our executives do not have company cars or car allowances, and their health care and insurance coverage is the same as that provided to other active employees. To allow for maximum efficiency and productive use of time, one company-leased car and driver are provided for use by the named executive officers for business purposes. During 2006, Mr. Rose and Mr. Pucher had company-provided/reimbursed club memberships. Halliburton provided a taxable benefit for executive financial planning, which ranged from \$5,000 to a maximum of \$15,000 per year. This benefit did not include tax return preparation. It was paid, if used by the executive, on a reimbursable basis. Our Compensation Committee has determined that we will not offer club memberships or financial planning to our executives.

Impact of Performance on Compensation

Some of our executives and key non-officer employees were eligible to participate in both the Halliburton Annual Performance Pay Plan during 2006 (as described above under the heading "Short-Term (Annual) Incentives") and the 2004-2006 cycle of the Performance Unit Program (as described above under the heading "Long-Term Incentives"). Our named executive officers earned annual incentive compensation and performance units for the 2006 fiscal year in the amounts shown in the Summary Compensation Table. Rewards for both the Annual Performance Pay Plan and the 2004 Performance Unit Program cycle were paid in cash in the first half of 2007.

Impact of Regulatory Requirements on Compensation

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation paid to the chief executive officer or any of the four other most highly compensated officers to the extent the compensation exceeds \$1 million in any year. Qualifying performance-based compensation is not subject to this sanction if certain requirements are met.

Our policy is to utilize available tax deductions whenever appropriate and consistent with our compensation philosophy. When designing and implementing our compensation programs, we consider all relevant factors, including the availability of tax deductions with respect to compensation. Accordingly, we have attempted to preserve the federal tax deductibility of compensation in excess of \$1 million a year to the extent doing so is consistent with the intended objectives of our compensation philosophy. However, we may from time to time pay compensation to our executives that may not be fully deductible.

The KBR Plan and the 1993 Plan each enables qualification under Section 162(m) of stock options, stock appreciation rights and stock value equivalent awards, as well as short-term and long-term cash performance plans.

Section 304 of the Sarbanes-Oxley Act of 2002 applies to any cash or equity-based incentive compensation paid to specified executives where the payment was predicated upon the achievement of certain financial results that were subsequently the subject of restatement. We expect that our Compensation Committee will adopt a policy, when and where applicable, to seek to recover any amount determined to have been inappropriately received by the individual executive.

We are administering all nonqualified, deferred compensation plans and payouts in compliance with the provisions of Section 409A of the Internal Revenue Code added under the American Jobs Creation Act of 2004. Plan documents will be amended in 2007 to incorporate the effects of Section 409A as adopted.

Post-Separation Updates

Following our separation from Halliburton, our Compensation Committee met on April 12, 2007, and approved the KBR Elective Deferral Plan, KBR Dresser Deferred Compensation Plan, KBR Benefit Restoration Plan, and KBR Supplemental Executive Retirement Plan in order to provide a continuation of

benefits to our employees who were entitled to such benefits under the Halliburton Elective Deferral Plan, the Halliburton Company Supplemental Executive Retirement Plan, the Halliburton Company Benefit Restoration Plan, and the Dresser Industries Inc. Deferred Compensation Plan. These newly approved Company retirement plans are substantially similar to the Halliburton plans, except as revised to comply with new Internal Revenue Code rules on deferred compensation.

Following our separation from Halliburton, our Compensation Committee engaged Towers Perrin to serve as its executive compensation consultant and no longer retains the services of Hewitt. Towers Perrin also acts as a general benefits consultant for our internal benefits department. The services provided by Towers Perrin are outlined individually under separate scope of work contracts in order to reduce the likelihood of any potential conflicts of interest. In addition, the Compensation Committee has directly retained and separately manages its relationship with the Towers Perrin executive compensation consultant, and our benefits department has directly retained and separately manages the Company's relationship with the Towers Perrin general benefits consultants.

As described above under Elements of Compensation, following our separation from Halliburton, each stock option and restricted stock award granted to our employees under the 1993 Plan that was still outstanding was converted to an equity award covering KBR common stock, pursuant to the Transitional Stock Adjustment Plan, which was adopted solely for that purpose. The converted equity awards are subject to substantially the same terms as they were under the 1993 Plan prior to conversion. No new awards can be made under the Transitional Stock Adjustment Plan.

As of June 30, 2007, under the Transitional Stock Adjustment Plan, 858,171 shares of restricted stock had not yet lapsed and 1,763,591 stock options were outstanding. In addition, under the KBR Plan, as amended, 153,910 shares of restricted stock and 756,890 restricted stock units had not yet lapsed and 911,469 stock options were outstanding.

Our Compensation Committee also met in June 2007 and twice in July 2007 to review further the executive compensation program. At that time, our Committee approved a contribution, on behalf of the current chief executive officer and senior executive management, to the SERP for 2007 equal to 26% of income, subject to five years vesting (three years for two executives due to their age). In addition, our Compensation Committee approved performance awards under the KBR Plan with performance measures based 50% on Total Shareholder Return (TSR), as compared to our peers (Chicago Bridge & Iron Company NV, Chiyoda Corp., Dyncorp International, Inc., Fluor Corp., Foster Wheeler Ltd, Jacobs Engineering Group Inc., JGC Corp., Saipem, The Shaw Group Inc., Technip, and URS Corp.), and 50% on KBR's Return on Capital (ROC). ROC is the weighted average of the Company's net income from continuing operations plus (interest expense x (1-effective tax rate)), divided by average monthly capital from continuing operations, with monthly capital from continuing operations equal to average monthly total assets less (average monthly non-interest bearing liabilities plus average monthly minority interest), as reported in the Company's audited reported financials for (i) the period July 1, 2007 through December 31, 2007, annualized, (ii) 2008, and (iii) 2009, with the 2007 period weighted 20% and the 2008 and 2009 years each weighted 40%. After the end of each plan cycle, our Compensation Committee will determine the extent to which the performance goals have been achieved, and the amount of the performance award will be computed for each selected executive in accordance with the reward schedule. For TSR, achievement of the 25th percentile results in a 50% target payout, the 50th percentile in a 100% target payout, and the 75th percentile in a 200% target payout. For ROC, achievement of 6.4% results in a 50% target payout, 8.4% in a 100% target payout, and 11.4% in a 200% target payout. The performance awards may only be paid in cash. In addition, our Compensation Committee approved a grant of restricted stock to the chief executive officer, senior executive management, and certain eligible non-senior members of executive management of the Company and an increase in base salary for our chief executive officer and senior executives, although the salary increase will not be considered for certain of our benefit plans and programs.

Conclusion

In a highly competitive market for executive talent, we believe that our interests and those of our stockholders are well served by our compensation programs. These programs are reasonably positioned to our peer companies, encourage and promote our compensation objectives with a strong emphasis on pay for performance, and permit the exercise of our Compensation Committee's discretion in the design and implementation of compensation packages. As indicated above, our Compensation Committee is in the process of evaluating our compensation programs as we transition to a fully independent public company. Going forward, we will continue to review our compensation plans periodically to determine what revisions, if any, should be made.

EXECUTIVE COMPENSATION

The following table sets forth information regarding compensation of our named executive officers during 2006.

Summary Compensation Table

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| Name and Principal Position (a) | Salary | | Bonus(1) | | Stock Awards | Option Awards | Non-Equity Incentive Plan Compensation | Change in Pension Value and Nonqualified Deferred Compensation Earnings | | All Other Compensation | | Total |
|---------------------------------|----------|------------|-------------|-------------------|--------------|---------------|---|---|---------|--------------------------------|------------|-------------------|
| | Year (b) | (\$)(c) | (\$)(d) | (\$)(2)(e) | (\$)(f) | (\$)(3)(g) | (\$)(4)(h) | (\$)(i) | (\$)(j) | (\$)(k) | (\$)(l) | (\$)(m) |
| William P. Utt CEO | 2006 | \$ 487,987 | (5) Sign-on | \$ 300,000 | \$ 221,694 | N/A | 2006 \$ 235,966 CVA | Retirement Plan | N/A | | \$ 6,750 | \$ 1,384,946 |
| | | | 2006 Discr | \$ 117,810 | | | 2004 N/A -06 PUP Cycle | SERP Restoration | N/A | ER Match (401k) | N/A | \$ 14,739 |
| | | | | \$ 417,810 | | | | | | 2006 Restor. Award Perquisites | N/A | \$ 21,489 |
| Andrew R. Lane(6) Former CEO | 2006 | \$650,000 | 2006 Discr | N/A | \$ 924,168 | \$ 367,526 | 2006 \$ 845,000 CVA 2004 -06 PUP Cycle | Retirement Plan | N/A | Res-Tricted | \$ 55,851 | \$ 3,314,645 |
| | | | | | | | \$ 240,000 | SERP Restoration | N/A | ER Match (401k)(7) | \$ 17,467 | |
| | | | | | | | | | | 2006 Restor. Award | \$ 34,400 | |
| | | | | | | | | | | 2006 SERP Award Perquisites | \$ 177,000 | |
| | | | | | | | \$ 1,085,000 | | | | N/A | \$ 284,718 |
| Cedric W. Burgher CFO | 2006 | \$300,000 | 2006 Discr | \$ 54,936 | \$ 96,352 | \$ 74,734 | 2006 \$ 110,064 CVA 2004 -06 PUP Cycle | Retirement Plan | N/A | Res-Tricted Div. | \$ 4,275 | \$ 670,051 |
| | | | | | | | N/A | SERP Restoration | N/A | ER Match (401k) | \$ 5,712 | |
| | | | | | | | | | | 2006 Restor. Award | \$ 4,400 | |
| | | | | | | | | | | Perquisites(8) | \$ 19,579 | |
| | | | | | | | | | | | \$ 33,965 | |

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|--|------|---------------|---------------|-----------|------------|-----------|------------------------------|-------------------|---|-----------------------------|--|-----------------------|---------------------|
| John Gann, Jr. CAO | 2006 | \$249,614 | 2006 Discr | \$ 32,046 | \$ 103,312 | \$ 46,905 | 2006 CVA | \$ 64,204 | Retire- ment Plan | N/A | Res- Tricted Div | \$ 5,250 | \$ 513,168 |
| | | | | | | | 2004 - 06 PUP Cycle | N/A | SERP Restor- ation | \$ 69 | ER Match (401k) | \$ 10,138 | |
| | | | | | | | | | | | 2006 Restor. Award Perquisites | \$ 1,629 | |
| | | | | | | | | | | | | N/A | \$ 17,017 |
| John L. Rose Executive V.P. | 2006 | \$301,302 | 2006 Discr | \$ 38,460 | \$ 65,377 | \$ 57,565 | 2006 CVA | \$ 67,415 | Retire- ment Plan | \$ 892 | Res- Tricted Div | \$ 3,512 | \$ 620,280 |
| | | | | | | | 2004 - 06 PUP Cycle | \$ 37,674 | SERP Restor- ation Dresser Def. | N/A \$ 1,009 \$ 2,390 | ER Match (401k) | \$ 9,900 | |
| | | | | | | | | | | | 2006 Restor. Award Foreign Inc. Tx Impt. Perquisites | \$ 4,472 | |
| | | | | | | | | \$ 105,089 | | \$ 4,291 | | \$ 48,197 | |
| Bruce A. Stanski(9) Executive V.P. | 2006 | \$359,678(10) | 2006 Discr | N/A | \$ 177,682 | \$ 77,663 | 2006 CVA | \$ 246,038 | Retire- ment Plan | N/A | Res- Tricted Div. | \$ 14,731 | \$ 1,092,338 |
| | | | | | | | 2004 - 06 PUP Cycle | \$ 144,000 | SERP Restor- ation | N/A \$ 733 | ER Match (401k) | \$ 8,359 | |
| | | | | | | | | | | | Per Diem 2006 | \$ 55,771 \$ 7,682 | |