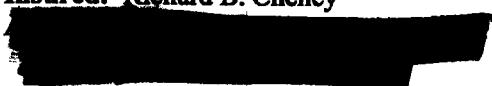



AMERICAN INTERNATIONAL
SPECIALTY LINES INSURANCE COMPANY
(A Capital Stock Company)

POLICY NUMBER: 513-97-73

EXECUTIVE DEFERRED INCOME INSURANCE POLICY

DECLARATIONS:

- Item 1. **Insured:** Richard B. Cheney

- Item 2. **Policy Period:** Inception Date: January 20, 2001
Expiration Date: January 20, 2005
in each case at 12:01 A.M. at the address of the Insured stated herein.
- Item 3. **Maximum Aggregate Policy Limit:** See Schedule A
- Item 4. **Corporate Plan Obligor:** Halliburton Company
- Item 5. **Title of Benefits and Compensation Agreement:** Halliburton Company
Deferred Compensation Plan
- Item 6. 
- Item 7. **Endorsements Attached at Policy Inception Date:** Annuity Endorsement
- Item 8. **Premium:** \$14,903 fully earned and payable at Policy Inception Date.
- Item 9. **Interim Payment Percentage:** 100%

[Personal
data
redacted]

By acceptance of this Policy the Insured agrees that the statements in this Policy (including the Declarations and the attachments hereto) are the agreements and representations of the Insured and that this Policy embodies all agreements existing between the Insured and the Insurer or any of its representatives relating to this insurance.

AMERICAN INTERNATIONAL SPECIALTY
LINES INSURANCE COMPANY

By: 

AUTHORIZED REPRESENTATIVE

AMERICAN INTERNATIONAL
SPECIALTY LINES INSURANCE COMPANY
175 Water Street
New York, New York 10038

A CAPITAL STOCK COMPANY

EXECUTIVE DEFERRED INCOME INSURANCE POLICY

In consideration of the payment of the premium and in accordance with this Policy, the Application (attached hereto and incorporated herein), the Declarations, the Benefits and Compensation Agreement (attached hereto and incorporated herein) and any endorsement(s) hereto, which together shall constitute the Executive Deferred Income Insurance Policy (the "Policy"), American International Specialty Lines Insurance Company (the "Insurer") agrees as follows:

1. INSURING AGREEMENT

Subject to the Policy Limits and the terms, conditions and Exclusions set forth hereunder, the Insurer hereby agrees to indemnify the Insured for Loss, to pay Interim Payments and to pay or reimburse Legal Expenses, arising from an Insured Event which occurs during the Policy Period.

II. DEFINITIONS

(a) "Application" shall mean the application(s) executed by the Insured and delivered to the Insurer in connection with the issuance of this Policy including all attachments thereto and materials submitted therewith.

(b) "Benefits and Compensation Agreement" shall mean the Agreement listed in Item 5 of the Declarations which sets forth all of the terms, conditions and amounts for which the Insured has contracted with the Corporate Plan Obligor to receive compensation and/or income on a deferred basis. A copy of such Agreement is attached hereto, made a part hereof and constitutes the basis for this insurance. The Insured will not consent to the transfer or assignment to, or assumption by, any other party of the Corporate Plan Obligor's obligations under the Benefits and Compensation Agreement without the written consent of the Insurer, not to be unreasonably withheld (but nothing herein shall limit the Insured's rights under this Policy where such transfer, assignment or assumption takes place without

the Insured's consent). No amendment or change to the Benefits and Compensation Agreement after the Policy Inception Date shall have the effect of increasing or accelerating the amount of Deferred Income payable by the Insurer to the Insured or otherwise increasing or accelerating the Insurer's obligations under this Policy. To the extent that the Benefits and Compensation Agreement reserves discretion to the Corporate Plan Obligor or the Plan Administrator (or one or more representatives of either) which discretion is not exercised by virtue of an Insured Event, the Insurer shall be entitled to exercise such discretion. Notwithstanding any other provision of this Policy or the Benefits and Compensation Agreement, the determination as to whether and when any Deferred Income is due under the Benefits and Compensation Agreement shall be made for purposes of this Policy as if the Sections of the Benefits and Compensation Agreement listed in Schedule C hereto were not applicable to the Insured.

(c) "Claim" shall mean a written claim by the Insured submitted to the Insurer for payment of Loss, Interim Payments, and/or Legal Expenses under and in compliance with this Policy.

(d) "Corporate Plan Obligor" shall mean the entity stated in Item 4 of the Declarations and any successor thereto or other party having or assuming obligations under the Benefits and Compensation Agreement which entity, successor or party is obligated to pay Deferred Income under the Benefits and Compensation Agreement. Where appropriate, references in this Policy to the Corporate Plan Obligor shall be deemed to include the Plan Administrator.

(e) "Deferred Income" shall mean compensation and/or income of a sum certain which has been fully earned by the Insured prior to the Policy Inception Date for services rendered in the normal course of the Insured's employment as an executive or tenure as a director or trustee of the Corporate Plan Obligor (and/or any parent, subsidiary or affiliate thereof) the receipt of which has been deferred pursuant to the Benefits and Compensation Agreement. Deferred Income shall also include any additional amounts consisting of interest or other investment income or other credits applied after the Policy Inception Date which are credited under the Benefits and Compensation Agreement in respect of amounts of income previously deferred under the Benefits and Compensation Agreement. Deferred Income shall not include (i) any additional amounts attributable to increased benefits earned or credited after the Policy Inception Date, except such amounts as are described in the immediately preceding sentence, (ii) any loss of principal or other amount debited due to adverse actual or deemed investment or index performance which affects the calculation of the amount of Deferred Income due under the Benefits and Compensation Agreement, (iii) amounts offset against expenses under the terms of the Benefits and Compensation Agreement (unless and until such expenses are determined by a court or other tribunal of competent jurisdiction to be improperly offset), or (iv) any other reduction in the amount of Deferred Income pursuant to the terms and conditions of the Benefits and Compensation Agreement.

(f) "Insured" shall mean the individual listed in Item I of the Declarations who is a party to or the beneficiary of the Benefits and Compensation Agreement at the Policy Inception Date, or his or her beneficiaries, heirs, representatives, estates or assigns, who, as a result of the Insured's death or incapacity, would be entitled to payments of Deferred Income under the Benefits and Compensation Agreement.

(g) "Insured Event" shall mean a Repudiation, a Repudiation as a Result of a Bankruptcy Filing or an Anticipatory Repudiation, where:

(i) "Repudiation" shall mean the Corporate Plan Obligor's refusal or failure to pay when due any Deferred Income under the Benefits and Compensation Agreement (other than as to any withholding by the Corporate Plan Obligor in respect of taxes or on a basis enumerated in the Exclusions below), including, without limitation, any such refusal or failure subsequent to a Petition Filing attributable to a dispute as to whether such Deferred Income is due other than solely attributable to the Petition Filing. The date of the Repudiation shall be the date of the Insured Event;

(ii) "Repudiation as a Result of a Bankruptcy Filing" shall mean:

(A) a Petition Filing which subsequently results in a final order of rejection by the Corporate Plan Obligor of the Benefits and Compensation Agreement which affects the rights of the Insured, within the meaning of 11 U.S.C. §§ 365 or 1123(b) (2) (or any successor provision thereto); or

(B) a Petition Filing which subsequently results in impairment of the Insured's rights under the Benefits and Compensation Agreement, within the meaning of 11 U.S.C. § 1124 (or any successor provision thereto), in a plan of reorganization approved by a U.S. Bankruptcy Court; or

(C) a Petition Filing which subsequently results in the non-payment of any Deferred Income to the Insured when due solely based on the Insured's status as a prepetition creditor (as opposed to non-payment based on a dispute as to whether or when such Deferred Income is due),

The date of the Petition Filing shall be the date of the Insured Event (although there shall not be an Insured Event unless there is a subsequent rejection, impairment, or non-payment as provided hereinabove); and

(iii) "Anticipatory Repudiation" shall mean:

(A) an advance determination (subsequent to the Policy Inception Date) by the Corporate Plan Obligor that the Insured is not entitled to any Deferred Income as and when due under the terms of the Benefits and Compensation Agreement where

notice thereof is given by the Insured to the Insurer during the Policy Period in accordance with Article IV, Section 1, paragraph (b) below; or

(B) determination(s) subsequent to the Policy Inception Date and prior to the time Deferred Income is due to the Insured by the Corporate Plan Obligor that two or more individuals (other than the Insured) are not entitled to any Deferred Income under the terms of the Benefits and Compensation Agreement based on grounds equally applicable to the Insured where notice thereof is given by the Insured to the Insurer during the Policy Period in accordance with Article IV, Section 1, paragraph (b) below.

The date notice is given by the Insured to the Insurer of such Anticipatory Repudiation shall be the date of the Insured Event.

(h) "Interim Payments" shall mean amounts paid or payable by the Insurer pursuant to Article V, Section 2, below.

(i) "Legal Expenses" shall mean amounts paid or payable by the Insurer pursuant to Article V, Section 3, paragraph (a), below.

(j) "Loss" shall mean the difference between the undisputed amount owed to an Insured as Deferred income under the Benefits and Compensation Agreement and the amount thereof actually received, except to the extent that any amount not so received is subject to an Exclusion below. Loss shall not include; (a) taxes or any other liability incurred by the Insured with respect to the Benefits and Compensation Agreement or Deferred Income (other than withholding and other taxes payable by the Insurer pursuant to Article V, Section 6 below), or (b) any offsets or recoupments from Deferred Income arising in respect of the Insured's actual, asserted or disputed obligations (other than pursuant to the express terms of the Benefits and Compensation Agreement) to the Corporate Plan Obligor or a third party which result in a reduction of the amount of Deferred Income payable to the Insured (unless and until such offsets or recoupments are determined by a court or other tribunal of competent jurisdiction to be improper).

(k) "Petition Filing" shall mean the filing of a voluntary or an involuntary petition for relief commencing a case under Title 11, United States Code (including, without limitation, any petition filed under chapter 7, chapter 11 or any other chapter thereof) by or against the Corporate Plan Obligor.

(l) "Plan Administrator" shall be the person, persons or entity with the responsibility under the Benefits and Compensation Agreement to determine whether or when the Insured is entitled to compensation and/or income under the Benefits and Compensation Agreement.

(m) "Policy Expiration Date" shall be the earlier of the final day of the Policy Period, as identified in Item 2 of the Declarations, or the effective date of the cancellation of this Policy.

(n) "Policy Inception Date" shall be the first day of the Policy Period, as identified in Item 2 of the Declarations.

(o) "Policy Limits" shall mean the dollar sums stated on Schedule A hereto for Loss (including Interim Payments) and Legal Expenses as respects the period encompassing the date of the first Insured Event hereunder and, except as otherwise expressly provided, shall be the maximum payment obligations of the Insurer under this Policy for all Loss (including Interim Payments) and Legal Expenses, respectively, for the entire Policy Period; the Policy Limits set forth in Schedule A shall not be cumulative from year to year, *i.e.*, the Policy Limits set forth in Schedule A as respects such date of the first Insured Event covered hereunder shall apply, and the Policy Limits set forth for all prior, if any, and all subsequent, if any, periods shall be of no force and effect. Without limiting the foregoing, in no event will the Policy Limit for all Loss (including Interim Payments) during and/or Legal Expenses combined exceed the Maximum Aggregate Policy Limit stated in Item 3 of the Declarations.

(p) "Policy Period" shall mean the period of time from the Policy Inception Date to the Policy Expiration Date.

III. EXCLUSIONS

The Insurer shall not be liable to make any payments for Loss, Interim Payments, Legal Expenses or otherwise under this Policy in connection with any Claim:

- (a) which results, directly or indirectly, from the forgery or alteration by the Insured of any document related to or made a part of this Policy;
- (b) to the extent it relates to Deferred Income under any portion of the Benefits and Compensation Agreement that is subject to the vesting, participation, funding or fiduciary responsibility requirements of Part 2, 3 or 4 of Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or the plan termination insurance requirements of Title IV of ERISA; or
- (c) which results, directly or indirectly, from the enactment or amendment of any statute or the adoption or amendment of final or temporary regulations by the United States or any other sovereign nation, any State or political subdivision, territory or possession thereof, or by any agency or governmental or quasi-governmental body or entity formed thereby after the date hereof.
- (d) which results, directly or indirectly, from a prepackaged bankruptcy or plan.

IV. NOTICE AND PROOF OF PAYMENT OF LOSS

As a condition to the right of the Insured to any payment under this Policy, the Insurer must be given Notice in accordance with Section 1 below, and the Insured must have submitted a Claim in accordance with and fully complied with Section 2 below.

1. NOTICE

(a) The Insured agrees to deliver written notice ("Notice") to the Insurer within ninety (90) days should there be a Repudiation, or within thirty (30) days from the date the Insured learns of the Repudiation, if later. The Insured agrees to deliver Notice to the Insurer within ten (10) days of when the Insured learns of a Petition Filing as to the Corporate Plan Obligor. Without limiting the foregoing, Notice must be given no later than ninety (90) days after the Policy Expiration Date.

(b) With respect to an Anticipatory Repudiation, the Insured has the option to deliver Notice to the Insurer within ninety (90) days of when the Insured learns thereof but in no event later than the Policy Expiration Date. Failure of the Insured to provide Notice of an Anticipatory Repudiation shall not preclude the Insured from providing Notice of a Repudiation.

(c) Notice shall be by certified mail, return receipt requested, addressed to Counsel, Legal Department, American International Specialty Lines Insurance Company, 175 Water Street, New York, NY 10038, or his or her representative.

Notice shall be deemed given when received by the Insurer.

2. PROOF AND PAYMENT OF LOSS

(a) In the event of a Repudiation as a Result of a Bankruptcy Filing during the Policy Period, the Insurer shall pay unpaid Deferred Income when due under the Benefits and Compensation Agreement (without regard to any provisions thereof accelerating such payments upon the occurrence of an Insured Event) to the Insured as set forth in and subject to the terms, conditions and Exclusions of this Policy and the Policy Limit applicable to Loss, provided that the Insurer has received timely Notice from the Insured in accordance with Section 1 above and, further, provided that the Insurer has received from the Insured at least ninety (90) days prior to such due date a sworn, notarized written Claim stating that a Repudiation as a Result of a Bankruptcy Filing has occurred, stating the actual amount of Deferred Income claimed by the Insured at such due date and (to the extent not previously provided to the Insurer) attaching copies of any notices, motions, applications or other documents filed or received by the

Insured in connection with the bankruptcy case or proceeding relating to the Insured's rights under the Benefits and Compensation Agreement; where such written Claim is received less than ninety (90) days prior to such due date or after such due date, the Insurer shall have ninety (90) days from the submission thereof to pay the Deferred Income due (without interest). In no event is the Insurer obligated to pay pursuant to this paragraph (a) an aggregate amount in excess of \$250,000 in any calendar quarter. If the Insurer would be required to pay more than an aggregate amount of \$250,000 in any calendar quarter but for the proviso set forth in the preceding sentence, the excess, together with interest determined in accordance with the rules hereinafter set forth, shall be paid in the succeeding calendar quarter or quarters in order of time until payment is made in full but subject to the \$250,000 quarterly limitation set forth in the preceding sentence. The outstanding unpaid balance of such excess amount as of each calendar quarter, reduced by any payments made during the quarter, shall be credited with interest until the next succeeding quarter based on the interest rate on one-year U.S. Treasury bills on the first business day of such calendar quarter.

(b) In the event of a Repudiation or Anticipatory Repudiation during the Policy Period, the Insurer shall pay Interim Payments to the extent required by Article V, Section 2, below to the Insured, and Legal Expenses required by Article V, Section 3, paragraph (a), below, as set forth in and subject to the terms, conditions and Exclusions of this Policy, provided that the Insurer has received timely Notice from the Insured in accordance with Section 1 above and, further, provided that in the case of Interim Payments the Insurer has received from the Insured at least ninety (90) days prior to the due date of such Interim Payments a sworn, notarized written Claim stating that a Repudiation or Anticipatory Repudiation has occurred, describing such Repudiation or Anticipatory Repudiation, stating the amount of Deferred Income claimed by the Insured at such due date; where such written Claim is received less than ninety (90) days prior to such due date or after such due date, the Insurer shall have ninety (90) days from the submission thereof to pay the Interim Payments due (without interest except as provided in Section 2 of Article V below).

V. GENERAL CONDITIONS

1. PAYMENT OF PREMIUM

The premium for the Policy in the amount set forth in Item 8 of the Declarations is fully earned and payable as shown in Item 8 of the Declarations.

2. DISPUTE AS TO WHETHER OR WHEN DEFERRED INCOME IS DUE – INTERIM PAYMENTS

If there is a Repudiation or Anticipatory Repudiation during the Policy Period and if any Deferred Income payable pursuant to the Benefits and Compensation Agreement shall be or become due (and not be paid) to the Insured prior to or during the pendency of any administrative appeal, litigation, arbitration proceeding or disputed claim and/or adversary proceeding in bankruptcy pursuant to Section 3,

paragraph (a) below relating to such Deferred Income, then, subject to Section 12 (other than the final sentence thereof) below, the Insurer, subject to all other Policy terms, conditions, Exclusions and the Policy Limit for Loss (which shall apply as respects all Loss and Interim Payments, combined) and including the terms and conditions of this Section 2, shall pay the Interim Payment Percentage (as designated in Item 9 of the Declarations) of such Deferred Income to the Insured in accordance with this Section 2 as and when due under the Benefits and Compensation Agreement during the pendency of such administrative appeal, litigation, arbitration proceeding or disputed claim and/or adversary proceeding in bankruptcy; provided, however, that in no event shall the Insurer be required to pay pursuant to this Section 2 an aggregate amount in excess of \$1 million in any calendar year. If the Insurer would be required to pay more than an aggregate amount of \$1 million in any calendar year but for the proviso set forth in the preceding sentence, the excess, together with interest determined in accordance with the rules hereinafter set forth, shall be paid in December of the succeeding calendar year or years in order of time until payment is made in full but subject to the \$1 million annual limitation set forth in the preceding sentence. The outstanding unpaid balance of such excess amounts as of each December 1, reduced by any payments made during such month of December, shall be credited with interest until the next succeeding November 30 based on the interest rate on one-year U.S. Treasury bills on the first business day of such month of December. Any amounts paid pursuant to this Section 2 (including, without limitation, the portions representing interest in accordance with the foregoing provisions) shall erode or exhaust the Policy Limit for Loss and be offset from any obligations the Insurer has or may have to indemnify the Insured for Deferred Income.

3. DISPUTE AS TO WHETHER OR WHEN DEFERRED
INCOME IS DUE -- LEGAL EXPENSES

(a) If, upon the happening of an Anticipatory Repudiation or Repudiation during the Policy Period, there is a dispute between the Insured and the Corporate Plan Obligor as to whether and/or when the Insured is entitled to any amount of Deferred Income under the Benefits and Compensation Agreement (other than as to any withholding by the Corporate Plan Obligor in respect of taxes), the Insurer, subject to Section 12 below, shall within a reasonable time after the amount in dispute assertedly was due:

(i) initiate and prosecute (or defend) an administrative appeal, litigation, arbitration proceeding or disputed claim and/or adversary proceeding in bankruptcy (in each case whether seeking monetary relief, equitable relief and/or declaratory relief, as appropriate) on the Insured's behalf against (or by) the Corporate Plan Obligor to resolve the dispute (including, if necessary, proceedings to enforce and collect any judgment against the Corporate Plan Obligor); and/or

(ii) pay on behalf of the Insured the Insured's reasonable costs and expenses, including attorney's fees, of initiating and prosecuting (or defending) an administrative appeal, litigation, arbitration proceeding or disputed claim and/or adversary proceeding in bankruptcy (in each case whether seeking monetary relief, equitable relief and/or declaratory relief, as is appropriate) against (or by) the Corporate Plan Obligor to resolve the dispute (including, if necessary, proceedings to enforce and collect any judgment against the Corporate Plan Obligor) -

The selection between alternatives (i) and (ii) shall be within the sole discretion of the Insurer.

(b) Any amounts paid by the Insurer pursuant to paragraph (a) above shall be subject to the Policy Limit for Legal Expenses and shall erode or exhaust such Policy Limit. If upon exhaustion of the Policy Limit for Legal Expenses, the administrative appeal, litigation, arbitration proceeding or disputed claim and/or adversary proceeding in bankruptcy referred to in paragraph (a) is still pending as respects the dispute between the Insured and the Corporate Plan Obligor concerning the Deferred Income under the Benefits and Compensation Agreement, the Insurer at its option and in its sole discretion may elect whether or not to continue the prosecution or defense or to pay costs of prosecution or defense thereof, as the case may be (and may change such election at any time thereafter); provided, however, that any amounts paid by the Insurer for such prosecution or defense or the costs thereof upon exhaustion of the Policy Limit for Legal Expenses shall erode the Policy Limit for Loss

(c) If there is a Repudiation or Anticipatory Repudiation during the Policy Period, Legal Expenses are paid by the Insurer in respect thereof and the dispute is not resolved during the Policy Period, then the Insurer's obligation to pay Interim Payments and Legal Expenses shall continue after the Policy Expiration Date (subject to exhaustion of the respective Policy Limits and all other terms, conditions and Exclusions of the Policy); the Insurer shall have no obligation to indemnify the Insured for Loss by reason of a Repudiation as a Result of a Bankruptcy Filing taking place subsequent to the Policy Expiration Date.

(d) In the event that there are insureds under other Executive Deferred Income Insurance policies issued by the Insurer or any other member company of American International Group, Inc. which are similarly situated to the Insured as respects the Corporate Plan Obligor with respect to an Insured Event, and if it is appropriate for the Insured under this Policy and one or more such other insureds to be represented by joint counsel, the fees of such joint counsel and other costs of joint prosecution (or defense) under paragraph (a) above shall be allocated among the Insured and such other insureds (i.e., among this Policy and such other policies) in proportion to the amounts of Deferred Income at issue and taking into account other relevant factors, if any.

(e) If the Insured in any administrative appeal, litigation, arbitration proceeding or disputed claim and/or adversary proceeding in bankruptcy against (or by) the Corporate Plan Obligor is seeking to resolve any dispute(s) as to any matter in addition to or over and above whether an amount of Deferred Income is due under the Benefits and Compensation Agreement to which this Policy would apply if such amount is due, the reasonable costs and expenses, including attorney's fees, of initiating and prosecuting (or defending) such administrative appeal, litigation, arbitration proceeding or disputed claim and/or adversary proceeding in bankruptcy shall be allocated between the Insurer and the Insured on a reasonable basis. Such allocation shall take into account, among other pertinent factors, if any, the ratio between the amounts of Deferred Income at issue and the amount being

sought or opposed by the Insured in respect of other dispute(s) with the Corporate Plan Obligor.

4. SUBROGATION AND COOPERATION

(a) Upon payment of any Claim under this Policy, the Insurer shall be subrogated to the extent of such payments to all the Insured's rights against the Corporate Plan Obligor. The Insured also shall fully cooperate with the Insurer, both prior and subsequent to the payment of any Claim hereunder, to attempt to require the Corporate Plan Obligor or other liable party to live up to its obligations to pay Deferred Income and to reimburse any Legal Expenses. The Insured shall also execute and deliver, during regular business hours and upon reasonable request by the Insurer, all instruments and papers and do whatever else is necessary to transfer, assign, secure and enforce such rights. The Insured shall do nothing to prejudice such rights. The Insured will supply the Insurer with any information reasonably requested by the Insurer relating to the subject of this insurance. The execution by the Insured of a release, satisfaction or waiver of the right to collect the unpaid balance of any Deferred Income due under the Benefits and Compensation Agreement shall equally release the Insurer from any obligation under this Policy. The Insured's duties with respect to cooperation hereunder shall be performed at the request of the Insurer whether or not Notice has been given in accordance with Article IV, Section 1 hereof.

(b) Without limiting the foregoing, the Insured shall, if requested by the Insurer, initiate and prosecute administrative appeals, litigation, arbitration proceedings or a disputed claim and/or adversary proceeding in bankruptcy at the expense of the Insurer (but subject to erosion or exhaustion of the Policy Limit for Legal Expenses as provided in Section 3, paragraph (b) above under the circumstances set forth in Section 3, paragraph (a) above) against the Corporate Plan Obligor or other liable party to compel compliance with the Benefits and Compensation Agreement or move before a bankruptcy court or other tribunal to compel the trustee in bankruptcy or debtor in possession to assume or to reject the Benefits and Compensation Agreement as an executory contract with respect to the Insured, and shall execute and file one or more proofs of claim in a bankruptcy case or insolvency proceeding with respect to the obligations of the Corporate Plan Obligor or other liable party and any necessary power of attorney in connection therewith (including any proof of claim required or permitted to be filed with respect to damages arising from the rejection of the Benefits and Compensation Agreement as an executory contract). The Insured shall not unreasonably refuse to consent to the assignment or assumption of any employment contract or agreement and/or the Benefits and Compensation Agreement with the Corporate Plan Obligor or other liable party and shall not unreasonably refuse to follow the Insurer's requests with respect to voting in favor of or against any proposed plan of reorganization. The Insured shall, at the request of the Insurer, use his or her best efforts to secure the participation of the Insurer in committees, negotiations concerning reorganization, balloting upon a reorganization plan, and all other procedures affecting the potential distribution or a recovery by the Insurer with respect to its existing or potential subrogated claims.

(c) Notwithstanding any other provision of this Policy, the Insurer at its sole discretion may undertake to pay to the Insured as and when due all of the Deferred Income to which the Insured would be entitled under this Policy were there no dispute (subject to the Policy Limit for Loss) in full satisfaction of its obligations under this Policy, in which event the Insured shall comply with its obligations set forth in paragraphs (a) and (b) above. The Insured shall be entitled to retain any amounts paid to it by the Insurer pursuant to this subparagraph (c) notwithstanding any subsequent determination by a court of competent jurisdiction, arbitration panel or other body that the Insured was not entitled to payment of the disputed amount of Deferred Income.

5. TAX AND OTHER CONSEQUENCES

The Insured warrants and agrees that the Insurer shall have no liability for or in respect of any consequence(s) affecting the Insured, including but not limited to adverse tax consequences under any present or future federal, state, local or foreign law or regulation, resulting either directly or indirectly from the issuance or effect of this Policy or the payment of premiums hereunder. The Insured acknowledges that the Insurer has given no advice and made no representations that this Policy will not give rise to any such consequences. Without limiting the foregoing, the Insurer shall have no liability to the extent that the issuance or effectiveness of this Policy results in amounts payable under the Benefits and Compensation Agreement being treated as currently taxable income to an Insured.

6. WITHHOLDING; NOTICES

The Insurer may withhold from any payment of Loss hereunder, including without limitation any Interim Payments, taxes as required by applicable law(s), and any amount(s) so withheld by the Insurer shall be paid to the applicable taxing authority(ies), together with any reports required by such authority(ies). All payments of Loss shall be accompanied by statements from the Insurer summarizing the aggregate amount of Loss payments to date, Interim Payments, Legal Expenses, if any, paid to date and the remaining Policy Limits; additionally, the Insurer shall provide each Insured with an annual statement of the total amounts paid by the Insurer during the preceding calendar year as Deferred income.

7. CANCELLATION

This Policy may be cancelled by the Insurer as to the Insured only for non-payment of premium, and any such cancellation shall be retroactive to the date payment was due. THIS POLICY MAY NOT OTHERWISE BE CANCELLED BY EITHER THE INSURER OR THE INSURED.

8. ASSIGNMENT

This Policy and any and all rights hereunder may not be assigned without the written consent of the Insurer.

9. OTHER INSURANCE

This Policy shall be excess of and shall not contribute with any other insurance, except this Policy shall be primary to or shall contribute with other insurance, as the case may be, issued subsequent to the Policy Inception Date listed in Item 2 of the Declarations to the extent that such other insurance expressly is excess to this specific Policy or contributes with this Policy.

10. CHANGES

Notice to any representative of the Insurer or knowledge possessed by any representative or by any person shall not effect a waiver or change in any part of this Policy, including the Benefits and Compensation Agreement; nor shall the terms of this Policy be waived, changed, modified or amended unless agreed to in writing by an authorized representative of the Insurer.

11. CHOICE OF LAW

The construction, validity and performance of this Policy shall be governed by the internal laws of the State designated in Item 6 of the Declarations.

12. ARBITRATION

(a) Should any dispute arise between the Insured and the Insurer regarding interpretation of this Policy or the obligations of the Insurer or Insured hereunder, the matter in dispute shall be referred to three persons in the State designated in Item 6 of the Declarations, one to be appointed by each of the parties hereto, and the third by the two so chosen who shall act as chairman of the proceedings. Should either the Insured or the Insurer fail to appoint an arbitrator or should the two arbitrators so chosen fail to agree on a third arbitrator, then the parties to the arbitration shall apply to the appropriate federal or state court in the State designated in Item 6 of the Declarations for the appointment of such arbitrator. The decision of the arbitrators, or that of any two of them, shall be final and, subject to the Policy Limits (except as provided below), judgment on any such award may be entered in any state or federal court having jurisdiction thereof.

(b) Notwithstanding any other provision of this Policy, if, after receipt of Notice pursuant to Article IV hereof, the Insurer denies coverage and declines to pay any Deferred Income, Interim Payments and/or Legal Expenses on the basis that Deferred Income is not due, and if subsequent to such denial there is a determination pursuant to (A) a final order

of the court or other body of competent jurisdiction in a case between the Insured and the Corporate Plan Obligor, or (B) a final resolution of an arbitration proceeding between the Insured and the Insurer, that such Deferred Income, Interim Payments and/or Legal Expenses were due, then the Insurer shall pay to the Insured: the sum of (i) an amount equal to 150% of the Insured's reasonable Legal Expenses incurred in litigation, arbitration or other proceedings between the Insured and the Corporate Plan Obligor as respects the Insured's entitlement to Deferred Income insured under this Policy; (ii) an amount equal to 150% of the Insured's reasonable legal expenses incurred in arbitration with the Insurer as respects entitlement to Deferred Income insured under this Policy and/or coverage under this Policy; (iii) an amount equal to 150% of all covered Deferred Income and/or Interim Payments which is determined to have been owing under this Policy and not paid to the Insured by the Corporate Plan Obligor or the Insurer; and (iv) an amount equal to 50% of the covered Deferred Income paid to the Insured by the Corporate Plan Obligor as a result of the litigation, arbitration, disputed claim and/or adversary proceeding in bankruptcy or other proceedings between the Insured and the Corporate Plan Obligor or previously paid by the Insurer other than on a timely basis. The applicable Policy Limits for Loss (including Interim Payments) and Legal Expenses shall apply as respects the determinations of "covered Deferred Income" (for purposes of clauses (iii) and (iv) above) and/or Interim Payments and Legal Expenses, respectively. The 50% increments thereto under clauses (i), (iii) and/or (iv), and the legal expenses under clause (ii), shall be payable in addition to the Policy Limits. The foregoing remedies are liquidated damages and in lieu of all other remedies under the Policy, statute, equity, common law or otherwise. Except as respects Interim Payments, the Insurer has no obligation to pay any amount under this Policy which is in dispute between the Insured and the Corporate Plan Obligor.

13. SERVICE OF SUIT

- (a) Subject to Section 12, Arbitration, above, in the event that the Insurer fails to pay any amount claimed to be due under this Policy, the Insurer, at the request of the Insured, will submit to the jurisdiction of a court of competent jurisdiction within the United States. Nothing in this condition constitutes or should be understood to constitute a waiver of the right of the Insurer to commence an action in any court of competent jurisdiction in the United States or to remove an action to a United States District Court or to seek a stay or transfer of a case to another court as permitted by the laws of the United States or of any state in the United States. It is further agreed that service of process in such suit may be made upon Counsel, Legal Department, American International Specialty Lines Insurance Company, 175 Water Street, New York, NY 10038, or his or her authorized representative, and that in any suit instituted against the Insurer upon this Policy, the Insurer will abide by the final decision of such court or of any appellate court in the event of any appeal.
- (b) Further, pursuant to any statute of any state, territory, or district of the United States which makes provision therefor, the Insurer hereby designates the Superintendent,

Commissioner, or Director of Insurance, other officer specified for the purpose in the - statute or his or her successor or successors in office as its true and lawful attorney upon whom may be served any lawful process in any action, suit, or proceeding instituted by or on behalf of the Insured arising out of this Policy, and hereby designates the above named Counsel as the person to whom said officer is authorized to mail such process or a true copy thereof.

IN WITNESS WHEREOF, the Insurer has caused this Policy to be signed by its President and Secretary and signed on the Declarations page by a duly authorized representative.

Elizabeth M. Tuck

Secretary

L. H. Kelley

President

EXECUTIVE DEFERRED INCOME INSURANCE POLICY

Schedule A

Schedule of Policy Limits

	*LIMIT FOR LOSS
Policy Year 1: January 20, 2001 to January 20, 2002	\$650,000
Policy Year 2: January 20, 2002 to January 20, 2003	\$536,000
Policy Year 3: January 20, 2003 to January 20, 2004	\$393,000
Policy Year 4: January 20, 2004 to January 20, 2005	\$216,500

*includes interim payments

ENDORSEMENT #1

This endorsement, effective 12:01 A.M. January 20, 2001 forms a part of
Policy Number: 513-97-73
Issued to: Richard B. Cheney

By: American International Specialty Lines Insurance Company

**INTERIM PAYMENTS (ANNUITY) TERMS AND
DELETION OF ITEM 9 OF THE DECLARATIONS ENDORSEMENT**

In consideration of the premium charged, it is hereby understood and agreed that Article V, Section 2 is deleted in its entirety and replaced with the following:

(a) If there is a Repudiation or Anticipatory Repudiation during the Policy Period and if any Deferred Income payable pursuant to the Benefits and Compensation Agreement shall be or become due (and not be paid) to the Insured prior to or during the pendency of any administrative appeal, litigation, arbitration proceeding or disputed claim and/or adversary proceeding in bankruptcy pursuant to Section 3, paragraph (a) below relating to such Deferred Income, then subject to Section 12 (other than the final sentence thereof) below, the insurer, subject to all other Policy terms, conditions, Exclusions and the Policy Limit for Loss (which shall apply as respects all Loss and Interim Payments, combined) and including the terms and conditions of this Section 2, shall pay Interim Payments to the extent required as follows, subject to the terms, conditions and Exclusions of this Policy.

(b) If there is a Repudiation or Anticipatory Repudiation during the Policy Period and if any Deferred Income payable in a lump sum or in installments, including annuities with payouts of less than ten (10) years, pursuant to the Benefits and Compensation Agreement listed in Item 5 of the Declarations Page of this Policy, shall be or become due (and not be paid) to the Insured prior to or during the pendency of any administrative appeal, litigation or arbitration proceeding pursuant to Section 2 of Article V of the Policy relating to such Deferred Income, subject to all other Policy terms, conditions, Exclusions and the Policy Limit and the terms and conditions of this Endorsement, such lump sum (or each such installment) will be converted for the purposes of Interim Payments into as many as forty

**INTERIM PAYMENTS (ANNUITY) TERMS AND DELETION
OF ITEM 9 OF THE DECLARATIONS ENDORSEMENT (cont'd)**

(40) quarterly installment payments, with the amount of each installment to be determined as follows. With respect to each such lump sum (or installment) payment to be converted to forty installment payments, there shall be credited interest, compounded daily, on the outstanding balance determined using as the interest rate on the one-year U.S. Treasury bill in effect on January 1st of each year (using 1/360 of the annual rate for each day). The outstanding balance shall be reduced by the amount of each installment payment made by the Insurer. The amount of each such installment payment payable by the Insurer hereunder shall be determined by dividing the outstanding balance as so determined immediately prior to the applicable installment payment by the number of installments remaining to be paid (including the installment being determined). Installment payments by the Insurer shall be due at the beginning of each quarterly period with the first period commencing at the later of (i) the date the applicable lump sum (or installment) payment was due or (ii) the end of the ninety (90) day period prescribed in Section 2 of this Endorsement, and with future periods to commence at three-month intervals thereafter. For this purpose, the lump sum (or installment) amount shall be increased by interest accruing at the same rate described above in respect of the period, if any, from the date the lump sum (or installment) payment was due until the date of the first of the forty (40) installments. If the amounts payable pursuant to the Benefits and Compensation Agreement listed in Item 5 of the Declarations of this Policy are annuitized for a period of ten (10) years or longer, subject to all other Policy terms, conditions, Exclusions, Policy Limitations, and terms and conditions of this Endorsement, such payments shall be made in accordance with the installments set forth in the Benefits and Deferred Compensation Agreement as listed in Item 5 of the Declarations of this policy. Any amounts paid pursuant to this Section 3 (including, without limitation, the portions of payments representing interest) shall erode or exhaust the Policy Limit for Loss.

(c) If there is a Repudiation or Anticipatory Repudiation during the Policy Period, any Legal Expenses paid or incurred by the Insurer in respect thereof without resolution during the Policy Period, then the Insurer's obligation to pay Interim Payments and Legal Expenses shall continue after the Policy Expiration Date (subject to exhaustion of the Policy Limit and all other terms, conditions and Exclusions of the Policy including the terms and conditions of this Endorsement).

(d) In no event is the Insurer obligated to pay pursuant to this Section 2 an aggregate amount in excess of \$250,000 in any calendar quarter. If the Insurer would be required to pay more than an aggregate amount of \$250,000 in any calendar quarter but for the proviso set forth in the preceding sentence, the excess, together with interest determined in accordance with the rules hereinafter set forth, shall be paid in the succeeding calendar quarter or quarters in order of time until payment is made in full but subject to the \$250,000 quarterly limitation set forth in the preceding sentence. The outstanding unpaid balance of such excess amount as of each calendar quarter, reduced by any payments made during the

INTERIM PAYMENTS (ANNUITY) ENDORSEMENT (cont'd)

quarter, shall be credited with interest until the next succeeding quarter based on the interest rate on one-year U.S. Treasury bills on the first business day of such calendar quarter.

(e) Any amounts paid pursuant to this Section 2 (including, without limitation, the portions representing interest in accordance with the foregoing provisions) shall erode or exhaust the Policy Limit for Loss and be offset from any obligations the Insurer has or may have to indemnify the Insured for Deferred Income.

It is also understood and agreed that Item 9 of the Declarations is deleted in its entirety.

ALL OTHER TERMS, CONDITIONS, LIMITATIONS AND EXCLUSIONS OF THE POLICY SHALL REMAIN UNCHANGED.


AUTHORIZED REPRESENTATIVE