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

FORM 10-K

(MARK ONE)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-4174

THE WILLIAMS COMPANIES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	73-0569878 (I.R.S. Employer Identification No.)
ONE WILLIAMS CENTER, TULSA, OKLAHOMA (Address of principal executive offices)	74172 (Zip Code)

Registrant's telephone number, including area code:
918-573-2000

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $1.00 par value Preferred Stock Purchase Rights	New York Stock Exchange and the Pacific Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: NONE

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

The aggregate market value of the registrant's voting and non-voting stock held by non-affiliates as of the close of business on February 28, 2001, was approximately $20,153,606,790 billion.

The number of shares of the registrant's common stock held by non-affiliates outstanding at February 28, 2001, was 483,299,923.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement being prepared for the solicitation of proxies in connection with the Annual Meeting of Stockholders of Williams for 2001 are incorporated by reference in Part III.

THE WILLIAMS COMPANIES, INC.

FORM 10-K

PART I

ITEM 1. BUSINESS

(a) GENERAL DEVELOPMENT OF BUSINESS

The Williams Companies, Inc. was incorporated under the laws of the State of Nevada in 1949 and was reincorporated under the laws of the State of Delaware in 1987. The principal executive offices of Williams are located at One Williams Center, Tulsa, Oklahoma 74172 (telephone (918) 573-2000).

On October 6, 1999, a subsidiary of Williams, Williams Communications Group, Inc., closed an initial public offering by selling shares of its Class A common stock to the public. In separate private placements, SBC Communications Inc., Intel Corporation and Telefonos de Mexico S.A. de C.V. each purchased a portion of the Class A common stock. Williams owns 100 percent of Williams Communications' outstanding Class B common stock, which gives Williams approximately 98 percent of the voting power of Williams Communications. In addition, on February 26, 2001, Williams and Williams Communications entered into an agreement under which Williams contributed an outstanding promissory note from Williams Communications of approximately $975 million and certain other assets to Williams Communications in exchange for 24,265,892 shares of Williams Communications' Class A common stock. Williams owns approximately 86 percent of Williams Communications.

Williams has announced that its board of directors has authorized its management to take steps that may lead to a tax-free distribution of Williams Communications' shares held by Williams to its shareholders. Assuming that market conditions and other factors continue to support such a tax-free spin-off, Williams has announced that its board of directors would expect to vote during the first half of 2001 to set a record date, the ratio of a share of Williams Communications stock that will be issued for each share of Williams stock, and to direct the distribution of Williams Communications shares. Williams is also evaluating several credit support mechanisms to further enable Williams Communications to obtain the capital needed to allow it to continue to execute its growth plan and business strategy.

On October 11, 2000, a unit of Williams Energy acquired the natural gas liquids (NGL) portion of TransCanada's midstream operations. The assets, located in western Canada, represent a total of approximately six billion cubic feet per day of gas processing capacity, approximately 225,000 barrels per day of NGL production capacity, an NGL pipeline system and more than five million barrels of NGL storage capacity. The total purchase price was $540 million U.S. dollars.

On January 29, 2001, Williams announced that Williams Communications, LLC had signed a contract with Platinum Equity, LLC, to sell its Houston-based enterprise services business unit, Williams Communications Solutions, LLC. Platinum Equity will acquire Solutions' United States and Mexico operations, which offer a full range of enterprise voice and data solutions. The sale is anticipated to be final by the end of the first quarter of 2001. Williams Communications also announced its intent to sell during 2001 the remaining Canadian operations of Solutions.

(b) FINANCIAL INFORMATION ABOUT SEGMENTS

See Part II, Item 8 -- Financial Statements and Supplementary Data.

(c) NARRATIVE DESCRIPTION OF BUSINESS

Williams, through Williams Gas Pipeline Company, LLC and Williams Energy Services, LLC and their subsidiaries, engages in the following types of energy-related activities:

- transportation and storage of natural gas and related activities through operation and ownership of five wholly owned interstate natural gas pipelines and several pipeline joint ventures;

- exploration and production of oil and gas through ownership of 1.2 trillion cubic feet equivalent of proved natural gas reserves primarily located in Colorado, New Mexico and Wyoming;

- natural gas gathering, processing and treating activities through ownership and operation of approximately 11,300 miles of gathering lines, 11 natural gas treating plants and 17 natural gas processing plants (three of which are partially owned) located in the United States and Canada;

- natural gas liquids transportation through ownership and operation of approximately 14,300 miles of natural gas liquids pipeline (4,568 miles of which are partially owned);

- transportation of petroleum products and related terminal services through ownership or operation of approximately 9,170 miles of petroleum products pipeline and 78 petroleum products terminals;

- light hydrocarbon/olefin transportation through 300 miles of pipeline in Southern Louisiana;

- ethylene production through a 5/12 interest in a 1.2 billion pound per year facility in Geismar, Louisiana;

- production and marketing of ethanol and bio-products through operation and ownership of two ethanol plants (one of which is partially owned) and ownership of minority interests or investments in four other plants;

- refining of petroleum products through operation and ownership of two refineries;

- retail marketing through 227 convenience stores (198 of which are to be sold in 2001) and 50 travel centers; and

- energy commodity marketing and trading.

Williams, through subsidiaries, also directly invests in energy projects primarily in South America, Lithuania and Canada and continues to explore and develop additional projects for international investments. It also invests in energy and infrastructure development funds in Asia and Latin America.

Williams, through Williams Communications Group, Inc. and its subsidiaries, engages in communications-related activities. Following its decision to sell its Solutions segment, Williams Communications operates through three operating segments: Network, Broadband Media and Strategic Investments. Network owns or leases and operates a nationwide inter-city fiber-optic network, which it is extending locally and globally to provide Internet, data, voice and video services exclusively to communications service providers. Network also includes a publicly traded Australian telecommunications company and various other investments that drive bandwidth usage on Williams Communications' network. Broadband Media includes Vyvx Services which provides live and non-live video transmission services worldwide for news, sports, advertising and entertainment events and investments in domestic broadband media communication companies. Strategic Investments invests in both domestic and foreign companies that it believes will, directly or indirectly, increase revenue opportunities for its other segments. As of December 31, 2000, Strategic Investments' foreign investments are all located in South America. Williams Communications has formed strategic alliances with communications companies to secure long-term, high-capacity commitments for traffic on its network and to enhance its service offerings.

Substantially all operations of Williams are conducted through subsidiaries. Williams performs certain management, legal, financial, tax, consultative, administrative and other services for its subsidiaries and at December 31, 2000, employed approximately 1,470 employees. Williams' principal sources of cash are from external financings, dividends and advances from its subsidiaries, investments, payments by subsidiaries for services rendered and interest payments from subsidiaries on cash advances. The amount of dividends available to Williams from subsidiaries largely depends upon each subsidiary's earnings and operating capital requirements. The terms of certain subsidiaries' borrowing arrangements limit the transfer of funds to Williams.

To achieve organizational and operating efficiencies, Williams' interstate natural gas pipelines and pipeline joint venture investments are grouped together under its wholly owned subsidiary, Williams Gas

Pipeline Company, LLC. The other energy operations are primarily grouped into a wholly owned subsidiary, Williams Energy Services, LLC. The communications operations, including investments in international communications projects, are grouped into a majority owned subsidiary, Williams Communications Group, Inc. The international energy operations are grouped into a wholly owned subsidiary, Williams International Company. Item 1 of this report is formatted to reflect this structure.

WILLIAMS GAS PIPELINES

Williams' interstate natural gas pipeline group, comprised of Williams Gas Pipeline Company, LLC (WGP) and its subsidiaries, owns and operates a combined total of approximately 27,300 miles of pipelines with a total annual throughput of approximately 3,800 trillion British Thermal Units of natural gas and peak-day delivery capacity of approximately 17 billion cubic feet of gas. The gas pipeline group consists of Transcontinental Gas Pipe Line Corporation (Transco), Northwest Pipeline Corporation (Northwest Pipeline), Kern River Gas Transmission Company (Kern River), Texas Gas Transmission Corporation (Texas Gas) and Williams Gas Pipelines Central, Inc. (Central). The gas pipeline group also holds minority interests in joint venture interstate and intrastate natural gas pipeline systems.

Williams' gas pipeline group has combined certain administrative functions, such as human resources, information services, technical services and finance, of its operating companies in an effort to lower costs and increase efficiency. Although a single management team manages both Northwest Pipeline and Kern River and a single management team manages both Texas Gas and Central, each of these operating companies as well as Transco operates as a separate legal entity. At December 31, 2000, Williams' gas pipeline group employed approximately 3,375 employees.

The gas pipeline group's transmission and storage activities are subject to regulation by the Federal Energy Regulatory Commission (FERC) under the Natural Gas Act of 1938 and under the Natural Gas Policy Act of 1978 (NGPA), and, as such, their rates and charges for the transportation of natural gas in interstate commerce, the extension, enlargement or abandonment of jurisdictional facilities and accounting, among other things, are subject to regulation. Each gas pipeline company holds certificates of public convenience and necessity issued by the FERC authorizing ownership and operation of all pipelines, facilities and properties considered jurisdictional for which certificates are required under the Natural Gas Act. Each gas pipeline company is also subject to the Natural Gas Pipeline Safety Act of 1968, as amended by Title I of the Pipeline Safety Act of 1979, which regulates safety requirements in the design, construction, operation and maintenance of interstate natural gas pipelines.

As a result of Williams merger with MAPCO Inc. in 1998, Williams acquired an approximate 4.8 percent investment interest in Alliance Pipeline. On December 31, 1999, Williams acquired an additional 9.8 percent interest in Alliance Pipeline. Alliance Pipeline consists of two segments, a Canadian segment and a United States segment. Alliance Pipeline operates an approximate 1,800-mile natural gas pipeline system extending from northeast British Columbia to the Chicago, Illinois area market center, where it interconnects with the North American pipeline grid. On September 17, 1998, the FERC granted a certificate of public convenience and necessity for the United States portion of the Alliance pipeline system, and on December 3, 1998, the National Energy Board of Canada granted a certificate of public convenience and necessity for the Canadian portion. Construction began in the spring of 1999 and the pipeline was placed in service on December 1, 2000. Total cost of the Alliance pipeline system was in excess of $3 billion. At December 31, 2000, Williams investment in Alliance Pipeline was approximately $184 million.

Buccaneer Gas Pipeline Company, L.L.C., a wholly owned subsidiary of WGP, announced in March 1999, that it would accept requests for firm transportation service to be made available on a proposed new natural gas pipeline system extending from the Mobile Bay area in Alabama to markets in Florida. Buccaneer planned to construct and operate a pipeline system extending from a point near Transco's Station 82 in Coden, Alabama across the Gulf of Mexico to the west coast of Florida just north of Tampa. Buccaneer filed for FERC approval of the project on October 28, 1999. In February 2000, a subsidiary of Duke Energy acquired a 50 percent ownership interest in Buccaneer. On November 17, 2000, subsidiaries of Duke Energy and Williams announced their intent to jointly purchase The Coastal Corporation's 100 percent interest in

Gulfstream Natural Gas System, L.L.C., a pipeline project that directly competes with Buccaneer. The purchase was completed in February 2001. Subsidiaries of Duke Energy and Williams are proceeding with the development of the Gulfstream project in lieu of the Buccaneer pipeline project. On February 22, 2001, the FERC issued an order authorizing the construction and operation of the Gulfstream project. The estimated capital cost of the project is approximately $1.6 billion and the target in-service date is June 2002.

In June 2000, two wholly owned subsidiaries of WGP purchased 100 percent of the partnership interests in Cove Point LNG Limited Partnership. On January 30, 2001, Cove Point LNG Limited Partnership filed an application with the FERC to construct certain new facilities and to reactivate and operate existing facilities at its liquefied natural gas (LNG) terminal located in Calvert County, Maryland, and to provide LNG tanker discharging services on a firm and interruptible basis to shippers importing LNG. Cove Point proposes to reactivate the LNG import and terminal facilities by April 1, 2002, and to construct and place in service a new LNG storage tank by September 1, 2003. The proposed LNG discharging service will consist of the receipt of imported LNG, storage, vaporization and transportation of vaporized LNG into the interstate pipeline grid. The estimated cost is $103 million. Cove Point and three shippers executed 20-year binding precedent agreements for 100 percent of the firm LNG discharging services that will be created by the proposed reactivation project. The Cove Point facility is currently utilized to provide firm peaking services and firm and interruptible transportation services.

Georgia Strait Crossing Pipeline, LP, a subsidiary of WGP, and a subsidiary of BC Hydro are jointly pursuing the construction of the GSX open-access natural gas transportation system between Sumas, Washington and Vancouver Island, British Columbia. The total cost of WGP's 50 percent share of the project is estimated to be approximately $90 million. The project expected in-service date is in the fall of 2003.

Segment revenues and segment profit for Williams' gas pipeline group are reported in Note 23 of Notes to Consolidated Financial Statements herein.

A business description of the principal companies in the interstate natural gas pipeline group follows.

TRANSCONTINENTAL GAS PIPE LINE CORPORATION

Transco is an interstate natural gas transportation company that owns a 10,300-mile natural gas pipeline system extending from Texas, Louisiana, Mississippi and the offshore Gulf of Mexico through Alabama, Georgia, South Carolina, North Carolina, Virginia, Maryland, Pennsylvania and New Jersey to the New York City metropolitan area. The system serves customers in Texas and eleven southeast and Atlantic seaboard states, including major metropolitan areas in Georgia, North Carolina, New York, New Jersey and Pennsylvania. Effective May 1, 1995, Transco transferred the operation of certain production area facilities to Williams Field Services Group, Inc., an affiliated company.

Pipeline System and Customers

At December 31, 2000, Transco's system had a mainline delivery capacity of approximately 4.0 billion cubic feet of natural gas per day from its production areas to its primary markets. Using its Leidy Line and market-area storage capacity, Transco can deliver an additional 2.9 billion cubic feet of natural gas per day for a system-wide delivery capacity total of approximately 6.9 billion cubic feet of natural gas per day. Excluding the production area facilities operated by Williams Field Services Group, Inc., Transco's system is composed of approximately 7,200 miles of mainline and branch transmission pipelines, 41 transmission compressor stations and seven storage locations. Transmission compression facilities at a sea level-rated capacity total approximately 1.3 million horsepower.

Transco's major natural gas transportation customers are public utilities and municipalities that provide service to residential, commercial, industrial and electric generation end users. Shippers on Transco's system include public utilities, municipalities, intrastate pipelines, direct industrial users, electrical generators, gas marketers and producers. No customer accounted for more than ten percent of Transco's total operating revenues in 2000. Transco's firm transportation agreements are generally long-term agreements with various expiration dates and account for the major portion of Transco's business. Additionally, Transco offers interruptible transportation service under short-term agreements.

Transco has natural gas storage capacity in five underground storage fields located on or near its pipeline system and/or market areas and operates three of these storage fields. Transco also has storage capacity in a liquefied natural gas (LNG) storage facility and operates the facility. The total top gas storage capacity available to Transco and its customers in such storage fields and LNG facility and through storage service contracts is approximately 216 billion cubic feet of gas. In addition, wholly owned subsidiaries of Transco operate and hold a 35 percent ownership interest in Pine Needle LNG Company, a LNG storage facility with 5 billion cubic feet of storage capacity. Storage capacity permits Transco's customers to inject gas into storage during the summer and off-peak periods for delivery during peak winter demand periods.

Expansion Projects

On May 13, 1998, Transco filed an application with the FERC for approval to construct and operate mainline and Leidy Line facilities (MarketLink) to create an additional 676 million cubic feet per day of firm transportation capacity to serve increased demand in the mid-Atlantic and south Atlantic regions of the United States by a targeted in-service date of November 1, 2000, at an estimated cost of $529 million. On December 17, 1999, the FERC issued an interim order giving Transco conditional approval for MarketLink, along with the Independence Pipeline Project and ANR Pipeline Company's Supply Link Project, but withholding final certificate authorization until Independence Pipeline Company (Independence) and ANR Pipeline Company (ANR) file long-term, executed contracts with nonaffiliated shippers for at least 35% of the capacity of their respective projects. Transco filed for rehearing of the interim order. On April 26, 2000, the FERC issued an order on rehearing which authorized Transco to proceed with the MarketLink project subject to certain conditions. On May 23, 2000, Transco filed a letter with the FERC accepting the MarketLink certificate. On September 20, 2000, Transco filed an application to amend the certificate of public convenience and necessity issued in this proceeding to enable Transco to (a) phase the construction of the MarketLink project to satisfy phased in-service dates requested by the project shippers, and (b) redesign the recourse rate based on phased construction of the project. The initial two phases of the project would consist of 286 million cubic feet per day of firm transportation service with in-service dates of November 1, 2001, and November 1, 2002. Transco did not propose in the amendment to change the overall facilities certificated by the FERC in this proceeding . On December 13, 2000, the FERC issued an order permitting Transco to construct the MarketLink project in phases as proposed. The order requires Transco to file executed contracts fully subscribing the remaining capacity of the project (approximately 390 million cubic feet per day) by April 13, 2001. Transco accepted the amended certificate on December 21, 2000. Certain parties filed with the FERC requests for rehearing of the December 13, 2000, order and on February 12, 2001, the FERC denied the request.

In March 1997, as amended in December 1997, Independence filed an application with FERC for approval to construct and operate a new pipeline consisting of approximately 400 miles of 36-inch pipe from ANR Pipeline Company's existing compressor station at Defiance, Ohio to Transco's facilities at Leidy, Pennsylvania. The Independence Pipeline Project is proposed to provide approximately 916 million cubic feet per day of firm transportation capacity by an in-service date of November 2002. Independence is owned equally by wholly-owned subsidiaries of Transco, ANR and National Fuel Gas Company. The estimated cost of the project is $678 million, and Transco's equity contributions are estimated to be approximately $68 million based on its expected one-third ownership interest in the project. As mentioned above in connection with the MarketLink Project, on December 17, 1999, the FERC gave conditional approval for the Independence Pipeline project, subject to Independence filing long-term, executed contracts with nonaffiliated shippers for at least 35% of the capacity of the project. Independence filed for rehearing of the interim order. On April 26, 2000, the FERC issued an order denying rehearing and requiring that Independence submit by June 26, 2000, agreements with nonaffiliated shippers for at least 35% of the capacity of the project. Independence met this requirement, and on July 12, 2000, the FERC issued an order granting the necessary certificate authorizations on August 11, 2000 for the Independence Pipeline Project. On September 28, 2000, the FERC issued an order denying all requests for rehearing and requests for reconsideration of the Independence certificate order filed by various parties.

On November 1, 2000, Transco placed its SouthCoast Expansion Project into service. SouthCoast creates approximately 200 million cubic feet per day of additional firm transportation capacity on Transco's system from the terminus of Transco's existing Mobile Bay Lateral in Choctaw County, Alabama to delivery points in Transco's Rate Zone 4 (Alabama and Georgia). The project cost approximately $108 million.

On April 3, 2000, Transco filed an application with the FERC for its Sundance Expansion Project, which would create approximately 228 million cubic feet per day of additional firm transportation capacity from Transco's Station 65 in Louisiana to delivery points in Georgia, South Carolina and North Carolina. Approximately 38 miles of new pipeline loop along the existing mainline system will be installed along with approximately 35,000 horsepower of new compressors and modifications to existing compressor stations in Georgia, South Carolina and North Carolina. The project has a target in-service date of May 2002 and an estimated cost of approximately $134 million. On September 29, 2000, the FERC made a preliminary determination that the Sundance expansion project is required by the public convenience and necessity, and that Transco should be granted a certificate subject to the completion of the FERC's pending environmental review.

In August 2000, Transco announced an open season for parties interested in subscribing to firm transportation service under its Momentum Expansion Project, a proposed expansion of the Transco pipeline system from Station 65 in Louisiana to Station 165 in Virginia designed to meet increasing natural gas demand in the southeastern United States. The project has a target in-service date of May 1, 2003. Transco plans to file for FERC approval of the project during the second quarter of 2001. The capital cost of the project will depend upon the level of firm market commitment received.

On July 21, 2000, Cross Bay Pipeline Company, L.L.C. (Cross Bay), a limited liability company formed between subsidiaries of Transco, Duke Energy and KeySpan Energy, filed an application with the FERC for approval of its natural gas pipeline project. The Cross Bay pipeline is designed to increase natural gas deliveries into the New York City metropolitan area by replacing and uprating pipeline and installing compression to expand the capacity of Transco's existing Lower New York Bay Extension by approximately 121 million cubic feet per day. The project is targeted to be placed into service in December 2002 and is estimated to cost approximately $59.5 million. Wholly owned subsidiaries of Transco will operate Cross Bay and have a 37.5 percent ownership interest.

On April 1, 2000, Transco transferred the non-jurisdictional assets of its Tilden/McMullen Gathering System to subsidiaries of Williams Field Services Group, Inc. pursuant to orders granted by the FERC in Docket Nos. CP98-236 and CP98-242. The facilities consist of approximately 298 miles of 2-inch through 24-inch diameter pipe and the Tilden processing plant, which includes two 1,200 horsepower compressors.

Operating Statistics

The following table summarizes transportation data for the periods indicated (in trillion British Thermal Units):

	2000	1999	1998
Market-area deliveries:			
Long-haul transportation	787	820	858
Market-area transportation	710	623	522
Total market-area deliveries	1,497	1,443	1,380
Production-area transportation	262	222	214
Total system deliveries	1,759	1,665	1,594
Average Daily Transportation Volumes	4.8	4.6	4.4
Average Daily Firm Reserved Capacity	6.3	6.3	5.8

Transco's facilities are divided into seven rate zones. Four are located in the production area, and three are located in the market area. Long-haul transportation involves gas that Transco receives in one of the production-area zones and delivers in a market-area zone. Market-area transportation involves gas that Transco both receives and delivers within the market-area zones. Production-area transportation involves gas that Transco both receives and delivers within the production-area zones.

NORTHWEST PIPELINE CORPORATION

Northwest Pipeline is an interstate natural gas transportation company that owns and operates a natural gas pipeline system extending from the San Juan Basin in northwestern New Mexico and southwestern Colorado through Colorado, Utah, Wyoming, Idaho, Oregon and Washington to a point on the Canadian border near Sumas, Washington. Northwest Pipeline provides services for markets in California, New Mexico, Colorado, Utah, Nevada, Wyoming, Idaho, Oregon and Washington directly or indirectly through interconnections with other pipelines.

Pipeline System and Customers

At December 31, 2000, Northwest Pipeline's system, having a mainline delivery capacity of approximately 2.9 billion cubic feet of natural gas per day, was composed of approximately 3,900 miles of mainline and branch transmission pipelines and 41 compressor stations having sea level-rated capacity of approximately 317,000 horsepower.

In 2000, Northwest Pipeline transported natural gas for a total of 152 customers. Transportation customers include distribution companies, municipalities, interstate and intrastate pipelines, gas marketers and direct industrial users. The two largest customers of Northwest Pipeline in 2000 accounted for approximately 14.6 percent and 13.6 percent, respectively, of its total operating revenues. No other customer accounted for more than ten percent of total operating revenues in 2000. Northwest Pipeline's firm transportation agreements are generally long-term agreements with various expiration dates and account for the major portion of Northwest Pipeline's business. Additionally, Northwest Pipeline offers interruptible transportation service under shorter term agreements.

As a part of its transportation services, Northwest Pipeline utilizes underground storage facilities in Utah and Washington enabling it to balance daily receipts and deliveries. Northwest Pipeline also owns and operates a liquefied natural gas storage facility in Washington that provides a needle-peaking service for its system. These storage facilities have an aggregate delivery capacity of approximately 1.4 billion cubic feet of gas per day.

Expansion Projects

Northwest Pipeline has proposed an expansion project to add approximately 175,000 dekatherms per day of firm transportation capacity to its transmission system in Wyoming and Idaho. The expansion project is expected to cost approximately $124 million. Northwest Pipeline plans to file for FERC approval of this expansion project during the second quarter of 2001 and will seek rolled-in rate treatment for the expansion facilities.

In December 2000, Northwest Pipeline announced an open season for parties interested in subscribing to firm transportation service under its Sumas to Chehalis Expansion Project, a proposed expansion of its pipeline system along the Interstate 5 highway corridor from Sumas to Chehalis, Washington. The expansion project has a target in-service date of June 1, 2003. The capital cost of the expansion project will depend upon the final level of firm market commitment received during the open season. Northwest Pipeline plans to file for FERC approval of the project during the second quarter of 2001.

In December 2000, Northwest Pipeline filed for FERC approval to construct the Everett Delta Lateral expansion project to serve two customers located in Washington. The customers include a proposed power plant and an existing gas distribution company. The design capacity of the lateral line is 133,000 dekatherms per day and the estimated cost of the expansion project is $17.2 million. The customers served by this lateral line will pay for the cost of service of the lateral line on an incremental rate basis.

Operating Statistics

The following table summarizes transportation data for the periods indicated (in trillion British Thermal Units):

	2000	1999	1998
Transportation Volumes	752	708	732
Average Daily Transportation Volumes	2.1	1.9	2.0
Average Daily Firm Reserved Capacity	2.7	2.5	2.6

KERN RIVER GAS TRANSMISSION COMPANY

Kern River is an interstate natural gas transportation company that owns and operates a natural gas pipeline system extending from Wyoming through Utah and Nevada to California. Gas transported on the Kern River pipeline is used in enhanced oil recovery operations in the heavy oil fields and other markets in California. Gas is also transported to other natural gas consumers in Utah, southern Nevada and southern California for use in the production of electricity, cogeneration of electricity and steam and other applications. The system commenced operations in February 1992.

Pipeline System and Customers

At December 31, 2000, Kern River's system was composed of approximately 930 miles of mainline and branch transmission pipelines and five compressor stations having a mainline designed delivery capacity of approximately 700 million cubic feet of natural gas per day. The pipeline system interconnects with the pipeline facilities of another pipeline company at Daggett, California. From the point of interconnection, Kern River and the other pipeline company have a common 219-mile pipeline which is owned 63.6 percent by Kern River and 36.4 percent by the other pipeline company, as tenants in common, and is designed to accommodate the combined throughput of both systems. This common facility has a designed delivery capacity of 1.1 billion cubic feet of natural gas per day.

In 2000, Kern River transported natural gas for customers in California, Nevada and Utah. Kern River transported natural gas for use in enhanced oil recovery operations in the heavy oil fields in California and transported to other natural gas consumers in Utah, southern Nevada and southern California for use in the production of electricity, cogeneration of electricity and steam and other applications. The three largest customers of Kern River in 2000 accounted for approximately 19.5 percent, 15.5 percent and 11 percent, respectively, of its total operating revenues. No other customer accounted for more than ten percent of total operating revenues in 2000. Kern River transports natural gas for customers under firm long-term transportation agreements totaling approximately 700 million cubic feet of natural gas per day.

Expansion Projects

On November 15, 2000, Kern River filed an application with the FERC to construct and operate an expansion of its pipeline which will provide an additional 124,500 dekatherms per day of firm transportation capacity from Wyoming to markets in California. The Expansion I Project would include the construction of three new compressor stations, an additional compressor at an existing facility in Wyoming, restaging a compressor in Utah, and upgrading two meter stations. The cost of the project will be approximately $80 million and the targeted completion date is May 1, 2002.

In January 2001, Kern River announced an open season for parties interested in subscribing to firm transportation service under its Expansion II Project, a proposed expansion of the pipeline system to serve primarily power generation demand in southern Nevada and California. The project has a target in-service date of May 1, 2003. Kern River plans to file for FERC approval of the project in the second quarter of 2001.

The capital cost and design of the project will depend upon the final level of firm market commitment received during the open season.

Operating Statistics

The following table summarizes transportation data for the periods indicated (in trillion British Thermal Units):

	2000	1999	1998
Transportation Volumes	312	303	299
Average Daily Transportation Volumes	.85	.83	.82
Average Daily Firm Reserved Capacity	.75	.72	.72

TEXAS GAS TRANSMISSION CORPORATION

Texas Gas is an interstate natural gas transportation company that owns and operates a natural gas pipeline system extending from the Louisiana Gulf Coast area and eastern Texas and running generally north and east through Louisiana, Arkansas, Mississippi, Tennessee, Kentucky and Indiana to Ohio, with smaller diameter lines extending into Illinois. Texas Gas's direct market area encompasses eight states in the South and Midwest, and includes the Memphis, Tennessee; Louisville, Kentucky; Cincinnati and Dayton, Ohio; and Indianapolis, Indiana metropolitan areas. Texas Gas also has indirect market access to the Northeast through interconnections with unaffiliated pipelines.

Pipeline System and Customers

At December 31, 2000, Texas Gas' system, having a mainline delivery capacity of approximately 2.8 billion cubic feet of natural gas per day, was composed of approximately 5,900 miles of mainline, storage and branch transmission pipelines and 31 compressor stations having a sea level-rated capacity totaling approximately 557,000 horsepower.

In 2000, Texas Gas transported natural gas to customers in Louisiana, Arkansas, Mississippi, Tennessee, Kentucky, Indiana, Illinois and Ohio, and indirectly to customers in the Northeast. Texas Gas transported gas for 104 distribution companies and municipalities for resale to residential, commercial and industrial end users. Texas Gas provided transportation services to approximately 17 industrial customers located along its system. At December 31, 2000, Texas Gas had transportation contracts with approximately 572 shippers. Transportation shippers include distribution companies, municipalities, intrastate pipelines, direct industrial users, electrical generators, gas marketers and producers. The largest customer of Texas Gas in 2000 accounted for approximately 14.5 percent of its total operating revenues. No other customer accounted for more than ten percent of total operating revenues in 2000. Texas Gas' firm transportation agreements are generally long-term agreements with various expiration dates and account for the major portion of Texas Gas's business. Additionally, Texas Gas offers interruptible transportation and storage services under agreements that are generally shorter term.

Texas Gas owns and operates gas storage reservoirs in nine underground storage fields located on or near its system or market areas. The storage capacity of Texas Gas' certificated storage fields is approximately 177 billion cubic feet of natural gas. Texas Gas' storage gas is used in part to meet operational balancing needs on its system, to meet the requirements of Texas Gas' firm and interruptible storage customers and to meet the requirements of Texas Gas' no-notice transportation service, which allows Texas Gas' customers to temporarily draw from Texas Gas' storage gas to be repaid in-kind during the following summer season. A large portion of the natural gas delivered by Texas Gas to its market area is used for space heating, resulting in substantially higher daily requirements during winter months.

Operating Statistics

The following table summarizes transportation data for the periods indicated (in trillion British Thermal Units):

	2000	1999	1998
Transportation Volumes	737.8	749.6	752.4
Average Daily Transportation Volumes	2.0	2.1	2.1
Average Daily Firm Reserved Capacity	2.1	2.2	2.2

WILLIAMS GAS PIPELINES CENTRAL, INC.

Central is an interstate natural gas transportation company that owns and operates a natural gas pipeline system located in Colorado, Kansas, Missouri, Nebraska, Oklahoma, Texas and Wyoming. The system serves customers in seven states, including major metropolitan areas in Kansas and Missouri, its chief market areas.

Pipeline System and Customers

At December 31, 2000, Central's system, having a mainline delivery capacity of approximately 2.3 billion cubic feet of natural gas per day, was composed of approximately 6,000 miles of mainline and branch transmission and storage pipelines and 43 compressor stations having a sea level-rated capacity totaling approximately 224,000 horsepower.

In 2000, Central transported natural gas to customers in Colorado, Kansas, Missouri, Nebraska, Oklahoma, Texas and Wyoming. At December 31, 2000, Central had transportation contracts with approximately 180 shippers serving approximately 530 cities and towns and 294 industrial customers.

In 2000, approximately 59 percent of Central's total operating revenues were generated from gas transportation services to Central's two largest customers, Kansas Gas Service Company, a division of Oneok, Inc. (approximately 27 percent), and Missouri Gas Energy Company (approximately 32 percent). Kansas Gas Service Company sells or resells gas to residential, commercial and industrial customers principally in certain major metropolitan areas of Kansas. Missouri Gas Energy Company sells or resells gas to residential, commercial and industrial customers principally in certain major metropolitan areas of Missouri. No other customer accounted for more than ten percent of operating revenues in 2000.

Central's firm transportation agreements have various expiration dates ranging from one to 20 years, with the majority expiring in three to eight years. Additionally, Central offers interruptible transportation services under shorter term agreements.

Central operates eight underground storage fields with an aggregate natural gas storage capacity of approximately 43 billion cubic feet and an aggregate delivery capacity of approximately 1.2 billion cubic feet of natural gas per day. Central's customers inject gas into these fields when demand is low and withdraw it to supply their peak requirements. During periods of peak demand, approximately two-thirds of the firm gas delivered to customers is supplied from these storage fields. Storage capacity enables Central's system to operate more uniformly and efficiently during the year.

Expansion Projects

In September 2000, Central completed a non-binding open season for parties interested in subscribing for firm natural gas transportation service under its Western Frontier Pipeline expansion project, a proposed expansion of the Central pipeline system from Greeley, Colorado into the panhandle of Oklahoma. On November 6, 2000, Western Frontier Pipeline Company, L.L.C., a limited liability company was formed, which is wholly owned by Williams Gas Pipeline Company, LLC. Western Frontier Pipeline will provide approximately 540,000 million British Thermal Units per day of firm transportation service from Wyoming and Colorado to markets in the Mid-Continent. The project, which will include the installation of approximately 400 miles of new pipeline and a new compressor station, has a target in-service date of

November 1, 2003, and an estimated cost of approximately $351 million. Central plans to complete a binding open season during the first half of 2001 and to apply for FERC approval during the third quarter of 2001.

Operating Statistics

The following table summarizes transportation data for the periods indicated (in trillion British Thermal Units):

	2000	1999	1998
Transportation Volumes	326.3	324	329
Average Daily Transportation Volumes	.9	.9	.9
Average Daily Firm Reserved Capacity	2.2	2.2	2.1

REGULATORY MATTERS

Each interstate natural gas pipeline company has various regulatory proceedings pending. Each company establishes its rates primarily through the FERC's ratemaking process. Key determinants in the ratemaking process are (1) costs of providing service, including depreciation expense, (2) allowed rate of return, including the equity component of the capital structure and related income taxes and (3) volume throughput assumptions. The FERC determines the allowed rate of return in each rate case. Rate design and the allocation of costs between the demand and commodity rates also impact profitability. As a result of these proceedings, the interstate natural gas pipeline companies have collected a portion of their revenues subject to refund. See Note 20 of Notes to Consolidated Financial Statements for the amount accrued for potential refund at December 31, 2000.

Each of the interstate natural gas pipeline companies that were formerly gas supply merchants have undertaken the reformation of its respective gas supply contracts. None of the pipeline companies have any significant pending supplier take-or-pay, ratable-take or minimum-take claims. For information on outstanding issues with respect to contract reformation, gas purchase deficiencies and related regulatory issues, see Note 20 of Notes to Consolidated Financial Statements.

COMPETITION

The FERC continues to regulate each of Williams' interstate natural gas pipeline companies pursuant to the Natural Gas Act and the NGPA. Competition for natural gas transportation has intensified in recent years due to customer access to other pipelines, rate competitiveness among pipelines, customers' desire to have more than one transporter and regulatory developments. Future utilization of pipeline capacity will depend on competition from other pipelines, use of alternative fuels, the general level of natural gas demand and weather conditions. Electricity and distillate fuel oil are the primary competitive forms of energy for residential and commercial markets. Coal and residual fuel oil compete for industrial and electric generation markets. Nuclear and hydroelectric power and power purchased from electric transmission grid arrangements among electric utilities also compete with gas-fired electric generation in certain markets.

Suppliers of natural gas are able to compete for any gas markets capable of being served by pipelines using nondiscriminatory transportation services provided by the pipeline companies. As the regulated environment has matured, many pipeline companies have faced reduced levels of subscribed capacity as contractual terms expire and customers opt to reduce firm capacity under contract in favor of alternative sources of transmission and related services. This situation, known in the industry as "capacity turnback," is forcing the pipeline companies to evaluate the consequences of major demand reductions in traditional long-term contracts. It could also result in significant shifts in system utilization, and possible realignment of cost structure for remaining customers since all interstate natural gas pipeline companies continue to be authorized to charge maximum rates approved by the FERC on a cost of service basis.

Williams is aware that several state jurisdictions have been involved in implementing changes similar to the changes that have occurred at the federal level. States, including New York, New Jersey, Pennsylvania, Maryland, Georgia, Delaware, Virginia, California, Wyoming, Kentucky and Indiana, are currently at various points in the process of unbundling services at local distribution companies. Management expects the implementation of these changes to encourage greater competition in the natural gas marketplace.

OWNERSHIP OF PROPERTY

Each of Williams' interstate natural gas pipeline companies generally owns its facilities in fee, with certain portions, such as certain offshore facilities, being held jointly with third parties. However, a substantial portion of each pipeline company's facilities is constructed and maintained pursuant to rights-of-way, easements, permits, licenses or consents on and across properties owned by others. Compressor stations, with appurtenant facilities, are located in whole or in part either on lands owned or on sites held under leases or permits issued or approved by public authorities. The storage facilities are either owned or contracted under long-term leases or easements.

ENVIRONMENTAL MATTERS

Each interstate natural gas pipeline is subject to the National Environmental Policy Act and federal, state and local laws and regulations relating to environmental quality control. Management believes that, with respect to any capital expenditures and operation and maintenance expenses required to meet applicable environmental standards and regulations, the FERC would grant the requisite rate relief so that, for the most part, the pipeline companies could recover these expenditures in their rates. For this reason, management believes that compliance with applicable environmental requirements by the interstate pipeline companies is not likely to have a material effect upon Williams' earnings or competitive position.

For a discussion of specific environmental issues involving the interstate pipelines, including estimated cleanup costs associated with certain pipeline activities, see "Environmental" under Management's Discussion and Analysis of Financial Condition and Results of Operations and "Environmental Matters" in Note 20 of Notes to Consolidated Financial Statements.

WILLIAMS ENERGY SERVICES

Williams Energy Services, LLC is comprised of four major business units: Exploration & Production, Midstream Gas & Liquids, Petroleum Services and Energy Marketing & Trading. Through its business units, Williams Energy engages in energy exploration and production activities; natural gas gathering, processing and treating; natural gas liquids transportation, fractionation and storage; petroleum products transportation and terminal services; ethanol production; refining; ethylene production; light hydrocarbon/olefin transportation; convenience store retailing; and energy commodity marketing and trading.

Williams Energy, through its subsidiaries, owns 1.2 trillion cubic feet equivalent of proved natural gas reserves located primarily in New Mexico, Wyoming and Colorado, and owns or operates approximately 11,300 miles of gathering pipelines (including certain gathering lines owned by Transcontinental Gas Pipe Line Corporation but operated by Midstream Gas & Liquids), approximately 14,300 miles of natural gas liquids pipelines, 11 natural gas treating plants, 17 natural gas processing plants (three of which are partially owned), 78 petroleum products terminals, two ethanol production facilities (one of which is partially owned), two refineries, 277 convenience stores (198 of which are to be sold in 2001)/travel centers and approximately 9,170 miles of petroleum products pipeline. Physical volumes marketed and traded by subsidiaries of Williams Energy are set forth in detail below. At December 31, 2000, Williams Energy, through its subsidiaries, employed approximately 8,600 employees.

Segment revenues and segment profit for Williams Energy's business units are reported in Note 23 of Notes to Consolidated Financial Statements herein.

A business description of each of Williams Energy's business units follows.

EXPLORATION & PRODUCTION

Williams Energy, through its wholly owned subsidiary Williams Production Company in its Exploration & Production unit (E&P), owns and operates producing natural gas leasehold properties in the United States. In addition, E&P is exploring for oil and natural gas.

Oil and Gas Properties

E&P's properties are located primarily in the Rocky Mountains and Gulf Coast areas. Rocky Mountain properties are located in New Mexico, Wyoming and Colorado. Gulf Coast properties are located in Louisiana and east and south Texas.

Gas Reserves

At December 31, 2000, 1999 and 1998, E&P had proved developed natural gas reserves of 603 billion cubic feet equivalent, 548 billion cubic feet equivalent and 476 billion cubic feet equivalent, respectively, and proved undeveloped reserves of 599 billion cubic feet equivalent, 504 billion cubic feet equivalent and 232 billion cubic feet equivalent, respectively. Of E&P's total proved reserves, 64 percent are located in the San Juan Basin of Colorado and New Mexico, and 34 percent are located in Wyoming. No major discovery or other favorable or adverse event has caused a significant change in estimated gas reserves since year end.

Customers and Operations

At December 31, 2000, the gross and net developed leasehold acres owned by E&P totaled 311,519 and 129,477, respectively, and the gross and net undeveloped acres owned were 351,653 and 98,047, respectively. At December 31, 2000, E&P owned interests in 3,612 gross producing wells (733 net) on its leasehold lands.

Operating Statistics

The following tables summarize drilling activity for the periods indicated:

2000 WELLS	GROSS	NET
Development		
Drilled	245	62
Completed	245	62
Exploration		
Drilled	5	1.3
Completed	1	.25

COMPLETED DURING	GROSS WELLS	NET WELLS
2000	246	62.3
1999	249	48
1998	177	49

The majority of E&P's gas production is currently being sold in the spot market at market prices. In 2000, E&P hedged approximately 50 percent of its production and, as a result of an increase in spot prices, realized prices were less than market. Total net production sold during 2000, 1999 and 1998 was 65.6 billion cubic feet equivalent, 57.9 billion cubic feet equivalent and 43.2 billion cubic feet equivalent, respectively. The average production costs including production taxes per million cubic feet of gas produced were $.57, $.46 and $.37, in 2000, 1999 and 1998, respectively. The average wellhead sales price per million cubic feet was $2.67, $1.48 and $1.31, respectively, for the same periods.

In 1993, E&P conveyed a net profits interest in certain of its properties to the Williams Coal Seam Gas Royalty Trust. Substantially all of the production attributable to the properties conveyed to the Trust was from the Fruitland coal formation and constituted coal seam gas. Williams subsequently sold trust units to the public in an underwritten public offering and retained 3,568,791 trust units representing 36.8 percent of outstanding trust units. During 2000, Williams sold its trust units as part of a Section 29 tax credit transaction.

MIDSTREAM GAS & LIQUIDS

Williams Energy, through Williams Field Services Group, Inc. and its subsidiaries, Williams Energy (Canada), Inc. and its subsidiaries, Williams Natural Gas Liquids, Inc. and its subsidiaries and Williams Midstream Natural Gas Liquids, Inc. (collectively Midstream Gas & Liquids), owns and operates natural gas gathering, processing and treating, and natural gas liquids transportation, fractionation and storage facilities in northwestern New Mexico, southwestern Colorado, southwestern Wyoming, eastern Utah, northwestern Oklahoma, Kansas, northern Missouri, eastern Nebraska, Iowa, southern Minnesota, Tennessee, central Alberta and western British Columbia, Canada and also in areas offshore and onshore in Texas, Alabama, Mississippi and Louisiana. Midstream Gas & Liquids also operates gathering facilities owned by Transcontinental Gas Pipe Line Corporation, an affiliated interstate natural gas pipeline company, that are currently regulated by the FERC.

Acquisitions

On October 11, 2000, Williams completed an acquisition of the natural gas liquids portion of TransCanada's midstream operations. The assets are strategically located along the Western Canadian Sedimentary Basin, Canada's largest gas supply with significant production growth potential. The overall asset package adds approximately 6 billion cubic feet per day of gas processing capacity, 225,000 barrels per day of NGL production capacity and more than 5 million barrels of NGL storage capacity to Williams' existing asset base. The acquisition includes infrastructure extending from the West Stoddart and Younger Plants in northeastern British Columbia through the Redwater facility and the Cochrane plant in central and southern Alberta, to the Empress II and Empress V plants along the Alberta-Saskatchewan border. With the exception of the Younger plant (43.5 percent owned) and Empress V plant under construction (50 percent owned), all plants are 100 percent owned by Williams.

Expansion Projects

During 2000, Midstream Gas & Liquids continued to expand its operations in the Gulf Coast region by entering into operating leases of new deepwater gathering and transportation facilities and an on-shore gas processing facility, each of which is currently under construction. Midstream's deepwater expansion efforts recently included agreements to gather and transport oil and natural gas production developments operated by Kerr-McGee Corporation in the East Breaks area of the western Gulf of Mexico. In order to provide these services to Kerr-McGee and other future prospects, two 41-mile gathering and transportation pipeline systems to move gas and oil produced by the Nansen and Boomvang prospects will be constructed. Construction has begun on a 300 million cubic feet per day Markham Cyrogenic plant near Markham, Texas to process the gas flows generated from the East Breaks infrastructure. Upon completion of the above projects, expected to be completed by the end of 2001, Midstream Gas & Liquids will lease these facilities. The total estimated cost of these facilities is $192.5 million. The lease terms include a five-year base term including the construction phase and can be renewed for another five-year term. Also related to the expansion in the Gulf Coast region, Midstream Gas & Liquids will construct a 55-mile gas gathering pipeline connecting certain of these facilities.

Other expansion projects during 2000 included the Carbonate Trend gathering project consisting of a 34-mile offshore pipeline located in the Mobile Bay area in the eastern Gulf of Mexico. The pipeline transports sour gas from the Viosca Knoll Block 251 to Shell's gathering system and Mobile Bay Block 113. The Carbonate Trend gathering project cost approximately $21.4 million. In response to additional volumes from new processing customers, Midstream Gas & Liquids also completed the expansion of its natural gas plant in Opal, Wyoming. The expansion provided an additional 350 million cubic feet per day of processing capacity and an additional 20,000 barrels per day of natural gas liquids extraction capacity. The Opal gas plant project cost approximately $11.7 million.

In connection with the acquisition of the natural gas liquids portion of TransCanada's midstream operations, Midstream assumed construction of the McMurray-Redwater System. The system, which is to be completed in the fourth quarter of 2001, will involve the extraction and fractionation of olefin-rich NGLs from the Suncor Oil Sands off-gases. The operation will extend from Fort Murray to the Redwater facility in central Alberta, Canada. Initial production will recover approximately 13,500 barrels per day of NGLs and olefins to be fractionated at the recently completed Redwater facility. The estimated cost of the project is $54.7 million.

Customers and Operations

Facilities owned and/or operated by Midstream Gas & Liquids consist of approximately 11,300 miles of gathering pipelines (including certain gathering lines owned by Transco but operated by Midstream Gas & Liquids), 11 natural gas treating plants, 17 natural gas processing plants (three of which are partially owned), and approximately 14,300 miles of natural gas liquids pipeline, of which approximately 4,568 miles are partially owned. The aggregate daily inlet capacity is approximately 9.2 billion cubic feet for the gathering systems and 11.9 billion cubic feet for the gas processing, treating and dehydration facilities. Midstream Gas & Liquids' pipeline operations provide customers with one of the nation's largest natural gas liquids transportation systems, while gathering and processing customers have direct access to interstate pipelines, including affiliated pipelines, which provide access to multiple markets.

During 2000, Midstream Gas & Liquids gathered gas for 237 customers, processed gas for 98 customers and provided transportation to 95 customers. The largest customer accounted for approximately 13 percent of total gathered volumes, and the two largest processing customers accounted for 23 percent and 10 percent, respectively, of processed volumes. The three largest transportation customers accounted for 22, 19 and 10 percent, respectively, of transportation volumes. No other customer accounted for more than ten percent of gathered, processed or transported volumes. Since the October 2000 acquisition, Williams Energy (Canada) sold NGLs to three customers, all of which represent over ten percent of Canadian NGL sales. Midstream Gas & Liquids' gathering and processing agreements with large customers are generally long-term agreements with various expiration dates. These long-term agreements account for the majority of the gas gathered and processed by Midstream Gas & Liquids. The natural gas liquids transportation contracts are tariff-based and generally short-term in nature with some long-term contracts for system-connected processing plants. The Canadian NGL sales contracts are typically long-term in nature and are based on cost-of-service or flat fee arrangements.

Operating Statistics

The following table summarizes gathering, processing, natural gas liquid sales, and transportation volumes for the periods indicated. The information includes operations attributed to facilities owned by Transco but operated by Midstream Gas & Liquids.

	2000	1999	1998
Gas volumes:			
Gathering (trillion British Thermal Units)................	2,117	2,085	2,117
Processing (trillion British Thermal Units)...............	561	539	536
Natural gas liquids sales (millions of gallons)...........	1,151	838	576
Natural gas liquids transportation (millions of barrels)...	291	282	285
Canadian gas liquids sales since October 2000 acquisition (millions of gallons).................................	368	0	0

PETROLEUM SERVICES

Williams Energy, through wholly owned subsidiaries in its Petroleum Services unit, owns and operates a petroleum products pipeline system, an ethylene plant and olefin pipeline, 78 petroleum products terminals (some of which are partially owned), two ethanol production plants (one of which is majority owned), two refineries and 277 convenience stores/travel centers, and provides services and markets products related thereto.

In October 2000, Williams formed Williams Energy Partners L.P., a wholly owned partnership, to acquire, own and operate a diversified portfolio of energy assets, concentrated around the storage, transportation and distribution of refined petroleum products and ammonia. On October 30, 2000, Williams Energy Partners filed with the Securities and Exchange Commission a registration statement on Form S-1 related to an initial public offering of common units. In February 2001, 4,600,000 common units, representing approximately 40 percent of the total outstanding units, were sold to the public. Williams currently owns approximately 60 percent of the partnership including its general partner interest. Williams Energy Partners' asset portfolio includes four marine petroleum product terminal facilities, three located along the United States Gulf Coast and one located near the New York Harbor. The aggregate storage capacity of these terminals is in excess of 17.6 million barrels. The portfolio also includes 24 inland terminals that form a distribution network for gasoline and other refined petroleum products primarily throughout the southeastern United States. These terminals are included in the Terminal Services and Development section set forth below. Williams Energy Partners also owns an ammonia pipeline and terminals system, which was purchased from Midstream Gas & Liquids, that extends for approximately 1,100 miles from Texas and Oklahoma to Minnesota.

Transportation

A subsidiary in the Petroleum Services unit, Williams Pipe Line Company, owns and operates a petroleum products pipeline system that covers an 11-state area extending from Oklahoma to North Dakota, Minnesota and Illinois. The system is operated as a common carrier offering transportation and terminalling services on a nondiscriminatory basis under published tariffs. The system transports refined products and liquified petroleum gases.

At December 31, 2000, the system traverses approximately 7,100 miles of right-of-way and includes approximately 9,170 miles of pipeline in various sizes up to 16 inches in diameter. The system includes 77 pumping stations, 24.5 million barrels of storage capacity and 40 delivery terminals. The terminals are equipped to deliver refined products into tank trucks and tank rail cars. The maximum number of barrels that the system can transport per day depends upon the operating balance achieved at a given time between various segments of the system. Because the balance is dependent upon the mix of products to be shipped and the demand levels at the various delivery points, the exact capacity of the system cannot be stated. In 2000, total system shipments averaged 637 thousand barrels per day.

The operating statistics set forth below relate to the system's operations for the periods indicated:

	2000	1999	1998
Shipments (thousands of barrels):			
Refined products:			
Gasolines	130,580	132,444	131,600
Distillates	74,299	70,466	72,471
Aviation fuels	16,488	12,060	10,038
LP-Gases	7,781	7,521	8,644
Lube extracted fuel oil	--	--	1,246
Total Shipments	229,148	222,491	223,999
Daily average (thousands of barrels)	626	610	614
Barrel miles (millions)	68,211	67,768	61,043

Williams Pipe Line and its subsidiary, Longhorn Enterprises of Texas, Inc. (LETI), own a total 32.1 percent interest in Longhorn Partners Pipeline, LP, a joint venture formed to construct and operate a refined products pipeline from Houston to El Paso, Texas. Pipeline construction is essentially complete pending regulatory and environmental approvals, and operations are expected to commence in 2002. Williams Pipe Line has designed and constructed and will operate the pipeline, and Williams Pipe Line and LETI have contributed a total of $95.8 million to the joint venture.

On June 30, 2000, a subsidiary in the Petroleum Services unit purchased an interest in the Trans-Alaska Pipeline System from Mobil Alaska Pipeline Company for $32.5 million. Petroleum Services' interest consists of 3.0845 percent of the pipeline and the Valdez crude terminal. Petroleum Services' share of the crude oil deliveries for 2000 was approximately 6.4 million barrels.

Olefins

Petroleum Services is the leading merchant marketer of ethylene in Louisiana and owns and operates a 5/12 interest in a 1.2 billion pounds per year ethylene plant near Geismar, Louisiana. Petroleum Services also owns and operates a 215-mile light hydrocarbon transportation system and operates and has partial ownership in an 85-mile olefin pipeline and storage network, which connects, either directly or indirectly, most major natural gas liquids producers and olefin consumers in Louisiana.

Feedstock processed and ethylene produced by the olefin facility, which was acquired in March 1999, are noted below:

	2000	1999	1998
Feedstock processed (thousands of pounds):.................	793,316	596,512	--
Ethylene production (thousands of pounds):.................	520,758	386,998	--

Terminal Services and Development

Petroleum Services, through Williams Energy Ventures, Inc. (WEV), a wholly owned subsidiary of Williams Energy Services, LLC, provides independent terminal services to the refining and marketing industries via distribution of petroleum products through wholly owned and joint interest terminals. WEV owns and/or operates 33 strategically located independent terminals covering a 15-state area in the South, Southeast, Southwest, Midwest and Northeast, which contain 23.1 million barrels of storage capacity.

The terminals are supplied with refined products and ethanol by barge, tanker, truck, rail and various common carrier pipelines. WEV provides scheduling and inventory management, access to an expanded transportation and information services network, additive injection services and custom terminalling services such as octane and oxygenate blending. On a selective basis, WEV provides temporary leased storage.

In March 2000, WEV purchased Citgo's portion of a jointly owned terminal in Southlake, Texas and in September 2000 purchased four terminal in the Northeast from Wyatt Energy.

Terminal barrels delivered for the periods indicated are noted below.

	2000	1999	1998
Terminal Barrels Delivered (thousands of barrels).........	145,972	91,005	28,797

Bio-Energy

WEV, doing business as Williams Bio-Energy, is engaged in the production and marketing of ethanol. Williams Bio-Energy owns and operates two ethanol plants for which corn is the principal feedstock. The Pekin, Illinois plant has an annual production capacity of 100 million gallons of fuel-grade and industrial ethanol and also produces various coproducts and bio-products. The Aurora, Nebraska plant (in which WEV owns a 74.9 percent interest) has an annual production capacity of 30 million gallons. In late 2000, Williams Bio-Energy acquired a minority interest in two affiliate plants in South Dakota and made equity investments in two other plants in Minnesota and Iowa totaling approximately 40 million gallons of annual ethanol production capacity from primarily corn. In addition, Williams Bio-Energy obtained marketing rights to 100 percent of the ethanol output of the four plants. Williams Bio-Energy also markets ethanol produced by third parties. Bio-products, mainly flavor enhancers, produced at the Pekin plant are marketed primarily to food processing companies.

The sales volumes set forth below include ethanol produced by third parties as well as by WEV for the periods indicated:

	2000	1999	1998
Ethanol sold (thousands of gallons)	227,458	200,077	172,056

Refining

Petroleum Services, through subsidiaries in its unit, owns and operates two refineries: the North Pole, Alaska refinery and the Memphis, Tennessee refinery. The financial results of the North Pole refinery and the Memphis refinery may be significantly impacted by changes in market prices for crude oil and refined products. Petroleum Services cannot predict the future of crude oil and product prices or their impact on its financial results.

The North Pole Refinery includes the refinery located at North Pole, Alaska and a terminal facility at Anchorage, Alaska. The refinery, the largest in the state, is located approximately two miles from its supply point for crude oil, the Trans-Alaska Pipeline System (TAPS). The refinery's processing capability is approximately 215,000 barrels per day. At maximum crude throughput, the refinery can produce 67,000 barrels per day of refined products. These products are jet fuel, gasoline, diesel fuel, heating oil, fuel oil, naphtha and asphalt. These products are marketed in Alaska, Western Canada and the Pacific Rim principally to wholesale, commercial, industrial and government customers and to Petroleum Services' retail petroleum group.

Average daily throughput and barrels processed and transferred by the North Pole Refinery per day are noted below:

	2000	1999	1998
Throughput (barrels)	197,380	185,921	142,471
Barrels Processed and Sold (barrels)	58,109	56,395	49,111

The North Pole Refinery's crude oil is purchased from the state of Alaska or is purchased or received on exchanges from crude oil producers. The refinery has two long-term agreements with the state of Alaska for the purchase of royalty oil, both of which are scheduled to expire on December 31, 2003. The agreements provide for the purchase of up to 63,000 barrels per day (approximately 29 percent of the refinery's supply) of the state's royalty share of crude oil produced from Prudhoe Bay, Alaska. These volumes, along with crude oil either purchased from crude oil producers or received under exchange agreements or other short-term supply agreements with the state of Alaska, are utilized as throughput for the refinery. Approximately 30 percent of the throughput is refined and sold as finished product and the remainder of the throughput is returned to the TAPS and either delivered to repay exchange obligations or sold.

The Memphis Refinery, which includes three petroleum products terminals, is the only refinery in the state of Tennessee and has a throughput capacity of approximately 165,000 barrels per day. Petroleum Services commissioned a 36,000 barrel per day continuous catalyst regeneration reformer in May 2000. The reformer enables the refinery to produce in greater volumes premium gasoline to be delivered in the mid-South region of the United States.

The Memphis Refinery produces gasoline, low sulfur diesel fuel, jet fuel, K-1 kerosene, refinery-grade propylene, No. 6 fuel oil, propane and elemental sulfur. In 2000, these products were exchanged or marketed primarily in the Mid-South region of the United States by Williams Energy's Energy Marketing & Trading unit to wholesale customers, such as industrial and commercial consumers, jobbers, independent dealers, other refiner/marketers and to Petroleum Services' retail petroleum group. Petroleum Services began marketing the refinery's products in February 2001.

The Memphis Refinery has access to crude oil from the Gulf Coast via common carrier pipeline and by river barges. In addition to domestic crude oil, the Memphis Refinery receives and processes certain foreign crudes. The Memphis Refinery's purchase contracts are generally short-term agreements.

Average daily barrels processed and transferred by the Memphis Refinery are noted below:

	2000	1999	1998
Barrels Processed and Transferred (barrels).............	161,751	133,494	120,985

Retail Petroleum

Petroleum Services, primarily under the brand names "Williams TravelCenters," "MAPCO Express" and "Williams Express," is engaged in the retail marketing of gasoline, diesel fuel, other petroleum products, convenience merchandise and restaurant and fast food items. At December 31, 2000, the retail petroleum group operated 50 interstate TravelCenter locations, 199 MAPCO Express convenience stores in the continental United States and 28 Williams Express convenience stores in Alaska. The TravelCenter sites consist of 35 modern facilities providing gasoline and diesel fuel, merchandise and restaurant offerings for both traveling consumers and professional drivers, and 15 locations providing fuel and merchandise. The convenience store sites are primarily concentrated in the vicinities of Nashville and Memphis, Tennessee and Anchorage and Fairbanks, Alaska. All of the motor fuel sold by Williams TravelCenters and convenience stores is supplied either by exchanges, directly from either the Memphis or North Pole Refineries or through Williams Energy's Energy Marketing & Trading unit.

Convenience merchandise, restaurants and fast food accounted for approximately 60 percent of the retail petroleum group's gross margins in 2000. Gasoline and diesel sales volumes for the periods indicated are noted below:

	2000	1999	1998
Gasoline (thousands of gallons)..........................	340,724	339,470	329,821
Diesel (thousands of gallons)............................	434,655	264,248	188,401

Petroleum Services intends to lease, construct and/or acquire up to 24 new TravelCenters in 2001, the majority of which are expected to open in the first half of 2001.

On December 28, 2000, Petroleum Services announced it had signed an agreement to sell its MAPCO Express convenience store operations to Delek-The Israel Fuel Corporation Limited. The sale is expected to be concluded during the first half of 2001. Petroleum Services will continue to own and operate its TravelCenters and Williams Express convenience stores.

ENERGY MARKETING & TRADING

Williams Energy, through subsidiaries including Williams Energy Marketing & Trading Company and its subsidiaries (EM&T), is a national energy services provider that buys, sells and transports a full suite of energy and energy-related commodities, including power, natural gas, refined products, natural gas liquids, crude oil, propane, liquefied natural gas, liquefied petroleum gas and emission credits, primarily on a wholesale level, serving over 4,000 customers. In addition, EM&T provides and procures risk management and other energy-related services through a variety of financial instruments and structured transactions including exchange-traded futures, as well as over-the-counter forwards, options, swap, tolling, load serving and full requirements agreements and other derivatives related to various energy and energy-related commodities. See Note 19 of Notes to Consolidated financial statements for information on financial instruments and energy trading activities.

During 2000, EM&T marketed over 141,300 physical gigawatt hours of power. As part of its power portfolio, EM&T has entered into a number of long-term agreements at December 31, 2000 to market capacity of electric generation facilities (either existing or to be constructed at various locations throughout the United States) totaling approximately 7,082 megawatts (Alabama -- 846 megawatts; California -- 3,954 megawatts; Louisiana -- 750 megawatts; New Jersey -- 832 megawatts; Pennsylvania -- 700 megawatts). Under these tolling arrangements, EM&T supplies fuel for conversion to electricity and markets capacity, energy and ancillary services related to the generating facilities owned and operated by various counterparties. Approximately 4,700 megawatts of generation capacity representing electric generation capacity located in California and Louisiana are operational, with the balance expected to come online between July 2001 and June 2002. EM&T also has entered into several agreements to provide load serving and/or full requirements services for a number of customers representing approximately 1,536 megawatts of load in the United States (Indiana -- 1,266 megawatts; and Pennsylvania -- 270 megawatts). Additionally, EM&T has marketing rights for the energy and capacity from three natural gas-fired electric generating plants owned by affiliated companies and located near Bloomfield, New Mexico (60 megawatts); in Hazleton, Pennsylvania (63 megawatts); and near Worthington, Indiana (170 megawatts). Additional contractual rights to market electric generation capacity have been announced from facilities expected to be operational over the next three years in Tennessee (276 megawatts) and Nevada (125 megawatts). EM&T's primary power customers include utilities, municipalities, cooperatives, governmental agencies and other power marketers.

EM&T markets natural gas throughout North America with total physical volumes averaging 3.3 billion cubic feet per day in 2000. Beginning in 2000, EM&T's natural gas marketing operations focused on activities that facilitate and/or complement the group's power portfolio. EM&T's natural gas customers include local distribution companies, utilities, producers, industrials and other gas marketers.

In 2000, EM&T provided supply, distribution and related risk management services to petroleum producers, refiners and end-users in the United States and various international regions. During 2000, EM&T's total physical crude oil and petroleum products marketed exceeded 901,000 barrels per day. During 2000, EM&T also marketed natural gas liquids with total physical volumes averaging 281 thousand barrels per day.

Operating Statistics

The following table summarizes marketing and trading volumes for the periods indicated (natural gas volumes for 1999 and 1998 include sales by the retail gas and electric business, which has now been divested):

	2000	1999	1998
Average marketing and trading physical volumes:			
Power (million megawatt hours)........................	141,311	89,810	46,779
Natural gas (billion cubic feet per day)..............	3.3	3.6	3.5
Refined products, natural gas liquids and crude oil (thousand barrels per day).........................	1,009	765	717

REGULATORY MATTERS

Midstream Gas & Liquids. In May 1994, after reviewing its legal authority in a Public Comment Proceeding, the FERC determined that while it retains some regulatory jurisdiction over gathering and processing performed by interstate pipelines, pipeline-affiliated gathering and processing companies are outside its authority under the Natural Gas Act. An appellate court has affirmed the FERC's determination, and the United States Supreme Court has denied requests for certiorari. As a result of these FERC decisions, some of the individual states in which Midstream Gas & Liquids conducts its operations have considered whether to impose regulatory requirements on gathering companies. Kansas, Oklahoma and Texas currently regulate gathering activities using complaint mechanisms under which the state commission may resolve disputes involving an individual gathering arrangement. Other states may also consider whether to impose regulatory requirements on gathering companies.

In February 1996, Midstream Gas & Liquids and Transco filed applications with the FERC to spindown all of Transco's gathering facilities to Midstream Gas & Liquids. The FERC subsequently denied the request in September 1996. Midstream Gas & Liquids and Transco sought rehearing in October 1996. In August 1997, Midstream Gas & Liquids and Transco filed a second request for expedited treatment of the rehearing request. The FERC has yet to rule on this request for rehearing. In February 1998, Midstream Gas & Liquids and Transco filed separate applications to spindown an onshore gathering system located in Texas, the Tilden/ McMullen gathering system, which was also one of the subjects of the pending rehearing request. In May 1999, the FERC approved the spindown application only for the facilities upstream of the Tilden treating plant. The transfer of ownership of these facilities occurred in April 2000. As a result of a court appeal reversing and remanding the Commission's decision that the offshore system of Sea Robin pipeline were transmission facilities regulated by FERC under the Natural Gas Act, in June 1999, the FERC issued an order in the Sea Robin remand proceeding finding that the upstream portions of the Sea Robin system are nonjurisdictional gathering but the downstream portion is regulated transmission. In July 2000, the FERC affirmed that determination and denied rehearing requests. Appeals are pending in the D.C. Circuit Court of Appeals. In April 2000, the FERC issued "Regulations under the Outer Continental Shelf Lands Act Governing the Movement of Natural Gas on Facilities on the Outer Continental Shelf," which require most non-interstate natural gas pipelines located on the Outer Continental Shelf to post prices, terms and conditions of service. That rule is also pending appeal. In November 2000, Midstream Gas & Liquids and Transco filed applications with the FERC to spindown two of Transco's offshore gathering facilities to Midstream Gas & Liquids (the North Padre system and the Central Texas system). Transco and Midstream Gas & Liquids explained that it was the first in a series of spindown filings designed to be consistent with the current policy under the Sea Robin reformulated test. This series of spindown filings will generally request the spindown of smaller systems than originally proposed in the 1996 filings, but Transco and Midstream Gas & Liquids have stated that they reserve their rights to continue pursuit of the original spindown proposals.

Midstream Gas & Liquids' natural gas liquids group is subject to various federal, state, and local environmental and safety laws and regulations. Midstream Gas & Liquids' pipeline operations are subject to the provisions of the Hazardous Liquid Pipeline Safety Act. In addition, the tariff rates, shipping regulations, and other practices of the Mid-America, Rio Grande, Seminole, Wilprise and Tri-States pipelines are regulated by the FERC pursuant to the provisions of the Interstate Commerce Act applicable to interstate common carrier petroleum and petroleum products pipelines. The tariff rates and practices of the ammonia system are regulated by the Surface Transportation Board under the provisions of the Interstate Commerce Commission Termination Act of 1995 applicable to pipeline carriers. Both of these statutes require the filing of reasonable and nondiscriminatory tariff rates and subject Midstream Gas & Liquids to certain other regulations concerning its terms and conditions of service. The Mid-America, Rio Grande, Seminole, Wilprise and Tri-States pipelines also file tariff rates covering intrastate movements with various state commissions. The United States Department of Transportation has prescribed safety regulations for common carrier pipelines. The pipeline systems are subject to various state laws and regulations concerning safety standards, exercise of eminent domain, and similar matters.

Midstream Gas & Liquids' Canadian natural gas group's assets, except for a piece of pipeline, are regulated provincially. The Alberta-based assets are regulated by the Alberta Energy & Utilities Board (AEUB) and Alberta Environment, while the British Columbia-based assets are regulated by B.C. Oil and Gas Commission and the British Columbia Ministry of Environment, Lands and Parks. The regulatory system for Alberta oil and gas industry incorporates a large measure of self-regulation, meaning that licensed operators are held responsible for ensuring that their operations are conducted in accordance with all provincial regulatory requirements. For situations in which non-compliance with the applicable regulations is at issue, the AEUB and Alberta Environment have implemented an enforcement process with escalating consequences. The British Columbia Oil and Gas Commission operates in a slightly different manner than the AEUB, with more emphasis placed on pre-construction criteria and the submission of post-construction documentation, as well as periodic inspections. Only one asset is subject to federal regulation, under the jurisdiction of the National Energy Board (NEB). The Younger to Boundary Lake Pipeline, which is Leg Number 2 of the NGL Gathering System, is regulated by the National Energy Board as a Group 2 inter-provincial pipeline. While Group 2 regulated companies are required to post a toll and tariff for the facilities they operate, they are regulated on a "complaint only" basis and need only to employ standard uniform accounting procedures, rather than the more onerous Group 1 NEB-mandated accounting and reporting requirements.

Petroleum Services. Williams Pipe Line, as an interstate common carrier pipeline, is subject to the provisions and regulations of the Interstate Commerce Act. Under this Act, Williams Pipe Line is required, among other things, to establish just, reasonable and nondiscriminatory rates, to file its tariffs with the FERC, to keep its records and accounts pursuant to the Uniform System of Accounts for Oil Pipeline Companies, to make annual reports to the FERC and to submit to examination of its records by the audit staff of the FERC. Authority to regulate rates, shipping rules and other practices and to prescribe depreciation rates for common carrier pipelines is exercised by the FERC. The Department of Transportation, as authorized by the 1995 Pipeline Safety Reauthorization Act, is the oversight authority for interstate liquids pipelines. Williams Pipe Line is also subject to the provisions of various state laws applicable to intrastate pipelines.

Environmental regulations and changing crude oil supply patterns continue to affect the refining industry. The industry's response to environmental regulations and changing supply patterns will directly affect volumes and products shipped on the Williams Pipe Line system. Environmental Protection Agency regulations, driven by the Clean Air Act, require refiners to change the composition of fuel manufactured. A pipeline's ability to respond to the effects of regulation and changing supply patterns will determine its ability to maintain and capture new market shares. Williams Pipe Line has successfully responded to changes in diesel fuel composition and product supply and has adapted to new gasoline additive requirements. Reformulated gasoline regulations have not yet significantly affected Williams Pipe Line. Williams Pipe Line will continue to attempt to position itself to respond to changing regulations and supply patterns but cannot predict how future changes in the marketplace will affect its market areas.

Energy Marketing & Trading. EM&T's business is subject to a variety of laws and regulations at the local, state and federal levels. At the federal level, important regulatory agencies include the Federal Energy Regulatory Commission (regarding energy commodity transportation and wholesale trading) and the Commodity Futures Trading Commission (regarding various over-the-counter derivative transactions and exemptions and exclusions from the Commodity Exchange Act). Electricity markets, particularly in California, continue to be subject to numerous and wide-ranging regulatory proceedings and investigations, regarding among other things, market structure, behavior of market participants and market prices. The FERC has announced that it will hold a closed meeting on March 14, 2001, to discuss possible enforcement proceedings involving EM&T and AES Southland Inc., a unit of AES Corp. (AES), related to their turnkey agreement under which EM&T supplies natural gas to, and markets power from, merchant power plants owned and operated by AES in Southern California. See Note 20 to Notes to Consolidated Financial Statements.

In December 2000, the FERC issued an order which provided that for the period between October 2, 2000 and December 31, 2002, refunds may be ordered if the FERC finds that the wholesale markets in California are unable to produce competitive, just and reasonable prices, or that market power or other individual seller conduct is exercised to produce an unjust and unreasonable rate. For periods commencing January 1, 2001, refund liability will expire within 60 days of a sale unless the FERC sends the seller a written notice that the sale is still under review. Williams received notice on March 9, 2001, that it would be liable for refunds for January 2001 of approximately $8 million. The order requiring refunds will be subject to further review.

Management believes that EM&T's activities are conducted in substantial compliance with the marketing affiliate rules of FERC Order 497. Order 497 imposes certain nondiscrimination, disclosure and separation requirements upon interstate natural gas pipelines with respect to their natural gas trading affiliates. EM&T has taken steps to ensure it does not share employees or officers with affiliated interstate natural gas pipelines and does not receive information from affiliated interstate natural gas pipelines that is not also available to unaffiliated natural gas trading companies.

COMPETITION

Exploration & Production. Williams Energy's E&P unit competes with a wide variety of independent producers as well as integrated oil and gas companies for markets for its production. E&P has three general phases of operations: acquiring oil and gas properties, developing non-producing properties and operating producing properties. In the process of acquiring minerals, the primary methods of competition are on acquisition price and terms such as duration of the mineral lease, the amount of the royalty payment and special conditions related to rights to use the surface of the land under which the mineral interest lies. In the process of developing non-producing properties, E&P does not face significant competition. In the operating phase, the primary method of competition involves operating efficiencies related to the cost to produce the hydrocarbons from the reservoir.

Midstream Gas & Liquids. Williams Energy competes for gathering and processing business with interstate and intrastate pipelines, producers and independent gatherers and processors. Numerous factors impact any given customer's choice of a gathering or processing services provider, including rate, location, term, timeliness of well connections, pressure obligations and the willingness of the provider to process for either a fee or for liquids taken in-kind. Competition for the natural gas liquids pipelines include other pipelines, tank cars, trucks, barges, local sources of supply (refineries, gasoline plants and ammonia plants) and other sources of energy such as natural gas, coal, oil and electricity. Factors that influence customer transportation decisions include rate, location and timeliness of delivery.

Petroleum Services. Williams Pipe Line operates without the protection of a federal certificate of public convenience and necessity that might preclude other entrants from providing like service in its area of operations. Further, Williams Pipe Line must plan, operate and compete without the operating stability inherent in a broad base of contractually obligated or owner-controlled usage. Because Williams Pipe Line is a common carrier, its shippers need only meet the requirements set forth in its published tariffs in order to avail themselves of the transportation services offered by Williams Pipe Line.

Competition exists from other pipelines, refineries, barge traffic, railroads and tank trucks. Competition is affected by trades of products or crude oil between refineries that have access to the system and by trades among brokers, traders and others who control products. These trades can result in the diversion from the Williams Pipe Line system of volume that might otherwise be transported on the system. Shorter, lower revenue hauls may also result from these trades. Williams Pipe Line also is exposed to interfuel competition whereby an energy form shipped by a liquids pipeline, such as heating fuel, is replaced by a form not transported by a liquids pipeline, such as electricity or natural gas. While Williams Pipe Line faces competition from a variety of sources throughout its marketing areas, the principal competition is other pipelines. A number of pipeline systems, competing on a broad range of price and service levels, provide transportation service to various areas served by the system. The possible construction of additional competing products or crude oil pipelines, conversions of crude oil or natural gas pipelines to products transportation, changes in refining capacity, refinery closings, changes in the availability of crude oil to refineries located in its marketing area or conservation and conversion efforts by fuel consumers may adversely affect the volumes available for transportation by Williams Pipe Line.

Williams Bio-Energy's fuel ethanol operations compete in local, regional and national fuel additive markets with other ethanol products and other fuel additive producers, such as refineries and methyl tertiary butyl ether (MTBE) producers. MTBE has been banned in California effective January 1, 2003, and in other states due to ground water contamination problems. Williams Bio-Energy's other products compete in global markets against a variety of competitors and substitute products.

The principal competitive forces affecting Williams Energy's refining businesses are feedstock costs, refinery efficiency, refinery product mix and product distribution. Some of Memphis Refinery's competitors can process sour crude, and accordingly, are more flexible in the crudes that they can process. Williams Energy has limited crude oil reserves and does not engage in crude oil exploration, and it must therefore obtain its crude oil requirements from unaffiliated sources. Williams Energy believes that it will be able to obtain adequate crude oil and other feedstocks at generally competitive prices for the foreseeable future.

The principal competitive factors affecting Williams Energy's retail petroleum business are location, product price and quality, appearance and cleanliness of stores and brand-name identification. Competition in the convenience store industry is intense. Within the travel center industry, Williams TravelCenters strives to be a market leader in customer service to the local consumer, traveling consumer and professional driver. Averaging 12,000 square feet, the facilities seamlessly blend these customer groups, resulting in greater revenue and income diversification than traditional convenience stores.

Energy Marketing & Trading. Williams Energy's EM&T operations directly compete with large independent energy marketers, marketing affiliates of regulated pipelines and utilities and natural gas producers. The financial trading business competes with other energy-based companies offering similar services as well as certain brokerage houses. This level of competition contributes to a business environment of constant pricing and margin pressure.

OWNERSHIP OF PROPERTY

The majority of Williams Energy's ownership interests in exploration and production properties are held as working interests in oil and gas leaseholds.

Williams Energy's gathering and processing facilities and natural gas liquids pipelines are owned in fee. Midstream Gas & Liquids constructs and maintains gathering and natural gas liquids pipeline systems pursuant to rights-of-way, easements, permits, licenses, and consents on and across properties owned by others. The compressor stations and gas processing and treating facilities are located in whole or in part on lands owned by subsidiaries of Williams Energy or on sites held under leases or permits issued or approved by public authorities.

Williams Energy owns its petroleum pipeline system in fee. However, a substantial portion of the system is operated, constructed and maintained pursuant to rights-of-way, easements, permits, licenses or consents on and across properties owned by others. The terminals, pump stations and all other facilities of the system are located on lands owned in fee or on lands held under long-term leases, permits or contracts. The North Pole Refinery is located on land leased from the state of Alaska under a long-term lease scheduled to expire in 2025 and renewable at that time by Williams Energy. The Anchorage, Alaska terminal is located on land leased from the Alaska Railroad Corporation under two long-term leases. The Memphis Refinery is located on land owned by Williams Energy. Williams Energy management believes its assets are in such a condition and maintained in such a manner that they are adequate and sufficient for the conduct of business.

The primary assets of Williams Energy's energy marketing and trading unit are its term contracts, employees, related systems and technological support.

ENVIRONMENTAL MATTERS

Williams Energy is subject to various federal, state and local laws and regulations relating to environmental quality control. Management believes that Williams Energy's operations are in substantial compliance with existing environmental legal requirements. Management expects that compliance with existing environmental legal requirements will not have a material adverse effect on the capital expenditures, earnings and competitive position of Williams Energy. See Note 20 of Notes to Consolidated Financial Statements.

Groundwater monitoring and remediation are ongoing at both refineries and air and water pollution control equipment is operating at both refineries to comply with applicable regulations. The Clean Air Act Amendments of 1990 continue to impact Williams Energy's refining businesses through a number of programs and provisions. The provisions include Maximum Achievable Control Technology rules which are being developed for the refining industry, controls on individual chemical substances, new operating permit rules and new fuel specifications to reduce vehicle emissions. The provisions impact other companies in the industry in similar ways and are not expected to adversely impact Williams Energy's competitive position.

Electricity generation facilities that are either owned by Williams Energy subsidiaries or are subject to tolling or other agreements are subject to various environmental laws and regulations, including laws and regulations regarding emissions. Facility availability may be affected by these laws and regulations. In 2000, the availability of such generation in California was adversely affected by such environmental issues.

Williams Energy and its subsidiaries also accrue environmental remediation costs for its natural gas gathering and processing facilities, petroleum products pipelines, retail petroleum and refining operations and for certain facilities related to former propane marketing operations primarily related to soil and groundwater contamination. In addition, Williams Energy owns a discontinued petroleum refining facility that is being evaluated for potential remediation efforts. At December 31, 2000, Williams Energy and its subsidiaries had accrued liabilities totaling approximately $49 million. Williams Energy accrues receivables related to environmental remediation costs based upon an estimate of amounts that will be reimbursed from state funds for certain expenses associated with underground storage tank problems and repairs. At December 31, 2000, Williams Energy and its subsidiaries had accrued receivables totaling $15 million.

Williams Field Services (WFS) received a Notice of Violation (NOV) from the EPA in February 2000. WFS received a contemporaneous letter from the DOJ indicating that the DOJ will also be involved in the matter. The NOV alleged violations of the Clean Air Act at a gas processing plant. WFS, the EPA and the DOJ agreed to settle this matter for a penalty of $850,000. In the course of investigating this matter, WFS discovered a similar potential violation at the plant and disclosed it to the EPA and the DOJ. The parties will discuss whether additional enforcement action is warranted.

WILLIAMS COMMUNICATIONS

On October 6, 1999, Williams Communications Group, Inc. closed its initial public offering by selling shares of its Class A common stock to the public. In separate private placements, SBC Communications Inc., Intel Corporation, and Telefonos de Mexico, S.A. de C.V. each purchased a portion of the Class A common stock. On February 26, 2001, Williams and Williams Communications entered into an agreement under which Williams contributed an outstanding promissory note from Williams Communications of approximately $975 million and certain other assets to Williams Communications in exchange for 24,265,892 shares of Williams Communications' Class A common stock. As of February 28, 2001, there were 92,859,410 shares of the Class A common stock outstanding and 395,434,965 shares of Class B common stock outstanding. As of February 28, 2001, Williams owned 24,265,892 shares of Class A common stock and 100 percent of the Class B common stock, representing an approximate 86 percent ownership interest.

Williams has announced that its board of directors has authorized its management to take steps that may lead to a tax-free distribution of Williams Communications' shares held by Williams to its shareholders. Assuming that market conditions and other factors continue to support such a tax-free spin-off, Williams has announced that its board of directors would expect to vote during the first part of 2001 to set a record date, the ratio of a share of Williams Communications stock that will be issued for each share of Williams stock, and to direct the distribution of Williams Communications shares.

On January 29, 2001, Williams Communications announced a contract with Platinum Equity to sell the operations of its Solutions business segment in the United States and Mexico. In addition, it announced its intent to sell the remaining Canadian operations of Solutions.

Following its decision to sell its Solutions segment, Williams Communications operates through three operating segments: Network, Broadband Media and Strategic Investments. Network owns or leases and operates a nationwide inter-city fiber-optic network, which it is extending locally and globally to provide Internet, data, voice and video services exclusively to communications service providers. Network also includes a publicly traded Australian telecommunications company and various other investments that drive bandwidth usage on Williams Communications' network. Broadband Media includes Vyvx Services which provides live and non-live video transmission services worldwide for news, sports, advertising and entertainment events and investments in domestic broadband media communication companies. Strategic Investments invests in both domestic and foreign companies that it believes will, directly or indirectly, increase revenue opportunities for its other segments. As of December 31, 2000, Strategic Investments' foreign investments are all located in South America. Williams Communications has formed strategic alliances with communications companies to secure long-term, high-capacity commitments for traffic on its network and to enhance its service offerings. At December 31, 2000, Williams Communications employed approximately 10,650 employees.

Segment revenues and segment profit for Williams Communications' business units are reported in Note 23 of Notes to Consolidated Financial Statements herein.

NETWORK

Williams Communications owns or leases and operates a nationwide intercity fiber-optic network, which it is extending locally and globally. It intends to make Network the most efficient U.S.-based provider of advanced Internet, data, voice and video services to companies that use high-capacity communications services as an integral part of their service offerings. These companies include long distance carriers, local service providers, Internet service providers, application service providers, digital subscriber line service providers, utilities and international carriers. Williams Communications also offer rights of use in dark fiber, which is fiber that it installs but for which it does not provide communications transmission services. Network is building networks, or seeking strategic relationships to provide services, in U.S. cities and in Asia, Australia, South America and Europe. Network has also made investments in companies that assist it in improving, or create demand for capacity on, its network.

Properties. In late 2000, Network completed its U.S. inter-city core network build, which connects 125 cities. As of December 31, 2000, Network had 146 data centers across its network. The Williams Communications network was primarily constructed by digging trenches along rights of way, or rights to use the property of others, which Network obtained throughout the United States from various landowners. Where feasible, Network constructed along Williams' pipeline rights of way and the rights of way of other pipeline companies. Approximately 21 percent of its rights of way are along Williams' pipeline rights of way and the remainder is along the rights of way of third parties. Rights of way from unaffiliated parties are generally for terms of at least 20 years, and most cover distances of less than one mile. Where necessary or economically preferable, Network has other right of way agreements in place with highway commissions, utilities, political subdivisions and others. Almost all of its rights of way extend through at least 2018.

Expansion projects. In 2000, Williams Communications announced plans to spend $421 million to extend the local reach of its network. It intends to have in operation local services over its network in 50 of the largest U.S. cities by December 31, 2003. As of December 31, 2000, it had in operation local services over its network in 14 U.S. cities and intends to have in operation local services over its network to a total of 20 of the largest U.S. cities by December 31, 2001. In addition, Network has announced plans to extend its network into Asia, Australia, South America and Europe by entering into strategic agreements with other communications service provider, investing in foreign communications service providers, and by acquiring interests in undersea cables.

Customers. Network's customers currently include regional Bell operating companies, Internet service providers, application service providers, digital subscriber line service providers, long distance carriers, utilities, international carriers and other communications services providers who desire high-speed connectivity on a carrier services basis. Sales to SBC accounted for 24 percent of Network's 2000 revenues; sales to Intermedia, including its subsidiary, Digex Incorporated, accounted for 19 percent of Network's 2000 revenues; and sales to Winstar accounted for 14 percent of its 2000 revenues. Williams Communications has entered into strategic alliances with SBC, Intel, Telefonos de Mexico, KDDI, Winstar and others. It also has investments in Lightyear, XO Communications, and UtiliCom and communications companies with operations in Australia, Brazil, Chile and Argentina. These alliances and investments help to increase the volume of business and provide additional customers for Network.

Competition. The communications industry is highly competitive. In the market for carrier services, Network competes primarily with the three traditional nationwide carriers, AT&T, WorldCom and Sprint, and other coast-to-coast and regional fiber-optic network providers, such as Qwest, Level 3, Global Crossing and Broadwing. Other companies have announced plans to construct significant fiber-optic networks. Network also competes with numerous other service providers that focus either on a specific product or set of products or within a geographic region. Network competes primarily on the basis of pricing, transmission quality, network reliability and customer service and support. Network has only recently begun to offer some of its services and products and, as a result, it may have fewer and less well established customer relationships than some of its competitors. Its services within local markets in the United States face additional competitors, including the regional telephone companies and other local telephone companies. Its services outside the United States also face additional competitors, including national telephone companies in foreign countries and carriers that own capacity on other submarine and regional fiber-optic systems.

BROADBAND MEDIA

In the first quarter of 2000, Williams Communications formed its Broadband Media segment. Substantially all of the operations of this segment are conducted by Vyvx Services. Since 1989, Vyvx Services has provided worldwide transmission of live and non-live media content, transmitting broadcast news, sports, advertising and special events over its integrated fiber-optic, satellite and teleport network. Vyvx Services serves the unique video needs of major broadcast networks and their affiliate stations, professional sports leagues, media production companies and global advertising agencies. Vyvx Services transmits approximately 80 percent of live major league sporting events, approximately 65 percent of live events and distributes approximately 35 percent of spot advertising. Through Vyvx Services, Williams Communications has gained experience in broadband multimedia networks and established high-speed connections to major news and sports venues throughout the United States. Williams Communications provides services throughout the United States, South America and Asia using its network, four satellite earth stations that it owns and leased transmission capacity on satellites. Williams Communications owns approximately 600 servers that are located in television and radio stations throughout the United States, which allow for online, real-time selection and distribution of media content. Broadband Media also has investments in companies that provide media content products and services.

Expansion Projects. Williams Communications is initiating implementation of an application infrastructure called MediaXtranet(SM) that will provide services to facilitate the transmission and storage of media content for business-to-business applications, including hosting and navigation services. Williams Communications expects that MediaXtranet would enable the collection, gathering, hosting, management, transacting and edge distribution of media content, regardless of its format or source. Williams Communications expects that the full implementation of MediaXtranet, if undertaken, would likely require substantial capital expenditures, which are currently not accounted for in its business plan.

Customers. Broadband Media sells only to media content service providers. It does not compete with its media customers for retail end-users. It has approximately 2,000 customers, including major broadcast and cable television networks, news services, professional and collegiate sports organizations, such as the National Football League and the National Basketball Association, and advertising agencies, television companies and movie production companies. Approximately 43 percent of Broadband Media's total revenue in 2000 was derived from its top 10 customers. Broadband Media's largest customer, Fox Entertainment Group, Inc., accounted for approximately 13 percent of Broadband Media's 2000 total revenues. Contracts with the largest customers are for terms that extend up to 10 years. Most contracts with smaller customers are for one-year terms.

Competition. Vyvx Services is currently a market leader in transmission services for major league and other sporting and live events and has a significant market share of the advertising distribution services market. Competitors in traditional video transmission and advertising distribution services include Teleglobe, Triumph Communications, Inc. and Digital Generation Systems, Inc.

STRATEGIC INVESTMENTS

Through Strategic Investments, Williams Communications invests in communications businesses that it believes will increase revenue opportunities for the Williams Communications network and other business segments. The strategic investments currently include ownership interests in the following communications companies located in Brazil, Chile and Argentina:

ATL. ATL-Algar Telecom Leste, S.A. (ATL) was formed in March 1998 to acquire the concession for B-band cellular licenses in the Brazilian states of Rio de Janeiro and Espirito Santo. At December 31, 2000, Communications owned 19 percent of the outstanding common stock and 66 percent of the outstanding preferred stock of ATL through Communications' ownership of Johi Representacoes Limitada and Williams International ATL Ltd. Other investors in ATL include SBC, Algar Telecom, S.A. and Telefonos de Mexico.

In the first quarter of 2001, Williams Communications granted an option to Telecom Americas, a joint venture among SBC, American Movil S.A. de C.V., and Bell Canada International Inc., to purchase Williams

Communications' remaining interest in ATL for an agreed to price. The option was granted in exchange for Telecom Americas paying Williams Communications' portion of the required funding to ATL. The option will expire at the end of the first quarter of 2001.

ATL provides digital cellular services in the Brazilian states of Rio de Janeiro and Espirito Santo, covering a population of approximately 16.1 million inhabitants. ATL started commercial operations on January 15, 1999, and had approximately 1.6 million subscribers as of December 31, 2000. ATL's only cellular competitor in these areas is Tele Sudeste Celular Participacoes S.A., a former subsidiary of Telebras currently controlled by a consortium led by Telefonica de Espana.

Manquehue Net. ManquehueNet, S.A. (formerly Telefonica Manquehue, S.A.) is a high-capacity communications services provider within the Santiago, Chile, metropolitan area. It provides Internet, data and voice services for its approximately 75,000 business and residential customers as of December 31, 2000. Manquehue Net was formed as a result of the merger of Metrocom S.A. with Telefonica Manquehue in January 2000. Telefonica Manquehue is installing an extensive telecommunications duct infrastructure throughout Santiago, which had exceeded more than 250,000 homes and businesses by the end of 2000. Williams Communications owned a 19.9 percent equity interest in Metrocom S.A. until the merger. As a result of the merger and subsequent investments by Williams Communications and other shareholders, Williams Communications now owns 16.5 percent of Manquehue Net.

Silica Networks. In May 2000, Williams Communications acquired a 19.9 percent direct interest in Silica Networks S.A. (formerly Southern Cone Communications Company, S.A.). ManquehueNet also acquired a 30.1 percent interest in Silica Networks. The 4,300-kilometer (2,660-mile) Southern Cone network initially will link the major Argentine cities of Buenos Aires, Las Toninas, Rosario, Cordoba, Mendoza and Neuquen with the Chilean cities of Santiago and Valparaiso. When complete, the system will link Argentina and Chile with cables to Peru, Colombia, Panama, Venezuela, Brazil and the Caribbean, and ultimately to the Williams Communications U.S. network.

STRATEGIC ALLIANCES AND RELATIONSHIPS

Williams Communications enters into strategic alliances with communications companies to secure long-term, high-capacity commitments for traffic on the Williams Communications network and to enhance its service offerings. It currently has strategic relationships with SBC, Intel, Telefonos de Mexico, KDDI and Winstar. Williams Communications intends to continue to pursue additional strategic alliances. The relationship with SBC is described below.

SBC Communications Inc. SBC is a major communications provider in the United States. SBC currently provides local services in the south central and Midwest regions of the United States and in California, Nevada and Connecticut. Concurrently with the Williams Communications initial public offering, on October 6, 1999, SBC acquired 20,226,812 shares of Williams Communications Group, Inc.'s Class A common stock, representing approximately 4.1 percent of the shares of common stock outstanding as of February 28, 2001. In connection with its purchase of this common stock at the time of the initial public offering, SBC agreed to certain restrictions and will receive certain privileges, including the following:

On February 8, 1999, Williams Communications entered into agreements with SBC under which:

- SBC must first seek to obtain domestic voice and data long distance services from Williams Communications for 20 years.

- Williams Communications must first seek to obtain select international wholesale services and various other services, including toll-free, operator, calling card and directory assistance services, from SBC for 20 years.

- Williams Communications and SBC will sell each other's products to their respective customers and provide installation and maintenance of communications equipment and other services.

In June 2000, Communications acquired SBC's initial party interests in two undersea communications cables between the United States and China and Japan, respectively. In September 2000, Communications acquired the long distance network assets of Ameritech Communications, Inc., a subsidiary of SBC. The assets are located in the states of Illinois, Indiana, Michigan, Ohio and Wisconsin, and include a fiber-optic network, data centers, indefeasible rights of use in dark fiber and switches. In connection with this purchase of the Ameritech assets, the services agreement with SBC was amended to require Ameritech to buy services from Communications.

Williams Communications has entered into a services agreement with SBC by which Communications will provide local transport services to SBC in six markets: New York, Boston, Seattle, Phoenix, Atlanta and Denver. This agreement provides for expansion of the services in these markets and further expansion into additional markets.

SOLUTIONS

On January 29, 2001, Communications announced a contract with Platinum Equity to sell the operations of its Solutions business segment in the United States and Mexico. In addition, it announced its intent to sell the remaining Canadian operations of Solutions. See Note 3 of Notes to Consolidated Financial Statements.

Solutions installs, and maintains communications equipment and network services that provide solutions for the comprehensive voice and data needs of organizations of all sizes.

Vendor relationships. Solutions has agreements with the suppliers of the products and providers of the services it sells to its customers. These agreements provide for Solutions to distribute, resale, or integrate products or act as agent for the provider of services. Normally, Solutions receives volume discounts off the list price of the product or service it purchases from its vendors. Solutions' primary vendor relationships are with Nortel, Cisco, Lucent and NEC, of which Nortel is the largest.

Customers. Solutions provides products and services to approximately 100,000 customer sites across a broad range of industries including businesses as well as educational, governmental and non-profit institutions. These customers consist of small businesses (ten or more employees), small sites of larger companies and large enterprise campus sites. Solutions is not dependent on any one customer or group of customers to achieve its desired results. Solutions' top 25 customers combined accounted for less than 25 percent of revenue during 2000, with no one customer accounting for more than 1 percent.

Competition. Solutions' competition comes from communications equipment distributors, network integrators, and manufacturers of equipment (including in some instances those manufacturers whose products Solutions also sells). Solutions' competitors include Norstan, Inc., Lucent, Siemens, Cisco Systems and the equipment divisions of GTE, Sprint and the regional Bell operating companies. Solutions operates in a highly competitive industry and faces competition from companies that may have significantly greater financial, technical and marketing resources.

REGULATORY MATTERS

Williams Communications is subject to federal, state, local and foreign regulations that affect its product offerings, competition, demand, costs and other aspects of its operations. U.S. federal laws and regulations generally apply to interstate telecommunications, including international telecommunications that originate or terminate in the United States, while state laws and regulations apply to telecommunications terminating within the state of origination. A foreign country's laws and regulations apply to telecommunications that originate or terminate in that country. The regulation of the telecommunications industry is changing rapidly and varies from state to state and from country to country. Williams Communications' operations are also subject to a variety of environmental, safety, health and other governmental regulations. Williams Communications cannot guarantee that future regulatory, judicial or legislative activities will not have a material adverse effect on it, or that domestic or international regulators or third parties will not raise material issues with regard to its compliance or noncompliance with applicable regulations.

Williams Communications' operations are subject to a variety of federal, state, local and foreign environmental, safety, and health laws and governmental regulations. These laws and regulations govern matters such as the generation, storage, handling, use and transportation of hazardous materials, the emission and discharge of hazardous materials into the atmosphere, the emission of electromagnetic radiation, the protection of wetlands, historic sites and endangered species and the health and safety of employees. In California, Williams continues to face uncertainty on the extent of state regulatory authorizations and environmental review required to construct communications facilities in that state.

Although Williams Communications monitors compliance with environmental, safety, and health laws and regulations, it cannot give assurances that it has been or will be in complete compliance with these laws and regulations. It may be subject to fines or other sanctions imposed by governmental authorities if it fails to obtain certain permits or violate the laws and regulations. No capital or other expenditures for compliance with laws, regulations, or permits relating to the environment, safety and health were material in 2000.

In addition, Williams Communications may be subject to environmental laws requiring the investigation and cleanup of contamination at sites it owns or operates or at third-party waste disposal sites. These laws often impose liability even if the owner or operator did not know of, or was not responsible for, the contamination. Although it owns or operates numerous sites in connection with its operations, it is not aware of any liability relating to contamination at these sites or third party waste disposal sites that could have a material adverse effect on the company.

WILLIAMS INTERNATIONAL COMPANY

Williams International Company, through subsidiaries, has made direct investments in energy projects primarily in South America and Lithuania and continues to explore and develop additional projects for international investments. Williams International also has investments in energy and infrastructure development funds in Asia and South America.

El Furrial. Williams International owns a 67 percent interest in a venture near the El Furrial field in eastern Venezuela that constructed, owns and operates medium and high pressure gas compression facilities for Petroleos de Venezuela S.A. (PDVSA), the state owned petroleum corporation of Venezuela.

The medium pressure facility has compression capacity of 130 million cubic feet per day of raw natural gas from 100 to 1,200 p.s.i.g. for delivery into a natural gas processing plant owned by PDVSA. The high pressure facility has compression capacity of 650 million cubic feet per day of processed natural gas from 1,100 to 7,500 p.s.i.g. for injection into PDVSA's El Furrial producing field.

Jose Terminal. Through a long-term operations and maintenance agreement, a consortium, in which Williams International owns 45 percent, operates the PDVSA, Eastern Venezuela crude oil storage and shiploading terminal. Operations began in the second quarter of 1999, and volumes have averaged 500,000 barrels per day. Crude oil exports shipped through this offshore facility are expected to generate approximately 30 percent of the state's forecasted revenues. PDVSA expects to significantly increase the terminal's volume and capacity, currently 800,000 barrels per day, during the next several years.

Pigap II. In April 1999, a consortium in which Williams International owns 70 percent entered into an agreement with PDVSA Petroleo y Gas, S.A., to develop, design, construct, operate, maintain and own a high pressure natural gas injection facility and related infrastructure to take gas, process it and deliver it for injection for secondary recovery of oil from the Santa Barbara/Pirital oil fields located in North Monogas, Venezuela for an initial term of 20 years. Williams International commenced construction in February 2000. Operations are expected to commence in 2002.

Accroven. Williams Global Energy Caymans Limited, Williams International Venezuela Limited (together, the Buyers) and TCPL International Limited and TC International Limited (together, the Sellers) have entered into a Share Purchase and Sale Agreement dated November 22, 2000 whereby Buyers will acquire 49.25% of the issued and outstanding quotas of Accroven (Accro III and IV), the Eastern Venezuela project to build, own and operate two 400 million cubic feet per day natural gas liquids extraction plants, a

50,000 barrel per day natural gas liquids fractionation plant and associated storage and refrigeration facilities for Petroleos de Venezuela S.A. Closing is expected to occur in the first quarter of 2001. Operations are expected to commence in the second quarter of 2001.

AB Mazeikiu Nafta. In October 1999, Williams entered into an agreement with the Government of Lithuania to acquire a 33 percent ownership interest and the right to operate AB Mazeikiu Nafta (MN). MN consists of a 320,000 barrel per day refinery, the 640,000 barrel per day crude oil and refined product pipeline systems within Lithuania and a 160,000 barrel per day crude export facility on the Baltic Sea. Williams commenced operating these assets in October 1999.

Apco Argentina. Williams International owns an interest in Apco Argentina Inc., an oil and gas exploration and production company with operations in Argentina, whose securities are traded on the Nasdaq stock market. Apco Argentina's principal business is its 47.6 percent interest in the Entre Lomas concession in southwest Argentina. It also owns a 45 percent interest in the Canadon Ramirez concession, and a 1.5 percent interest in the Acambuco concession.

At December 31, 2000, 1999 and 1998, estimated developed, proved reserves net to Apco Argentina were 18.7, 20.0 and 15.5 million barrels, respectively, of oil, condensate and plant products, and 42.6, 51.1 and 26.8 billion cubic feet, respectively, of natural gas. Estimated undeveloped, proved reserves net to Apco Argentina were 13.0, 9.0 and 5.1 million barrels, respectively, of oil, condensate and plant products, and 16.6 billion cubic feet, 20.6 billion cubic feet and 700 million cubic feet, respectively, of natural gas.

At December 31, 2000, the gross and net developed concession acres owned by Apco Argentina totaled 40,765 acres and 18,151 acres, respectively, and the gross and net undeveloped concession acres owned were 501,235 acres and 114,435 acres, respectively. At December 31, 2000, Apco Argentina owned interests in 304 gross producing wells and 143 net producing wells on its concession acreage.

Total net production sold during 2000, 1999 and 1998 was 1.8, 1.7 and 1.7 million barrels, respectively, of oil, condensate and plant products, and 6.0, 7.1 and 7.7 billion cubic feet, respectively, of natural gas. The average production costs, including all costs of operations such as remedial well workovers and depreciation of property and equipment, per barrel of oil produced were $8.54, $8.26 and $9.09, respectively, and per thousand cubic feet of natural gas produced were $.26, $.21 and $.23, respectively. The average wellhead sales price per barrel of oil sold were $29.41, $17.75 and $12.71, respectively, and per thousand cubic feet of natural gas sold were $1.35, $1.35 and $1.33, respectively, for the same periods.

OTHER INFORMATION

Williams believes that it has adequate sources and availability of raw materials to assure the continued supply of its services and products for existing and anticipated business needs. Williams' pipeline systems are all regulated in various ways resulting in the financial return on the investments made in the systems being limited to standards permitted by the regulatory bodies. Each of the pipeline systems has ongoing capital requirements for efficiency and mandatory improvements, with expansion opportunities also necessitating periodic capital outlays.

At December 31, 2000, Williams had approximately 24,100 full-time employees, of whom approximately 1,880 were represented by unions and covered by collective bargaining agreements. In September 1998, Williams created three new companies in order to streamline payroll processing and reduce costs. In connection with this, Williams transferred its employees to one of these companies, and the employees are now jointly employed by Williams and one of these new companies. This change had no impact on Williams' management structure or on its employees' seniority and benefits. Williams considers its relations with its employees to be generally good.

FORWARD-LOOKING STATEMENTS

Certain matters discussed in this report, excluding historical information, include forward-looking statements -- statements that discuss Williams' expected future results based on current and pending business operations. Williams makes these forward-looking statements in reliance on the safe harbor protections provided under the Private Securities Litigation Reform Act of 1995.

Forward-looking statements can be identified by words such as "anticipates," "believes," "expects," "planned," "scheduled" or similar expressions. Although Williams believes these forward-looking statements are based on reasonable assumptions, statements made regarding future results are subject to a number of assumptions, uncertainties and risks that could cause future results to be materially different from the results stated or implied in this document.

The following are important factors that could cause actual results to differ materially from any results projected, forecasted, estimated or budgeted:

- Changes in general economic conditions in the United States.

- Changes in federal or state laws and regulations to which Williams is subject, including tax, environmental and employment laws and regulations.

- The cost and effects of legal and administrative claims and proceedings against Williams or its subsidiaries.

- Conditions of the capital markets Williams utilizes to access capital to finance operations.

- The ability to raise capital in a cost-effective way.

- The effect of changes in accounting policies.

- The ability to manage rapid growth.

- The ability to control costs.

- The ability of each business unit to successfully implement key systems, such as order entry systems and service delivery systems.

- Changes in foreign economies, currencies, laws and regulations, and political climates, especially in Canada, Argentina, Brazil, Chile, Venezuela, Lithuania and Australia, where Williams has made direct investments.

- The impact of future federal and state regulations of business activities, including allowed rates of return, the pace of deregulation in retail natural gas and electricity markets, and the resolution of other regulatory matters discussed herein.

- Fluctuating energy commodity prices.

- The ability of Williams' energy businesses to develop expanded markets and product offerings as well as their ability to maintain existing markets.

- The ability of both the Gas Pipeline unit and the Energy Services unit to obtain governmental and regulatory approval of various expansion projects.

- The ability of customers of the energy marketing and trading business to obtain governmental and regulatory approval of various projects, including power generation projects.

- Future utilization of pipeline capacity, which can depend on energy prices, competition from other pipelines and alternative fuels, the general level of natural gas and petroleum product demand, decisions by customers not to renew expiring natural gas transportation contracts, and weather conditions.

- The accuracy of estimated hydrocarbon reserves and seismic data.

- The ability to successfully market capacity on the communications network.

- Successful implementation by Williams Communications of its strategy to build a local access infrastructure.

- Technological developments, high levels of competition, lack of customer diversification, and general uncertainties of government regulation in the communications industry.

- Termination of the SBC strategic alliance or SBC Communications' inability to obtain regulatory approval to provide long-distance communications services within markets in which it currently provides local services.

- Loss of a high volume Network customer.

- The ability of Network to timely turn up service requests and minimize service interruptions.

- The ability to successfully integrate any newly acquired businesses.

(d) FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

See Item 1(c) for a description of Williams' international activities. See Note 23 for amounts of revenue and long-lived assets attributable to international activities.

ITEM 2. PROPERTIES

See Item 1(c) for a description of the locations and general character of the material properties of Williams and its subsidiaries.

ITEM 3. LEGAL PROCEEDINGS

For information regarding certain proceedings pending before federal regulatory agencies, see Note 20 of Notes to Consolidated Financial Statements. Williams is also subject to other ordinary routine litigation incidental to its businesses.

Environmental matters. Since 1989, Texas Gas and Transcontinental Gas Pipe Line have had studies under way to test certain of their facilities for the presence of toxic and hazardous substances to determine to what extent, if any, remediation may be necessary. Transcontinental Gas Pipe Line has responded to data requests regarding such potential contamination of certain of its sites. The costs of any such remediation will depend upon the scope of the remediation. At December 31, 2000, these subsidiaries had accrued liabilities totaling approximately $36 million for these costs.

Certain Williams subsidiaries, including Texas Gas and Transcontinental Gas Pipe Line, have been identified as potentially responsible parties (PRP) at various Superfund and state waste disposal sites. In addition, these subsidiaries have incurred, or are alleged to have incurred, various other hazardous materials removal or remediation obligations under environmental laws. Although no assurances can be given, Williams does not believe that these obligations or the PRP status of these subsidiaries will have a material adverse effect on its financial position, results of operations or net cash flows.

Transcontinental Gas Pipe Line, Texas Gas and Central have identified polychlorinated biphenyl (PCB) contamination in air compressor systems, soils and related properties at certain compressor station sites. Transcontinental Gas Pipe Line, Texas Gas and Central have also been involved in negotiations with the U.S. Environmental Protection Agency (EPA) and state agencies to develop screening, sampling and cleanup programs. In addition, negotiations with certain environmental authorities and other programs concerning investigative and remedial actions relative to potential mercury contamination at certain gas metering sites have been commenced by Central, Texas Gas and Transcontinental Gas Pipe Line. As of December 31, 2000, Central had accrued a liability for approximately $10 million, representing the current estimate of future environmental cleanup costs to be incurred over the next six to 10 years. Texas Gas and Transcontinental Gas Pipe Line likewise had accrued liabilities for these costs which are included in the $36 million liability mentioned above. Actual costs incurred will depend on the actual number of contaminated sites identified, the actual amount and extent of contamination discovered, the final cleanup standards mandated by the EPA and other governmental authorities and other factors. Texas Gas, Transcontinental Gas Pipe Line and Central have deferred these costs as incurred pending recovery through future rates and other means.

In July 1999, Transcontinental Gas Pipe Line received a letter stating that the U.S. Department of Justice (DOJ), at the request of the EPA, intends to file a civil action against Transcontinental Gas Pipe Line arising from its waste management practices at Transcontinental Gas Pipe Line's compressor stations and metering stations in 11 states from Texas to New Jersey. The DOJ stated in the letter that its complaint will seek civil penalties and injunctive relief under federal environmental laws. The DOJ and Transcontinental Gas Pipe Line are discussing a settlement. While no specific amount was proposed, the DOJ stated that any settlement must include an appropriate civil penalty for the alleged violations. Transcontinental Gas Pipe Line cannot reasonably estimate the amount of its potential liability, if any, at this time. However, Transcontinental Gas Pipe Line believes it has substantially addressed environmental concerns on its system through ongoing voluntary remediation and management programs.

Williams Energy and its subsidiaries also accrue environmental remediation costs for its natural gas gathering and processing facilities, petroleum products pipelines, retail petroleum and refining operations and for certain facilities related to former propane marketing operations primarily related to soil and groundwater contamination. In addition, Williams Energy owns a discontinued petroleum refining facility that is being evaluated for potential remediation efforts. At December 31, 2000, Williams Energy and its subsidiaries had accrued liabilities totaling approximately $49 million. Williams Energy accrues receivables related to environmental remediation costs based upon an estimate of amounts that will be reimbursed from state funds for certain expenses associated with underground storage tank problems and repairs. At December 31, 2000, Williams Energy and its subsidiaries had accrued receivables totaling $15 million.

Williams Field Services (WFS) received a Notice of Violation (NOV) from the EPA in February 2000. WFS received a contemporaneous letter from the DOJ indicating that DOJ will also be involved in the matter. The NOV alleged violations of the Clean Air Act at a gas processing plant. WFS, the EPA and the DOJ agreed to settle this matter for a penalty of $850,000. In the course of investigating this matter, WFS discovered a similar potential violation at the plant and disclosed it to the EPA and the DOJ. The parties will discuss whether additional enforcement action is warranted.

In connection with the 1987 sale of the assets of Agrico Chemical Company, Williams agreed to indemnify the purchaser for environmental cleanup costs resulting from certain conditions at specified locations, to the extent such costs exceed a specified amount. At December 31, 2000, Williams had approximately $12 million accrued for such excess costs. The actual costs incurred will depend on the actual amount and extent of contamination discovered, the final cleanup standards mandated by the EPA or other governmental authorities, and other factors.

Other legal matters. In connection with agreements to resolve take-or-pay and other contract claims and to amend gas purchase contracts, Transcontinental Gas Pipe Line and Texas Gas each entered into certain settlements with producers which may require the indemnification of certain claims for additional royalties which the producers may be required to pay as a result of such settlements. As a result of such settlements, Transcontinental Gas Pipe Line is currently defending two lawsuits brought by producers. In one of the cases, a jury verdict found that Transcontinental Gas Pipe Line was required to pay a producer damages of $23.3 million including $3.8 million in attorneys' fees. In addition, through December 31, 2000, postjudgement interest was approximately $7.5 million. Transcontinental Gas Pipe Line's appeals have been denied by the Texas Court of Appeals for the First District of Texas, and the company is pursuing an appeal to the Texas Supreme Court. In the other case, a producer has asserted damages, including interest calculated through December 31, 1997, of approximately $6 million. In August 2000, a producer asserted a claim for approximately $6.7 million against Transcontinental Gas Pipe Line. Producers have received and may receive other demands, which could result in additional claims. Indemnification for royalties will depend on, among other things, the specific lease provisions between the producer and the lessor and the terms of the settlement between the producer and either Transcontinental Gas Pipe Line or Texas Gas. Texas Gas may file to recover 75 percent of any such additional amounts it may be required to pay pursuant to indemnities for royalties under the provisions of Order 528.

In 1998, the United States Department of Justice informed Williams that Jack Grynberg, an individual, had filed claims in the United States District Court for the District of Colorado under the False Claims Act against Williams and certain of its wholly owned subsidiaries including Williams Gas Pipelines Central, Kern River Gas Transmission, Northwest Pipeline, Williams Gas Pipeline Company, Transcontinental Gas Pipe Line Corporation, Texas Gas, Williams Field Services Company and Williams Production Company. Mr. Grynberg has also filed claims against approximately 300 other energy companies and alleges that the defendants violated the False Claims Act in connection with the measurement and purchase of hydrocarbons. The relief sought is an unspecified amount of royalties allegedly not paid to the federal government, treble damages, a civil penalty, attorneys' fees, and costs. On April 9, 1999, the United States Department of Justice announced that it was declining to intervene in any of the Grynberg qui tam cases, including the action filed against the Williams entities in the United States District Court for the District of Colorado. On October 21, 1999, the Panel on Multi-District Litigation transferred all of the Grynberg qui tam cases, including the ones filed against Williams, to the United States District Court for the District of Wyoming for pre-trial purposes. Motions to dismiss the complaints, filed by various defendants including Williams, are pending.

Williams Communications Group, Inc. (WCG) and a subsidiary are named as defendants in various putative, nationwide class actions brought on behalf of all landowners on whose property the plaintiffs have alleged WCG installed fiber-optic cable without the permission of the landowner. WCG believes that installation of the cable containing the single fiber network that crosses over or near the putative class members' land does not infringe on their property rights. WCG also does not believe that the plaintiffs have sufficient basis for certification of a class action.

It is likely that WCG will be subject to other putative class action suits challenging its railroad or pipeline rights of way. WCG cannot quantify the impact of all such claims at this time. Thus, WCG cannot be certain that the plaintiffs' purported class action or other purported class actions, if successful, will not have a material adverse effect on WCG's future financial position, results of operations or cash flows.

On September 7, 2000, All-Phase Utility Corp. amended its complaint in a matter originally filed June 28, 1999, against Williams Communication, Inc. (WCI), a subsidiary of WCG, in the United States District Court for Oregon. In the amended complaint, All-Phase alleged actual damages of at least $236.5 million plus punitive damages of an additional amount equal to double the amount of actual damages. All-Phase alleged that a portion of WCI's Eugene, Oregon to Bandon, Oregon route is based on confidential information developed by All-Phase and that WCI breached its non-disclosure agreement with All-Phase and violated the Oregon Trade Secrets Act by using it. All-Phase also alleged that WCI misrepresented plans for the route and that, as a result, All-Phase lost the opportunity to build its own line along the same route. All-Phase alleged that its damages include loss of profit from the construction it believed it would have performed for WCI and lost revenue from leases of fiber-optic cable and conduits. On January 22, 2001, the court granted WCI's motion for summary judgement and dismissed the case.

In November 2000, class actions were filed on behalf of San Diego rate payers against California power generators and traders including Williams Energy Marketing & Trading Company, a subsidiary of Williams. In January 2001, other class actions were filed, one on behalf of the people of California in San Francisco, California by the city attorney and the other by a California water authority and district. These lawsuits concern the increase in power prices in California over the past several months. Williams is also a defendant in other private suits. The suits claim that the defendants acted to manipulate prices in violation of the California antitrust and business practice statutes and other state and federal laws. Plaintiffs are seeking injunctive relief as well as restitution, disgorgement, appointment of a receiver, and damages, including treble damages.

On December 20, 2000, the Women's Cooperative Trust Union filed a derivative shareholder action in the United States District Court for the Western District of Oklahoma against Williams, Williams Communications and certain directors and officers alleging that certain named defendants were involved in the purchase of shares of stock at a reduced price of two corporations with which Williams Communications had contracted for the purchase of telecommunication equipment. The allegations include breach of fiduciary duty, waste of corporate assets and usurpation of corporate opportunities. Plaintiff seeks compensatory damages, rescission of all transactions between the named individual officers and directors and the two corporations, including disgorgement of any profits, punitive damages and attorneys' fees and costs.

On January 18, 2001, the attorneys representing Williams and Williams Communications in their corporate capacity, as well as the attorneys representing the individual directors of Williams and Williams Communications, filed Motions to Dismiss based upon failure to make a demand on the Boards and failure to plead demand futility with particularity. Counsel for Williams and Williams Communications has also filed a motion requesting a transfer of the venue from the Western District of Oklahoma to the Northern District of Oklahoma. Defendants' motions remain pending.

Summary

While no assurances may be given, Williams, based on advice of counsel, does not believe that the ultimate resolution of the foregoing matters, taken as a whole and after consideration of amounts accrued, insurance coverage, recovery from customers or other indemnification arrangements, will have a materially adverse effect upon Williams' future financial position, results of operations or cash flow requirements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

EXECUTIVE OFFICERS OF WILLIAMS

The names, ages, positions and earliest election dates of the executive officers of Williams are:

NAME	AGE	POSITIONS AND OFFICES HELD	HELD OFFICE SINCE
Keith E. Bailey...........	58	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer)	05-19-94
John C. Bumgarner, Jr. ...	58	Senior Vice President -- Corporate Development and Planning; President -- Williams International Company; Senior Vice President -- Strategic Investments, Williams Communications	01-01-79
Michael P. Johnson, Sr.	53	Senior Vice President -- Human Resources	05-01-99
Jack D. McCarthy..........	58	Senior Vice President -- Finance (Principal Financial Officer)	01-01-92
William G. von Glahn......	57	Senior Vice President and General Counsel	08-01-96
Gary R. Belitz...........	51	Controller (Principal Accounting Officer)	01-01-92
Steven J. Malcolm.........	52	President and Chief Executive Officer -- Williams Energy Services	12-01-98
Howard E. Janzen..........	47	President and Chief Executive Officer -- Williams Communications Group, Inc.	02-11-97
Cuba Wadlington, Jr.	57	President and Chief Executive Officer -- Williams Gas Pipeline Company	01-01-00

Except for Mr. Johnson, all of the above officers have been employed by Williams or its subsidiaries as officers or otherwise for more than five years and have had no other employment during the period. Prior to joining Williams, Mr. Johnson held various officer positions with Amoco Corporation for more than five years.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Williams' common stock is listed on the New York and Pacific Stock exchanges under the symbol "WMB." At the close of business on December 31, 2000, Williams had approximately 14,272 holders of record of its Common Stock. The high and low closing sales price ranges (composite transactions) and dividends declared by quarter for each of the past two years are as follows:

	2000			1999		
QUARTER	HIGH	LOW	DIVIDEND	HIGH	LOW	DIVIDEND
1st	$48.69	$30.31	$.15	$40.50	$29.50	$.15
2nd	$44.50	$35.50	$.15	$53.13	$39.00	$.15
3rd	$47.63	$39.98	$.15	$45.25	$35.81	$.15
4th	$44.06	$31.81	$.15	$39.69	$28.06	$.15

Terms of certain subsidiaries' borrowing arrangements limit the transfer of funds to Williams. These terms have not impeded, nor are they expected to impede, Williams' ability to meet its cash flow needs.

ITEM 6. SELECTED FINANCIAL DATA

The following financial data as of December 31, 2000 and 1999 and for the three years ended December 31, 2000 are an integral part of, and should be read in conjunction with, the consolidated financial statements and notes thereto. All other amounts have been prepared from the Company's financial records. Certain amounts below have been restated or reclassified (see Note 1). Information concerning significant trends in the financial condition and results of operations is contained in Management's Discussion and Analysis of Financial Condition and Results of Operations on pages 39 through 56 of this report.

	2000	1999	1998	1997	1996
	(MILLIONS, EXCEPT PER-SHARE AMOUNTS)				
Revenues(1)	$10,398.0	$ 7,171.6	$ 6,019.4	$ 7,048.4	$ 6,285.4
Income from continuing operations(2)	873.2	172.4	163.5	374.5	480.7
Income (loss) from discontinued operations(3)	(348.9)	(16.2)	(36.4)	56.0	(8.1)
Extraordinary gain (loss)(4)	--	65.2	(4.8)	(79.1)	--
Diluted earnings per share:					
Income from continuing operations	1.95	.39	.36	.86	1.11
Income (loss) from discontinued operations	(.78)	(.04)	(.08)	.14	(.02)
Extraordinary gain (loss)	--	.15	(.01)	(.19)	--
Total assets at December 31	40,197.0	24,975.3	18,366.2	15,789.4	14,502.5
Long-term obligations at December 31	10,342.4	9,230.0	6,364.4	5,226.0	4,984.3
Williams obligated mandatorily redeemable preferred securities of Trust at December 31	189.9	175.5	--	--	--
Stockholders' equity at December 31(5)	5,892.0	5,585.2	4,257.4	4,237.8	4,036.9
Cash dividends per common share	.60	.60	.60	.54	.47

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(1) See Note 1 for discussion of the 1998 change in the reporting of certain marketing activities from a "gross" basis to a "net" basis consistent with fair value accounting.

(2) See Note 5 for discussion of asset sales, impairments and other accruals in 2000, 1999 and 1998. Income from continuing operations in 1997 includes a $22.7 million pre-tax loss related to the sale of Williams' learning content business and a $66 million pre-tax gain on the sale of Williams' interest in the natural gas liquids and condensate reserves in the West Panhandle field in Texas. Income from continuing operations in 1996 includes a $15.7 million pre-tax gain from the sale of certain communications rights and a $20.8 million pre-tax gain from the sale of certain propane and liquid fertilizer assets.

(3) See Note 3 for the discussion of the 2000, 1999 and 1998 losses from discontinued operations. The loss from discontinued operations for 1997 and 1996 relates to divestiture of Williams' Solutions segment and the sale of the MAPCO coal business.

(4) See Note 7 for discussion of the 1999 extraordinary gain and 1998 extraordinary loss. The extraordinary loss for 1997 relates to the early retirement of $1.3 billion of debt.

(5) See Note 16 for discussion of the 1999 issuance of subsidiary's common stock.

ITEM 7. MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In January 2001, the board of directors of Williams authorized a plan for its management to divest operations that previously comprised the Communications Solutions segment. As a result, the consolidated financial statements have been restated to present the Communications Solutions segment as discontinued operations. Unless otherwise indicated, the following discussion and analysis of results of operations, financial condition and liquidity relates to the continuing operations of Williams and should be read in conjunction with the consolidated financial statements and notes thereto.

RESULTS OF OPERATIONS

2000 vs. 1999

Consolidated Overview. Williams' revenues increased $3.2 billion, or 45 percent, due primarily to higher Energy Services' revenues from natural gas and electric power services, increased petroleum products and natural gas liquids average sales prices and sales volumes and the contribution from Canadian operations acquired in fourth quarter 2000. Revenues also increased due to growth in Communications' voice and data services. Partially offsetting these increases were lower fleet management, retail natural gas, electric and propane revenues at Energy Services following the 1999 sales of these businesses and lower Communications' dark fiber lease revenues.

Segment costs and expenses increased $2.3 billion, or 38 percent, due primarily to higher costs related to increased petroleum products and natural gas liquids average purchase prices and volumes purchased and costs related to the Canadian operations acquired in fourth quarter 2000. Also contributing to the increases were higher costs and expenses from growth of Communications' Network operations and infrastructure, higher variable compensation levels associated with improved performance at Energy Services and higher impairment charges and guarantee loss accruals at Energy Services. Partially offsetting these increases were lower fleet management, retail natural gas, electric and propane costs following the sales of these businesses in 1999.

Operating income increased $877.2 million, or 98 percent, due primarily to a $1 billion increase at Energy Services and a $44 million increase at Gas Pipeline, partially offset by $191 million higher losses at Communications. Energy Services' increase reflects improved natural gas and electric power services margins and higher per-unit natural gas liquids margins, partially offset by higher variable compensation levels and the higher impairment charges and guarantee loss accruals in 2000. Gas Pipeline's increase reflects increased transportation demand revenues, higher equity investment earnings and the net effect of reductions to rate refund liabilities in 2000 over 1999. The increased losses at Communications reflect losses associated with providing customer services prior to completion of the new network, higher depreciation and network lease expense as the network is brought into service and higher selling, general and administrative expenses including costs associated with infrastructure growth and improvement.

Income from continuing operations before income taxes and extraordinary gain (loss) increased $1,093.6 million, from $333.6 million in 1999 to $1,427.2 million in 2000, due primarily to $877 million higher operating income and $370 million higher investing income. The increase in investing income resulted from a $214.7 million gain from the conversion of Williams' common stock investment in Concentric Network Corporation for common stock of XO Communications, Inc. (formerly Nextlink Communications, Inc.) pursuant to a merger of those two companies in June 2000, net gains totaling $94.5 million from the sale of certain marketable equity securities, a $16.5 million gain on the sale of a portion of the investment in ATL-Algar Telecom Leste S.A. (ATL) and higher interest income, partially offset by $34.5 million of losses related to write-downs of certain cost basis and equity investments. Also partially offsetting the above increases was $196.1 million higher net interest expense reflecting increased debt in support of continued expansion and new projects.

GAS PIPELINE

Gas Pipeline's revenues increased $74.6 million, or 4 percent, due primarily to $74 million of rate refund liability reductions associated mainly with a favorable FERC order received in March 2000 by Transcontinental Gas Pipe Line (Transco) related to the rate-of-return and capital structure issues in a regulatory proceeding. Revenues also increased due to $68 million higher gas exchange imbalance settlements (offset in costs and operating expenses), $23 million higher transportation demand revenues at Transco, $18 million higher equity investment earnings from pipeline joint venture projects and $14 million higher storage revenues. Partially offsetting the increases were a total of $66 million of reductions to rate refund liabilities in 1999 by four of the gas pipelines resulting primarily from second and fourth-quarter 1999 regulatory proceedings and $57 million lower reimbursable costs passed through to customers (offset in costs and operating expenses).

Segment profit increased $44.2 million, or 6 percent, due to $23 million higher transportation demand revenues at Transco, $18 million higher equity investment earnings, $11 million lower general and administrative expenses and $8 million net effect of rate refund liability reductions discussed above. The lower general and administrative costs reflect lower professional services costs associated with year 2000 compliance work, efficiencies realized from the headquarters consolidation of two of the pipelines and other cost reduction initiatives and the effect of a $2.3 million accrual in 1999 for damages associated with two pipeline ruptures in the northwest, partially offset by expenses related to the headquarters consolidation. Partially offsetting the segment profit increases were $10 million higher depreciation expense primarily due to increased property, plant and equipment, higher charitable contributions in 2000 and $6 million of accruals for gas exchange imbalances.

ENERGY SERVICES

Energy Marketing & Trading's revenues increased $912.4 million, or 138 percent, due to a $1,073 million increase in trading revenues partially offset by a $161 million decrease in non-trading revenues. The $1,073 million increase in trading revenues is due primarily to higher natural gas and electric power services margins. The higher gas and electric power services margins reflect the benefit of price volatility and increased demand for ancillary services, primarily in the western region of the United States, expanded price risk management services including higher structured transactions margins, increased overall market demand and increased trading volumes. The increased trading volumes and price risk management services reflect the expansion of the power trading portfolio to include an additional 2,350 megawatts from contracts giving Energy Marketing & Trading the right to market combined capacity from three power generating plants which were signed in late 1999 and early 2000. At December 31, 2000, Energy Marketing & Trading had rights to market 7,000 megawatts of electric generation capacity for periods ranging from 15 to 20 years. Of the 7,000 megawatts, approximately 4,000 megawatts are from facilities in California.

The $161 million decrease in non-trading revenues is due primarily to $226 million lower revenues following the sale of the retail natural gas, electric and propane businesses in 1999, partially offset by $19 million higher revenues from a distributed power generation business that was transferred from Petroleum Services during 2000 and $33 million higher natural gas liquids revenues resulting from higher average sales prices and volumes attributable to a petrochemical plant that was acquired by Williams in early 1999.

Costs and operating expenses decreased $129 million, or 30 percent, due primarily to lower natural gas, electric and propane cost of sales and operating expenses of $112 million and $91 million, partially offset by $20 million higher cost of sales and operating expenses relating to the distributed power generation business and $25 million higher natural gas liquids cost of sales attributable to the petrochemical plant. These variances are associated with the corresponding changes in non-trading revenues discussed above.

Other expense -- net changed unfavorably from income of $23 million in 1999 to expense of $48 million in 2000. The expense for 2000 includes $47.5 million of guarantee loss and impairment accruals (see Note 5 of Notes to Consolidated Financial Statements) and a $16 million impairment of assets to fair value based on expected net proceeds related to management's decision and commitment to sell its distributed power generation business. Partially offsetting these 2000 charges was a $12.4 million gain on the sale of certain natural gas liquids contracts. Other expense -- net in 1999 includes a $22.3 million gain on the sale of retail natural gas and electric operations (see Note 5).

Segment profit increased $903.9 million, from $104 million in 1999 to $1,007.9 million in 2000, due primarily to $1,073 million higher trading margins primarily related to natural gas and electric power services. Partially offsetting the higher margins were $66 million higher selling, general and administrative costs, the $47.5 million guarantee loss and impairment accruals, the $16 million impairment of the distributed power generation business, the $22.3 million gain in 1999 on sale of retail natural gas and electric operations and a $23 million lower contribution from retail natural gas, electric and propane following the sale of those businesses in 1999. The higher selling, general and administrative costs primarily reflect higher variable compensation levels associated with improved operating performance, partially offset by $40 million of selling, general and administrative costs related to the retail natural gas, electric and propane businesses sold in 1999.

Exploration & Production's revenues increased $104.1 million, or 55 percent, due primarily to $65 million from increased average natural gas sales prices (net of the effect of hedge positions), $35 million associated with increases in both company-owned production volumes and marketing volumes from the Williams Coal Seam Gas Royalty Trust and royalty interest owners and an $8 million contribution in first-quarter 2000 of oil and gas properties acquired in April 1999. Exploration and Production hedged approximately 50 percent of production in 2000 and has entered into contracts that hedge approximately 70 percent of 2001 estimated production. The future contracted hedge prices are at prices lower than the spot market prices of natural gas at the end of 2000; however, the contracted hedged prices are higher than Exploration & Production's realized average natural gas price for 2000.

Other expense -- net in 2000 includes a $6 million impairment charge relating to management's decision to sell certain gas producing properties. The charge represents the impairment of the assets to fair value based on expected net proceeds. Other expense -- net in 1999 includes a $14.7 million gain from the sale of certain interests in gas producing properties which contributed $2 million to segment profit in 1999 and a $7.7 million gain from the sale of certain other properties.

Segment profit increased $22.6 million, or 57 percent, due primarily to the higher revenues discussed previously, partially offset by $43 million higher gas purchase costs related to the marketing of natural gas from the Williams Coal Seam Gas Royalty Trust and royalty interest owners, $22 million of gains on sales of assets in 1999, $10 million higher production-related taxes and the $6 million impairment charge in 2000.

Midstream Gas & Liquids' revenues increased $491.9 million, or 48 percent, due primarily to $267 million higher natural gas liquids sales from processing activities and $183 million in revenues from Canadian operations purchased in October 2000. The liquids sales increase reflects $172 million from a 49 percent increase in average natural gas liquids sales prices and $95 million from a 37 percent increase in volumes sold. The increase in natural gas liquids sales volumes result from improved liquids market conditions in 2000 and a full year of results from a plant which became operational in June 1999. The $183 million of revenues from the Canadian operations consist primarily of $165 million in natural gas liquids sales and $15 million of processing revenues. In addition, revenues increased due to $24 million higher natural gas liquids pipeline transportation revenues associated with increased shipments following improved market conditions and the completion of the Rocky Mountain liquids pipeline expansion in November 1999 and $8 million lower equity investment losses, mainly from the Discovery pipeline project.

Costs and operating expenses increased $412 million, or 60 percent, due primarily to the $183 million of expenses related to the Canadian operations, $147 million higher liquids fuel and replacement gas purchases, $17 million higher power costs related to the natural gas liquids pipeline, $17 million in higher gathering and processing fuel costs due to increased natural gas prices and a full year of operation for two processing facilities, $15 million higher transportation, fractionation, and marketing expenses related to the higher natural gas liquid sales, $14 million higher depreciation expense, and $12 million of losses associated with certain propane storage transactions.

General and administrative expenses increased $11 million, or 11 percent, due primarily to $12 million of reorganization costs and $3 million associated with the Canadian operations purchased in 2000. The

$12 million of reorganization costs relate to the reorganization of Midstream's operations including the consolidation in Tulsa of certain support functions previously located in Salt Lake City and Houston. In connection with this, Williams offered certain employees enhanced retirement benefits under an early retirement incentive program in first-quarter 2000, and incurred severance, relocation and other exit costs.

Segment profit increased $72.7 million, or 32 percent, due primarily to $81 million from higher per-unit natural gas liquids margins, $24 million from increased natural gas liquids volumes sold, $8 million lower equity investment losses and $6 million from the natural gas liquids pipeline. Partially offsetting these increases to segment profit were $14 million higher depreciation expense, $17 million higher gathering and processing fuel costs, $12 million of propane storage losses and $11 million higher general and administrative expenses.

Petroleum Services' revenues increased $1,646 million, or 55 percent, due primarily to $1,376 million higher refinery revenues (including $240 million higher intra-segment sales to the travel centers/convenience stores which are eliminated) and $455 million higher travel center/convenience store sales. The $1,376 million increase in refinery revenues reflects $1,113 million from 59 percent higher average refined product sales prices and $263 million from a 16 percent increase in refined product volumes sold. The increase in refined product volumes sold follows refinery expansions and improvements in mid-to-late 1999 and May 2000 which increased capacity. The $455 million increase in travel center/convenience store sales reflects $260 million from 32 percent higher average gasoline and diesel sales prices, $171 million primarily from a 64 percent increase in diesel sales volumes and $24 million higher merchandise sales. The increase in diesel sales volumes and the higher merchandise sales reflect the opening of 8 new travel centers since fourth-quarter 1999. Williams plans to open or acquire 24 travel centers in 2001. Slightly offsetting these increases were $91 million lower fleet management revenues following the sale of a portion of such operations in late 1999, $21 million lower distribution revenues due to a reduction of the propane trucking operations and $16 million lower pipeline construction revenues following substantial completion of the Longhorn pipeline project. This refined products pipeline, in which Williams has a 31.5 percent ownership, is awaiting environmental and regulatory approvals and operations are expected to commence in 2002.

In December 2000, Williams signed an agreement to sell 198 of its convenience stores, primarily in the Tennessee metropolitan areas of Memphis and Nashville. Revenues related to these convenience stores for 2000 and 1999 were $466 million and $453 million, respectively. The sale is expected to close in the first half of 2001.

Costs and operating expenses increased $1,585 million, or 58 percent, due primarily to $1,349 million higher refining costs and $470 million higher travel center/convenience store costs (including $240 million higher intra-segment purchases from the refineries which are eliminated). The $1,349 million increase in refining costs reflects $1,088 million from higher crude supply costs and other related per-unit cost of sales, $221 million associated with increased volumes sold and $40 million higher operating costs at the refineries. The $470 million increase in travel center/convenience store costs includes $273 million from higher average gasoline and diesel purchase prices, $159 million primarily from increased diesel sales volumes and $38 million higher store operating costs. Slightly offsetting these increases were $101 million lower fleet management operating costs following the sale of a portion of such operations in late 1999, $18 million lower cost of distribution activities following a reduction of the propane trucking operations and $14 million lower pipeline construction costs following substantial completion of the Longhorn pipeline project.

Segment profit increased $24.8 million, or 15 percent, due primarily to $42 million from increased refined product volumes sold and $25 million from increased per-unit refinery margins, partially offset by $40 million higher operating costs at the refineries. In addition, segment profit increased $18 million from bio-energy operations primarily reflecting increased ethanol sales prices and volumes, $13 million from increased terminalling activities following the 1999 acquisition, $10 million from the absence of certain fleet management losses in 2000, $8 million from Williams' interest in the TransAlaska Pipeline System acquired in late June 2000 and $8 million from activities at the petrochemical plant acquired in March 1999. Partially offsetting these increases to segment profit were a $6 million lower contribution from transportation activities and a lower contribution from the travel centers/convenience stores which had $38 million higher operating costs offset partially by a $24 million increase in gross profit on merchandise sales. In addition, segment profit in 2000 was decreased by $12 million higher selling, general and administrative expense and a $25 million unfavorable change in other expense -- net. Other expense -- net for 2000 includes a $12 million impairment charge related to end-to-end mobile computing systems and a $7 million write-off of a retail software system. The impairment charge results from management's decision to sell certain of its end-to-end mobile computing systems and represents the impairment of the assets to fair value based on expected net sales proceeds. The primary component in other expense -- net for 1999 was a $6.5 million favorable effect of settlement of transportation pipeline rate case issues.

COMMUNICATIONS

Williams has announced that its board of directors has authorized its management to take steps that may lead to a tax-free distribution of shares of Williams Communications' shares held by Williams to its shareholders. Assuming that market conditions and other factors continue to support such a tax-free spin-off, Williams has announced that its board of directors would expect to vote during the first part of 2001 to set a record date, the ratio of a share of Williams Communications stock that will be issued for each share of Williams stock, and to direct the distribution of Williams Communications shares. Certain of Williams' and Williams Communications' debt agreements include covenants or other restrictions that would require amendment or waivers from lenders before a spin-off could be completed.

While no final decision has been made whether to separate the businesses, Williams, in an effort to strengthen Williams Communications capital structure, has contributed an outstanding promissory note from Williams Communications of approximately $975 million and certain other assets, including a building under construction, in exchange for 24.3 million newly issued common shares of Williams Communications. Williams is also evaluating several credit support mechanisms to further enable Communications to obtain the capital needed to allow it to continue to execute its growth plan and business strategy.

Network's revenues increased $269.8 million, or 61 percent, due primarily to $312 million from growth in voice and data services provided to customers, partially offset by $47 million lower revenues from dark fiber leases accounted for as sales-type leases on the new fiber-optic network and $14 million lower revenue from an Australian telecommunications operation. Approximately 50 percent of the increase in voice and data revenues is attributable to SBC Communications, Inc. (SBC). The increase in SBC revenues is primarily related to the decision by the Federal Communications Commission, announced at the end of second-quarter 2000, allowing SBC to sell long-distance service in Texas.

Costs and operating expenses increased $405 million, or 89 percent, due primarily to $204 million higher off-net capacity and local access connection costs associated with providing increased customer services, $94 million higher depreciation expense as portions of the new network are placed into service, $64 million higher operating and maintenance expenses to support increased revenues and future revenue streams and $52 million higher network lease expense for the leased portion of the network, partially offset by $25 million lower construction costs associated with dark fiber leases accounted for as sales-type leases and $12 million decreased operating expenses from an Australian telecommunications operation.

Selling, general and administrative expenses increased $96 million, or 64 percent, due primarily to costs associated with adding resources and infrastructure required to increase and serve a growing customer base as more of the network is installed and lit.

Segment loss decreased $52.9 million, or 32 percent, due primarily to a $214.7 million gain from the conversion of Williams' shares of Concentric Network Corporation's common stock into shares of XO Communications, Inc.'s (formerly NEXTLINK Communications, Inc.) common stock pursuant to a merger of those companies in June 2000 and net gains totaling $93.7 million from the sales of certain marketable equity securities (see Note 4), partially offset by $146 million higher depreciation and network lease expense, $96 million higher selling, general and administrative expenses, and $27 million in write-downs of cost-basis and equity method investments resulting from management's estimate of the permanent decline in the value of these investments (see Note 4).

Broadband Media's revenues decreased $4.7 million due primarily to $11 million of equity investment losses in 2000 partially offset by higher revenues from media distribution and video transmission services. The equity losses reflect the change in accounting for an investment beginning in first quarter 2000 from consolidation to equity method accounting as ownership fell below 50 percent and Williams no longer exercised control over the operations.

Segment loss increased $17 million, due primarily to the $11 million of equity investment losses and $7 million higher selling, general and administrative costs.

Strategic Investments' revenues decreased $22.6 million due primarily to the $35.4 million effect of businesses that have been sold or otherwise exited, primarily audio and video conferencing and closed-circuit video broadcasting businesses, partially offset by $13 million lower equity investment losses following the first-quarter 2000 sale of a portion of the investment in ATL-Algar Telecom Leste S.A. (ATL). Revenues for 2000, which are negative, represent $14 million of equity investment losses from ATL.

Costs and operating expenses decreased $26 million and selling, general and administrative expenses decreased $16 million due primarily to the sale of the audio and video conferencing and closed-circuit video broadcasting businesses.

Other expense -- net in 1999 includes a $28.4 million loss related to the sales of certain audio- and video-conferencing and closed circuit video broadcasting businesses (see Note 5) and $5.5 million of asset impairment charges related to management's decision to abandon the wireless remote monitoring, meter reading equipment and related services business.

Segment loss decreased $57.5 million from a $65.4 million loss in 1999, due primarily to $33.9 million of losses, asset impairment charges and exit costs in 1999 relating to management's decision and commitment to sell the audio and video conferencing and closed-circuit video broadcasting businesses (see Note 5), a $16.5 million gain on the sale of a portion of the investment in ATL in the first quarter of 2000 (see Note 4), $13 million lower equity investment losses, a $14 million income effect of businesses that were generating losses that have been sold or otherwise exited, and $3.7 million of dividends from a telecommunications investment. These were partially offset by $9.4 million of dividends in 1999 from a telecommunications investment and a $7.5 million writedown in 2000 of a cost basis investment resulting from management's estimate of the permanent decline in the value of this investment (see Note 4).

OTHER

Other revenues increased $26.5 million, or 23 percent, due primarily to $17 million higher Venezuelan gas compression revenues reflecting higher volumes in 2000 following operational problems experienced in first-quarter 1999 and $8 million of improved international equity investment earnings.

Segment profit increased $10.4 million from $8.4 million in 1999 to $18.8 million in 2000, due primarily to $14 million increased operating income from Venezuelan gas compression operations and $8 million higher international equity investment earnings, partially offset by a $7 million operating loss due to early startup costs of soda ash production operations, $4 million of equity earnings in 1999 related to an equity investment which was transferred to Gas Pipeline in mid 1999 and $2 million in foreign currency transaction losses. The $8 million improved international equity investment earnings reflect the change in accounting for an equity investment to a cost basis investment following a reduction of management influence and higher equity earnings from a South American equity investment. These increases to equity earnings were partially offset by higher equity losses from a Lithuanian refinery, pipeline and terminal investment acquired in fourth-quarter 1999, which continues to be challenged in obtaining market priced crude oil supplies and has not yet consummated any long-term supply contracts.

CONSOLIDATED

General corporate expenses increased $14.9 million, or 20 percent and include $6.3 million and $5.5 million in 2000 and 1999, respectively, of general corporate costs which would have otherwise been allocated to a discontinued operation. Interest accrued increased $342.4 million, or 51 percent due primarily to the $195 million effect of higher borrowing levels combined with the $136 million effect of higher average interest rates. These increases reflect the issuance of $1 billion of high-yield debt in August 2000 by Communications, issuance of $2 billion of high-yield public debt in October 1999 by Communications, and higher short-term borrowing towards the end of 2000. Interest capitalized increased $146.3 million, from $69.8 million in 1999 to $216.1 million in 2000, due primarily to increased capital expenditures for the fiber-optic network. Investing income increased $369.6 million, from $68.5 million in 1999 to $438.1 million in 2000, due primarily to $328.6 million of net gains from sales/conversion of investments and dividends previously discussed within Communications' segment profit and $64 million higher interest income associated primarily with the temporary investment of proceeds from Communications' equity and debt offerings, partially offset by $34.5 million related to writedowns of certain cost basis and equity investments (previously discussed in Communications' segment profit).

Minority interest in (income) loss and preferred returns of consolidated subsidiaries changed $29.7 million from a loss of $17.7 million in 1999 to $12 million of income in 2000. The change is due primarily to the effect of the 14.7 percent minority ownership interest in losses at Communications following the October 1999 initial public offering, partially offset by preferred returns related to Williams obligated mandatorily redeemable preferred securities issued in December 1999.

The provision for income taxes increased $392.8 million, from $161.2 million in 1999 to $554 million in 2000, due to higher pre-tax income, partially offset by a lower effective income tax rate. The effective income tax rate in 2000 exceeds the federal statutory rate due primarily to the effects of state income taxes. The effective income tax rate in 1999 is significantly higher than the federal statutory rate due primarily to the effects of state income taxes, losses of foreign entities not deductible for U.S. tax purposes, and the impact of goodwill not deductible for tax purposes related to assets impaired during the second quarter of 1999 (see Notes 4 and 6).

Loss from discontinued operations in 2000 includes an $89.1 million after-tax loss from operations of Communications Solutions and a $259.8 million estimated after-tax loss on disposal of Communications Solutions. The $16.2 million loss from discontinued operations in 1999 represents the after-tax loss from operations of Communications Solutions. The increase in the after-tax loss from operations of Communications Solutions results from a decrease in gross profit due to decreased revenues consistent with the overall slowdown in the telecommunications equipment distribution industry combined with increased installation and service costs, an increase in the provision for doubtful accounts of $35.5 million reflecting an increase in aged receivables, a cumulative effect of a change in accounting principle of $21.6 million, partially offset by a decrease in selling, general and administrative expenses and higher minority interest in the losses as a result of the 1999 WCG public offering. The after-tax loss on disposal includes estimated operating losses until completion of the sale, estimated losses upon the ultimate sale of the segment and estimated exit costs (see Note 3).

The $65.2 million 1999 extraordinary gain results from the sale of Williams' retail propane business (see Note 7).

1999 vs. 1998

Consolidated Overview. Williams' revenues increased $1,152 million, or 19 percent, due primarily to higher revenues from increased petroleum products and natural gas liquids sales volumes and average sales prices, increased revenues from retail natural gas and electric activities following a late 1998 acquisition, higher natural gas services revenues and increases in Communications' dark fiber lease revenues and new business growth. In addition, revenues increased due to the acquisition of a petrochemical plant in 1999, higher revenues from fleet management and mobile computer technology operations and reductions of rate refund liabilities at Gas Pipeline. Partially offsetting these increases were the effects of reporting certain revenues net of costs within Energy Services beginning April 1, 1998 (see Note 1), lower pipeline construction revenues and lower electric power services revenues reflecting, in part, the designation of an electric power contract as trading following the adoption in 1999 of EITF 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities."

Segment costs and expenses increased $1,039 million, or 20 percent, due primarily to higher costs related to increased petroleum products and natural gas liquids volumes purchased and average purchase prices, higher retail natural gas and electric costs following a late 1998 acquisition, higher costs and expenses from growth of Communications' Network operations and infrastructure, $33.9 million of 1999 losses and asset impairments at Communications, increased fleet management and mobile computer technology operations and higher selling, general and administrative expenses. Partially offsetting these increases were the effects of reporting certain costs net in revenues within Energy Services beginning April 1, 1998 (see Note 1), lower electric power services costs, lower pipeline construction costs and $45 million of gains from asset sales by Energy Services in 1999 other expense -- net. In addition, 1998 included $80 million of MAPCO merger-related costs (including $29 million within general corporate expenses) (see Note 2), a $58.4 million charge at Gas Pipeline related to certain long-term gas supply contracts, $29 million of asset write-downs at Communications and $31 million of retail natural gas and electric credit loss accruals and asset impairments at Energy Services.

Operating income increased $133 million, or 17 percent, due primarily to increases at Energy Services and Gas Pipeline of $105 million and $87 million, respectively, and the effect in 1998 of MAPCO merger-related costs totaling $80 million, partially offset by $123 million higher losses at Communications. Energy Services' increase reflects improved natural gas trading activities, increased natural gas liquids volumes and margins, $45 million in gains from the sales of assets and the effect in 1998 of $31 million of retail natural gas and electric credit loss accruals and asset impairments, partially offset by higher selling, general and administrative expenses and lower results from electric power trading activities and retail petroleum operations. Gas Pipeline's increase reflects the net favorable revenue effect of 1999 and 1998 adjustments associated with regulatory and rate issues and the effect of the $58.4 million charge in 1998 related to certain long-term gas supply contracts. The additional losses at Communications reflect higher selling, general and administrative expenses, including costs associated with infrastructure growth and improvement, losses experienced from providing customer services prior to completion of the new network and $31 million higher losses from start-up activities of Australian and Brazilian communications operations.

Income from continuing operations before income taxes and extraordinary gain (loss) increased $54 million, or 19 percent, due primarily to $133 million higher operating income, $44 million of higher investing income and the effect of 1998 litigation loss accruals and other settlement adjustments totaling $11 million, partially offset by $115 million higher net interest expense reflecting increased debt in support of continued expansion and new projects.

GAS PIPELINE

Gas Pipeline's revenues increased $146.8 million, or 9 percent, due primarily to a total of $66 million of reductions to rate refund liabilities, resulting primarily from second-quarter 1999 regulatory proceedings involving rate-of-return methodology for three of the gas pipelines and fourth-quarter 1999 revisions following other regulatory proceedings. Revenues also increased due to $65 million higher gas exchange imbalance settlements, $36 million higher reimbursable costs passed through to customers (both offset in costs and operating expenses) and $14 million from expansion projects and new services. These increases were partially offset by $21 million of favorable 1998 adjustments from the settlement of rate case issues and lower transportation revenues associated with rate design and discounting on certain segments of the pipeline.

Segment costs and expenses increased $59.9 million, or 6 percent, due primarily to the higher gas exchange imbalance settlements and reimbursable costs which are passed through to customers, $13 million higher general and administrative expenses and $9 million higher depreciation and amortization related mainly to pipeline expansions. These increases were partially offset by the effect of a $58.4 million charge in 1998 (included in other expense -- net) related to certain long-term gas supply contracts entered into in 1982. The charge represented natural gas costs incurred in prior years that will not be recoverable from customers. General and administrative expenses increased primarily from information systems initiatives, higher labor and benefits costs, a $2.3 million accrual for damages associated with two pipeline ruptures in the northwest and the $2 million write-off of previously capitalized software development costs.

Segment profit increased $86.9 million, or 14 percent, due primarily to the $45 million net revenue effect of the regulatory and rate case issues discussed above, the $58.4 million effect of the accrual for costs in 1998 related to certain long-term gas supply contracts discussed above and $14 million of revenues from expansion projects and new services. These segment profit increases were partially offset by $9 million higher depreciation and amortization and $13 million higher general and administrative expenses.

ENERGY SERVICES

Energy Marketing & Trading's revenues increased $9.3 million, or 1 percent, due to a $101.5 million increase in trading revenues partially offset by a $92.2 million decrease in non-trading revenues. The $101.5 million increase in trading revenues is due primarily to $61 million higher natural gas trading margins, which reflect $61 million of favorable contract settlements in 1999 and increased trading volumes and per-unit margins, partially offset by the effect in 1998 of certain favorable contract settlements and terminations totaling $24 million. In addition, natural gas liquids margins increased $23 million associated mainly with increased physical trading activities and electric power trading margins increased $14 million. The electric power trading margin increase reflects the designation of a southern California electric power services contract as trading in accordance with EITF 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities," which was adopted first-quarter 1999, the recognition of $7 million of revenue associated with a 1998 contractual dispute which was settled in 1999 and increased trading activity. Largely offsetting these electric power trading revenue increases were lower demand for electricity in southern California in 1999 compared to 1998 due to cooler summer temperatures in 1999.

The $92.2 million non-trading revenue decrease is due primarily to $211 million lower electric power services revenues primarily related to the designation of a southern California electric power services contract as trading in 1999 (discussed above). Partially offsetting this decrease were retail natural gas and electric revenues which increased $131 million resulting primarily from the late 1998 acquisition of Volunteer Energy. Additionally, natural gas liquids revenues decreased slightly as the effect of reporting trading revenues on a net basis beginning April 1, 1998, for certain operations previously reported on a "gross" basis was substantially offset by $111 million contributed by activity from a petrochemical plant acquired early in 1999.

Cost of sales associated with non-trading activities decreased $49.3 million, or 13 percent, due primarily to $156 million lower electric power services costs which reflect the designation of such costs as trading in 1999 (discussed above), partially offset by higher costs for retail natural gas and electric operations of $120 million. These variances are associated with the corresponding changes in non-trading revenues discussed above.

Segment profit increased $69.0 million, to $104 million in 1999, due primarily to the $61 million higher natural gas trading margins, $34 million higher natural gas liquids net revenues, a $22.3 million gain on the sale of the retail natural gas and electric operations in 1999 and the effect in 1998 of $14 million of asset impairments related to the decision to focus the retail natural gas and electric business from sales to small commercial and residential customers to large end users. These increases were partially offset by $40 million lower electric power services net revenues, $21 million higher selling, general and administrative expenses and $8 million higher retail propane operating expenses. The higher selling, general and administrative expenses reflect higher compensation levels associated with improved operating performance, growth in electric power trading operations, the Volunteer Energy acquisition in late 1998 and increased activities in the areas of human resources development, investor/media/customer relations and business development, partially offset by the effect in 1998 of a $17 million credit loss accrual.

Energy Marketing & Trading's revenues and costs and expenses for 1999 included $140.5 million and $145.3 million, respectively, from the Volunteer Energy operations sold in 1999. In addition, Energy Marketing & Trading sold its retail propane business, Thermogas Company, previously a subsidiary of MAPCO Inc., to Ferrellgas Partners L.P. on December 17, 1999 (see Note 7). The sale yielded an after-tax gain of $65.2 million, which is reported as an extraordinary gain. Retail propane revenues and costs and expenses were $244.1 million and $257.2 million, respectively, for 1999.

Exploration & Production's revenues increased $50.8 million, or 37 percent, due primarily to $22 million from increased average natural gas sales prices, $20 million associated with increases in both company-owned production volumes and marketing volumes from the Williams Coal Seam Gas Royalty Trust and royalty interest owners and $17 million from oil and gas properties acquired in April 1999. Partially offsetting was an $11 million decrease in the recognition of income previously deferred from a 1997 transaction which transferred certain nonoperating economic benefits to a third party. Company-owned production has increased due mainly to a drilling program initiated in the San Juan basin in 1998 and 1999 and the April 1999 acquisition.

Other expense -- net in 1999 includes a $14.7 million gain from the sale of certain gas producing properties which contributed $2 million to segment profit in 1999. Also included in other expense -- net in 1999 is a $7.7 million gain from the sale of certain other properties.

Segment profit increased $12.6 million, or 46 percent, due primarily to $22 million of gains from the sales of assets, an $8 million contribution from the April 1999 acquisition, $4 million higher profits from company-owned production and $4 million lower dry hole costs. Partially offsetting was $11 million decreased recognition of deferred income, a $9 million decrease in margins from the marketing of natural gas and $6 million higher nonproducing leasehold amortization.

Midstream Gas & Liquids' revenues increased $158.1 million, or 18 percent, due primarily to $119 million higher natural gas liquids sales from processing activities reflecting $62 million from a 46 percent increase in volumes sold and $57 million from a 29 percent increase in average natural gas liquids sales prices. The increase in natural gas liquids sales volumes is a result of the improved liquids market conditions in 1999 and a new plant which became operational in 1999. In addition, revenues increased due to $17 million from higher average gathering rates, $16 million higher transportation revenues associated with increased shipments, the effect of unfavorable adjustments in 1998 of $14 million related to rates placed into effect in 1997 for Midstream's regulated gathering activities (offset in costs and operating expenses) and $11 million higher natural gas liquids storage revenues following the mid-1999 acquisition of two storage facilities. Partially offsetting these increases were $20 million lower equity earnings including 1998 and 1999 reclassifications totaling $10 million for the Discovery pipeline project (offset in capitalized interest).

Cost and operating expenses increased $122.2 million, or 22 percent, due primarily to $58 million higher liquids fuel and replacement gas purchases, higher operating and maintenance expenses and the 1998 rate adjustments related to Midstream's regulated gathering activities.

Segment profit increased $5.1 million, or 2 percent, due primarily to $40 million from higher per-unit natural gas liquids margins and $7 million from the increase in natural gas liquids volumes sold reflecting more favorable market conditions. The rapidly rising crude oil prices during 1999 and flat-to-declining natural gas prices caused natural gas liquids margins to increase significantly. For each penny improvement in natural gas liquids margins in 1999, segment profit increased approximately $8 million to $9 million. In addition, transportation, gathering and storage revenues increased $16 million, $12 million and $11 million, respectively. Largely offsetting were higher operating and maintenance expenses, $17 million higher general and administrative expenses, $20 million lower equity earnings, $8 million of costs associated with cancelled pipeline construction projects and the effect of a 1998 gain of $6 million on settlement of product imbalances.

Petroleum Services' revenues increased $500.4 million, or 20 percent, due primarily to $385 million higher refinery revenues (including $99 million higher intra-segment sales to the travel centers/convenience stores which are eliminated), $166 million higher travel center/convenience store sales, $74 million higher revenues from growth in fleet management and mobile computer technology operations, $26 million in revenues from a petrochemical plant acquired in March 1999 and $23 million in revenues from terminalling operations acquired in January and August 1999. Partially offsetting these increases was a $90 million decrease in pipeline construction revenues following substantial completion of the project. The $385 million increase in refinery revenues includes a $307 million increase from 23 percent higher average sales prices and a $73 million increase from 6 percent higher refined product volumes sold. The increase in refined product volumes sold follows refinery expansions and improvements in mid-1999 and late-1998 which increased capacity. The $166 million increase in travel center/convenience store sales reflects $79 million from a

16 percent increase in gasoline and diesel sales volumes, $52 million from an 8 cent per gallon increase in average gasoline and diesel sales prices and $35 million higher merchandise sales. Both the number of travel centers/convenience stores and average per-store sales in 1999 increased as compared to 1998.

Costs and operating expenses increased $484 million, or 21 percent, due primarily to $385 million higher refining costs, $156 million higher travel center/convenience store cost of sales (including $99 million higher intra-segment purchases from the refineries which are eliminated), $71 million higher costs from growth in the fleet management and mobile computer technology operations, $27 million higher travel center/convenience store operating costs, $14 million of costs from the petrochemical plant acquired in March 1999 and $13 million higher terminalling costs related primarily to the terminalling operations acquired in 1999. Partially offsetting these increases were $87 million lower pipeline construction costs related to the project previously discussed. The $385 million increase in refining costs reflects $303 million from higher crude supply costs and other related per-unit cost of sales, $59 million associated with increased volumes sold and $23 million higher operating costs at the refineries. The higher refinery operating costs are a result of increased maintenance activity and refinery expansions completed in 1999 and 1998. The $156 million increase in travel center/convenience store cost of sales reflects $71 million from increased gasoline and diesel sales volumes, $56 million from increased average gasoline and diesel purchase prices and $29 million higher merchandise cost of sales reflecting increased volumes.

Selling, general and administrative expenses increased $23.4 million, or 23 percent, due, in part, to increased media/customer relations activities, business development and the additional terminals and travel centers in 1999.

Segment profit increased $18.3 million, or 12 percent, due primarily to the effects of a $15.5 million accrual in 1998 for potential refunds to transportation customers following a court ruling requiring such refunds and the settlement in 1999 of this litigation for $6.5 million less than accrued. In addition, segment profit increased due to $14 million from increased refined product volumes sold, $12 million from activities at the petrochemical plant acquired in March 1999, $10 million from increased terminalling activities following the 1999 acquisitions and $4 million from increased per unit refinery margins. Also contributing to increased segment profit were $7 million from higher gasoline and diesel sales volumes, $7 million higher gross profit from increased travel center/convenience store merchandise activity, $5 million of margins on product sales from transportation, $5 million of refinery-related storage fee revenue and the recovery of $4 million of environmental expenses previously incurred. Largely offsetting these increases were $27 million and $23 million of increased operating costs at the travel centers/convenience stores and the refineries, respectively, and $23 million higher selling, general and administrative expenses.

COMMUNICATIONS

Network's revenues increased $233.5 million, or 113 percent, due primarily to $154 million of business growth from data and switched voice services, $45 million increased revenue from dark fiber leases accounted for as sales-type leases on the newly constructed digital fiber-optic network, $23 million higher revenue from an Australian telecommunications operation acquired in August 1998 and $16 million higher consulting and outsourcing revenues.

Costs and operating expenses increased $275.4 million, or 154 percent, due primarily to $99 million higher off-net capacity costs associated with providing customer services prior to completion of the new network, $49 million higher operating and maintenance expenses on the newly completed portions of the network, $29 million higher construction costs associated with the dark fiber leases accounted for as sales-type leases, $28 million higher depreciation expense as portions of the new network were placed into service, $24 million higher local access connection costs, $20 million higher costs from the Australian telecommunications operation acquired in August 1998, $17 million higher costs of consulting and outsourcing services and $5 million of higher leasing costs for equipment colocation space in data centers.

Selling, general and administrative expenses increased $88.8 million, or 149 percent, due primarily to costs associated with adding resources and infrastructure required to increase and serve a growing customer base as more of the network is installed and lit, including $20 million of costs associated with the development of voice services in 1999, and $23 million higher costs from the Australian telecommunications operation acquired in August 1998.

Segment loss increased $132.3 million, from a $32.8 million loss in 1998 to a $165.1 million loss in 1999, due primarily to the $88.8 million increase in selling, general and administrative expenses, losses experienced from providing customer services off-net prior to completion of the new network and $28 million higher depreciation expense, slightly offset by $16 million of profit from dark fiber leases accounted for as sales-type leases.

Broadband Media's revenues increased $1.6 million, or 1 percent, while segment loss decreased $13.1 million, or 31 percent, due primarily to improved margins and $7 million lower selling, general and administrative expenses. The lower selling, general and administrative expenses reflect the effects of facility consolidations.

Strategic Investments' revenues decreased $25.4 million, or 75 percent, due primarily to the $15 million effect of the July 1999 sale of the audio- and video-conferencing and closed-circuit video broadcasting businesses and $12 million higher equity losses from an investment in ATL, a Brazilian telecommunications business which became operational in January 1999.

Costs and operating expenses decreased $15.5 million, or 37 percent, and selling, general and administrative expenses decreased $15.2 million, or 40 percent, due primarily to the effect of the July 1999 sale of the audio- and video-conferencing and closed-circuit video broadcasting businesses.

Other expense -- net in 1999 includes a $28.4 million loss relating to the sales of certain audio- and video-conferencing and closed-circuit video broadcasting businesses (see Note 5) and $5.5 million of asset impairment charges relating to management's decision to abandon the wireless remote monitoring, meter reading equipment and related services business. Other expense -- net in 1998 includes a $23.2 million write-down related to the abandonment of a venture involved in the technology and transmission of business information for news and educational purposes (see Note 5).

Segment loss decreased $5.9 million, from a $71.3 million loss in 1998 to a $65.4 million loss in 1999, due primarily to the effect of the $23.2 million asset write-down in 1998, a $16 million effect of businesses that were generating losses that have been sold or otherwise exited and $9.4 million of dividends in 1999 from international investment funds, largely offset by the $33.9 million of losses and asset impairment charges in 1999 and $12 million higher equity losses from ATL.

OTHER

Other revenues increased $46.2 million, or 68 percent, due primarily to $21 million higher Venezuelan gas compression revenues, $26 million of rental income from Gas Pipeline for office space (eliminated in consolidation) and $6 million of revenues for operating a Venezuelan crude oil terminal, partially offset by $10 million higher equity investment losses. The $21 million higher gas compression revenues reflect the effect of a high pressure unit which became operational in September 1998, partially offset by the effect of operational problems experienced in early 1999. The $10 million higher equity investment losses resulted from increased interest expense experienced by another Brazilian communications company.

Segment profit increased $5.9 million, from $2.5 million in 1998 to $8.4 million in 1999, due primarily to a $9 million improvement in Venezuelan gas compression operations and the effect of $5.6 million of international investment fund write-downs in 1998, partially offset by $10 million higher equity investment losses.

CONSOLIDATED

General Corporate Expenses decreased $19.8 million, or 21 percent, due primarily to MAPCO merger-related costs of $29 million included in 1998 general corporate expenses. Interest accrued increased $154.3 million, or 30 percent, due primarily to the $142 million effect of higher borrowing levels including Communications' debt issuances and the July 1999 issuance of additional public debt by Williams. In addition, average interest rates were slightly higher than in 1998. These increases were slightly offset by a $26.2 million decrease in interest on rate refund liabilities including a $10.6 million favorable adjustment related to the reduction of certain rate refund liabilities in second-quarter 1999. Interest capitalized increased $39.2 million, or 128 percent, due primarily to increased capital expenditures for the fiber-optic network and pipeline construction projects and reclassifications totaling $10 million related to Williams' equity investment in the Discovery pipeline project (offset in Midstream Gas & Liquids' segment profit), partially offset by lower capital expenditures for international investments. Investing income increased $43.9 million due primarily to higher interest income associated with the investment of proceeds from Communications' equity and debt offerings and $12 million of dividends in 1999 from international investment funds (including $9.4 million previously discussed within Communications' segment profit). Other income (expense) -- net is $6.4 million favorable as compared to 1998 due primarily to 1998 litigation loss accruals and other settlement adjustments totaling $11 million related to assets previously sold.

The $45.5 million, or 39 percent, increase in the provision for income taxes on continuing operations is the result of higher pre-tax income and a higher effective income tax rate in 1999. The effective income tax rate in 1999 exceeds the federal statutory rate due primarily to the effects of state income taxes, losses of foreign entities not deductible for U.S. tax purposes and the impact of goodwill not deductible for tax purposes related to assets sold during 1999 (see Note 6). The effective income tax rate in 1998 exceeds the federal statutory rate due primarily to the effects of state income taxes and the effects of non-deductible costs, including goodwill amortization.

Loss from discontinued operations for 1999 reflect $16.2 million of after-tax losses from operations of Communications Solutions. Loss from discontinued operations in 1998 includes $22.1 million of after-tax losses from operations of Communications' Solutions and $14.3 million of losses in 1998 related to another business sold in 1996 (see Note 3).

The $65.2 million 1999 extraordinary gain results from the sale of Williams' retail propane business (see Note 7). The $4.8 million 1998 extraordinary loss results from the early extinguishment of debt (see Note 7).

FINANCIAL CONDITION AND LIQUIDITY

Liquidity

Williams considers its liquidity to come from both internal and external sources. Certain of those sources are available to Williams (parent) and certain of its subsidiaries, while others can only be utilized by Communications. Williams' unrestricted sources of liquidity, which can be utilized by Williams (parent) and non-Communications subsidiaries without limitation under existing loan covenants, consist primarily of the following:

- Available cash-equivalent investments of $854 million at December 31, 2000, as compared to $494 million at December 31, 1999.

- $350 million available under Williams' $700 million bank-credit facility at December 31, 2000, as compared to $475 million at December 31, 1999 under the $1 billion bank credit facility (see Note 13).

- $4 million available under Williams' $1.7 billion commercial paper program at December 31, 2000, as compared to $154 million at December 31, 1999 under a $1.4 billion commercial paper program.

- Cash generated from operations.

- Short-term uncommitted bank lines of credit may also be used in managing liquidity.

Williams' sources of liquidity restricted to use by Communications consists primarily of the following:

- Available cash-equivalent investments and short-term investments totaling $555 million, as compared to $1.9 billion at December 31, 1999. The short-term investments include approximately $312 million of marketable equity securities classified as available for sale.

- Communications' $1.05 billion bank-credit facility, under which $525 million was outstanding at December 31, 2000 and no amounts were outstanding at December 31, 1999.

At December 31, 2000, Williams had a $1.775 billion shelf registration statement effective with the Securities and Exchange Commission to issue a variety of debt or equity securities. Subsequent to the issuance of Williams common stock in January 2001 discussed below, the remaining availability on the shelf registration is approximately $400 million. In addition, there are other outstanding registration statements filed with the Securities and Exchange Commission for Northwest Pipeline, Texas Gas Transmission and Transcontinental Gas Pipe Line (each a wholly owned subsidiary of Williams). At March 1, 2001, approximately $450 million of shelf availability remains under these outstanding registration statements and may be used to issue a variety of debt or equity securities. Interest rates and market conditions will affect amounts borrowed, if any, under these arrangements. Williams believes additional financing arrangements, if required, can be obtained on reasonable terms.

In fourth-quarter 2000, ATL closed a financing arrangement with a Brazilian development bank which provided ATL 528 million reais (approximately $270 million at December 31, 2000) in additional local currency funding of which Communications has guaranteed $100 million.

Terms of certain borrowing agreements limit transfer of funds to Williams from its subsidiaries, including Communications as described above. The restrictions have not impeded, nor are they expected to impede, Williams ability to meet its cash requirements in the future.

During 2001, Williams expects to fund capital and investment expenditures, debt payments and working-capital requirements through (1) cash generated from operations, (2) the use of the available portion of Williams' $700 million bank-credit facility, (3) commercial paper, (4) short-term uncommitted bank lines, (5) private borrowings, (6) sale or disposal of existing businesses and/or (7) debt or equity public offerings. In addition, Communications capital and investment expenditures, debt payments and working-capital requirements are also expected to be funded through (1) the use of the available portion of its $1.05 billion facility, (2) obtaining additional credit facilities, (3) sale or disposal of existing businesses or investments and/or (4) issuance of additional debt or equity securities.

Operating Activities

Cash provided by continuing operating activities was: 2000 -- $538 million; 1999 -- $1.7 billion; 1998 -- $946 million. The increases in receivables and accounts payable of $1,719 million and $1,467 million, respectively, reflect increased energy commodity prices, primarily power, related to trading and other activity primarily at Energy Marketing & Trading. The $303 million increase in inventories reflects increases in the related prices of refined product, natural gas liquid, natural gas and crude oil inventories at Energy Marketing & Trading. The increase in deposits and other current assets is due primarily to an increase in deposits related to trading activities at Energy Marketing & Trading. The $428 million increase in accrued liabilities is due primarily to higher accrued payroll, deposits received from customers related to energy trading activities, accrued interest, income taxes payable and liabilities associated with the Canadian energy operations purchased in fourth quarter 2000, partially offset by the payments in 2000 of $95 million for rate refunds to natural gas customers.

Financing Activities

Net cash provided by financing activities was: 2000 -- $3.8 billion; 1999 -- $4.3 billion; 1998 -- $1.9 million. Long-term debt proceeds, net of principal payments, were $1.8 billion, $2.7 billion and $1.9 billion during 2000, 1999 and 1998, respectively. Notes payable proceeds, net of notes payable payments were $1.5 billion and $210 million during 2000 and 1999, respectively. Notes payable payments, net of notes payable proceeds, were $139 million during 1998. The increase in net new borrowings during 2000, 1999 and 1998 reflects borrowings to fund capital expenditures, investments and acquisitions of businesses.

The proceeds from issuance of Williams common stock in 2000, 1999 and 1998 are primarily from exercise of stock options under the plans providing for common-stock-based awards to employees and to non-employee directors.

In 2000, Communications issued $1 billion in long-term debt obligations consisting of $575 million in 11.7 percent notes due 2008 and $425 million in 11.875 percent notes due 2010. In October 1999, Williams Communications Group, Inc. (WCG) completed an initial public equity offering, private equity offerings and public debt offerings which yielded total net proceeds of approximately $3.5 billion. The initial public equity offering yielded net proceeds of approximately $738 million (see Note 16). Additional shares of common stock were privately sold in concurrent investments by SBC Communications Inc., Intel Corporation and Telefonos de Mexico for proceeds of $738.5 million. Concurrent with these equity transactions, WCG issued high-yield public debt of approximately $2 billion. Proceeds from the 1999 equity and debt transactions were used to repay Communications' 1999 borrowings under an interim short-term bank-credit facility and the $1.05 billion bank-credit agreement. The remaining proceeds from the 1999 transactions and the 2000 debt proceeds were used to fund 2000 Communications' operating losses, continued construction of Communications' national fiber-optic network and other capital and investment expansion opportunities.

During 2000, Williams received net proceeds totaling $547 million from the sale of a limited liability company member interest to an outside investor (see Note 14). In addition, WCG received net proceeds of approximately $240.5 million from the issuance of five million shares of 6.75 percent redeemable cumulative convertible preferred stock (see Note 14). During 1998, Williams received proceeds totaling $335 million from the sale of limited partnership and limited-liability company member minority interests to outside investors (see Note 14).

During 1999, Williams received proceeds of $175 million from the sale of Williams obligated mandatorily redeemable preferred securities (see Note 15).

Long-term debt at December 31, 2000 was $10.3 billion, compared with $9.2 billion at December 31, 1999 and $6.4 billion at December 31, 1998. At December 31, 2000 and 1999, $800 million and $404 million, respectively, of current debt obligations were classified as non-current obligations based on Williams' intent and ability to refinance on a long-term basis. The 2000 increase in long-term debt is due primarily to $1 billion in debt issued by Communications in August 2000 and $400 million borrowed under a new three-year term bank credit facility entered into by Williams in April 2000. The long-term debt to debt-plus-equity ratio was 63.7 percent at December 31, 2000, compared to 62.3 percent and 59.9 percent at December 31, 1999 and 1998, respectively. If short-term notes payable and long-term debt due within one year are included in the calculations, these ratios would be 70.5 percent, 65.9 percent and 64.7, respectively.

In January, 2001, Williams issued $1.1 billion of senior unsecured debt securities of which $500 million in proceeds was used to retire temporary financing obtained in September 2000. The proceeds from the temporary financing in 2000 were used for general corporate purposes, including the repayment of commercial paper. Williams expects to use the remaining proceeds that are received from this debt offering to fund the energy-related capital program, repay debt, including a portion of floating rate notes due December 15, 2001, which were issued in December 2000 (see Note 13), construction of a building and for other general corporate purposes.

In January 2001, Williams issued approximately 38 million shares of common stock in a public offering at $36.125 per share. Net proceeds of $1.33 billion from the offering will be used primarily to expand Williams' capacity to fund its energy-related capital program, repay commercial paper and other short-term debt, construction of a building and for general corporate purposes.

Williams Energy Partners L.P. (WEP), a wholly owned partnership, owns and operates a diversified portfolio of energy assets. The partnership is principally engaged in the storage, transportation and distribution of refined petroleum products and ammonia. On February 9, 2001, WEP completed an initial public offering of approximately 4.6 million common units at $21.50 per unit for net proceeds of approximately $92 million. The initial public offering represents 40 percent of the units, and Williams retained a 60 percent interest in the partnership, including its general partner interest.

Investing Activities

Net cash used by investing activities was: 2000 -- $4.2 billion; 1999 -- $5.2 billion; and 1998 -- $2.1 billion. Capital expenditures of Communications, primarily for the construction of the fiber-optic network, were $3.4 billion in 2000, $1.7 billion in 1999 and $304 million in 1998. Capital expenditures of Energy Services, primarily to acquire, expand and modernize gathering and processing facilities, terminals and refineries, were $550 million in 2000, $1.2 billion in 1999 and $707 million in 1998. Capital expenditures of Gas Pipeline, primarily to expand and modernize systems, were $512 million in 2000, $360 million in 1999 and $472 million in 1998. Budgeted capital expenditures and investments for all business units for 2001 are estimated to be approximately $4 billion, including expanding and enhancing the capacity and functionality of the fiber-optic network ($2 billion), expansion and modernization of pipeline systems, gathering and processing facilities, refineries and international investment activities.

In October 2000, Williams acquired various energy-related operations in Canada for approximately $540 million. Included in the purchase were interests in several natural gas liquids (NGL) extraction and fractionation plants, NGL transportation pipeline and storage facilities, and a natural gas processing plant.

During 1999, Williams purchased a company with a petrochemical plant and natural gas liquids transportation, storage and other facilities for $163 million in cash. Also during 1999, Williams made various cash investments and advances totaling $696 million including $265 million to increase its investment in ATL (a Brazilian telecommunications business), a $75 million equity investment in and a $75 million loan to AB Mazeikiu Nafta, Lithuania's national oil company, $78 million in various natural gas and petroleum products pipeline joint ventures, and other joint ventures and investments. In addition, Williams made $139 million of investments in the Alliance natural gas pipeline and processing plant during 1999 of which $93.5 million was financed with a note payable. In December 1999, Williams sold its retail propane business to Ferrellgas Partners L.P. (Ferrellgas) for $268.7 million in cash and $175 million in senior common units of Ferrellgas.

During 1998, Williams made a $100 million advance to and a $150 million investment in another telecommunications business in Brazil. In addition, during 1998 Williams made an $85 million investment in a Texas refined petroleum products pipeline joint venture.

Other Commitments

Energy Marketing & Trading has entered into certain contracts giving Williams the right to receive fuel conversion services as well as certain other services associated with electric generation facilities that are either currently in operation or are to be constructed at various locations throughout the continental United States. At December 31, 2000, annual estimated committed payments under these contracts range from $20 million to $409 million, resulting in total committed payments over the next 22 years of approximately $7 billion.

Commitments for construction and acquisition of property, plant and equipment are approximately $1.9 billion at December 31, 2000.

Williams has also entered into an agreement giving Williams a 25-year right to use a portion of a third party's wireless local capacity. Williams will pay a total of $400 million over four years for this right and will amortize the total payments over the 25-year usage term. As of December 31, 2000, Williams has paid approximately $250 million.

New Accounting Standards

See Note 1 for a discussion of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities."

Effects of Inflation

Williams' cost increases in recent years have benefited from relatively low inflation rates during that time. Approximately 37 percent of Williams' property, plant and equipment is at Gas Pipeline, approximately

36 percent is at Energy Services and approximately 22 percent is at Communications. Approximately 86 percent of Gas Pipeline's property, plant and equipment has been acquired or constructed since 1995, a period of relatively low inflation. Gas Pipeline is subject to regulation, which limits recovery to historical cost. While amounts in excess of historical cost are not recoverable under current FERC practices, Williams believes it will be allowed to recover and earn a return based on increased actual cost incurred to replace existing assets. Cost-based regulation along with competition and other market factors may limit the ability to recover such increased costs. Within Energy Services, operating costs are influenced to a greater extent by specific price changes in oil and gas and related commodities than by changes in general inflation. Crude, refined product, natural gas and natural gas liquids prices are particularly sensitive to OPEC production levels and/or the market perceptions concerning the supply and demand balance in the near future. See Market Risk Disclosures on page 59 for additional information concerning the impact of specific price changes. Substantially all of the Communications' property, plant and equipment is for the recent fiber-optic network construction. The activities of Communications have historically not been significantly affected by the effects of inflation.

Environmental

Williams is a participant in certain environmental activities in various stages involving assessment studies, cleanup operations and/or remedial processes. The sites, some of which are not currently owned by Williams (see Note 20), are being monitored by Williams, other potentially responsible parties, the U.S. Environmental Protection Agency (EPA), or other governmental authorities in a coordinated effort. In addition, Williams maintains an active monitoring program for its continued remediation and cleanup of certain sites connected with its refined products pipeline activities. Williams has both joint and several liability in some of these activities and sole responsibility in others. Current estimates of the most likely costs of such cleanup activities, after payments by other parties, are approximately $109 million, all of which is accrued at December 31, 2000. Williams expects to seek recovery of approximately $36 million of the accrued costs through future natural gas transmission rates and approximately $15 million of accrued costs from states in accordance with laws permitting reimbursement of certain expenses associated with underground storage tank containment problems and repairs. Williams will fund these costs from operations and/or available bank-credit facilities. The actual costs incurred will depend on the final amount, type and extent of contamination discovered at these sites, the final cleanup standards mandated by the EPA or other governmental authorities, and other factors.

Williams is subject to the federal Clean Air Act and to the federal Clean Air Act Amendments of 1990 which require the EPA to issue new regulations. In September 1998, the EPA promulgated rules designed to mitigate the migration of ground-level ozone in certain states. Williams estimates that capital expenditures necessary to install emission control devices over the next five years to comply with these new rules will be between $251 million and $271 million. The actual costs incurred will depend on the final implementation plans developed by each state to comply with these regulations. In December 1999, standards promulgated by the EPA for tailpipe emissions and the content of sulfur in gasoline were announced. Williams estimates that capital expenditures necessary to bring its two refineries into compliance over the next five years will be approximately $169 million. The actual costs incurred will depend on the final implementation plans.

In July 1999, Transcontinental Gas Pipe Line (Transco) received a letter stating that the U.S. Department of Justice (DOJ), at the request of the U.S. Environmental Protection Agency, intends to file a civil action against Transco arising from its waste management practices at Transco's compressor stations and metering stations in eleven states from Texas to New Jersey. The DOJ stated in the letter that its complaint will seek civil penalties and injunctive relief under federal environmental laws. The DOJ and Transco are discussing a settlement. While no specific amount was proposed, the DOJ stated that any settlement must include an appropriate civil penalty for the alleged violations. Transco cannot reasonably estimate the amount of its potential liability, if any, at this time. However, Transco believes it has substantially addressed environmental concerns on its system through ongoing voluntary remediation and management programs.

Williams Field Services (WFS), an Energy Services subsidiary, received a Notice of Violation (NOV) from EPA in February 2000. WFS received a contemporaneous letter from the DOJ indicating that the DOJ will also be involved in the matter. The NOV alleged violations of the Clean Air Act at a gas processing plant. WFS, the EPA and the DOJ agreed to settle this matter for a penalty of $850,000. In the course of investigating this matter, WFS discovered a similar potential violation at the plant and disclosed it to the EPA and the DOJ. The parties will discuss whether additional enforcement action is warranted.

ITEM 7A. MARKET RISK DISCLOSURES

INTEREST RATE RISK

Williams' interest rate risk exposure is related primarily to its short-term investments, investment in Ferrellgas Partners L.P. senior common units, debt portfolio and Williams obligated mandatorily redeemable preferred securities of Trust.

Short-term investments, excluding marketable equity securities, consist primarily of commercial paper at December 31, 2000 and at December 31, 1999, short-term investments consist primarily of money market instruments, short-term debt securities, such as commercial paper, asset-backed and corporate bonds, and a mutual fund investing in short-term debt securities, which are managed by financial institutions. Williams' investing income is subject to interest rate risk resulting from potential future fluctuations in interest rates on comparable investment securities. To mitigate the impact of fluctuations in interest rates, Williams instructs the managing financial institutions to invest only in highly liquid instruments with short-term maturity dates. These investments were purchased with a portion of the proceeds from the Communications debt offerings in 2000 and 1999 and from Communications' initial equity offering in October 1999.

Williams' interest rate risk exposure resulting from its debt portfolio is influenced by short-term rates, primarily LIBOR-based borrowings from commercial banks and the issuance of commercial paper, and long-term U.S. Treasury rates. To mitigate the impact of fluctuations in interest rates, Williams targets to maintain a significant portion of its debt portfolio in fixed rate debt. Williams also utilizes interest-rate swaps to change the ratio of its fixed and variable rate debt portfolio based on management's assessment of future interest rates, volatility of the yield curve and Williams' ability to access the capital markets in a timely manner. Williams periodically enters into interest-rate forward contracts to establish an effective borrowing rate for anticipated long-term debt issuances. The maturity of Williams' long-term debt portfolio is partially influenced by the life of its operating assets.

At December 31, 2000 and 1999, the amount of Williams' fixed and variable rate debt was at targeted levels. Williams has traditionally maintained an investment grade credit rating as one aspect of managing its interest rate risk. In order to fund its 2001 capital expenditure plan, Williams will need to access various sources of liquidity, which will likely include traditional borrowing and leasing markets.

The tables on the following page provide information as of December 31, 2000 and 1999, about Williams' interest rate risk sensitive instruments. For short-term investments (excluding marketable equity securities), investment in Ferrellgas Partners L.P. senior common units, notes payable, long-term debt and Williams obligated mandatorily redeemable preferred securities of Trust, the table presents principal cash flows and weighted-average interest rates by expected maturity dates. For interest-rate swaps, the table presents notional amounts and weighted-average interest rates by contractual maturity dates. Notional amounts are used to calculate the contractual cash flows to be exchanged under the interest-rate swaps.

	2001	2002	2003	2004	2005	THEREAFTER	TOTAL	FAIR VALUE DECEMBER 31, 2000
				(DOLLARS IN MILLIONS)				
Assets:								
Short-term investments (excluding marketable equity securities)....	$ 83	$ --	$ --	$ --	$ --	$ --	$ 83	$ 83
Fixed rate..........................	6.4%	--	--	--	--	--		
Investment -- Ferrellgas Partners L.P. senior common units..........	$ --	$ 194	$ --	$ --	$ --	$ --	$ 194	$ 194
Fixed rate..........................	10.0%	10.0%	--	--	--	--		
Liabilities:								
Notes payable.......................	$2,076	$ --	$ --	$ --	$ --	$ --	$2,076	$2,076
Interest rate.......................	7.2%	--	--	--	--	--		
Long-term debt, including current portion:								
Fixed rate........................	$1,115	$1,032	$306	$356	$254	$5,958	$9,021	$8,329
Interest rate.....................	8.5%	8.8%	9.0%	9.1%	9.2%	8.6%		
Variable rate.....................	$ 524	$ 173	$494	$339	$508	$ 917	$2,955	$2,955
Interest rate(1)								
Williams obligated mandatorily redeemable preferred securities of Trust..............................	$ --	$ 190	$ --	$ --	$ --	$ --	$ 190	$ 190
Fixed rate..........................	7.9%	7.9%	--	--	--	--		
Interest rate swaps:								
Pay variable/receive fixed..........	$ 461	$ --	$ --	$ --	$ --	$ --	$ 461	$ (3)
Pay rate(2)								
Receive rate........................	6.0%	--	--	--	--	--		
Pay fixed/receive variable..........	$ 53	$ 59	$ 65	$ 72	$ 79	$ 133	$ 461	$ (30)
Pay rate............................	7.8%	8.0%	8.0%	8.0%	8.0%	8.0%		
Receive rate(2)								

	2000	2001	2002	2003	2004	THEREAFTER	TOTAL	FAIR VALUE DECEMBER 31, 1999
				(DOLLARS IN MILLIONS)				
Assets:								
Short-term investments.............	$1,435	$ --	$ --	$ --	$ --	$ --	$1,435	$1,435
Fixed rate..........................	5.8%	--	--	--	--	--		
Investment -- Ferrellgas Partners L.P. senior common units..........	$ --	$ --	$ 176	$ --	$ --	$ --	$ 176	$ 176
Fixed rate..........................	10.0%	10.0%	10.0%	--	--	--		
Liabilities:								
Notes payable.......................	$1,379	$ --	$ --	$ --	$ --	$ --	$1,379	$1,379
Interest rate.......................	6.4%	--	--	--	--	--		
Long-term debt, including current portion:								
Fixed rate........................	$ 192	$1,398	$1,001	$280	$350	$5,223	$8,444	$8,362
Interest rate.....................	7.9%	8.1%	8.3%	8.5%	8.6%	8.3%		
Variable rate.....................	$ 2	$ 101	$ 677	$ --	$200	$ --	$ 980	$ 980
Interest rate(1)								
Williams obligated mandatorily redeemable preferred securities of Trust..............................	$ --	$ --	$ 176	$ --	$ --	$ --	$ 176	$ 176
Fixed rate..........................	7.9%	7.9%	7.9%	--	--	--		
Interest rate swaps:								
Pay variable/receive fixed..........	$ 47	$ 461	$ 240	$ --	$200	$ 750	$1,698	$ (27)
Pay rate(3)								
Receive rate........................	6.7%	6.7%	7.2%	7.2%	7.2%	7.5%		
Pay fixed/receive variable..........	$ 47	$ 53	$ 59	$ 65	$ 72	$ 212	$ 508	$ (21)
Pay rate............................	7.8%	7.8%	8.0%	8.0%	8.0%	8.0%		
Receive rate(2)								

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(1) LIBOR plus 1.00 percent through 2002, LIBOR plus 1.18 percent for 2003 and 2004, LIBOR plus 1.33 percent for 2005, LIBOR plus .76 thereafter for 2000 and LIBOR plus .60 percent through 2002, LIBOR plus .35 percent thereafter for 1999.

(2) LIBOR

(3) LIBOR except $250 million notional amount maturing after 2003 is at LIBOR less 1.04 percent and $240 million notional amount maturing in 2002 is at LIBOR plus .26 percent.

COMMODITY PRICE RISK

Energy Marketing & Trading has trading operations that incur commodity price risk as a consequence of providing price-risk management services to third-party customers. The trading operations have commodity price-risk exposure associated with the crude oil, natural gas, refined products, natural gas liquids and electricity energy markets in the United States and the natural gas markets in Canada. The trading operations enter into a variety of energy and energy-related contracts which include forward contracts, futures contracts, option contracts, swap agreements, short- and long-term purchase and sale commitments and transportation, storage and power tolling contracts. These energy contracts are valued at fair value and unrealized gains and losses from changes in fair value are recognized in income. The trading operations are subject to risk from changes in energy commodity market prices, the portfolio position of its financial instruments and physical commitments, the liquidity of the market in which the contract is transacted, changes in interest rates and credit risk. Energy Marketing & Trading continues to manage market risk on a portfolio basis subject to the parameters established in its trading policy. A risk control group, independent of the trading operations, monitors compliance with the established trading policy and measures the risk associated with the trading portfolio.

Energy Marketing & Trading measures the market risk in its trading portfolio utilizing a value-at-risk methodology to estimate the potential one-day loss from adverse changes in the fair value of its trading operations. At December 31, 2000 and 1999, the value at risk for the trading operations was $90 million and $9 million, respectively. As supplemental quantitative information to further understand the general risk levels of the trading portfolio, the average of the actual monthly changes in the fair value of the trading portfolio for 2000 was an increase of $59 million. These increases are attributable to increased electric power and natural gas prices, combined with increased price volatility in the power and gas markets, and an expanded price-risk management portfolio. Value at risk requires a number of key assumptions and is not necessarily representative of actual losses in fair value that could be incurred from the trading portfolio. Energy Marketing & Trading's value-at-risk model includes all financial instruments and physical positions and commitments in its trading portfolio and assumes that as a result of changes in commodity prices, there is a 95 percent probability (97.5 percent in 1999) that the one-day loss in the fair value of the trading portfolio will not exceed the value at risk. The value-at-risk model uses historical simulations to estimate hypothetical movements in future market prices assuming normal market conditions based upon historical market prices. Value at risk does not consider that changing our trading portfolio in response to market conditions could affect market prices and could take longer to execute than the one-day holding period assumed in the value-at-risk model.

FOREIGN CURRENCY RISK

Williams has international investments that could affect the financial results if the investments incur a permanent decline in value as a result of changes in foreign currency exchange rates and the economic conditions in foreign countries.

International investments accounted for under the cost method totaled $436 million and $501 million at December 31, 2000 and 1999, respectively. The fair value of these investments is deemed to approximate their carrying amount as the investments are primarily in non-publicly traded companies for which it is not practicable to estimate the fair value of these investments. Williams continues to believe that it can realize the carrying value of these investments considering the status of the operations of the companies underlying these investments. International cost investments include preferred stock interests in certain Brazilian ventures totaling $345 million and $370 million at December 31, 2000 and 1999, respectively. The Brazilian economy experienced a 7 percent reduction in the value of the Brazilian real against the U.S. dollar from December 31, 1999 through December 31, 2000, compared to a 33 percent reduction in the value of the Brazilian real against the U.S. dollar from December 31, 1998 through December 31, 1999. An additional 20 percent change in the value of the Brazilian real against the U.S. dollar could result in an approximate $69 million change in the fair value of these investments. This analysis assumes a direct correlation between the fluctuation of the Brazilian real and the value of the investments at December 31, 2000. The ultimate duration and severity of the conditions in Brazil remain uncertain, as does the long-term impact on interests in the ventures. Of the remaining international investments accounted for under the cost method at December 31, 2000 and 1999, approximately 74 percent and 56 percent, respectively, of these international investments were in Asian countries, and approximately 26 percent and 44 percent, respectively, were in South American countries. If a 20 percent change occurred in the value of the underlying currencies of these investments against the U.S. dollar, the fair value of these investments at December 31, 2000, could change by approximately $18 million assuming a direct correlation between the currency fluctuation and the value of the investments.

The net assets of foreign operations which are consolidated are located primarily in Australia and Canada and approximate 12 percent and 2 percent of Williams' net assets at December 31, 2000 and 1999, respectively. These foreign operations, whose functional currency is the local currency, do not have significant transactions or financial instruments denominated in other currencies. However, these investments do have the potential to impact Williams' financial position, due to fluctuations in these local currencies arising from the process of re-measuring the local functional currency into the U.S. dollar. As an example, a 20 percent change in the respective functional currencies against the U.S. dollar could have changed stockholders' equity by approximately $147 million at December 31, 2000.

In first-quarter 2000, Williams advanced approximately $150 million to ATL-Algar Telecom Leste S.A. (ATL) denominated in Brazilian reais, which subjects Williams to foreign currency fluctuations. The value of the advance is $133 million based on the exchange rate of the Brazilian real to the U.S. dollar as of December 31, 2000.

Williams historically has not utilized derivatives or other financial instruments to hedge the risk associated with the movement in foreign currencies. However, Williams evaluates currency fluctuations and will consider the use of derivative financial instruments or employment of other investment alternatives if cash flows or investment returns so warrant.

EQUITY PRICE RISK

Equity price risk primarily arises from investments in publicly traded telecommunications-related companies. These investments are carried at fair value and totaled approximately $324 million and $288 million at December 31, 2000 and December 31, 1999, respectively. These investments have the potential to impact Williams' financial position due to movements in the price of these equity securities. Prior to January 1, 2000, Williams had not utilized derivatives or other financial instruments to hedge the risk associated with the movement in the price of these equity securities. However, Williams has entered into derivative instruments in 2000 which will expire by the first quarter of 2002 and as of December 31, 2000, provided protection to the exposure to changes in the price of its investments in certain marketable equity securities. These derivative instruments covered approximately 23 percent of Williams' marketable securities portfolio at December 31, 2000. It is reasonably possible that the prices of the equity securities in Williams' marketable equity securities portfolio could experience a 30 percent increase or decrease in the near term. Assuming a 30 percent increase or decrease in prices, the value of Williams' marketable equity securities portfolio at December 31, 2000, which is included in investments in the Consolidated Balance Sheet, would increase or decrease by approximately $97 million and $77 million, respectively.

REPORT OF INDEPENDENT AUDITORS

To the Stockholders of
The Williams Companies, Inc.

We have audited the accompanying consolidated balance sheet of The Williams Companies, Inc. as of December 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. Our audits also included the financial statement schedules listed in the Index at Item 14(a). These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Williams Companies, Inc. at December 31, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, effective July 1, 1999, the Company changed its method of accounting for lease transactions relating to its fiber optic network.

ERNST & YOUNG LLP

Tulsa, Oklahoma
February 28, 2001

THE WILLIAMS COMPANIES, INC.

CONSOLIDATED STATEMENT OF INCOME

	YEARS ENDED DECEMBER 31, 2000	1999	1998
	(MILLIONS, EXCEPT PER-SHARE AMOUNTS)		
Revenues:			
Gas Pipeline	$ 1,906.2	$1,831.6	$1,684.8
Energy Services*	8,055.5	4,900.7	4,182.1
Communications	853.5	611.0	401.3
Other	141.1	114.6	68.4
Intercompany eliminations	(558.3)	(286.3)	(317.2)
Total revenues	10,398.0	7,171.6	6,019.4
Segment costs and expenses:			
Costs and operating expenses*	7,399.2	5,304.6	4,253.3
Selling, general and administrative expenses	1,050.0	887.5	723.1
Other expense -- net	90.4	13.2	189.8
Total segment costs and expenses	8,539.6	6,205.3	5,166.2
General corporate expenses	88.3	73.4	93.2
Operating income (loss):			
Gas Pipeline	741.5	697.3	610.4
Energy Services	1,557.9	529.1	386.1
Communications	(459.8)	(268.5)	(145.8)
Other	18.8	8.4	2.5
General corporate expenses	(88.3)	(73.4)	(93.2)
Total operating income	1,770.1	892.9	760.0
Interest accrued	(1,009.6)	(667.2)	(512.9)
Interest capitalized	216.1	69.8	30.6
Investing income	438.1	68.5	24.6
Minority interest in (income) loss and preferred returns of consolidated subsidiaries	12.0	(17.7)	(4.0)
Other income (expense) -- net	.5	(12.7)	(19.1)
Income from continuing operations before income taxes and extraordinary gain (loss)	1,427.2	333.6	279.2
Provision for income taxes	554.0	161.2	115.7
Income from continuing operations	873.2	172.4	163.5
Loss from discontinued operations	(348.9)	(16.2)	(36.4)
Income before extraordinary gain (loss)	524.3	156.2	127.1
Extraordinary gain (loss)	--	65.2	(4.8)
Net income	524.3	221.4	122.3
Preferred stock dividends	--	2.8	7.1
Income applicable to common stock	$ 524.3	$ 218.6	$ 115.2
Basic earnings per common share:			
Income from continuing operations	$ 1.97	$ .39	$ .37
Loss from discontinued operations	(.79)	(.04)	(.09)
Income before extraordinary gain (loss)	1.18	.35	.28
Extraordinary gain (loss)	--	.15	(.01)
Net income	$ 1.18	$ .50	$ .27
Diluted earnings per common share:			
Income from continuing operations	$ 1.95	$ .39	$ .36
Loss from discontinued operations	(.78)	(.04)	(.08)
Income before extraordinary gain (loss)	1.17	.35	.28
Extraordinary gain (loss)	--	.15	(.01)
Net income	$ 1.17	$ .50	$ .27

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* Includes consumer excise taxes of $287.6 million, $229.0 million and $192.9 million in 2000, 1999 and 1998, respectively.

See accompanying notes.

THE WILLIAMS COMPANIES, INC.

CONSOLIDATED BALANCE SHEET

	DECEMBER 31, 2000	DECEMBER 31, 1999
	(DOLLARS IN MILLIONS, EXCEPT PER-SHARE AMOUNTS)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,210.7	$ 1,081.6
Short-term investments	395.2	1,434.8
Receivables less allowance of $31.3 ($12.3 in 1999)	3,580.5	1,861.2
Inventories	848.5	545.7
Energy trading assets	7,879.8	376.0
Deferred income taxes	64.9	203.7
Net assets of discontinued operations	429.7	803.8
Deposits and other assets	1,067.4	257.6
Total current assets	15,476.7	6,564.4
Investments	1,988.5	1,965.4
Property, plant and equipment -- net	19,667.8	15,053.7
Energy trading assets	1,831.1	200.9
Other assets and deferred charges	1,232.9	1,190.9
Total assets	$40,197.0	$24,975.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 2,075.9	$ 1,378.8
Accounts payable	3,439.4	1,972.4
Accrued liabilities	2,056.8	1,629.2
Energy trading liabilities	7,597.3	312.3
Long-term debt due within one year	1,634.1	193.8
Total current liabilities	16,803.5	5,486.5
Long-term debt	10,342.4	9,230.0
Deferred income taxes	2,828.1	2,607.5
Energy trading liabilities	1,302.8	136.8
Other liabilities and deferred income	1,397.9	900.0
Contingent liabilities and commitments (Note 20)		
Minority and preferred interests in consolidated subsidiaries	1,440.4	853.8
Williams obligated mandatorily redeemable preferred securities of Trust holding only Williams indentures	189.9	175.5
Stockholders' equity:		
Preferred stock, $1 per share par value, 30 million shares authorized	--	--
Common stock, $1 per share par value, 960 million shares authorized, 447.9 million issued in 2000, 444.5 million issued in 1999	447.9	444.5
Capital in excess of par value	2,473.9	2,356.7
Retained earnings	3,065.7	2,807.2
Accumulated other comprehensive income	28.2	99.5
Other	(81.2)	(77.6)
	5,934.5	5,630.3
Less treasury stock (at cost), 3.6 million shares of common stock in 2000 and 3.8 million in 1999	(42.5)	(45.1)
Total stockholders' equity	5,892.0	5,585.2
Total liabilities and stockholders' equity	$40,197.0	$24,975.3

See accompanying notes.

THE WILLIAMS COMPANIES, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	PREFERRED STOCK	COMMON STOCK	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	OTHER	TREASURY STOCK	TOTAL
	(DOLLARS IN MILLIONS, EXCEPT PER-SHARE AMOUNTS)							
BALANCE, DECEMBER 31, 1997	$ 142.2	$431.5	$1,041.6	$2,988.5	$ (2.5)	$(51.6)	$(311.9)	$4,237.8
Comprehensive income:								
Net income -- 1998	--	--	--	122.3	--	--	--	122.3
Other comprehensive income:								
Unrealized appreciation on marketable equity securities	--	--	--	--	24.1	--	--	24.1
Foreign currency translation adjustments	--	--	--	--	(4.9)	--	--	(4.9)
Total other comprehensive income								19.2
Total comprehensive income								141.5
Cash dividends --								
Common stock ($.60 per share)	--	--	--	(240.3)	--	--	--	(240.3)
Common stock of pooled company	--	--	--	(14.0)	--	--	--	(14.0)
$3.50 preferred stock ($3.50 per share)	--	--	--	(7.1)	--	--	--	(7.1)
Stockholders' notes issued	--	--	--	--	--	(35.7)	--	(35.7)
Conversion of preferred stock -- 704,190 shares	(40.0)	3.3	36.7	--	--	--	--	--
Retirement of treasury stock -- 14.0 million common	--	(14.0)	(239.8)	--	--	--	253.8	--
Expiration of equity put options	--	--	12.3	--	--	--	--	12.3
Stock award transactions (including 12.4 million common shares)	--	11.5	47.4	--	--	2.5	10.7	72.1
Tax benefit of stock-based awards	--	--	83.9	--	--	--	--	83.9
ESOP loan repayment	--	--	--	--	--	6.3	--	6.3
Other	--	--	.3	.1	--	--	.2	.6
BALANCE, DECEMBER 31, 1998	102.2	432.3	982.4	2,849.5	16.7	(78.5)	(47.2)	4,257.4
Comprehensive income:								
Net income -- 1999	--	--	--	221.4	--	--	--	221.4
Other comprehensive income:								
Unrealized appreciation on marketable equity securities	--	--	--	--	104.2	--	--	104.2
Foreign currency translation adjustments	--	--	--	--	(18.0)	--	--	(18.0)
Total other comprehensive income								86.2
Total comprehensive income								307.6
Cash dividends --								
Common stock ($.60 per share)	--	--	--	(260.9)	--	--	--	(260.9)
$3.50 preferred stock ($2.04 per share)	--	--	--	(2.8)	--	--	--	(2.8)
Stockholders' notes issued	--	--	--	--	--	(9.7)	--	(9.7)
Stockholders' notes repaid	--	--	--	--	--	3.3	--	3.3
Conversion of preferred stock -- 1.8 million shares	(102.2)	8.4	93.8	--	--	--	--	--
Issuance of subsidiary's common stock	--	--	1,170.2	--	(3.4)	--	--	1,166.8
Stock award transactions (including 4.0 million common shares)	--	3.8	78.7	--	--	.4	2.1	85.0
Tax benefit of stock-based awards	--	--	31.6	--	--	--	--	31.6
ESOP loan repayment	--	--	--	--	--	6.9	--	6.9
BALANCE, DECEMBER 31, 1999	--	444.5	2,356.7	2,807.2	99.5	(77.6)	(45.1)	5,585.2
Comprehensive income:								
Net income -- 2000	--	--	--	524.3	--	--	--	524.3
Other comprehensive loss:								
Net unrealized depreciation on marketable equity securities	--	--	--	--	(47.4)	--	--	(47.4)
Foreign currency translation adjustments	--	--	--	--	(23.9)	--	--	(23.9)
Total other comprehensive loss								(71.3)
Total comprehensive income								453.0
Cash dividends --								
Common stock ($.60 per share)	--	--	--	(265.8)	--	--	--	(265.8)
Stockholders' notes issued	--	--	--	--	--	(18.0)	--	(18.0)
Stockholders' notes repaid	--	--	--	--	--	6.6	--	6.6
Stock award transactions (including 3.6 million common shares)	--	3.4	88.3	--	--	.3	2.6	94.6
Tax benefit of stock-based awards	--	--	25.6	--	--	--	--	25.6
ESOP loan repayment	--	--	--	--	--	7.5	--	7.5
Other	--	--	3.3	--	--	--	--	3.3
BALANCE, DECEMBER 31, 2000	$ --	$447.9	$2,473.9	$3,065.7	$ 28.2	$(81.2)	$ (42.5)	$5,892.0

See accompanying notes.

THE WILLIAMS COMPANIES, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

	YEARS ENDED DECEMBER 31, 2000	1999	1998
	(MILLIONS)		
Operating Activities:			
Income from continuing operations	$ 873.2	$ 172.4	$ 163.5
Adjustments to reconcile to cash provided from operations:			
Depreciation, depletion and amortization	831.9	692.4	613.1
Provision for deferred income taxes	351.5	460.2	47.5
Provision for loss on property and other assets	91.8	28.7	126.8
(Gain) loss on dispositions of assets	(125.6)	(4.9)	5.9
Gain on conversion of common stock investment	(214.7)	--	--
Minority interest in income (loss) and preferred returns of consolidated subsidiaries	(12.0)	17.7	4.0
Tax benefit of stock-based awards	25.6	76.1	39.3
Cash provided (used) by changes in assets and liabilities:			
Receivables	(1,712.5)	(680.2)	85.8
Inventories	(293.4)	(99.9)	(50.9)
Deposits and other current assets	(707.3)	(128.7)	(14.3)
Accounts payable	1,449.8	949.4	(124.9)
Accrued liabilities	307.9	8.9	113.5
Changes in current energy trading assets and liabilities	(218.8)	.8	(66.2)
Changes in non-current energy trading assets and liabilities	(485.2)	(59.1)	(44.6)
Changes in non-current deferred income	335.4	179.6	111.5
Other, including changes in non-current assets and liabilities	39.9	60.5	(64.4)
Net cash provided by operating activities	537.5	1,673.9	945.6
Financing Activities:			
Proceeds from notes payable	2,231.3	2,493.8	806.9
Payments of notes payable	(725.6)	(2,284.0)	(946.0)
Proceeds from long-term debt	2,616.5	4,502.2	3,597.1
Payments of long-term debt	(860.1)	(1,831.5)	(1,650.8)
Proceeds from issuance of common stock	75.2	65.2	38.9
Proceeds from issuance of subsidiary's common stock	4.2	1,468.1	--
Dividends paid	(265.8)	(263.7)	(261.4)
Proceeds from issuance of preferred interests of consolidated subsidiaries	787.3	--	335.1
Proceeds from issuance of Williams obligated mandatorily preferred securities of Trust holding only Williams indentures	--	175.0	--
Other -- net	(74.4)	(29.3)	(24.7)
Net cash provided by financing activities	3,788.6	4,295.8	1,895.1
Investing Activities:			
Property, plant and equipment:			
Capital expenditures	(4,903.5)	(3,472.8)	(1,763.5)
Proceeds from dispositions and excess fiber capacity transactions	73.0	83.9	81.6
Changes in accounts payable and accrued liabilities	75.8	93.5	87.9
Acquisitions of businesses (primarily property, plant and equipment), net of cash acquired	(726.4)	(162.9)	(6.0)
Purchases of short-term investments	(1,149.5)	(2,034.2)	--
Proceeds from sales of short-term investments	2,500.8	599.4	--
Purchases of investments/advances to affiliates	(506.2)	(696.0)	(470.3)
Proceeds from sales of investments and other assets	456.3	356.1	11.6
Other -- net	14.4	5.8	(4.0)
Net cash used by investing activities	(4,165.3)	(5,227.2)	(2,062.7)
Net cash used by discontinued operations	(31.7)	(157.6)	(394.2)
Increase in cash and cash equivalents	129.1	584.9	383.8
Cash and cash equivalents at beginning of year	1,081.6	496.7	112.9
Cash and cash equivalents at end of year	$ 1,210.7	$ 1,081.6	$ 496.7

See accompanying notes.

THE WILLIAMS COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of business

Operations of The Williams Companies, Inc. (Williams) are located principally in the United States and are organized into three industry groups: Gas Pipeline, Energy Services and Communications.

Gas Pipeline is comprised of five interstate natural gas pipelines located throughout the majority of the United States as well as investments in North American natural gas pipeline-related companies. The five Gas Pipeline operating segments have been aggregated for reporting purposes and include Williams Gas Pipelines Central, Kern River Gas Transmission, Northwest Pipeline, Texas Gas Transmission and Transcontinental Gas Pipe Line.

Energy Services includes four operating segments: Energy Marketing & Trading, Exploration & Production, Midstream Gas & Liquids and Petroleum Services. Energy Marketing & Trading offers price-risk management services and buys, sells and arranges for transportation/transmission of energy commodities -- including natural gas and gas liquids, crude oil and refined products, and electricity -- to local distribution companies and large industrial and commercial customers in North America. Exploration & Production includes hydrocarbon exploration, production and marketing activities primarily in the Rocky Mountain and Gulf Coast regions. Midstream Gas & Liquids is comprised of natural gas gathering and processing facilities in the Rocky Mountain, midwest and Gulf Coast regions, natural gas liquids pipelines in the Rocky Mountain, southwest, midwest and Gulf Coast regions and an anhydrous ammonia pipeline in the midwest. During 2000, Midstream Gas & Liquids acquired interests in several natural gas liquids extraction and fractionation plants, natural gas liquids pipeline and storage facilities, and a natural gas processing plant which are all located in Canada. Petroleum Services includes petroleum refining and marketing in Alaska and the southeast, a petroleum products pipeline and ethanol production and marketing operations in the midwest region.

Communications consists of three operating segments: Network, Broadband Media and Strategic Investments. Network includes fiber-optic construction, transmission and management services throughout North America, fiber-optic construction and transmission services in Australia and investments in domestic communications companies. Broadband Media includes operations principally located in the United States offering video, advertising distribution and other multimedia transmission services via terrestrial and satellite links for the broadcast industry as well as investments in domestic broadband media companies. Strategic Investments includes certain other investments in domestic communications companies and investments in foreign communications companies located in Brazil and Chile.

Basis of presentation

In January 2001, Williams' board of directors authorized a plan for its management to divest the operations that previously comprised the Solutions segment which provided professional communications services and sold and installed communications equipment. Solutions has been accounted for as discontinued operations, and accordingly, the accompanying consolidated financial statements and notes have been restated to reflect the results of operations, net assets and cash flows of Solutions as discontinued operations. Unless indicated otherwise, the information in the Notes to Consolidated Financial Statements relates to the continuing operations of Williams (see Note 3).

Effective February 2001, management of certain operations previously conducted by Energy Marketing & Trading was transferred to Petroleum Services. These operations included the procurement of crude oil and marketing of refined products produced from the Memphis refinery, for which prior year segment information has been restated to reflect the transfer. Additionally, the refined product sales activities surrounding certain terminals located throughout the United States were transferred. This sales activity was previously included in the trading portfolio of Energy Marketing & Trading and was therefore reported net of related cost of sales. Following the transfer, these sales will be reported on a "gross" basis.

The Consolidated Statement of Income presentation relating primarily to the natural gas liquids marketing activities of former MAPCO Inc. (MAPCO) operations (see Note 2), reported within Energy Marketing & Trading, was changed effective April 1, 1998 and on a prospective basis, these revenues were reflected net of the related costs to purchase such items. Activity prior to this date is reflected on a "gross" basis in Energy Marketing & Trading's segment results and in the Consolidated Statement of Income. Concurrent with completing the combination of such activities with the energy risk trading operations of Energy Marketing & Trading, the related contract rights and obligations of certain of these operations were recorded in the Consolidated Balance Sheet at fair value consistent with Energy Marketing & Trading's accounting policy.

Certain prior year amounts have been reclassified to conform to current year classifications.

Principles of consolidation

The consolidated financial statements include the accounts of Williams, its majority-owned subsidiaries, and a subsidiary that Williams controls but owns less than 50 percent of the voting common stock. Companies in which Williams and its subsidiaries own 20 percent to 50 percent of the voting common stock, or otherwise exercise significant influence over operating and financial policies of the company, are accounted for under the equity method.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include demand and time deposits, certificates of deposit and other marketable securities with maturities of three months or less when acquired. Certain items which meet the definition of cash equivalents, but are part of a larger pool of investments managed by financial institutions, are included in short-term investments.

Inventory valuation

Inventories are stated at cost, which is not in excess of market, except for certain assets held for energy trading activities by Energy Marketing & Trading, which are primarily stated at fair value. The cost of inventories is primarily determined using the average-cost method or market, if lower, except for certain natural gas inventories held by Transcontinental Gas Pipe Line and general merchandise inventories held by Petroleum Services, which are determined using the last-in, first-out (LIFO) cost method.

Property, plant and equipment

Property, plant and equipment is recorded at cost. Depreciation is provided primarily on the straight-line method over estimated useful lives. Gains or losses from the ordinary sale or retirement of property, plant and equipment for regulated pipelines are credited or charged to accumulated depreciation; other gains or losses are recorded in net income.

Goodwill and other intangible assets

Goodwill, which represents the excess of cost over fair value of assets of businesses acquired, is amortized on a straight-line basis over periods from 15 to 25 years. Other intangible assets are amortized on a straight-line basis over periods from three to 20 years.

Treasury stock

Treasury stock purchases are accounted for under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. Gains and losses on the subsequent reissuance of shares are credited or charged to capital in excess of par value using the average-cost method.

Gas Pipeline revenues

Revenues for sales of products are recognized in the period of delivery and revenues from the transportation of gas are recognized based on contractual terms and the related transportation volumes. Gas Pipeline is subject to Federal Energy Regulatory Commission (FERC) regulations and, accordingly, certain revenues collected may be subject to possible refunds upon final orders in pending rate cases. Gas Pipeline records rate refund liabilities considering Gas Pipeline and other third party regulatory proceedings, advice of counsel and estimated total exposure, as discounted and risk weighted, as well as collection and other risks.

Energy Services revenues

Revenues generally are recorded when services have been performed or products have been delivered. A portion of Petroleum Services is subject to FERC regulations and, accordingly, the method of recording these revenues is consistent with Gas Pipeline's method discussed above. Energy Marketing & Trading's activities are primarily accounted for at fair value as described in Energy trading activities below.

Communications revenues

For Network and Broadband Media, transmission and management service revenues are recognized monthly as the services are provided. Amounts billed in advance of the service month are recorded as deferred revenue.

Network uses lease accounting to record revenues related to cash received for the right to use portions of its fiber-optic network. The lease transactions are evaluated for sales-type lease accounting which results in certain lease transactions being accounted for as sales upon completion of the construction of the respective network segments and upon acceptance of the fiber by the purchaser. Transactions that do not meet the criteria for a sales-type lease are accounted for as an operating lease, and revenue is recorded over the term of the lease. In accordance with Financial Accounting Standards Board (FASB) Interpretation No. 43, "Real Estate Sales, an interpretation of FASB Statement No. 66," issued in June 1999, lease transactions entered into after June 30, 1999, are accounted for as operating leases unless title to the fibers under lease transfers to the lessee. The effect of this interpretation on 2000 and 1999 results was to decrease revenues by $189.9 million and $11.0 million, respectively, and decrease net income by $45.2 million and $3.8 million, respectively.

Energy trading activities

Energy Marketing & Trading has trading operations that enter into energy contracts to provide price-risk management services to its third-party customers. Energy contracts include forward contracts, futures contracts, option contracts, swap agreements, commodity inventories and short- and long-term purchase and sale commitments which involve physical delivery of an energy commodity and energy-related contracts, including transportation, storage and power tolling contracts, utilized for trading activities. These energy contracts are valued at fair value and, with the exception of certain commodity inventories, are recorded in current and non-current energy trading assets and energy trading liabilities in the Consolidated Balance Sheet. The net change in fair value representing unrealized gains and losses is recognized in income currently and is recorded as revenues in the Consolidated Statement of Income. Fair value, which is subject to change in the near term, reflects management's estimates using valuation techniques that reflect the best information available under the circumstances. This information includes various factors such as quoted market prices, estimates of market prices in the absence of quoted market prices, contractual volumes, estimated volumes under option and other arrangements that result in varying volumes, other contract terms, liquidity of the market in which the contract is transacted, credit considerations, time value and volatility factors underlying the positions. These values reflect the appropriate adjustments for uncertainty regarding the company's ability to liquidate the position considering market factors applicable at the date of such valuation. Judgement is required in interpreting market factors, and the use of alternative market assumptions or valuation methodologies may affect management's estimate of fair value. Energy Marketing & Trading reports its trading operations' physical sales transactions net of the related purchase costs, consistent with fair value accounting for such trading activities.

Energy hedging activities

Williams also enters into energy derivative financial instruments and derivative commodity instruments (primarily futures contracts, option contracts and swap agreements) to hedge against market price fluctuations of certain commodity inventories and sales and purchase commitments. Unrealized and realized gains and losses on these hedge contracts are deferred and recognized in income in the same manner as the hedged item. These contracts are initially and regularly evaluated to determine that there is a high correlation between changes in the fair value of the hedge contract and fair value of the hedged item. In instances where the anticipated correlation of price movements does not occur, hedge accounting is terminated and future changes in the value of the instruments are recognized as gains or losses. If the hedged item of the underlying transaction is sold or settled, the instrument is recognized into income.

Impairment of long-lived assets

Williams evaluates the long-lived assets, including related intangibles, of identifiable business activities for impairment when events or changes in circumstances indicate, in management's judgement, that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on management's estimate of undiscounted future cash flows attributable to the assets as compared to the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value for the assets and recording a provision for loss if the carrying value is greater than fair value.

For assets identified to be disposed of in the future, the carrying value of these assets is compared to the estimated fair value less the cost to sell to determine if an impairment is required. Until the assets are disposed of, an estimate of the fair value is redetermined when related events or circumstances change.

Interest-rate derivatives

Williams enters into interest-rate swap agreements to modify the interest characteristics of its long-term debt. These agreements are designated with all or a portion of the principal balance and term of specific debt obligations. These agreements involve the exchange of amounts based on a fixed interest rate for amounts based on variable interest rates without an exchange of the notional amount upon which the payments are based. The difference to be paid or received is accrued and recognized as an adjustment of interest accrued. Gains and losses from terminations of interest-rate swap agreements are deferred and amortized as an adjustment of the interest expense on the outstanding debt over the remaining original term of the terminated swap agreement. In the event the designated debt is extinguished, gains and losses from terminations of interest-rate swap agreements are recognized in income.

Kern River Gas Transmission specifically has interest-rate swap agreements that are not designated with long-term debt that are recorded in other liabilities at market value. Changes in market value are recorded as adjustments to a regulatory asset which is expected to be recovered in transportation rates.

Capitalization of interest

Williams capitalizes interest on major projects during construction. Interest is capitalized on borrowed funds and, where regulation by the FERC exists, on internally generated funds. The rates used by regulated companies are calculated in accordance with FERC rules. Rates used by unregulated companies are based on the average interest rate on related debt. Interest capitalized on internally generated funds, as permitted by FERC rules, is included in non-operating other income (expense) -- net.

Employee stock-based awards

Employee stock-based awards are accounted for under Accounting Principles Board Opinion (APB) No. 25, "Accounting for Stock Issued to Employees" and related interpretations. Fixed-plan common stock options generally do not result in compensation expense because the exercise price of the stock options equals the market price of the underlying stock on the date of grant.

Income taxes

Williams includes the operations of its subsidiaries in its consolidated tax return. Deferred income taxes are computed using the liability method and are provided on all temporary differences between the financial basis and the tax basis of Williams' assets and liabilities.

Earnings per share

Basic earnings per share are based on the sum of the average number of common shares outstanding and issuable restricted and deferred shares. Diluted earnings per share include any dilutive effect of stock options and, for applicable periods presented, convertible preferred stock.

Foreign currency translation

The functional currency of Williams is the U.S. dollar. The functional currency of certain of Williams' foreign operations is the local currency for the applicable foreign subsidiary and equity method investee. These foreign currencies include the Australian dollar, Brazilian real, Canadian dollar and Lithuanian lita. Assets and liabilities of certain foreign subsidiaries and equity investees are translated at the spot rate in effect at the applicable reporting date, and the combined statements of operations and Williams' share of the results of operations of its equity affiliates are translated at the average exchange rates in effect during the applicable period. The resulting cumulative translation adjustment is recorded as a separate component of other comprehensive income.

Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time such transactions arise. Subsequent changes in exchange rates result in transactions gains and losses which are reflected in the Consolidated Statement of Income.

Issuance of subsidiary common stock

Sales of stock by a subsidiary are accounted for as capital transactions. No gain or loss is recognized on these transactions.

Recent accounting standards

The FASB issued Statement of Financial Accounting Standards (SFAS) No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." The Statement provides guidance for determining whether a transfer of financial assets should be accounted for as a sale or a secured borrowing, and whether a liability has been extinguished. The Statement is effective for recognition and reclassification of collateral and for disclosures which relate to securitization transactions and collateral for fiscal years ending after December 15, 2000. The Statement will become effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The initial application of SFAS No. 140 will not have a material impact to Williams' results of operations and financial position.

The FASB issued Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation." This interpretation modified the practice of accounting for certain stock award agreements and was generally effective beginning July 1, 2000. The initial impact of this interpretation on Williams' results of operations and financial position was not material.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This was followed in June 2000 by the issuance of SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," which amends SFAS No. 133. SFAS No. 133 and 138 establish accounting and reporting standards for derivative financial instruments. The standards require that all derivative financial instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives will be recorded each period in earnings if the derivative is not a hedge. If a derivative is a hedge, changes in the fair value of the derivative will either be recognized in earnings along with the change in the fair value of the hedged asset, liability or firm commitment also recognized in earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. For a derivative recognized in other comprehensive income, the ineffective portion of the derivative's change in fair value will be recognized immediately in earnings. Williams adopted these standards effective January 1, 2001. The January 1, 2001, cumulative effect of the accounting change associated with the initial adoption of SFAS No. 133 is not material to the results of operations, but the initial application will result in a reduction of first-quarter 2001 other comprehensive income of approximately $94 million (net of income tax benefits of $58 million).

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements." Among other things, SAB No. 101 clarifies certain conditions regarding the culmination of an earnings process and customer acceptance requirements in order to recognize revenue. The initial impact of SAB No. 101 on Williams' results of continued operations and financial position was not material.

NOTE 2. ACQUISITION

On March 28, 1998, Williams completed the acquisition of MAPCO by exchanging 1.665 shares of Williams common stock for each outstanding share of MAPCO common stock. In addition, outstanding MAPCO employee stock options were converted into 5.7 million shares of Williams common stock. Upon completion, 98.8 million shares of Williams common stock valued at $3.1 billion, based on the closing price of Williams common stock on March 27, 1998, were issued. Also in connection with the merger, 8.4 million shares of MAPCO $1 par value common stock previously held in treasury were retired. These shares had a carrying value of $253.8 million. The merger constituted a tax-free reorganization and has been accounted for as a pooling of interests.

In connection with the merger, Williams recognized approximately $80 million in merger-related costs in 1998, comprised primarily of outside professional fees and early retirement and severance costs. Approximately $51 million of these merger-related costs are included in other expense -- net as a component of operating income within Energy Services for 1998, and approximately $29 million, unrelated to segments, is included in general corporate expenses. In addition, during 1997, payments of $32.6 million were made for non-compete agreements. These costs were amortized over one to three years from the merger completion date and are included within Energy Services operating income.

NOTE 3. DISCONTINUED OPERATIONS

Solutions

On January 25, 2001, Williams' board of directors authorized a plan for its management to divest the operations that previously comprised the Solutions segment. On January 29, 2001, Williams signed an agreement to sell the domestic and Mexican operations of Solutions to Platinum Equity, LLC. This sale is expected to close by the end of first-quarter 2001. Williams plans to divest its remaining Canadian Solutions operations in 2001.

Other

Williams' 1998 loss from discontinued operations related to a business sold in 1996 and included cost accruals for contractual obligations related to financial performance of the assets of the business and an income tax adjustment to the loss on the assets sold.

Summarized results of discontinued operations for years ended December 31, 2000, 1999 and 1998, are as follows:

	2000	1999	1998
		(MILLIONS)	
Solutions:			
Revenues	$1,370.5	$1,431.7	$1,366.8
Loss from operations:			
Loss before income taxes	$ (84.3)	$ (19.8)	$ (30.6)
Benefit for income taxes	16.8	3.6	8.5
Cumulative effect of change in accounting principle	(21.6)	--	--
Loss from operations	(89.1)	(16.2)	(22.1)
Estimated loss on disposal:			
Estimated loss on sale, including exit costs	(308.5)	--	--
Estimated operating losses from January 1, 2001 to anticipated disposal date	(15.4)	--	--
Benefit for income taxes	64.1	--	--
Estimated loss on disposal	(259.8)	--	--
Other:			
Loss from operations:			
Loss before income taxes	--	--	(21.7)
Benefit for income taxes	--	--	7.4
Loss from operations	--	--	(14.3)
Total loss from discontinued operations	$ (348.9)	$ (16.2)	$ (36.4)

Loss from discontinued operations excludes certain of Communications shared services costs that were previously allocated to Solutions of $25.6 million, $15.7 million and $6.9 million for 2000, 1999 and 1998, respectively. These costs have been reallocated to the remaining Communications segments (see Note 23).

Prior to January 1, 2000, Williams' revenue recognition policy on Solutions' new systems sales and upgrades had been to recognize revenues under the percentage-of-completion method. A portion of the revenues on the contracts was initially recognized upon delivery of equipment with the remaining revenues under the contract being recognized over the installation period based on the relationship of incurred labor to total estimated labor. In light of the new guidance issued in SAB No. 101, effective January 1, 2000, Williams changed its method of accounting for new systems sales and upgrades from the percentage-of-completion method to the completed-contract method. The provisions of SAB No. 101 permit Williams to treat this change in accounting principle as a cumulative effect adjustment consistent with the rules issued under APB No. 20. The cumulative effect of the accounting change resulted in a charge to the 2000 loss on discontinued operations of $21.6 million (net of income tax benefits of $14.9 million and minority interest of $21 million).

Net assets of discontinued operations as of December 31, 2000 and 1999, are as follows:

	2000	1999
	(MILLIONS)	
Solutions:		
Current assets:		
Cash	$ 20.0	$ 10.4
Accounts receivable, net	515.4	647.0
Inventories	78.5	85.9
Other	19.9	13.2
Total current assets	633.8	756.5
Property, plant and equipment, net	109.2	101.8
Other assets and goodwill	239.7	259.3
Total assets	982.7	1,117.6
Current liabilities:		
Accounts payable	92.4	77.5
Accrued liabilities	214.6	201.5
Accrual for loss on disposal of discontinued operations	379.7	--
Other	3.0	2.2
Total current liabilities	689.7	281.2
Other liabilities and minority interest	4.6	39.0
Total liabilities and minority interest	694.3	320.2
	288.4	797.4
Consolidated tax impact of discontinued operations	141.3	6.4
Net assets of discontinued operations	$429.7	$ 803.8

NOTE 4. INVESTING ACTIVITIES

Investments at December 31, 2000 and 1999, are as follows:

	2000	1999
	(MILLIONS)	
Short-term investments:		
Commercial paper	$ 82.2	$ 516.9
Debt securities mutual fund	.8	354.9
Auction securities consisting primarily of asset-backed and corporate debt securities	--	334.3
Other debt securities and time deposits	.4	228.7
	83.4	1,434.8
Marketable equity securities	311.8	--
Short-term investments	$ 395.2	$1,434.8
Long-term investments:		
Equity method:		
ATL-Algar Telecom Leste S.A. -- common stock	$ 23.7	$ 42.6
Alliance Aux Sable -- 14.6%	57.6	27.2
Alliance Pipeline -- 14.6%	183.6	135.4
AB Mazeikiu Nafta -- 33%	61.2	73.7
Longhorn Partners Pipeline, L.P. -- 32.1%	105.3	98.4
Discovery Pipeline -- 50%	87.6	92.6
Other	328.4	245.2
	847.4	715.1
Cost method:		
ATL-Algar Telecom Leste S.A. -- preferred stock	292.0	317.0
Algar Telecom S.A. -- common and preferred stock	52.8	52.8
Other	258.8	226.3
	603.6	596.1
Ferrellgas Partners L.P. senior common units	193.9	175.7
Marketable equity securities	12.4	288.1
Advances to affiliates	331.2	190.4
Long-term investments	$1,988.5	$1,965.4

Short-term investments excluding marketable equity securities

Maturities of these short-term investments are primarily one year or less with the exception of the mutual funds which do not have a maturity. These short-term investments are classified as available-for-sale. The carrying amounts of these investments are reported at fair value, which approximates cost, with net unrealized appreciation or depreciation reported as a component of other comprehensive income.

Marketable equity securities

Marketable equity securities are classified as short-term or long-term based on management's plans for holding or disposing of these investments. Additionally, these investments are classified as available-for-sale. The carrying amount of these investments is reported at fair value with net unrealized appreciation or depreciation reported as a component of other comprehensive income. The aggregate cost of these investments was $195.6 million and $57.7 million as of December 31, 2000 and 1999, respectively. Gross unrealized gains and losses were $179.4 million and $50.8 million as of December 31, 2000, respectively. Gross unrealized gains were $230.4 million as of December 31, 1999, as the carrying amount exceeded cost for each marketable equity security investment. None of the gross unrealized losses as of December 31, 2000, were considered by management to be other than temporary.

Williams has entered into cashless collar derivative instruments in 2000 which will expire by first-quarter 2002. As of December 31, 2000, these derivative instruments were accounted for as hedges of Williams' exposure to changes in the price of its investments in certain marketable equity securities. Changes in the fair value of the hedged marketable equity securities and the impact of the associated derivative instruments are reflected in accumulated other comprehensive income. The derivative instruments impact realized gains or losses from the sale of the hedged marketable equity security. Effective January 1, 2001, the cashless collar does not qualify as a hedge under SFAS No. 133 as amended. Williams received cash proceeds of $85.1 million from the early termination of certain derivative instruments treated as hedges of certain marketable equity securities in 2000. The cash proceeds were recorded as a reduction in the basis of the underlying marketable equity security.

Williams sold portions of its investment in certain marketable equity securities for aggregate gains and losses of $109.1 million and $14.6 million, respectively, in 2000. In addition, Williams recognized a gain during 2000 of $214.7 million from the conversion of Williams' ownership of common stock of Concentric Network Corporation into shares of common stock of XO Communications, Inc. pursuant to a merger of those companies completed in June 2000.

In first quarter 2001, Williams liquidated a portion of its marketable equity securities portfolio, yielding proceeds of $25.4 million and a gain of $24.4 million. As of February 28, 2001, the value of Williams' marketable equity securities portfolio has depreciated approximately $90 million since December 31, 2000.

Equity, cost-basis investments, advances to affiliates and other

In 2000, Williams recognized a loss of $34.5 million related to a write-down of certain cost-basis and equity investments resulting from management's estimate of the permanent decline in the value of these investments.

Certain investments accounted for under the equity basis are publicly traded. At December 31, 2000, these investments had a carrying value of $76.1 million and a quoted market value of $178.4 million.

Earnings and losses related to equity investments are included in revenues. Dividends and distributions received from companies carried on the equity basis were $32 million, $14 million and $16 million in 2000, 1999 and 1998, respectively.

The Ferrellgas Partners L.P. senior common units are non-voting and mature in 2002 and bear a fixed yield of 10 percent. The carrying amount of this investment is reported at fair value, which approximates cost at December 31, 2000 and 1999.

In a series of transactions in first-quarter 2000, Williams sold a portion of its investment in ATL-Algar Telecom Leste S.A. (ATL) for approximately $168 million in cash to an entity jointly owned by SBC Communications, Inc. (SBC) and Telefonos de Mexico S.A. de C.V. This investment has a carrying value of $30 million. Williams recognized a gain on the sale of $16.5 million and deferred a gain of approximately $121 million associated with $150 million of the proceeds, which were subsequently advanced to ATL. As of December 31, 2000, Williams owns 66 percent of the preferred shares and 19 percent of the common stock of ATL. At December 31, 2000, Williams' interest in ATL was pledged as collateral for a U.S. dollar denominated $521 million loan from Ericsson Project Finance AB to ATL.

In fourth-quarter 2000, ATL closed a financing arrangement with a Brazilian development bank which provided ATL 528 million reais (approximately $270 million at December 31, 2000) in additional local currency funding of which Williams has guaranteed $100 million.

Investing income

Investing income for 2000 is comprised of interest income, gains (losses) from the sale of marketable securities and the $214.7 million gain discussed previously. Investing income for 1999 and 1998 is comprised primarily of interest income.

NOTE 5. ASSET SALES, IMPAIRMENTS AND OTHER ACCRUALS

Included in other expense -- net within segment costs and expenses and Energy Marketing & Trading's segment profit for 2000 are guarantee loss accruals and impairments of $47.5 million. The charges result from the decision to discontinue mezzanine lending services, and the accruals represent the estimated liability associated with guarantees of third-party lending activities.

Included in other expense -- net within segment costs and expenses and Energy Marketing & Trading's segment profit for 1999 is a $22.3 million gain related to the sale of certain of its retail gas and electric operations.

Included in other expense -- net within segment costs and expenses and Strategic Investments' segment loss for 1999 is a pre-tax loss totaling $28.4 million, related to management's second-quarter 1999 decision and commitment to sell certain network application businesses. The $28.4 million loss consists of a $24.5 million impairment of the assets to fair value, based on the net sales proceeds of $50 million, and $3.9 million in exit costs consisting of contractual obligations related to the sales of these businesses. These transactions resulted in an increase in the income tax provision of approximately $7.9 million, which reflects the impact of goodwill not deductible for tax purposes.

Included in 1998 other expense -- net within segment costs and expenses and Strategic Investments' segment loss is a $23.2 million loss related to a venture involved in the technology and transmission of business information for news and educational purposes. The loss occurred as a result of Williams' re-evaluation and decision to exit the venture, as Williams decided against making further investments in the venture. Williams abandoned its entire ownership interest in the venture during fourth-quarter 1998. The loss primarily consists of $17 million from the impairment of the total carrying amount of the investment and $5 million from recognition of contractual obligations that continued after the abandonment. Williams' share of losses from the venture is not significant to consolidated net income for any periods presented.

THE WILLIAMS COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 6. PROVISION FOR INCOME TAXES

The provision (benefit) for income taxes from continuing operations includes:

	2000	1999	1998
		(MILLIONS)	
Current:			
Federal	$180.3	$(320.0)	$ 60.9
State	19.6	18.7	5.9
Foreign	2.6	2.3	1.4
	202.5	(299.0)	68.2
Deferred:			
Federal	284.7	446.3	36.3
State	57.4	22.7	11.2
Foreign	9.4	(8.8)	--
	351.5	460.2	47.5
Total provision	$554.0	$ 161.2	$115.7

Reconciliations from the provision for income taxes from continuing operations at the federal statutory rate to the provision for income taxes are as follows:

	2000	1999	1998
		(MILLIONS)	
Provision at statutory rate	$499.5	$116.8	$ 97.7
Increases (reductions) in taxes resulting from:			
State income taxes (net of federal benefit)	50.0	26.5	11.0
Non-deductible costs, including goodwill amortization	2.8	4.2	10.5
Income tax credits	(7.3)	(5.8)	(4.0)
Non-deductible costs related to asset sales	--	16.8	--
Foreign operations	14.0	7.5	5.2
Other -- net	(5.0)	(4.8)	(4.7)
Provision for income taxes	$554.0	$161.2	$115.7

Significant components of deferred tax liabilities and assets as of December 31, 2000 and 1999, are as follows:

	2000	1999
	(MILLIONS)	
Deferred tax liabilities:		
Property, plant and equipment	$2,421.6	$2,275.4
Investments	577.6	584.2
Energy trading	368.8	(9.9)
Other	190.2	191.2
Total deferred tax liabilities	3,558.2	3,040.9
Deferred tax assets:		
Rate refunds	19.5	83.9
Accrued liabilities	243.8	174.4
Minimum tax credits	241.7	213.6
Deferred revenue	155.8	12.8
Other	134.2	152.4
Total deferred tax assets	795.0	637.1
Net deferred tax liabilities	$2,763.2	$2,403.8

Cash payments for income taxes (net of refunds) were $112 million in 2000. In 1999, cash refunds exceeded cash payments resulting in a net refund of $387 million. Federal tax refunds received in 1999 are reflected as current tax benefits with offsetting deferred tax provisions attributable to temporary differences between the book and tax basis of certain assets. Cash payments for income taxes (net of refunds) were $29 million in 1998.

NOTE 7. EXTRAORDINARY GAIN (LOSS)

On December 17, 1999, Williams sold its retail propane business, Thermogas L.L.C. (Thermogas), previously a subsidiary of MAPCO, to Ferrellgas Partners L.P. (Ferrellgas) for $443.7 million, including $175 million in senior common units of Ferrellgas. The sale resulted from an unsolicited offer from Ferrellgas and yielded an after-tax gain of $65.2 million (net of a $47.9 million provision for income taxes), which is reported as an extraordinary gain. The results of operations from this business are not significant to consolidated net income for any periods presented. Thermogas operations for 1999 and 1998 are reported within the Energy Marketing & Trading segment.

During 1998, Williams paid $54.4 million to redeem higher interest rate debt resulting in a $4.8 million net loss (net of a $2.6 million benefit for income taxes).

NOTE 8. EARNINGS PER SHARE

Basic and diluted earnings per common share are computed for the years ended December 31, 2000, 1999 and 1998, as follows:

	2000	1999	1998
	(DOLLARS IN MILLIONS, EXCEPT PER-SHARE AMOUNTS; SHARES IN THOUSANDS)		
Income from continuing operations	$ 873.2	$ 172.4	$ 163.5
Preferred stock dividends	--	(2.8)	(7.1)
Income from continuing operations available to common stockholders for basic and diluted earnings per share	$ 873.2	$ 169.6	$ 156.4
Basic weighted-average shares	444,416	436,117	425,681
Effect of dilutive securities:			
Stock options	4,904	5,395	6,135
Diluted weighted-average shares	449,320	441,512	431,816
Earnings per share from continuing operations:			
Basic	$ 1.97	$ .39	$ .37
Diluted	$ 1.95	$ .39	$ .36

Approximately 7.2 million, 6.2 million and 5 million options to purchase shares of common stock with weighted-average exercise prices of $43.11, $38.56 and $32.20, respectively, were outstanding on December 31, 2000, 1999 and 1998, respectively, but have been excluded from the computation of diluted earnings per share. Inclusion of these shares would have been antidilutive, as the exercise prices of the options exceeded the average market prices of the common shares for the respective years.

Additionally for 1999 and 1998, approximately 5.4 million and 9.6 million shares, respectively, related to the assumed conversion of the $3.50 convertible preferred stock, have been excluded from the computation of diluted earnings per share. Inclusion of these shares would be antidilutive.

NOTE 9. EMPLOYEE BENEFIT PLANS

The following table presents the changes in benefit obligations and plan assets for pension benefits and other postretirement benefits for the years indicated. It also presents a reconciliation of the funded status of these benefits to the amount recognized in the Consolidated Balance Sheet at December 31 of each year indicated.

	PENSION BENEFITS		OTHER POSTRETIREMENT BENEFITS	
	2000	1999	2000	1999
	(MILLIONS)			
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 849.7	$1,039.6	$ 445.3	$ 444.9
Service cost	41.1	44.3	7.7	8.7
Interest cost	74.9	69.6	33.3	30.0
Plan participants' contributions	--	--	2.0	1.8
Amendments	4.7	19.2	--	--
Acquisition (divestitures)	--	4.2	--	(.7)
Settlement/curtailment gain	--	(7.6)	--	--
Special termination benefit cost	11.6	2.2	1.4	--
Actuarial (gain) loss	127.3	(218.7)	1.6	(19.4)
Benefits paid	(87.2)	(103.1)	(21.0)	(20.0)
Benefit obligation at end of year	1,022.1	849.7	470.3	445.3
Change in plan assets:				
Fair value of plan assets at beginning of year	1,147.4	1,031.3	252.5	209.7
Actual return on plan assets	(29.3)	187.0	(6.5)	33.2
Acquisition	--	4.9	--	--
Employer contributions	17.9	27.3	27.2	27.8
Plan participants' contributions	--	--	2.0	1.8
Benefits paid	(63.8)	(98.1)	(21.0)	(20.0)
Settlement benefits paid	(23.4)	(5.0)	--	--
Fair value of plan assets at end of year	1,048.8	1,147.4	254.2	252.5
Funded status	26.7	297.7	(216.1)	(192.8)
Unrecognized net actuarial (gain) loss	28.2	(231.3)	(6.7)	(32.9)
Unrecognized prior service credit	(13.3)	(20.3)	(1.0)	(.8)
Unrecognized transition (asset) obligation	(.2)	(1.0)	48.9	53.0
Prepaid (accrued) benefit cost	$ 41.4	$ 45.1	$(174.9)	$(173.5)
Prepaid benefit cost	$ 80.4	$ 76.5	$ 5.9	$ 3.8
Accrued benefit cost	(39.0)	(31.4)	(180.8)	(177.3)
Prepaid (accrued) benefit cost	$ 41.4	$ 45.1	$(174.9)	$(173.5)

THE WILLIAMS COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Net pension and other postretirement benefit expense consists of the following:

	PENSION BENEFITS		
	2000	1999	1998
	(MILLIONS)		
Components of net periodic pension expense:			
Service cost	$ 41.1	$ 44.3	$ 41.5
Interest cost	74.9	69.6	69.6
Expected return on plan assets	(103.0)	(95.2)	(88.8)
Amortization of transition asset	(.8)	(.7)	(.7)
Amortization of prior service credit	(2.3)	(2.6)	(4.1)
Recognized net actuarial loss	--	2.1	6.5
Regulatory asset amortization	4.4	7.2	12.2
Settlement/curtailment gain	--	(5.6)	(22.2)
Special termination benefit cost	11.6	2.2	35.1
Net periodic pension expense	$ 25.9	$ 21.3	$ 49.1

	OTHER POSTRETIREMENT BENEFITS		
	2000	1999	1998
	(MILLIONS)		
Components of net periodic postretirement benefit expense:			
Service cost	$ 7.7	$ 8.7	$ 8.9
Interest cost	33.3	30.0	28.9
Expected return on plan assets	(17.3)	(14.3)	(12.1)
Amortization of transition obligation	4.1	4.1	4.1
Amortization of prior service cost	.2	.2	.2
Recognized net actuarial loss (gain)	(.8)	.2	.2
Regulatory asset amortization	8.7	9.0	5.4
Special termination benefit cost	1.4	--	3.6
Net periodic postretirement benefit expense	$ 37.3	$ 37.9	$ 39.2

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $120.5 million, $97.9 million and $67.6 million, respectively, as of December 31, 2000.

The following are the weighted-average assumptions utilized as of December 31 of the year indicated:

	PENSION BENEFITS		OTHER POSTRETIREMENT BENEFITS	
	2000	1999	2000	1999
Discount rate	7.5%	8%	7.5%	8%
Expected return on plan assets	10	10	10	10
Expected return on plan assets (after tax)	N/A	N/A	6	6
Rate of compensation increase	5	5	N/A	N/A

The annual assumed rate of increase in the health care cost trend rate for 2001 is 10 percent and systematically decreasing to 5 percent by 2008.

The various nonpension postretirement benefit plans which Williams sponsors provide for retiree contributions and contain other cost-sharing features such as deductibles and coinsurance. The accounting for these plans anticipates future cost-sharing changes to the written plans that are consistent with Williams' expressed intent to increase the retiree contribution rate generally in line with health care cost increases.

The health care cost trend rate assumption has a significant effect on the amounts reported. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-PERCENTAGE-POINT INCREASE	1-PERCENTAGE-POINT DECREASE
	(MILLIONS)	
Effect on total of service and interest cost components...	$ 6.0	$ (4.7)
Effect on postretirement benefit obligation...............	64.7	(50.9)

The amount of postretirement benefit costs deferred as a regulatory asset at December 31, 2000 and 1999, is $84 million and $91 million, respectively, and is expected to be recovered through rates over approximately 14 years.

Williams maintains various defined-contribution plans. Williams recognized costs of $38 million in 2000, $34 million in 1999 and $30 million in 1998 for these plans.

NOTE 10. INVENTORIES

Inventories at December 31, 2000 and 1999, are as follows:

	2000	1999
	(MILLIONS)	
Raw materials:		
Crude oil..	$ 70.0	$ 66.6
Other..	1.6	2.1
	71.6	68.7
Finished goods:		
Refined products...	269.6	172.5
Natural gas liquids..	200.2	83.9
General merchandise..	12.6	36.6
	482.4	293.0
Materials and supplies.....................................	122.9	103.7
Natural gas in underground storage.........................	169.0	77.5
Other..	2.6	2.8
	$848.5	$545.7

As of December 31, 2000 and 1999, approximately 54 percent and 32 percent of inventories, respectively, were stated at fair value. Inventories, primarily related to energy trading activities, stated at fair value at December 31, 2000 and 1999, included refined products of $195.1 million and $102.9 million, respectively; natural gas in underground storage of $125.8 million and $35.9 million, respectively; and natural gas liquids of $124.4 million and $29.4 million, respectively. Inventories determined using the LIFO cost method were approximately 3 percent and 11 percent of inventories at December 31, 2000 and 1999, respectively. The remaining inventories were primarily determined using the average-cost method.

If inventories valued on the LIFO cost method at December 31, 2000 and 1999, were valued at current replacement cost, the amounts would increase in both years by approximately $14 million.

NOTE 11. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2000 and 1999, is as follows:

	2000	1999
	(MILLIONS)	
Cost:		
Gas Pipeline	$ 9,084.9	$ 8,468.7
Energy Services:		
Energy Marketing & Trading	299.8	235.1
Exploration & Production	526.3	485.2
Midstream Gas & Liquids	5,145.5	4,102.1
Petroleum Services	2,882.6	2,805.1
Communications:		
Network	5,270.7	2,030.8
Broadband Media	195.4	188.2
Strategic Investments	5.1	4.8
Other	1,179.2	737.6
	24,589.5	19,057.6
Accumulated depreciation and depletion	(4,921.7)	(4,003.9)
	$19,667.8	$15,053.7

Depreciation expense was $812.2 million, $658.7 million and $579.5 million, respectively, in 2000, 1999 and 1998.

Included in gross property, plant and equipment for 2000 is approximately $3.3 billion of construction in progress, primarily communications network, which is not yet subject to depreciation. Construction in progress included in 1999 was $2.3 billion.

Commitments for construction and acquisition of property, plant and equipment are approximately $1.9 billion at December 31, 2000.

NOTE 12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Under Williams' cash-management system, certain subsidiaries' cash accounts reflect credit balances to the extent checks written have not been presented for payment. The amounts of these credit balances included in accounts payable are $209 million at December 31, 2000, and $186 million at December 31, 1999.

Accrued liabilities at December 31, 2000 and 1999, are as follows:

	2000	1999
	(MILLIONS)	
Employee costs	$ 377.9	$ 277.4
Interest	255.3	204.1
Deposits received from customers relating to energy trading and hedging activities	244.6	--
Construction costs	207.0	271.3
Income taxes	184.7	96.7
Deferred income	155.5	122.9
Taxes other than income taxes	147.8	141.7
Rate refunds	72.1	189.3
Other	411.9	325.8
	$2,056.8	$1,629.2

NOTE 13. DEBT, LEASES AND BANKING ARRANGEMENTS

Notes payable

During 2000, Williams' commercial paper program, backed by a short-term credit facility, was increased from $1.4 billion to $1.7 billion. At December 31, 2000 and 1999, $1.7 billion and $1.2 billion, respectively, of commercial paper was outstanding under the respective programs. In addition, Williams has entered into various other short-term credit agreements with amounts outstanding totaling $389 million and $143 million at December 31, 2000 and 1999, respectively. The weighted-average interest rate on all short-term borrowings at December 31, 2000 and 1999, was 7.23 percent and 6.37 percent, respectively.

In December 2000, Williams entered into a $600 million debt obligation with Lehman Brothers Inc., which matures in December 2001. The interest rate varies based on LIBOR plus .75 percent with an interest rate of 7.27 percent at December 31, 2000. In January 2001, $300 million of the obligation was repaid with proceeds from the issuance of long-term debt obligations and, as such, $300 million is classified as long-term as discussed below.

In September 2000, Williams entered into a $500 million debt obligation with a 10-year and four-month maturity. During the initial four months, the interest rate varied based on LIBOR plus .40 percent with an interest rate of 7.17 percent at December 31, 2000. In January 2001, this debt obligation was replaced with long-term debt obligations and, as such, is classified as long-term as discussed below.

THE WILLIAMS COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Long-term debt

Long-term debt at December 31, 2000 and 1999, is as follows:

	WEIGHTED-AVERAGE INTEREST RATE*	2000	1999
		(MILLIONS)	
Revolving credit loans	7.5%	$ 350.0	$ 525.0
Debentures, 6.25% -- 10.25%, payable 2003 -- 2027(1)	7.4	1,103.5	1,105.2
Notes, 5.1% -- 11.875%, payable through 2022(2)	8.6	7,843.4	7,332.0
Notes, adjustable rate, payable through 2006	7.6	2,605.4	455.0
Other, payable through 2009	6.7	74.2	6.6
		11,976.5	9,423.8
Current portion of long-term debt		(1,634.1)	(193.8)
		$10,342.4	$9,230.0

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* At December 31, 2000.

(1) $200 million, 7.08% debentures, payable 2026, are subject to redemption at par at the option of the debtholder in 2001.

(2) $240 million, 6.125% notes, payable 2012, are subject to redemption at par at the option of the debtholder in 2002.

For financial statement reporting purposes at December 31, 2000, $800 million in obligations which would have otherwise been classified as current notes payable have been classified as non-current based on Williams' intent and ability to refinance on a long-term basis. Proceeds from Williams' issuance in January 2001 of $700 million of 7.5 percent debentures due 2031 and $400 million of 6.75 percent Putable Asset Term Securities, putable/callable in 2006, were sufficient to complete these refinancings.

Williams' communications business, Williams Communications Group, Inc. (WCG), has a $1.05 billion long-term credit agreement consisting of a $525 million term loan facility and a $525 million revolving credit facility. Terms of the credit agreement contain restrictive covenants limiting the transfer of funds to Williams (Parent), including the payment of dividends and repayment of intercompany borrowings by WCG to Williams (Parent). At December 31, 2000, $525 million was outstanding under the term loan portion of the facility at an interest rate of 9.02 percent. Interest rates vary with current market conditions.

During 2000, Williams replaced its $1 billion revolving credit agreement with a $700 million revolving credit agreement. Under the terms of the new credit agreement, Northwest Pipeline, Transcontinental Gas Pipe Line and Texas Gas Transmission have access to various amounts of the facility, while Williams (Parent) has access to all unborrowed amounts. Terms of the agreement include financial covenants based on Williams' financial position, exclusive of WCG, and prohibit the transfer of funds from Williams to WCG. At December 31, 2000, $350 million was outstanding under the revolving credit agreement. Interest rates vary with current market conditions.

In January 2000, Williams issued $500 million of adjustable rate notes due 2001 at an initial interest rate of approximately 6.5 percent. In April 2000, Williams entered into a $400 million three-year term loan agreement which was fully utilized at December 31, 2000. Interest rates are based on LIBOR plus one percent.

In August 2000, WCG issued $1 billion in debt obligations consisting of $575 million in 11.7 percent notes due 2008 and $425 million in 11.875 percent notes due 2010.

THE WILLIAMS COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

During 2000, Williams terminated certain interest-rate swaps with a notional value of approximately $1.2 billion. These swaps were utilized to convert certain fixed-rate debt obligations to variable-rate obligations. Williams paid approximately $9 million to terminate the swaps. The $9 million was deferred and will be amortized as an adjustment of interest expense on the outstanding debt over the remaining original term of the terminated swap agreements.

Terms of certain subsidiaries' borrowing arrangements with lenders limit the transfer of funds to Williams (Parent). At December 31, 2000, approximately $2.9 billion of net assets of consolidated subsidiaries was restricted. In addition, certain equity method investees' borrowing arrangements and foreign government regulations limit the amount of dividends or distributions to Williams. Restricted net assets of equity method investees was approximately $353 million at December 31, 2000.

Aggregate minimum maturities and sinking-fund requirements, considering the reclassification of current obligations as previously described, for each of the next five years are as follows:

	(MILLIONS)
2001	$1,639
2002	1,205
2003	800
2004	695
2005	761

Cash payments for interest (net of amounts capitalized) are as follows: 2000 -- $717 million, 1999 -- $503 million; and 1998 -- $414 million.

Leases

Future minimum annual rentals under noncancelable operating leases as of December 31, 2000, are payable as follows:

	OFF-NETWORK CAPACITY AND EQUIPMENT	OTHER	TOTAL
		(MILLIONS)	
2001	$145.6	$128.2	$ 273.8
2002	99.3	130.2	229.5
2003	72.5	103.3	175.8
2004	32.8	91.5	124.3
2005	31.6	88.3	119.9
Thereafter	233.3	372.5	605.8
Total	$615.1	$914.0	$1,529.1

Total rent expense was $484 million in 2000, $340 million in 1999 and $229 million in 1998. Included in this amount is total capacity expense incurred from leasing from a third party's network (off-network capacity expense) of $332 million in 2000, $201 million in 1999, and $111 million in 1998.

During 2000, Williams entered into operating lease agreements covering certain Williams travel center stores, offshore oil and gas pipelines and an onshore gas processing plant. The total estimated cost of the assets covered by the lease agreements is $443 million. The lease terms include a five-year base term including the construction phase and can be renewed for another five-year term.

Williams has an option to purchase the leased assets during the lease terms at amounts approximating the lessors' cost. Williams provides residual value guarantees equal to a maximum of 89.9 percent of the lessors' cost. The residual value guarantee is reduced by the present value of actual lease payments. In the event that Williams does not exercise its purchase option, Williams expects the fair market value of the covered assets to substantially reduce Williams' obligation under the residual value guarantee. Williams' disclosures for future minimum annual rentals under noncancelable operating leases do not include amounts for residual value guarantees. As of December 31, 2000, approximately $84 million of costs has been incurred by the lessors.

During 1998, Williams entered into an operating lease agreement covering a portion of its fiber-optic network. The total cost of the network assets covered by the lease agreement was $750 million. The lease terms are expected to total five years and, if renewed, could total seven years. Under the terms of the lease agreement, Williams cannot sublease the assets without the prior written consent of the lessor. Through December 31, 2000, Williams has not requested nor has the lessor granted such consent.

Williams has an option to purchase the covered network assets during the lease term at an amount approximating the lessor's cost. Williams provides a residual value guarantee equal to a maximum of 89.9 percent of the transaction. The residual value guarantee is reduced by the present value of actual lease payments. In the event that Williams does not exercise its purchase option, Williams expects the fair market value of the covered network assets to substantially reduce Williams' obligation under the residual value guarantee. Williams' disclosures for future minimum annual rentals under noncancelable operating leases do not include amounts for the residual value guarantee.

NOTE 14. MINORITY AND PREFERRED INTERESTS IN SUBSIDIARIES

Minority and preferred interests in subsidiaries at December 31, 2000 and 1999, are as follows:

	2000	1999
	(MILLIONS)	
Minority interest in subsidiaries	$ 317.8	$518.7
Preferred interest in subsidiaries:		
WCG redeemable preferred stock	240.7	--
Snow Goose, LLC	546.8	--
Other	335.1	335.1
	$1,440.4	$853.8

Minority interest

Minority interest includes $179 million and $311 million at December 31, 2000 and 1999, respectively, related to the approximate 15 percent public ownership of WCG.

WCG redeemable preferred stock

In September 2000, WCG issued five million shares of 6.75 percent redeemable cumulative convertible preferred stock in a private placement at a liquidation preference of $50 per share for net proceeds of approximately $240.5 million. Each share of preferred stock is convertible into 1.7610 shares of WCG common stock, based on a conversion price of $28.39. WCG may redeem all or any shares of preferred stock at any time on or after October 15, 2005, and, under specified circumstances, before that date. The preferred stock will be subject to mandatory redemption on October 15, 2012.

The preferred stock ranks senior to WCG's Class A and B common stock with respect to dividend rights and rights upon liquidation, winding up and dissolution. The preferred stock is junior in right of payment of all debt obligations of WCG.

Dividends are payable quarterly beginning January 15, 2001, at an annual rate of 6.75 percent. The terms of certain WCG debt agreements currently restrict WCG from paying cash dividends. During any periods when WCG is restricted from paying cash dividends, it expects to pay preferred stock dividends by delivering shares of its common stock to the transfer agent for the preferred stock, which will resell those shares of common stock. The proceeds from the sale of its common stock will then be used to pay cash dividends to the holder of shares of preferred stock.

Snow Goose, LLC

In December 2000, Williams formed two separate limited liability companies, Snow Goose Associates, L.L.C. (Snow Goose) and Arctic Fox Assets, L.L.C. (Arctic Fox) for the purpose of generating funds to invest in certain Canadian energy-related assets. Williams contributed equity capital and operating assets to Arctic Fox and obtained a controlling interest in Arctic Fox. Arctic Fox contributed capital to Snow Goose and obtained a controlling interest in Snow Goose. An outside investor contributed $560 million in exchange for a non-controlling preferred interest in Snow Goose and is entitled to preferred distributions beginning April 2001, representing an adjustable rate of return of approximately 7.45 percent. Williams has provided the outside investor of Snow Goose with certain assurances that Arctic Fox, Snow Goose and other Williams subsidiaries involved in this transaction will follow various restrictive covenants similar to those found in Williams' credit agreements and has provided certain financial support in favor of these entities.

Williams has the option to acquire the outside investor's interest in Snow Goose for an amount approximating the fair value of their outstanding ownership interest. Absent the occurrence of certain events, the purchase option can be exercised at any time prior to December 2005, the date the preferred return is currently set to expire. If Williams does not exercise its purchase option and Williams and the outside investor fail to negotiate a new preferred return prior to December 2005 (or earlier in the event of a violation of certain restrictive covenants), the controlling interest in Snow Goose will transfer to the outside investor entitling it to liquidate the assets of Snow Goose and Arctic Fox.

Other

During 1998, Williams formed separate legal entities and contributed various assets to a newly-formed limited partnership, Castle Associates L.P. (Castle), and to a limited liability company, Williams Risk Holdings Company, LLC (Holdings), as a part of transactions that generated funds for Williams' general corporate use. Outside investors obtained from Williams non-controlling preferred interests in the newly formed entities for $335 million through purchase and/or contribution. The assets and liabilities of Castle and Holdings are consolidated for financial reporting purposes. The transactions did not result in any gain or loss for Williams.

The preferred interest holders in both Castle and Holdings are entitled to a priority return based on a variable-rate structure, currently ranging from approximately seven to eleven percent, in addition to their participation in the operating results of the partnership and LLC. The current priority return structures will remain in effect until December 18, 2002 for Castle and September 21, 2003 for Holdings.

The Castle limited-partnership agreement and associated operating documents included certain restrictive covenants and guarantees of Williams and certain of its subsidiaries. These restrictions are similar to those in Williams' credit agreements and other debt instruments.

NOTE 15. WILLIAMS OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF TRUST HOLDING ONLY WILLIAMS INDENTURES

In December 1999, Williams formed Williams Capital Trust I (Trust) which issued $175 million in zero coupon Williams obligated mandatorily redeemable preferred securities. The preferred securities must be redeemed by the Trust no later than March 2002. The redemption price of the securities accretes until redeemed and entitles the investor to a fixed-rate annual yield of 7.92 percent. Proceeds from the sale of the securities were used by the Trust to purchase Williams' zero-coupon subordinated debentures whose yield and maturity terms are the same as those of the preferred securities issued by the Trust. The Trust's sole assets are the Williams' zero-coupon subordinated debentures. Williams guarantees the obligations of the Trust related to its preferred securities.

NOTE 16. ISSUANCE OF SUBSIDIARY'S COMMON STOCK

In October 1999, WCG completed an initial public offering of approximately 34 million shares of its common stock at $23 per share for proceeds of approximately $738 million. In addition, approximately 34 million shares of common stock were privately sold in concurrent investments by SBC Communications Inc., Intel Corporation, and Telefonos de Mexico S.A. de C.V. for proceeds of $738.5 million. These transactions resulted in a reduction of Williams' ownership interest in WCG from 100 percent to 85.3 percent. In accordance with Williams' policy regarding the issuance of subsidiary's common stock, Williams recognized a $1.17 billion increase to Williams' capital in excess of par, a $3.4 million decrease to accumulated other comprehensive income, and an initial increase of $307 million to Williams' minority interest liability. The issuances of stock by WCG were not subject to federal income taxes.

NOTE 17. STOCKHOLDERS' EQUITY

During 1999, each remaining share of the $3.50 preferred stock was converted at the option of the holder into 4.6875 shares of Williams common stock prior to the redemption date.

Williams maintains a Stockholder Rights Plan under which each outstanding share of Williams common stock has one-third of a preferred stock purchase right attached. Under certain conditions, each right may be exercised to purchase, at an exercise price of $140 (subject to adjustment), one two-hundredth of a share of junior participating preferred stock. The rights may be exercised only if an Acquiring Person acquires (or obtains the right to acquire) 15 percent or more of Williams common stock; or commences an offer for 15 percent or more of Williams common stock; or the board of directors determines an Adverse Person has become the owner of 10 percent or more of Williams common stock. The rights, which do not have voting rights, expire in 2006 and may be redeemed at a price of $.01 per right prior to their expiration, or within a specified period of time after the occurrence of certain events. In the event a person becomes the owner of more than 15 percent of Williams common stock or the board of directors determines that a person is an Adverse Person, each holder of a right (except an Acquiring Person or an Adverse Person) shall have the right to receive, upon exercise, Williams common stock having a value equal to two times the exercise price of the right. In the event Williams is engaged in a merger, business combination or 50 percent or more of Williams' assets, cash flow or earnings power is sold or transferred, each holder of a right (except an Acquiring Person or an Adverse Person) shall have the right to receive, upon exercise, common stock of the acquiring company having a value equal to two times the exercise price of the right.

NOTE 18. STOCK-BASED COMPENSATION

Williams has several plans providing for common-stock-based awards to employees and to non-employee directors. The plans permit the granting of various types of awards including, but not limited to, stock options, stock-appreciation rights, restricted stock and deferred stock. Awards may be granted for no consideration other than prior and future services or based on certain financial performance targets being achieved. The purchase price per share for stock options and the grant price for stock-appreciation rights may not be less than the market price of the underlying stock on the date of grant. Depending upon terms of the respective plans, stock options generally become exercisable in one-third increments each year from the anniversary of the grant or after three or five years, subject to accelerated vesting if certain future stock prices or if specific financial performance targets are achieved. Stock options expire 10 years after grant. At December 31, 2000, 45.7 million shares of Williams common stock were reserved for issuance pursuant to existing and future stock awards, of which 20.9 million shares were available for future grants (24.7 million at December 31, 1999).

Certain of these plans have stock option loan programs for the participants, whereby, at the time of the option exercise the participant may elect to receive a loan from Williams in an amount limited to 80 percent (or 50 percent under one plan) of the market value of the shares associated with the exercise. A portion of the stock acquired is held as collateral over the term of the loan, which can be three or five years. Interest rates are based on the minimum applicable federal rates, and interest is paid annually. The amount of loans outstanding at December 31, 2000 and 1999, totaled approximately $53.5 million and $42.1 million, respectively.

The following summary reflects stock option activity for Williams common stock and related information for 2000, 1999 and 1998:

	2000		1999		1998	
	OPTIONS (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding -- beginning of year	22.8	$25.03	21.7	$20.73	35.2	$17.29
Granted	3.8	45.87	5.1	39.62	4.7	31.96
Exercised	(3.3)	23.12	(3.7)	18.81	(4.9)	12.56
MAPCO option conversions (Note 2)	--	--	--	--	(12.9)	18.38
Canceled	(.2)	38.19	(.3)	36.50	(.4)	28.74
Outstanding -- end of year	23.1	$28.63	22.8	$25.03	21.7	$20.73
Exercisable at end of year	22.1	$28.24	21.9	$24.50	17.3	$17.85

The following summary provides information about Williams stock options outstanding and exercisable at December 31, 2000:

	STOCK OPTIONS OUTSTANDING			STOCK OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	OPTIONS (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	OPTIONS (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE
$4.62 to $27.38	11.5	$17.84	5.0 years	11.5	$17.84
$30.00 to $46.32	11.6	39.38	8.1 years	10.6	39.54
Total	23.1	$28.63	6.5 years	22.1	$28.24

In conjunction with the initial public offering of WCG stock, options for Williams common stock granted in 1999 and 1998 under a WCG plan established in 1998 were converted from options for Williams common stock to options for WCG common stock. The conversion occurred when market prices for Williams and WCG common stock were $37.63 per share and $23.00 per share, respectively. In accordance with APB Opinion No. 25, this conversion resulted in a new measurement date and related pre-tax expense of approximately $.9 million was recognized in 1999. The remaining value of the option conversion will be amortized over the various vesting periods of the converted options. The following summary provides information for the WCG plan stock option activity and related information for 2000 and 1999; 1998 activity was insignificant and related only to Williams common stock:

	2000		1999			
	OPTIONS FOR WCG COMMON STOCK (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS FOR WILLIAMS COMMON STOCK (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS FOR WCG COMMON STOCK (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding -- beginning of year	8.0	$22.70	.5	$30.50	--	$ --
Granted	12.8	37.55	--	--	7.6	23.05
Conversions of options	--	--	(.4)	30.71	.7	18.87
Canceled	(2.4)	31.98	(.1)	31.81	(.3)	22.60
Outstanding -- end of year	18.4	$31.84	--	$ --	8.0	$22.70
Exercisable at end of year	4.6	$42.51	--	$ --	.3	$20.86

The following summary provides information about WCG stock options outstanding and exercisable at December 31, 2000:

	STOCK OPTIONS OUTSTANDING			STOCK OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	OPTIONS (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	OPTIONS (MILLIONS)	WEIGHTED-AVERAGE EXERCISE PRICE
$10.88-$24.13	8.1	$21.58	9.0 years	1.1	$22.49
$27.00-$37.63	4.5	28.55	9.6 years	--	--
$48.75	5.8	48.75	9.2 years	3.5	48.75
Total	18.4	$31.84	9.2 years	4.6	$42.51

The estimated fair value at date of grant of options for Williams common stock granted in 2000, 1999 and 1998, using the Black-Scholes option pricing model, is as follows:

	2000	1999	1998
Weighted-average grant date fair value of options for Williams common stock granted during the year	$15.44	$11.90	$8.19
Assumptions:			
Dividend yield	1.5%	1.5%	2.0%
Volatility	31%	28%	25%
Risk-free interest rate	6.5%	5.6%	5.3%
Expected life (years)	5.0	5.0	5.0

The estimated fair value at date of grant of options for WCG common stock granted in 2000 and 1999, using the Black-Scholes option pricing model, is listed below. WCG's initial public offering for common stock was September 30, 1999 and therefore, no options were granted during 1998. For those options for Williams common stock which were converted to options for WCG common stock, the fair value was estimated at the date conversion using the Black-Scholes option pricing model.

	2000	1999
Weighted-average grant date fair value of options for WCG common stock granted during the year	$23.93	$13.13
Assumptions:		
Dividend yield	0%	0%
Volatility	71%	60%
Risk-free interest rate	6.3%	6.0%
Expected life (years)	5.0	5.0

Pro forma net income and earnings per share, assuming Williams had applied the fair-value method of SFAS No. 123, "Accounting for Stock-Based Compensation" in measuring compensation cost beginning with 1997 employee stock-based awards, are as follows:

	2000		1999		1998	
(MILLIONS)	PRO FORMA	REPORTED	PRO FORMA	REPORTED	PRO FORMA	REPORTED
Net income	$381.4	$524.3	$168.1	$221.4	$68.0	$122.3
Earnings per share:						
Basic	$ .86	$ 1.18	$ .38	$ .50	$ .14	$ .27
Diluted	$ .85	$ 1.17	$ .37	$ .50	$ .14	$ .27

Pro forma amounts for 2000 include compensation expense from certain Williams awards made in 1999 and the total compensation expense from Williams awards made in 2000, as these awards fully vested in 2000 as a result of the accelerated vesting provisions. Pro forma amounts for 2000 include $37.3 million for Williams awards and $105.7 million for WCG awards.

Pro forma amounts for 1999 include the remaining total compensation expense from Williams awards made in 1998 and the total compensation expense from certain Williams awards made in 1999, as these awards fully vested in 1999 as a result of the accelerated vesting provisions. In addition, 1999 pro forma amounts include compensation expense related to the WCG plan awards and conversions in 1999. Pro forma amounts for 1999 include $47.1 million for Williams awards and $6.2 million for WCG awards. Pro forma amounts for 1998 include the previously unrecognized compensation expense related to the MAPCO options converted at the time of the merger and the remaining total compensation expense from the awards made in 1997, as these awards fully vested in 1998 as a result of the accelerated vesting provisions. Since compensation expense from stock options is recognized over the future years' vesting period for pro forma disclosure purposes, and additional awards generally are made each year, pro forma amounts may not be representative of future years' amounts.

Williams granted approximately 332,000 and 260,000 deferred Williams shares in 2000 and 1999, respectively. Deferred shares are valued at the date of award, and the weighted-average grant date fair value of the shares granted was $39.13 in 2000 and $34.84 in 1999. Approximately $11 million and $13 million was recognized as expense for deferred shares of Williams in 2000 and 1999, respectively. Expense related to deferred shares is recognized in the performance year or over the vesting period, depending on the terms of the awards. In 2000 and 1999, Williams issued approximately 140,000 and 125,000, respectively, of the deferred shares previously granted.

In conjunction with the WCG initial public offering, 255,000 deferred shares granted under the Williams and WCG plans in 1998 were converted from Williams to WCG stock when the market prices were $37.63 and $23.00, respectively. At that time 25 percent of the shares became fully vested. In accordance with APB opinion No. 25, this conversion resulted in a new measurement date, and accordingly, the related expense of approximately $2.2 million is included in 1999. The remaining value of the deferred share conversion will be amortized over the vesting periods of the converted stock.

NOTE 19. FINANCIAL INSTRUMENTS AND ENERGY TRADING ACTIVITIES

Fair-value methods

The following methods and assumptions were used by Williams in estimating its fair-value disclosures for financial instruments:

Cash and cash equivalents and notes payable: The carrying amounts reported in the balance sheet approximate fair value due to the short-term maturity of these instruments.

Short-term investments, marketable equity securities and Ferrellgas Partners L.P. senior common units: These securities are classified as available-for-sale and are reported at fair value, with net unrealized appreciation or depreciation reported as a component of other comprehensive income.

Notes and other non-current receivables: For those notes with interest rates approximating market or maturities of less than three years, fair value is estimated to approximate historically recorded amounts.

Investments-cost and advances to affiliates: Fair value is estimated to approximate historically recorded amounts as the investments are primarily in non-publicly traded foreign companies for which it is not practicable to estimate fair value of these investments.

Long-term debt: The fair value of Williams' long-term debt is valued using indicative year-end traded bond market prices for publicly traded issues, while private debt is valued based on the prices of similar securities with similar terms and credit ratings. At December 31, 2000 and 1999, 66 percent and 79 percent, respectively, of Williams' long-term debt was publicly traded. Williams used the expertise of an outside investment banking firm to estimate the fair value of long-term debt.

WCG redeemable preferred stock: Fair value is based on the prices of similar securities with similar terms and credit ratings as the preferred stock is not publicly traded. Williams used the expertise of an outside investment banking firm to establish the fair value of redeemable cumulative convertible preferred stock.

Williams obligated mandatorily redeemable preferred securities of Trust: Fair value is based on the prices of similar securities with similar terms and credit ratings as the preferred securities are not publicly traded. Williams used the expertise of an outside investment banking firm to establish the fair value of obligated mandatorily redeemable preferred securities.

Interest-rate swaps: Fair value is determined by discounting estimated future cash flows using forward-interest rates derived from the year-end yield curve. Fair value was calculated by the financial institutions that are the counterparties to the swaps.

Energy-related trading and hedging: Energy-related trading includes forwards, options, swaps, purchase and sales commitments and other energy-related contracts such as transportation, storage and power tolling contracts. Energy-related hedging includes futures, options and swaps. Fair value reflects management's estimates using valuation techniques that reflect the best information available under the circumstances. This information includes various factors such as quoted market prices, estimates of market prices in absence of quoted market prices, contractual volumes, estimated volumes under option and other arrangements that result in varying volumes, other contract terms, liquidity of the market in which the contract is transacted, credit considerations, time value and volatility factors underlying the positions. These values reflect the appropriate adjustments for uncertainty regarding the company's ability to liquidate the position considering market factors applicable at the date of such valuation. Judgement is required in interpreting market factors and the use of alternative market assumptions or valuation methodologies may affect management's estimate of fair value.

Carrying amounts and fair values of Williams' financial instruments and energy trading activities

ASSET (LIABILITY)	2000 CARRYING AMOUNT	2000 FAIR VALUE	1999 CARRYING AMOUNT	1999 FAIR VALUE
	(MILLIONS)			
Cash and cash equivalents	$ 1,210.7	$ 1,210.7	$ 1,081.6	$ 1,081.6
Short-term investments including short-term marketable equity securities	395.2	395.2	1,434.8	1,434.8
Notes and other non-current receivables	69.2	69.2	52.1	52.1
Investments-cost and advances to affiliates	934.8	934.8	786.5	786.5
Long-term marketable equity securities	12.4	12.4	288.1	288.1
Ferrellgas Partners L.P. senior common units	193.9	193.9	175.7	175.7
Notes payable	(2,075.9)	(2,075.9)	(1,378.8)	(1,378.8)
Long-term debt, including current portion	(11,976.5)	(11,284.3)	(9,423.8)	(9,341.7)
WCG redeemable preferred stock	(240.7)	(142.0)	--	--
Williams obligated mandatorily redeemable preferred securities of Trust	(189.9)	(191.6)	(175.5)	(175.5)
Interest-rate swaps	(32.8)	(32.8)	(29.0)	(47.5)
Energy-related trading:				
Assets	9,710.9	9,710.9	555.9	555.9
Liabilities	(8,900.1)	(8,900.1)	(449.1)	(449.1)
Energy-related hedging:				
Assets	--	65.9	--	23.6
Liabilities	(2.5)	(218.1)	(.7)	(8.2)

The preceding asset and liability amounts for energy-related hedging represent unrealized gains or losses and do not include the related deferred amounts. The increase in energy-related hedging liabilities is primarily due to the hedging strategy utilized by the Exploration & Production segment. Exploration & Production hedged approximately 50 percent of production in 2000 and at December 31, 2000, has entered into contracts that hedge approximately 70 percent and 38 percent of 2001 and 2002 estimated production, respectively. Subsequent to December 31, 2000, Exploration & Production contracted to hedge an additional 28 percent of estimated production for 2002. The contracted hedge prices are at prices lower than the spot market prices of natural gas seen at the end of 2000, however, the contracted hedged prices are higher than Exploration & Production's realized average natural gas price for 2000.

In addition to the financial instruments provided in the table above, Williams has recorded liabilities of $17 million and $18 million at December 31, 2000 and 1999, respectively, for certain guarantees.

Off-balance-sheet credit and market risk

Williams is a participant in the following transactions and arrangements that involve financial instruments that have off-balance-sheet risk of accounting loss. It is not practicable to estimate the fair value of these off-balance-sheet financial instruments because of their unusual nature and unique characteristics.

Williams has agreements to sell, on an ongoing basis, certain of its accounts receivable to special-purpose entities (SPEs). At December 31, 2000, Williams sold approximately $1.3 billion of its accounts receivable in exchange for $366 million in cash and approximately $936 million in notes receivable from the SPEs. For 2000, Williams received cash from the SPEs of approximately $9 billion. The sales of these receivables resulted in a net charge to results of operations of approximately $23 million and $17 million in 2000 and 1999. The notes receivable from the SPEs are subject to credit risk to the extent that the underlying receivables sold to the SPEs are not collected. See Concentrations of Credit Risk below.

Williams has issued other guarantees and letters of credit with off-balance-sheet risk that total approximately $78 million and $266 million at December 31, 2000 and 1999, respectively. Except as discussed in Note 5, Williams believes it will not have to perform under these agreements, because the likelihood of default by the primary party is remote and/or because of certain indemnifications received from other third parties.

Energy trading and price-risk management activities

Williams, through Energy Marketing & Trading, provides price-risk management services associated with the energy industry to its customers. These services are provided through a variety of energy and energy-related contracts including forward contracts, futures contracts, option contracts, swap agreements, purchase and sale commitments and transportation, storage and power tolling contracts. See Note 1 for a description of the accounting for these trading activities. The net gain from trading price-risk management activities was $1,286.7 million, $214 million and $112.6 million in 2000, 1999 and 1998, respectively.

The 2000 average fair value of the energy-related trading assets and liabilities is $2,747 million and $2,230 million, respectively. The 1999 average fair value of the energy-related trading assets and liabilities is $565 million and $507 million, respectively. The increase in energy-related trading assets and liabilities primarily reflects increased electric power and natural gas prices and price volatility combined with an expanded trading portfolio to include price-risk management from an additional 2,350 megawatts from contracts which were executed in late 1999 and early 2000 giving Energy Marketing & Trading the right to market combined capacity from three power generating plants.

Energy Marketing & Trading enters into contracts which involve physical delivery of an energy commodity. Prices under these contracts are both fixed and variable. These contracts involve both firm commitments requiring fixed volumes and option and other arrangements that result in varying volumes. Swap agreements call for Energy Marketing & Trading to make payments to (or receive payments from) counterparties based upon the differential between a fixed and variable price or variable prices for different locations. Energy Marketing & Trading buys and sells financial option contracts which give the buyer the right to exercise the option and receive the difference between a predetermined strike price and a market price at the date of exercise. The prices for forwards, swap, option and physical contracts consider exchange quoted prices or management's estimates based on the best information available. Energy Marketing & Trading also enters into futures contracts, which are commitments to either purchase or sell a commodity at a future date for a specified price and are generally settled in cash, but may be settled through delivery of the underlying commodity. The market prices for futures contracts are based on exchange quotations. Energy Marketing & Trading also has contracts to provide price-risk management services through marketing over 7,000 megawatts of electricity capacity from third-party-owned and operated power generating plants across the United States. Energy Marketing & Trading's costs under these contracts are both fixed and variable. The fair value of these contracts is determined based on a combination of spot and forward prices and volatilities of electricity, natural gas, and other similar contracts using management's estimates based on the information available including model valuation techniques.

Energy Marketing & Trading is subject to market risk from changes in energy commodity market prices, the portfolio position of its financial instruments and physical commitments, the liquidity of the market in which the contract is transacted, changes in interest rates and credit risk. Energy Marketing & Trading manages market risk on a portfolio basis through established trading policy guidelines which are monitored on an ongoing basis. Credit risk relates to the risk of loss that Williams would incur as a result of nonperformance by counterparties pursuant to the terms of their contractual obligations. Williams attempts to minimize credit-risk exposure to trading counterparties and brokers through formal credit policies, monitoring procedures, and collateral requirements under certain circumstances. Valuation allowances are provided for credit risk in accordance with the established credit policies.

The counterparties associated with assets from energy trading and price-risk management activities as of December 31, 2000, are summarized as follows:

	2000	
	INVESTMENT GRADE(A)	TOTAL
	(MILLIONS)	
Gas and electric utilities	$3,281.1	$3,495.2
Energy marketers and traders	4,105.9	4,861.0
Financial institutions	674.6	677.2
Other	297.1	738.4
Total	$8,358.7	9,771.8
Credit reserves		(60.9)
Assets from price-risk management activities(b)		$9,710.9

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(a) "Investment Grade" is primarily determined using publicly available credit ratings along with consideration of cash, standby letters of credit, parent company guarantees and property interests, including oil and gas reserves. Included in "Investment Grade" are counterparties with a minimum Standard & Poor's or Moody's rating of BBB- or Baa3, respectively.

(b) One counterparty's exposure is greater than 5 percent of assets from price-risk management activities and is included above as Investment Grade.

The concentration of counterparties within the energy and energy trading industry does impact Williams' overall exposure to credit risk in that these counterparties are similarly influenced by changes in the economy and regulatory issues. However, based on the credit policies and procedures discussed above, Williams does not anticipate that counterparty nonperformance would result in a significant adverse effect to the financial statements.

The notional quantities for trading activities at December 31, 2000 and 1999, are as follows:

	2000		1999	
	PAYOR	RECEIVER	PAYOR	RECEIVER
Fixed price:				
Natural gas (TBtu)	4,552.4	6,406.3	1,933.0	2,019.0
Refined products, NGLs and crude (MMbbls)	450.8	300.9	474.5	436.9
Power (Terawatt Hrs)	440.0	207.1	35.3	47.1
Variable price:				
Natural gas (TBtu)	2,715.5	2,473.5	2,523.2	2,243.3
Refined products, NGLs and crude (MMbbls)	44.2	63.2	2.4	3.9

The net cash inflows related to these contracts at December 31, 2000 and 1999, were approximately $1 billion and $76 million, respectively. At December 31, 2000, the cash inflows extend primarily through 2022.

Concentration of credit risk

Williams' cash equivalents and short-term investments consist of high-quality securities placed with various major financial institutions with high credit ratings. Williams' investment policy limits its credit exposure to any one issuer/obligor.

The following table summarizes concentration of receivables, net of allowances, by product or service at December 31, 2000 and 1999:

	2000	1999
	(MILLIONS)	
Receivables by product or service:		
Sale or transportation of natural gas and related products	$ 507.8	$ 337.7
Power sales and related services	1,148.7	289.7
Sale or transportation of petroleum products	518.3	736.1
Communication services	291.7	119.5
Notes receivable from SPEs	936.4	216.6
Other	177.6	161.6
Total	$3,580.5	$1,861.2

Natural gas customers include pipelines, distribution companies, producers, gas marketers and industrial users primarily located in the eastern, northwestern and midwestern United States. Petroleum products customers include wholesale, commercial, governmental, industrial and individual consumers and independent dealers located primarily in Alaska and the midsouth and southeastern United States. Power customers include the California Independent System Operator, other power marketers and utilities located throughout the majority of the United States. Communications serves a wide range of customers including numerous corporations, none of which is individually significant to its business. Collection of the notes receivable from the SPEs is dependent on the collection of the receivables which were transferred to the SPEs in exchange for the notes. The underlying receivables are primarily for the sale or transportation of natural gas and related products or services and the sale of petroleum products in the United States. As a general policy, collateral is not required for receivables, but customers' financial condition and credit worthiness are evaluated regularly.

Subsequent to December 31, 2000, certain receivables from power customers in the western region of the United States have not been paid timely. In addition, Williams and other energy traders and marketers have been ordered to continue selling power to the California Independent System Operator and certain other utilities irrespective of their credit ratings. Williams believes that it has appropriately reflected the collection and credit risk associated with receivables and trading assets in the statement of position and results of operations at December 31, 2000. At December 31, 2000, Williams' Consolidated Balance Sheet includes receivables from power sales to the California Power Exchange which approximates 10 percent of total receivables from power sales and related services.

NOTE 20. CONTINGENT LIABILITIES AND COMMITMENTS

Rate and regulatory matters and related litigation

Williams' interstate pipeline subsidiaries have various regulatory proceedings pending. As a result of rulings in certain of these proceedings, a portion of the revenues of these subsidiaries has been collected subject to refund. The natural gas pipeline subsidiaries have accrued approximately $72 million for potential refund as of December 31, 2000.

In 1997, the FERC issued orders addressing, among other things, the authorized rates of return for three of the Williams interstate natural gas pipeline subsidiaries. All of the orders involve rate cases that became effective between 1993 and 1995 and, in each instance, these cases were superseded by more recently filed rate cases. In the three orders, the FERC continued its practice of utilizing a methodology for calculating rates of return that incorporates a long-term growth rate component. However, the long-term growth rate component used by the FERC is now a projection of U.S. gross domestic product growth rates. Generally, calculating rates of return utilizing a methodology which includes a long-term growth rate component results in rates of return that are lower than they would be if the long-term growth rate component were not included in the methodology. Each of the three pipeline subsidiaries challenged its respective FERC order in an effort to have the FERC change its rate-of-return methodology with respect to these and other rate cases. On January 30, 1998, the FERC convened a public conference to consider, on an industry-wide basis, issues with respect to pipeline rates of return. In July 1998, the FERC issued orders in two of the three pipeline subsidiary rate cases, again modifying its rate-of-return methodology by adopting a formula that gives less weight to the long-term growth component. Certain parties appealed the FERC's action, because the most recent formula modification results in somewhat higher rates of return compared to the rates of return calculated under the FERC's prior formula. The appeals have been denied. In June and July 1999, the FERC applied the new methodology in the third pipeline subsidiary rate case, as well as in a fourth case involving the same pipeline subsidiary. In March 2000, the FERC applied the new methodology in a fifth case involving a Williams interstate pipeline subsidiary, and certain parties have sought rehearing before the FERC in this proceeding. After evaluating the rehearing requests, Williams reduced its accrued liability for rate refunds in second-quarter 2000 by $62.7 million of which $58.8 million is included in Gas Pipeline's segment revenues and segment profit and $3.9 million is included in Midstream Gas & Liquids' segment revenues and segment profit. An additional $8.5 million of related interest is included as a reduction of interest accrued. In January 2001, the FERC denied the rehearing requests in this proceeding.

As a result of FERC Order 636 decisions in prior years, each of the natural gas pipeline subsidiaries has undertaken the reformation or termination of its respective gas supply contracts. None of the pipelines has any significant pending supplier take-or-pay, ratable take or minimum take claims.

In September 1995, Texas Gas received FERC approval of a settlement regarding Texas Gas' recovery of gas supply realignment costs. Through December 31, 2000, Texas Gas has paid approximately $76 million and expects to pay no more than $80 million for gas supply realignment costs, primarily as a result of contract terminations. Texas Gas has recovered approximately $66 million, plus interest, in gas supply realignment costs.

On July 29, 1998, the FERC issued a Notice of Proposed Rulemaking (NOPR) and a Notice of Inquiry (NOI), proposing revisions to regulatory policies for interstate natural gas transportation service. In the

NOPR, the FERC proposes to eliminate the rate cap on short-term transportation services and implement regulatory policies that are intended to maximize competition in the short-term transportation market, mitigate the ability of firms to exercise residual monopoly power and provide opportunities for greater flexibility in the provision of pipeline services and to revise certain other rate and certificate policies. In the NOI, the FERC sought comments on its pricing policies in the existing long-term market and pricing policies for new capacity. Williams filed comments on the NOPR and NOI in the second quarter of 1999. On February 9, 2000, the FERC issued a final rule, Order 637, in response to the comments received on the NOPR and NOI. The FERC adopted in Order 637 certain policies that it found were necessary to adjust its current regulatory model to the needs of the evolving markets, but determined that any fundamental changes to its regulatory policy, which changes were raised and commented on in the NOPR and NOI, would be considered after further study and evaluation of the evolving marketplace. Most significantly, in Order 637, the FERC (i) revised its pricing policy to waive, for a two-year period, the maximum price ceilings for short-term releases of capacity of less than one year, and (ii) permitted pipelines to file proposals to implement seasonal rates for short-term services and term-differentiated rates, subject to certain requirements including the requirement that a pipeline be limited to recovering its annual revenue requirement under those rates.

Williams Energy Marketing & Trading subsidiaries are engaged in power marketing in various geographic areas, including in California. Prices charged for power by Williams and other traders and generators in California markets have been challenged in various proceedings including before the FERC. In December 2000, the FERC issued an order which provided that for the period between October 2, 2000 and December 31, 2002, refunds may be ordered if the FERC finds that the wholesale markets in California are unable to produce competitive, just and reasonable prices, or that market power or other individual seller conduct is exercised to produce an unjust and unreasonable rate. For periods commencing January 1, 2001, refund liability will expire within 60 days of a sale unless the FERC sends the seller a written notice that the sale is still under review. Williams had not received any such notice as of February 28, 2001.

Environmental matters

Since 1989, Texas Gas and Transcontinental Gas Pipe Line have had studies under way to test certain of their facilities for the presence of toxic and hazardous substances to determine to what extent, if any, remediation may be necessary. Transcontinental Gas Pipe Line has responded to data requests regarding such potential contamination of certain of its sites. The costs of any such remediation will depend upon the scope of the remediation. At December 31, 2000, these subsidiaries had accrued liabilities totaling approximately $36 million for these costs.

Certain Williams subsidiaries, including Texas Gas and Transcontinental Gas Pipe Line, have been identified as potentially responsible parties (PRP) at various Superfund and state waste disposal sites. In addition, these subsidiaries have incurred, or are alleged to have incurred, various other hazardous materials removal or remediation obligations under environmental laws. Although no assurances can be given, Williams does not believe that these obligations or the PRP status of these subsidiaries will have a material adverse effect on its financial position, results of operations or net cash flows.

Transcontinental Gas Pipe Line, Texas Gas and Williams Gas Pipelines Central (Central) have identified polychlorinated biphenyl (PCB) contamination in air compressor systems, soils and related properties at certain compressor station sites. Transcontinental Gas Pipe Line, Texas Gas and Central have also been involved in negotiations with the U.S. Environmental Protection Agency (EPA) and state agencies to develop screening, sampling and cleanup programs. In addition, negotiations with certain environmental authorities and other programs concerning investigative and remedial actions relative to potential mercury contamination at certain gas metering sites have been commenced by Central, Texas Gas and Transcontinental Gas Pipe Line. As of December 31, 2000, Central had accrued a liability for approximately $10 million, representing the current estimate of future environmental cleanup costs to be incurred over the next six to

10 years. Texas Gas and Transcontinental Gas Pipe Line likewise had accrued liabilities for these costs which are included in the $36 million liability mentioned above. Actual costs incurred will depend on the actual number of contaminated sites identified, the actual amount and extent of contamination discovered, the final cleanup standards mandated by the EPA and other governmental authorities and other factors. Texas Gas, Transcontinental Gas Pipe Line and Central have deferred these costs as incurred pending recovery through future rates and other means.

In July 1999, Transcontinental Gas Pipe Line received a letter stating that the U.S. Department of Justice (DOJ), at the request of the EPA, intends to file a civil action against Transcontinental Gas Pipe Line arising from its waste management practices at Transcontinental Gas Pipe Line's compressor stations and metering stations in 11 states from Texas to New Jersey. The DOJ stated in the letter that its complaint will seek civil penalties and injunctive relief under federal environmental laws. The DOJ and Transcontinental Gas Pipe Line are discussing a settlement. While no specific amount was proposed, the DOJ stated that any settlement must include an appropriate civil penalty for the alleged violations. Transcontinental Gas Pipe Line cannot reasonably estimate the amount of its potential liability, if any, at this time. However, Transcontinental Gas Pipe Line believes it has substantially addressed environmental concerns on its system through ongoing voluntary remediation and management programs.

Williams Energy Services (WES) and its subsidiaries also accrue environmental remediation costs for its natural gas gathering and processing facilities, petroleum products pipelines, retail petroleum and refining operations and for certain facilities related to former propane marketing operations primarily related to soil and groundwater contamination. In addition, WES owns a discontinued petroleum refining facility that is being evaluated for potential remediation efforts. At December 31, 2000, WES and its subsidiaries had accrued liabilities totaling approximately $49 million. WES accrues receivables related to environmental remediation costs based upon an estimate of amounts that will be reimbursed from state funds for certain expenses associated with underground storage tank problems and repairs. At December 31, 2000, WES and its subsidiaries had accrued receivables totaling $15 million.

Williams Field Services (WFS), a WES subsidiary, received a Notice of Violation (NOV) from the EPA in February 2000. WFS received a contemporaneous letter from the DOJ indicating that the DOJ will also be involved in the matter. The NOV alleged violations of the Clean Air Act at a gas processing plant. WFS, the EPA and the DOJ agreed to settle this matter for a penalty of $850,000. In the course of investigating this matter, WFS discovered a similar potential violation at the plant and disclosed it to the EPA and the DOJ. The parties will discuss whether additional enforcement action is warranted.

In connection with the 1987 sale of the assets of Agrico Chemical Company, Williams agreed to indemnify the purchaser for environmental cleanup costs resulting from certain conditions at specified locations, to the extent such costs exceed a specified amount. At December 31, 2000, Williams had approximately $12 million accrued for such excess costs. The actual costs incurred will depend on the actual amount and extent of contamination discovered, the final cleanup standards mandated by the EPA or other governmental authorities, and other factors.

Other legal matters

In connection with agreements to resolve take-or-pay and other contract claims and to amend gas purchase contracts, Transcontinental Gas Pipe Line and Texas Gas each entered into certain settlements with producers which may require the indemnification of certain claims for additional royalties which the producers may be required to pay as a result of such settlements. As a result of such settlements, Transcontinental Gas Pipe Line is currently defending two lawsuits brought by producers. In one of the cases, a jury verdict found that Transcontinental Gas Pipe Line was required to pay a producer damages of $23.3 million including $3.8 million in attorneys' fees. In addition, through December 31, 2000, postjudgement interest was approximately $7.5 million. Transcontinental Gas Pipe Line's appeals have been denied by the Texas Court of

Appeals for the First District of Texas, and the company is pursuing an appeal to the Texas Supreme Court. In the other case, a producer has asserted damages, including interest calculated through December 31, 1997, of approximately $6 million. In August 2000, a producer asserted a claim for approximately $6.7 million against Transcontinental Gas Pipe Line. Producers have received and may receive other demands, which could result in additional claims. Indemnification for royalties will depend on, among other things, the specific lease provisions between the producer and the lessor and the terms of the settlement between the producer and either Transcontinental Gas Pipe Line or Texas Gas. Texas Gas may file to recover 75 percent of any such additional amounts it may be required to pay pursuant to indemnities for royalties under the provisions of Order 528.

In 1998, the United States Department of Justice informed Williams that Jack Grynberg, an individual, had filed claims in the United States District Court for the District of Colorado under the False Claims Act against Williams and certain of its wholly owned subsidiaries including Williams Gas Pipelines Central, Kern River Gas Transmission, Northwest Pipeline, Williams Gas Pipeline Company, Transcontinental Gas Pipe Line Corporation, Texas Gas, Williams Field Services Company and Williams Production Company. Mr. Grynberg has also filed claims against approximately 300 other energy companies and alleges that the defendants violated the False Claims Act in connection with the measurement and purchase of hydrocarbons. The relief sought is an unspecified amount of royalties allegedly not paid to the federal government, treble damages, a civil penalty, attorneys' fees, and costs. On April 9, 1999, the United States Department of Justice announced that it was declining to intervene in any of the Grynberg qui tam cases, including the action filed against the Williams entities in the United States District Court for the District of Colorado. On October 21, 1999, the Panel on Multi-District Litigation transferred all of the Grynberg qui tam cases, including the ones filed against Williams, to the United States District Court for the District of Wyoming for pre-trial purposes. Motions to dismiss the complaints filed by various defendants, including Williams, are pending.

WCG and a subsidiary are named as defendants in various putative, nationwide class actions brought on behalf of all landowners on whose property the plaintiffs have alleged WCG installed fiber-optic cable without the permission of the landowner. WCG believes that installation of the cable containing the single fiber network that crosses over or near the putative class members' land does not infringe on their property rights. WCG also does not believe that the plaintiffs have sufficient basis for certification of a class action.

It is likely that WCG will be subject to other putative class action suits challenging its railroad or pipeline rights of way. WCG cannot quantify the impact of all such claims at this time. Thus, WCG cannot be certain that the plaintiffs' purported class action or other purported class actions, if successful, will not have a material adverse effect on WCG's future financial position, results of operations or cash flows.

On September 7, 2000, All-Phase Utility Corp. amended its complaint in a matter originally filed June 28, 1999, against Williams Communication, Inc. (WCI), a subsidiary of WCG, in the United States District Court for Oregon. In the amended complaint, All-Phase alleges actual damages of at least $236.5 million plus punitive damages of an additional amount equal to double the amount of actual damages. All-Phase alleges that a portion of WCI's Eugene, Oregon to Bandon, Oregon route is based on confidential information developed by All-Phase and that WCI breached its non-disclosure agreement with All-Phase and violated the Oregon Trade Secrets Act by using it. All-Phase also alleges that WCI misrepresented plans for the route and that, as a result, All-Phase lost the opportunity to build its own line along the same route. All-Phase alleges that its damages include loss of profit from the construction it believes it would have performed for WCI and lost revenue from leases of fiber-optic cable and conduits. On January 22, 2001, the court granted WCI's motion for summary judgement and dismissed the case.

In November 2000, class actions were filed on behalf of San Diego rate payers against California power generators and traders including Williams Energy Marketing & Trading Company, a subsidiary of Williams. In January 2001, other class actions were filed, one on behalf of the people of California in San Francisco, California by the city attorney and the other by a California water authority and district. These lawsuits concern the increase in power prices in California over the past several months. Williams is also a defendant in other private suits. The suits claim that the defendants acted to manipulate prices in violation of the California antitrust and business practice statutes and other state and federal laws. Plantiffs are seeking injunctive relief as well as restitution, disgorgement, appointment of a receiver, and damages, including treble damages.

In addition to the foregoing, various other proceedings are pending against Williams or its subsidiaries which are incidental to their operations.

Summary

While no assurances may be given, Williams, based on advice of counsel, does not believe that the ultimate resolution of the foregoing matters, taken as a whole and after consideration of amounts accrued, insurance coverage, recovery from customers or other indemnification arrangements, will have a materially adverse effect upon Williams' future financial position, results of operations or cash flow requirements.

Commitments

Energy Marketing & Trading has entered into certain contracts giving Williams the right to receive fuel conversion services as well as certain other services associated with electric generation facilities that are either currently in operation or are to be constructed at various locations throughout the continental United States. At December 31, 2000, annual estimated committed payments under these contracts range from approximately $20 million to $409 million, resulting in total committed payments over the next 22 years of approximately $7 billion.

Williams has also entered into an agreement giving Williams a 25-year right to use a portion of a third party's wireless local capacity. Williams will pay a total of $400 million over four years for this right and will amortize the total payments over the 25-year usage term. As of December 31, 2000, Williams has paid approximately $250 million.

See Note 11 for commitments for construction and acquisition of property, plant and equipment.

NOTE 21. RELATED PARTY TRANSACTIONS

Effective in January 2000, SBC is a related party by appointment of an officer of SBC as an outside member of WCG's board of directors. SBC purchases domestic voice and data long distance and local transport services from WCG. Revenues from SBC were $169.5 million and $2.5 million for the years ended December 31, 2000 and 1999, respectively. There were no revenues from SBC for the year ended December 31, 1998. WCG purchases local transport services, platform services such as toll-free, operator, calling card and directory assistance services and international services such as transport and switched-voice services from SBC. These purchases from SBC were $51.7 million, $13.2 million and $17.7 million in 2000, 1999 and 1998, respectively.

In first-quarter 2000, Williams sold a portion of its investment in ATL to an entity jointly owned by SBC and Telefonos (see Note 4).

In June of 2000, WCG acquired SBC's interests in undersea communications cables between the United States and China, and between the United States and Japan, from SBC for a purchase price of approximately $111.4 million. In September 2000, WCG purchased the long-distance network assets of Ameritech Communications, Inc., a subsidiary of SBC, for a purchase price of $145 million. These assets are located in the states of Illinois, Indiana, Michigan, Ohio and Wisconsin and include a 2,200 mile fiber-optic network over four routes, indefeasible rights of use in dark fiber and 15 data centers.

In fourth-quarter 2000, Williams entered into a $600 million debt obligation with Lehman Brothers Inc. Lehman Brothers Inc. is a related party as a result of a director that serves on both Williams' and Lehman Brothers Holdings, Inc.'s board of directors (see Note 13).

NOTE 22. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The table below presents changes in the components of accumulated other comprehensive income (loss).

	INCOME (LOSS)		
	UNREALIZED APPRECIATION (DEPRECIATION) ON SECURITIES	FOREIGN CURRENCY TRANSLATION	TOTAL
	(MILLIONS)		
Balance at December 31, 1997	$ (2.4)	$ (.1)	$ (2.5)
1998 change:			
Pre-income tax amount	39.4	(4.9)	34.5
Income tax provision	(15.3)	--	(15.3)
	24.1	(4.9)	19.2
Balance at December 31, 1998	21.7	(5.0)	16.7
1999 change:			
Pre-income tax amount	194.9	(17.9)	177.0
Income tax provision	(75.8)	--	(75.8)
Minority interest in other comprehensive income	(14.9)	(.1)	(15.0)
	104.2	(18.0)	86.2
Adjustment due to issuance of subsidiary's common stock	(5.8)	2.4	(3.4)
Balance at December 31, 1999	120.1	(20.6)	99.5
2000 change:			
Pre-income tax amount	218.1	(28.2)	189.9
Income tax provision	(82.2)	--	(82.2)
Minority interest in other comprehensive income (loss)	(20.4)	4.3	(16.1)
Realized gains in net income (net of $118.3 income tax benefit and $28.0 minority interest)	(162.9)	--	(162.9)
	(47.4)	(23.9)	(71.3)
Balance at December 31, 2000	$ 72.7	$(44.5)	$ 28.2

NOTE 23. SEGMENT DISCLOSURES

Williams evaluates performance based upon segment profit or loss from operations which includes revenues from external and internal customers, equity earnings or losses, operating costs and expenses, depreciation, depletion and amortization and income or loss from investments. The accounting policies of the segments are the same as those described in Note 1, Summary of Significant Accounting Policies. Intersegment sales are generally accounted for as if the sales were to unaffiliated third parties, that is, at current market prices. As a result of the assumption of investment management activities within the operating segments, the definition of segment profit (loss) was modified in first-quarter 2000 to include income (loss) from investments resulting from the management of investments in equity instruments. This income (loss) from investments is reported in investing income in the Consolidated Statement of Income. The segment information has been restated to conform to this presentation.

Williams' reportable segments are strategic business units that offer different products and services. The segments are managed separately because each segment requires different technology, marketing strategies and industry knowledge. Other includes investments in international energy and communications-related ventures, as well as corporate operations.

1999 and 1998 segment amounts within Energy Services have been restated to reflect first-quarter 2001 transfer of certain operations that were previously conducted by Energy Marketing & Trading to Petroleum Services (see Note 1). Additionally, 1999 and 1998 Communications segment losses have been restated to include certain Communications' shared services costs that were previously allocated to Solutions (see Note 3).

The following table reflects the reconciliation of operating income as reported on the Consolidated Statement of Income to segment profit, per the table on page 105.

	2000			1999			1998		
	OPERATING INCOME (LOSS)	INCOME FROM INVESTMENTS	SEGMENT PROFIT (LOSS)	OPERATING INCOME (LOSS)	INCOME FROM INVESTMENTS	SEGMENT PROFIT (LOSS)	OPERATING INCOME (LOSS)	INCOME FROM INVESTMENTS	SEGMENT PROFIT (LOSS)
	(MILLIONS)								
Gas Pipeline	$ 741.5	$ --	$ 741.5	$ 697.3	$ --	$ 697.3	$ 610.4	$--	$ 610.4
Energy Services	1,557.9	.8	1,558.7	529.1	--	529.1	386.1	--	386.1
Communications	(459.8)	294.1	(165.7)	(268.5)	9.4	(259.1)	(145.8)	--	(145.8)
Other	18.8	--	18.8	8.4	--	8.4	2.5	--	2.5
Total segments	1,858.4	$294.9	$2,153.3	966.3	$9.4	$ 975.7	853.2	$--	$ 853.2
General corporate expenses	(88.3)			(73.4)			(93.2)		
Total operating income	$1,770.1			$ 892.9			$ 760.0		

The following geographic area data includes revenues from external customers based on product shipment origin and long-lived assets based upon physical location.

	2000	1999	1998
	(MILLIONS)		
Revenues from external customers:			
United States	$10,096.2	$ 7,044.2	$ 5,936.6
Other	301.8	127.4	82.8

Total	$10,398.0	$ 7,171.6	$ 6,019.4
Long-lived assets:			
United States	$18,610.7	$14,931.3	$12,658.1
Other	1,439.9	474.5	242.3
Total	$20,050.6	$15,405.8	$12,900.4

Long-lived assets are comprised of property, plant and equipment and certain other non-current assets.

	REVENUES						
	EXTERNAL CUSTOMERS	INTER-SEGMENT	EQUITY EARNINGS (LOSSES)	TOTAL	SEGMENT PROFIT (LOSS)	ADDITIONS TO LONG-LIVED ASSETS	DEPRECIATION, DEPLETION & AMORTIZATION
				(MILLIONS)			
2000							
Gas Pipeline	$1,818.6	$ 60.6	$ 27.0	$ 1,906.2	$ 741.5	$ 664.4	$294.1
Energy Services							
Energy Marketing & Trading	2,273.2	(700.6)*	1.6	1,574.2	1,007.9	68.8	18.7
Exploration & Production	39.6	254.6	--	294.2	62.4	70.7	29.1
Midstream Gas & Liquids	846.8	678.1	(4.0)	1,520.9	303.5	799.6	163.6
Petroleum Services	4,480.9	185.9	(.6)	4,666.2	192.0	231.4	104.0
Merger-related costs	--	--	--	--	(7.1)	--	--
	7,640.5	418.0	(3.0)	8,055.5	1,558.7	1,170.5	315.4
Communications							
Network	667.0	38.0	4.4	709.4	(112.2)	3,359.0	154.3
Broadband Media	168.4	.4	(10.7)	158.1	(45.6)	37.1	30.3
Strategic Investments	--	--	(14.0)	(14.0)	(7.9)	2.5	.5
	835.4	38.4	(20.3)	853.5	(165.7)	3,398.6	185.1
Other	99.2	41.3	.6	141.1	18.8	451.7	37.3
Eliminations	--	(558.3)	--	(558.3)	--	--	--
Total	$10,393.7	$ --	$ 4.3	$10,398.0	$2,153.3	$5,685.2	$831.9
1999							
Gas Pipeline	$1,762.7	$ 59.9	$ 9.0	$ 1,831.6	$ 697.3	$ 361.3	$285.1
Energy Services							
Energy Marketing & Trading	1,217.7	(555.4)*	(.5)	661.8	104.0	82.8	35.3
Exploration & Production	50.2	139.9	--	190.1	39.8	148.5	23.5
Midstream Gas & Liquids	661.0	380.1	(12.1)	1,029.0	230.8	341.9	143.8
Petroleum Services	2,837.2	182.1	.5	3,019.8	167.2	715.7	82.9
Merger-related costs	--	--	--	--	(12.7)	--	--
	4,766.1	146.7	(12.1)	4,900.7	529.1	1,288.9	285.5
Communications							
Network	400.9	37.7	1.0	439.6	(165.1)	1,638.2	51.5
Broadband Media	161.3	1.5	--	162.8	(28.6)	38.7	29.9
Strategic Investments	35.2	.4	(27.0)	8.6	(65.4)	2.9	5.4
	597.4	39.6	(26.0)	611.0	(259.1)	1,679.8	86.8
Other	78.4	40.1	(3.9)	114.6	8.4	294.8	35.0
Eliminations	--	(286.3)	--	(286.3)	--	--	--
Total	$7,204.6	$ --	$(33.0)	$ 7,171.6	$ 975.7	$3,624.8	$692.4
1998							
Gas Pipeline	$1,633.5	$ 51.1	$ .2	$ 1,684.8	$ 610.4	$ 485.0	$287.0
Energy Services							
Energy Marketing & Trading	694.2	(35.0)*	(6.7)	652.5	35.0	27.3	30.1
Exploration & Production	33.5	105.8	--	139.3	27.2	58.1	26.0
Midstream Gas & Liquids	799.0	63.7	8.2	870.9	225.7	342.6	121.6
Petroleum Services	2,466.9	52.1	.4	2,519.4	148.9	264.2	70.8
Merger-related costs	--	--	--	--	(50.7)	--	--
	3,993.6	186.6	1.9	4,182.1	386.1	692.2	248.5
Communications							
Network	165.3	40.8	--	206.1	(32.8)	394.6	14.2
Broadband Media	157.9	3.3	--	161.2	(41.7)	40.0	25.6
Strategic Investments	47.8	4.6	(18.4)	34.0	(71.3)	15.6	10.8
	371.0	48.7	(18.4)	401.3	(145.8)	450.2	50.6
Other	32.2	30.8	5.4	68.4	2.5	157.3	27.0
Eliminations	--	(317.2)	--	(317.2)	--	--	--
Total	$6,030.3	$ --	$(10.9)	$ 6,019.4	$ 853.2	$1,784.7	$613.1

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* Energy Marketing & Trading intercompany cost of sales, which are netted in revenues consistent with fair-value accounting, exceed intercompany revenues.

THE WILLIAMS COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONCLUDED)

	TOTAL ASSETS		EQUITY METHOD INVESTMENTS	
	DECEMBER 31, 2000	DECEMBER 31, 1999	DECEMBER 31, 2000	DECEMBER 31, 1999
	(MILLIONS)			
Gas Pipeline	$ 8,956.2	$ 8,628.5	$281.5	$211.9
Energy Services				
Energy Marketing & Trading	14,609.7	2,996.1	1.4	1.9
Exploration & Production	671.5	618.6	--	--
Midstream Gas & Liquids	4,315.2	3,514.4	239.2	216.0
Petroleum Services	2,994.7	2,779.3	113.2	107.0
	22,591.1	9,908.4	353.8	324.9
Communications				
Network	6,343.1	4,433.5	15.3	14.4
Broadband Media	252.4	407.8	--	--
Strategic Investments	525.4	419.1	77.5	42.6
	7,120.9	5,260.4	92.8	57.0
Other	9,486.6	6,629.8	119.3	121.3
Eliminations	(8,387.5)	(6,255.6)	--	--
	39,767.3	24,171.5	847.4	715.1
Net assets of discontinued operations	429.7	803.8	--	--
Total assets	$40,197.0	$24,975.3	$847.4	$715.1

NOTE 24. SUBSEQUENT EVENTS

In January 2001, Williams issued approximately 38 million shares of common stock in a public offering, at $36.125 per share. Net proceeds from the offering totaled $1.3 billion and will be used primarily to expand Williams' capacity to fund its energy-related capital program, repay commercial paper and other short-term debt and for general corporate purposes.

Williams Energy Partners L.P. (WEP), a wholly owned partnership, owns and operates a diversified portfolio of energy assets. The partnership is principally engaged in the storage, transportation and distribution of refined petroleum products and anhydrous ammonia. On February 9, 2001, WEP completed an initial public offering of approximately 4.6 million common units at $21.50 per unit for net proceeds of approximately $92 million. The initial public offering represents 40 percent of the units, and Williams will retain a 60 percent interest in the partnership, including its general partner interest.

In first-quarter 2001, Williams granted an option to Telecom Americas, Ltd., a joint venture between SBC, American Movil, S.A. de C.V. and Bell Canada International, Inc., to purchase Williams' interest in ATL for an agreed to price. The option was granted in exchange for Telecom Americas, Ltd. paying Williams' portion of a required funding to ATL. The option will expire at the end of first-quarter 2001.

THE WILLIAMS COMPANIES, INC.

QUARTERLY FINANCIAL DATA
(UNAUDITED)

Summarized quarterly financial data are as follows (millions, except per-share amounts). Certain amounts have been restated or reclassified as described in Note 1 of Notes to Consolidated Financial Statements.

2000	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Revenues	$2,057.7	$2,523.3	$2,534.4	$3,282.6
Costs and operating expenses	1,516.2	1,702.3	1,921.7	2,259.0
Income from continuing operations	126.7	357.2	130.0	259.3
Net income (loss)	99.7	351.8	121.1	(48.3)
Basic earnings per common share:				
Income from continuing operations	.28	.80	.29	.58
Net income (loss)	.22	.79	.27	(.11)
Diluted earnings per common share:				
Income from continuing operations	.28	.79	.29	.57
Net income (loss)	.22	.78	.27	(.11)

1999	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Revenues	$1,606.2	$1,636.2	$1,844.7	$2,084.5
Costs and operating expenses	1,150.1	1,178.2	1,398.8	1,577.5
Income from continuing operations	55.4	18.3	32.6	66.1
Income before extraordinary gain	52.9	18.1	28.1	57.1
Net income	52.9	18.1	28.1	122.3
Basic earnings per common share:				
Income from continuing operations	.13	.04	.07	.15
Income before extraordinary gain	.12	.04	.06	.13
Net income	.12	.04	.06	.28
Diluted earnings per common share:				
Income from continuing operations	.13	.04	.07	.14
Income before extraordinary gain	.12	.04	.06	.12
Net income	.12	.04	.06	.27

The sum of earnings per share for the four quarters may not equal the total earnings per share for the year due to changes in the average number of common shares outstanding and rounding.

First-quarter 2000 net income includes pre-tax gains of $31.5 million on the sale of a portion of Williams' investment in marketable equity securities and $16.5 million for the sale of a portion of Williams investment in ATL-Algar Telecom Leste S.A. (see Note 4). Additional pre-tax gains on the sale of certain marketable equity securities of $36.6 million and $40.2 million and a pre-tax loss (net of gains) of $13.8 million were recorded in second, third and fourth-quarter 2000, respectively (see Note 4). Second-quarter 2000 net income includes a pre-tax gain of $214.7 million resulting from the conversion of Williams' shares of common stock of Concentric Network Corporation into shares of common stock of XO Communications, Inc. pursuant to a merger of those companies completed in June 2000 (see Note 4). Additionally, second-quarter 2000 net income includes approximately $75 million in pre-tax reductions to certain rate refund liabilities and related interest accruals based on favorable FERC and judicial rulings received regarding regulatory proceedings (see Note 20). Also included in second and fourth-quarter 2000 net income is a $25.9 million and a $17.2 million pre-tax charge, respectively, resulting from the decision to discontinue Energy Marketing & Trading's mezzanine lending services (see Note 5). Fourth-quarter 2000 net income includes a $16.3 million pre-tax charge relating to management's decision and commitment to sell Energy Marketing & Trading's distributed power generation business and an $11.9 million pre-tax charge relating to management's decision and commitment to sell certain of Petroleum Services' end-to-end mobile computing systems business. These charges represent the impairment of the assets to fair value based on the expected net sales proceeds.

First, second, third and fourth-quarter 2000 includes after-tax losses from discontinued operations of $27 million, $5.4 million, $8.9 million and $307.6 million, respectively, related to Williams' plan to divest the operations that previously comprised the Solutions segment (see Note 3).

First, second, third and fourth-quarter 1999 includes after-tax losses from discontinued operations of $2.5 million, $.2 million, $4.5 million and $9 million, respectively, related to Williams' plan to divest the operations that previously comprised the Solutions segment (see Note 3).

Second-quarter 1999 net income includes a $51 million favorable pre-tax adjustment related to the reduction of certain rate refund liabilities and related interest accruals resulting from regulatory proceedings involving rate-of-return methodology. Also included in second-quarter 1999 net income is a $26.7 million pre-tax charge related to the sale of certain Strategic Investments' network application businesses. An additional $1.7 million was recorded in the fourth quarter relating to this sale (see Note 5). Fourth-quarter 1999 net income for Gas Pipeline includes a $21 million favorable pre-tax reduction of certain rate refund liabilities resulting from recent developments in regulatory proceedings which concluded that the risk involved with one of the issues in the proceedings had been eliminated. Also included in fourth-quarter 1999 net income are pre-tax gains of approximately $15.8 million for the sale of Energy Marketing & Trading's retail natural gas and electric operations and $14.7 million for the sale of certain gas producing properties at Exploration & Production. An after-tax gain of $65.2 million related to the sale of Williams' retail propane business, Thermogas L.L.C. is also included in fourth-quarter 1999 (see Note 7).

THE WILLIAMS COMPANIES, INC.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENT OF INCOME (PARENT)

	YEARS ENDED DECEMBER 31,		
	2000	1999	1998
	(DOLLARS IN MILLIONS, EXCEPT PER-SHARE AMOUNTS)		
Investing income:			
Consolidated subsidiaries	$ 360.0	$ 198.2	$ 33.9
Other	40.9	15.1	4.6
Interest accrued:			
Consolidated subsidiaries	(187.7)	(148.0)	(59.4)
Other	(479.5)	(274.7)	(154.2)
Other expense -- net	(37.6)	(24.2)	(13.2)
Loss from continuing operations before income taxes, equity in subsidiaries' income and extraordinary gain (loss)	(303.9)	(233.6)	(188.3)
Benefit for income taxes	(166.5)	(84.2)	(63.8)
Loss from continuing operations before equity in subsidiaries' income and extraordinary gain (loss)	(137.4)	(149.4)	(124.5)
Equity in consolidated subsidiaries' income	1,010.6	321.8	288.0
Income from continuing operations	873.2	172.4	163.5
Loss from discontinued operations	(348.9)	(16.2)	(36.4)
Income before extraordinary gain (loss)	524.3	156.2	127.1
Extraordinary gain (loss)	--	65.2	(4.8)
Net income	524.3	221.4	122.3
Preferred stock dividends	--	2.8	7.1
Income applicable to common stock	$ 524.3	$ 218.6	$ 115.2
Basic earnings per common share:			
Income from continuing operations	$ 1.88	$ .39	$ .37
Loss from discontinued operations	(.75)	(.04)	(.09)
Income before extraordinary gain (loss)	1.13	.35	.28
Extraordinary gain (loss)	--	.14	(.01)
Net income	$ 1.13	$ .49	$ .27
Diluted earnings per common share:			
Income from continuing operations	$ 1.87	$ .38	$ .36
Loss from discontinued operations	(.75)	(.04)	(.08)
Income before extraordinary gain (loss)	1.12	.34	.28
Extraordinary gain (loss)	--	.14	(.01)
Net income	$ 1.12	$ .48	$ .27

See accompanying notes.

THE WILLIAMS COMPANIES, INC.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT -- (CONTINUED)
BALANCE SHEET (PARENT)

	DECEMBER 31, 2000	DECEMBER 31, 1999
	(MILLIONS)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 914.3	$ 495.9
Due from consolidated subsidiaries	491.0	313.1
Note receivable from SPE	811.1	184.8
Receivables	10.2	8.8
Other	3.4	15.4
Total current assets	2,230.0	1,018.0
Investments:		
Equity in consolidated subsidiaries	12,356.6	11,459.6
Due from consolidated subsidiaries	4,888.1	3,496.0
Other	198.2	181.3
Property, plant and equipment -- net	37.0	29.1
Deferred income taxes	71.0	--
Other assets and deferred charges	102.5	93.2
Total assets	$19,883.4	$16,277.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 2,036.7	$ 1,285.3
Due to consolidated subsidiaries	2,460.1	1,466.2
Accounts payable and accrued liabilities	243.4	163.6
Long-term debt due within one year	920.9	132.8
Total current liabilities	5,661.1	3,047.9
Long-term debt	4,912.1	4,699.5
Due to consolidated subsidiaries	2,045.0	1,816.9
Deferred income taxes	--	132.3
Other liabilities	116.2	80.4
Stockholders' equity:		
Preferred stock	342.0	--
Common stock	466.6	463.2
Capital in excess of par value	3,370.2	3,253.0
Retained earnings	3,065.7	2,807.2
Accumulated other comprehensive income	28.2	99.5
Other	(81.2)	(77.6)
	7,191.5	6,545.3
Less treasury stock	(42.5)	(45.1)
Total stockholders' equity	7,149.0	6,500.2
Total liabilities and stockholders' equity	$19,883.4	$16,277.2

See accompanying notes.

THE WILLIAMS COMPANIES, INC.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT -- (CONTINUED)
STATEMENT OF CASH FLOWS (PARENT)

	YEARS ENDED DECEMBER 31,		
	2000	1999	1998
		(MILLIONS)	
Cash provided (used) by operating activities	$ (569.4)	$ 103.7	$ 128.1
Financing activities:			
Proceeds from notes payable	2,190.3	460.0	305.0
Payments of notes payable	(630.3)	(269.4)	(654.0)
Proceeds from long-term debt	900.0	1,369.5	2,177.7
Payments of long-term debt	(687.7)	(243.9)	(989.8)
Proceeds from issuance of common stock	75.2	65.2	30.1
Dividends paid	(265.8)	(263.7)	(247.4)
Other -- net	(4.3)	(6.1)	(10.3)
Net cash provided by financing activities	1,577.4	1,111.6	611.3
Investing activities:			
Property, plant and equipment:			
Capital expenditures	(12.9)	(11.5)	(4.3)
Investments in consolidated subsidiaries	(237.4)	(460.5)	(264.6)
Changes in due to/due from subsidiaries	(344.9)	(635.5)	(104.9)
Other -- net	5.6	10.8	6.5
Net cash used by investing activities	(589.6)	(1,096.7)	(367.3)
Increase in cash and cash equivalents	418.4	118.6	372.1
Cash and cash equivalents at beginning of year	495.9	377.3	5.2
Cash and cash equivalents at end of year	$ 914.3	$ 495.9	$ 377.3

See accompanying notes.

THE WILLIAMS COMPANIES, INC.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT -- (CONTINUED)
NOTES TO FINANCIAL INFORMATION (PARENT)

NOTE 1. BASIS OF PRESENTATION

In January 2001, The Williams Companies, Inc. (Parent) (Williams (Parent)) board of directors authorized a plan for its management to divest the operations that previously comprised the Solutions segment, a wholly owned subsidiary of Williams Communications Group, Inc. (WCG). Solutions has been accounted for as discontinued operations, and accordingly, the accompanying Condensed Financial Information of Registrant has been restated to reflect the results of operations of Solutions as discontinued operations.

During 1999, Williams Holdings of Delaware, Inc. (Williams Holdings), a wholly owned subsidiary, merged with and into Williams (Parent). Subsequent to the merger date, this Condensed Financial Information of Registrant includes the accounts previously reported by Williams Holdings on a parent company-only basis. This Condensed Financial Information of Registrant should be read in conjunction with the Consolidated Financial Statements and Notes thereto of The Williams Companies, Inc. (Williams).

NOTE 2. DEBT AND BANKING ARRANGEMENTS

Notes payable

During 2000, Williams' (Parent) commercial paper program, backed by a short-term credit facility, was increased from $1.4 billion to $1.7 billion. At December 31, 2000 and 1999, $1.7 billion and $1.2 billion, respectively, of commercial paper was outstanding under the respective programs. In addition, Williams (Parent) has entered into various other short-term credit agreements with amounts outstanding totaling $350 million and $50 million at December 31, 2000 and 1999, respectively. The weighted-average interest rate on all outstanding short-term borrowings at December 31, 2000 and 1999, was approximately 7.2 percent and 6.1 percent, respectively.

In December 2000, Williams (Parent) entered into a $600 million debt obligation with Lehman Brothers Inc., which matures in December 2001. The interest rate varies based on LIBOR plus .75 percent with an interest rate of 7.27 percent at December 31, 2000. In January 2001, $300 million of the obligation was repaid with proceeds from the issuance of long-term debt obligations and, as such, $300 million is classified as long-term as discussed below.

In September 2000, Williams (Parent) entered into a $500 million debt obligation with a 10-year and four-month maturity. During the initial four months, the interest rate varied based on LIBOR plus .40 percent with an interest rate of 7.17 percent at December 31, 2000. In January 2001, this debt obligation was replaced with long-term debt obligations and, as such, is classified as long-term as discussed below.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT -- (CONTINUED)
NOTES TO FINANCIAL INFORMATION (PARENT)

Long-Term Debt

Long-term debt at December 31, 2000 and 1999, is as follows:

	WEIGHTED-AVERAGE INTEREST RATE*	2000	1999
Revolving credit loans	7.5%	$ 350.0	$ 525.0
Debentures, 6.25%-10.25%, payable 2006, 2012, 2020, 2021 and 2027	7.5	487.1	488.9
Notes, 5.1%-9.625%, payable through 2022(1)	6.9	3,095.9	3,518.4
Notes, adjustable rate, payable through 2004	7.3	1,900.0	300.0
		5,833.0	4,832.3
Current portion of long-term debt		(920.9)	(132.8)
		$4,912.1	$4,699.5

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* At December 31, 2000.

(1) $240 million, 6.125% notes, payable 2012, are subject to redemption at par at the option of the debtholder in 2002.

For financial reporting purposes at December 31, 2000, $800 million in obligations which would have otherwise been classified as current notes payable have been classified as non-current based on Williams' (Parent) intent and ability to refinance on a long-term basis. Proceeds from Williams' (Parent) issuance in January 2001 of $700 million of 7.5 percent debentures due January 2031 and $400 million of 6.75 percent Putable Asset Term Securities, putable/callable in 2006, were sufficient to complete these refinancings.

In January 2000, Williams (Parent) issued $500 million of adjustable rate notes due 2001 at an initial interest rate of approximately 6.5 percent. In April 2000, Williams (Parent) entered into a $400 million three-year term loan agreement which was fully utilized at December 31, 2000. Interest rates are based on LIBOR plus one percent.

Aggregate minimum maturities and sinking fund requirements, considering the reclassification of current obligations as previously described, for each of the next five years are as follows:

	(MILLIONS)
2001	$ 926
2002	853
2003	653
2004	372
2005	370

In connection with the December 2000 formation of Snow Goose Associates, L.L.C. (Snow Goose) and Arctic Fox Assets, L.L.C. (Arctic Fox), as described in Note 14 of Notes to Consolidated Financial Statements, Williams (Parent) entered into a five-year interest rate and foreign currency swap with Arctic Fox. Williams (Parent) pays a variable-rate to Arctic Fox based on a notional value of $400 million U.S. dollars, and Arctic Fox pays Williams (Parent) a fixed-rate based on a notional value of $607.5 million Canadian dollars. At the end of the five years, Williams (Parent) pays the notional value of $400 million U.S. dollars to Arctic Fox in exchange for $607.5 million Canadian dollars. The carrying amount of the swap, recorded by Williams (Parent) at December 31, 2000, was a liability of $68.7 million. The fair value of the swap at December 31, 2000, was a liability of $66 million. Williams used the expertise of an outside investment banking firm to estimate the fair value of the swap. The January 1, 2001, cumulative effect of the accounting change associated with the initial adoption of SFAS No. 133 is not material to the results of operations for this swap.

NOTE 3. DUE FROM AND DUE TO CONSOLIDATED SUBSIDIARIES

Due from and due to consolidated subsidiaries consist of short-term receivables and payables with subsidiaries and promissory notes to and from subsidiaries. Williams (Parent) maintains various promissory notes with its subsidiaries for both advances from and advances to Williams (Parent) depending on the cash position of each subsidiary. Amounts outstanding are generally payable on demand; however, the amounts outstanding at December 31, 2000 and 1999 have been classified as long-term to the extent there are no expectations for Williams (Parent) and its subsidiaries to demand payment in the next year. The agreements do not require commitment fees. Interest is payable monthly, and rates vary with market conditions.

At December 31, 2000, WCG has a long-term credit agreement containing restrictive covenants limiting the transfer of funds to Williams (Parent), including the payment of dividends and repayment of intercompany borrowings by WCG to Williams (Parent).

In 1999, Williams (Parent) issued $175 million in zero coupon subordinated debentures which yield a 7.92 percent return and mature no later than March 2002 to Williams Capital Trust I, a consolidated entity. These debentures are included in non-current due to consolidated subsidiaries at December 31, 2000 and 1999.

NOTE 4. STOCKHOLDERS' EQUITY

In connection with the December 2000 formation of Snow Goose and Arctic Fox, Williams (Parent) issued 342,000 shares of Williams' December 2000 cumulative convertible preferred stock to Arctic Fox, a wholly owned subsidiary of Williams (Parent). Each share of December 2000 preferred stock has a liquidation value of $1,000 and is convertible into Williams common stock at a conversion ratio that varies based on factors including, but not limited to, the market value of Williams common stock. Initially, in December 2000, each share of December 2000 preferred stock was convertible into approximately 31.43 shares of Williams common stock. Dividends are payable quarterly at a variable rate based on market conditions with a rate of 8.9 percent at December 31, 2000. For the Condensed Financial Information of Registrant, the issuance of the preferred stock is reflected in stockholders' equity, however, the issuance of the preferred stock is eliminated for the Consolidated Financial Statements of Williams.

During 1999, each remaining share of Williams (Parent) $3.50 cumulative convertible preferred stock was converted at the option of the holder into 4.6875 shares of Williams common stock prior to the redemption date.

During 1999, Williams (Parent) contributed approximately 18.7 million shares of its previously unissued common stock to a wholly owned subsidiary in exchange for investments in certain foreign operations which were subsequently contributed by Williams (Parent) to another wholly owned subsidiary. The issuance of the common stock was recorded at the May 27, 1999 market value of $915 million. For the Condensed Financial Information of Registrant, the issuance of the stock is reflected in stockholders' equity, however, the issuance of the stock is eliminated for the Consolidated Financial Statements of Williams.

See Note 16 of Notes to Consolidated Financial Statements for discussion of the impact on Williams (Parent) of the 1999 issuance of common stock by a subsidiary.

THE WILLIAMS COMPANIES, INC.

SCHEDULE I -- CONDENSED FINANCIAL INFORMATION OF REGISTRANT -- (CONCLUDED)
NOTES TO FINANCIAL INFORMATION (PARENT)

NOTE 5. DIVIDENDS RECEIVED

Cash dividends from subsidiaries and companies accounted for on an equity basis are as follows: 2000 -- $182.3 million; 1999 -- $162.0 million; and 1998 -- $177.5 million.

NOTE 6. GUARANTEES

See Note 13 of Notes to Consolidated Financial Statements for discussion of Williams' (Parent) guarantees of the residual value of network assets, certain Williams travel center stores, offshore oil and gas pipelines and an onshore gas processing plant under lease. In addition, see Notes 14, 15 and 19 of the Notes to Consolidated Financial Statements for discussion of other guarantees by Williams (Parent).

NOTE 7. CONTINGENT LIABILITIES

See Note 20 of Notes to Consolidated Financial Statements for discussion of environmental matters related to the assets of Agrico Chemical Company which were sold in 1987.

NOTE 8. SUBSEQUENT EVENTS

On February 26, 2001, Williams (Parent) contributed WCG's outstanding promissory note of approximately $975 million and certain other assets in exchange for 24.3 million newly issued shares of WCG. Williams (Parent) is also evaluating several credit support mechanisms to further enable WCG to obtain the capital needed to allow it to continue to execute its growth plan and business strategy.

In January 2001, Williams (Parent) issued approximately 38 million shares of common stock in a public offering, at $36.125 per share. Net proceeds from the offering totaled $1.3 billion and will be used primarily to expand Williams' capacity to fund its energy-related capital program, repay commercial paper and other short-term debt and for general corporate purposes.

THE WILLIAMS COMPANIES, INC.

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS*

		ADDITIONS			
	BEGINNING BALANCE	CHARGED TO COSTS AND EXPENSES	OTHER	DEDUCTIONS	ENDING BALANCE
			(MILLIONS)		
Year ended December 31, 2000:					
Allowance for doubtful accounts --					
Receivables(a)	$12.3	$14.7	$6.6(f)	$2.3(c)	$31.3
Price-risk management credit reserves(a)	10.6	50.3	--	--	60.9
Refining and processing plant major maintenance accrual(b)	7.6	8.4	--	2.1(d)	13.9
Year ended December 31, 1999:					
Allowance for doubtful accounts --					
Receivables(a)	12.1	1.0	--	.8(c)	12.3
Price-risk management credit reserves(a)	13.0	(2.4)	--	--	10.6
Refining and processing plant major maintenance accrual(b)	5.3	7.8	3.9(e)	9.4(d)	7.6
Year ended December 31, 1998:					
Allowance for doubtful accounts --					
Receivables(a)	11.4	20.6	--	19.9(c)	12.1
Other assets(a)	4.6	--	--	4.6(c)	--
Price-risk management credit reserves(a)	7.7	5.3	--	--	13.0
Refining and processing plant major maintenance accrual(b)	6.2	5.1	--	6.0(d)	5.3

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* Restated as described in Note 1 of Notes to Consolidated Financial Statements.

(a) Deducted from related assets.

(b) Included in liabilities.

(c) Represents balances written off, net of recoveries and reclassifications.

(d) Represents payments made.

(e) Primarily relates to acquisitions of businesses.

(f) Primarily relates to billing adjustments recorded in revenues.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information regarding the directors and nominees for director of Williams required by Item 401 of Regulation S-K will be presented under the heading "Election of Directors" in Williams' Proxy Statement prepared for the solicitation of proxies in connection with the Annual Meeting of Stockholders of Williams for 2001 (the "Proxy Statement"), which information is incorporated by reference herein. Information regarding the executive officers of Williams is presented following Item 4 herein as permitted by General Instruction G(3) to Form 10-K and Instruction 3 to Item 401(b) of Regulation S-K. Information required by Item 405 of Regulation S-K is included under the heading "Compliance with Section 16(a) of the Securities Exchange Act of 1934" in the Proxy Statement, which information is incorporated by reference herein.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 402 of Regulation S-K regarding executive compensation is presented under the headings "Election of Directors" and "Executive Compensation and Other Information" in the Proxy Statement, which information is incorporated by reference herein. Notwithstanding the foregoing, the information provided under the headings "Compensation Committee Report on Executive Compensation" and "Stockholder Return Performance Presentation" in the Proxy Statement are not incorporated by reference herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information regarding the security ownership of certain beneficial owners and management required by Item 403 of Regulation S-K is presented under the headings "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement, which information is incorporated by reference herein.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information regarding certain relationships and related transactions required by Item 404 of Regulation S-K is presented under the heading "Certain Relationships and Related Transactions" in the Proxy Statement, which information is incorporated by reference herein.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1 and 2.

All other schedules have been omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the financial statements and notes thereto.

(a) 3 and (c). The exhibits listed below are filed as part of this annual report.

EXHIBIT NO.	DESCRIPTION
3(I)(a)	-- Restated Certificate of Incorporation, as supplemented.
3(II)(a)*	-- Restated By-laws (filed as Exhibit 99.1 to Form 8-K filed January 19, 2000).
4(a)*	-- Form of Senior Debt Indenture between Williams and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4.1 to Form S-3 filed September 8, 1997).
(b)*	-- Form of Subordinated Debt Indenture between Williams and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4.2 to Form S-3 filed September 8, 1997).
(c)*	-- Form of Floating Rate Senior Note (filed as Exhibit 4.3 to Form S-3 filed September 8, 1997).
(d)*	-- Form of Fixed Rate Senior Note (filed as Exhibit 4.4 to Form S-3 filed September 8, 1997).
(e)*	-- Form of Floating Rate Subordinated Note (filed as Exhibit 4.5 to Form S-3 filed September 8, 1997).
(f)*	-- Form of Fixed Rate Subordinated Note (filed as Exhibit 4.6 to Form S-3 filed September 8, 1997).
(g)**	-- First Supplemental Indenture between Williams and Bank One Trust Company, N.A., as Trustee, dated as of September 8, 2000.
(h)**	-- Second Supplemental Indenture between Williams and Bank One Trust Company, N.A., as Trustee, dated as of December 7, 2000.
(i)**	-- Third Supplemental Indenture between Williams and Bank One Trust Company, N.A., as Trustee dated as of December 20, 2000.
(j)	-- Fourth Supplemental Indenture between Williams and Bank One Trust Company, N.A., as Trustee, dated as of January 17, 2001.
(k)	-- Fifth Supplemental Indenture between Williams and Bank One Trust Company, N.A., as Trustee, dated as of January 17, 2001.
(l)*	-- Form of Senior Debt Indenture between Williams and The Chase Manhattan Bank (formerly Chemical Bank), as Trustee (filed as Exhibit 4.1 to Form S-3 filed February 2, 1990).
(m)*	-- Indenture dated May 1, 1990, between Transco Energy Company and The Bank of New York, as Trustee (filed as an Exhibit to Transco Energy Company's Form 8-K dated June 25, 1990).
(n)*	-- First Supplemental Indenture dated June 20, 1990, between Transco Energy Company and The Bank of New York, as Trustee (filed as an Exhibit to Transco Energy Company's Form 8-K dated June 25, 1990).
(o)*	-- Second Supplemental Indenture dated November 29, 1990, between Transco Energy Company and The Bank of New York, as Trustee (filed as an Exhibit to Transco Energy Company's Form 8-K dated December 7, 1990).
(p)*	-- Third Supplemental Indenture dated April 23, 1991, between Transco Energy Company and The Bank of New York, as Trustee (filed as an Exhibit to Transco Energy Company's Form 8-K dated April 30, 1991).
(q)*	-- Fourth Supplemental Indenture dated August 22, 1991, between Transco Energy Company and The Bank of New York, as Trustee (filed as an Exhibit to Transco Energy Company's Form 8-K dated August 27, 1991).

EXHIBIT NO.	DESCRIPTION
(r)*	-- Fifth Supplemental Indenture dated May 1, 1995, among Transco Energy Company, Williams and The Bank of New York, as Trustee (filed as Exhibit 4(l) to Form 10-K for the fiscal year ended December 31, 1998).
(s)*	-- Form of Senior Debt Indenture between Williams Holdings of Delaware, Inc. and Citibank, N.A., as Trustee (filed as Exhibit 4.1 to Williams Holdings of Delaware, Inc.'s Form 10-Q filed October 18, 1995).
(t)*	-- First Supplemental Indenture dated as of July 31, 1999, among Williams Holdings of Delaware, Inc., Williams and Citibank, N.A., as Trustee (filed as Exhibit 4(o) to Form 10-K for the fiscal year ended December 31, 1999).
(u)*	-- Indenture dated March 31, 1990, between MAPCO Inc. and Bankers Trust Company, as Trustee (filed as Exhibit 4.0 to MAPCO Inc.'s Form 8-K filed February 19, 1991).
(v)*	-- First Supplemental Indenture dated March 31, 1998, among MAPCO Inc., Williams Holdings of Delaware, Inc. and Bankers Trust Company, as Trustee (filed as Exhibit 4(f) to Williams Holdings of Delaware, Inc.'s Form 10-K for the fiscal year ended December 31, 1998).
(w)*	-- Second Supplemental Indenture dated as of July 31, 1999, among Williams Holdings of Delaware, Inc., Williams and Bankers Trust Company, as Trustee (filed as Exhibit 4(p) to Form 10-K for the fiscal year ended December 31, 1999).
(x)*	-- Senior Indenture dated February 25, 1997, between MAPCO Inc. and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4.5.1 to MAPCO Inc.'s Amendment No. 1 to Form S-3 dated February 25, 1997).
(y)*	-- Supplemental Indenture No. 1 dated March 5, 1997, between MAPCO Inc. and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4.(o) to MAPCO Inc.'s Form 10-K for the fiscal year ended December 31, 1997).
(z)*	-- Supplemental Indenture No. 2 dated March 5, 1997, between MAPCO Inc. and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4.(p) to MAPCO Inc.'s Form 10-K for the fiscal year ended December 31, 1997).
(aa)*	-- Supplemental Indenture No. 3 dated March 31, 1998, among MAPCO Inc., Williams Holdings of Delaware, Inc. and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4(j) to Williams Holdings of Delaware, Inc.'s Form 10-K for the fiscal year ended December 31, 1998).
(bb)*	-- Supplemental Indenture No. 4 dated as of July 31, 1999, among Williams Holdings of Delaware, Inc., Williams and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4(q) to Form 10-K for the fiscal year ended December 31, 1999).
(cc)*	-- Rights Agreement dated as of February 6, 1996, between Williams and First Chicago Trust Company of New York (filed as Exhibit 4 to Form 8-K filed January 24, 1996).
(dd)*	-- Certificate of Increase of Authorized Number of Shares of Series A Junior Participating Preferred Stock (filed as Exhibit 3(f) to Form 10-K for the fiscal year ended December 31, 1995).

EXHIBIT NO.		DESCRIPTION
(ee)*	--	Certificate of Increase of Authorized Number of Shares of Series A Junior Participating Preferred Stock (filed as Exhibit 3(g) to Form 10-K for the fiscal year ended December 31, 1997).
(ff)*	--	Credit Agreement dated as July 25, 2000, among Williams and certain of its subsidiaries, the banks named therein and Citibank, N.A., as agent (filed as Exhibit 4.1 to Form 10-Q filed August 11, 2000).
(gg)	--	Waiver and First Amendment to Credit Agreement dated as of January 31, 2001, to Credit Agreement dated July 25, 2000, among Williams and certain of its subsidiaries, the banks named therein and Citibank, N.A., as agent.
(hh)*	--	Credit Agreement dated as of July 25, 2000, among Williams, the banks named therein and Citibank, N.A., as agent (filed as Exhibit 4.2 to Form 10-Q filed August 11, 2000).
(ii)	--	Waiver and First Amendment to Credit Agreement dated as of January 31, 2001, to Credit Agreement dated July 25, 2000, among Williams, the banks named therein and Citibank, N.A., as agent.
(jj)*	--	U.S. $400,000,000 Term Loan Agreement dated April 7, 2000, among Williams, the lenders named therein and Credit Lyonnais New York Branch, as administrative agent (filed as Exhibit 4(r) to Form 10-K for the fiscal year ended December 31, 1999).
(kk)	--	First Amendment dated as of August 21, 2000, to Term Loan Agreement dated April 7, 2000, among Williams, the lenders named therein and Credit Lyonnais New York Branch, as administrative agent.
(ll)	--	Form of Waiver and Second Amendment dated as of January 31, 2001, to Term Loan Agreement dated April 7, 2000, among Williams, the lenders named therein and Credit Lyonnais New York Branch, as administrative agent.
10(a)	--	Underwriting Agreement dated January 16, 2001, among Williams and the underwriters named therein.
(b)*	--	The Williams Companies, Inc. Supplemental Retirement Plan effective as of January 1, 1988 (filed as Exhibit 10(iii)(c) to Form 10-K for the fiscal year ended December 31, 1987).
(c)*	--	Form of Employment Agreement dated January 1, 1990, among Williams and certain executive officers (filed as Exhibit 10(iii)(d) to Form 10-K for the fiscal year ended December 31, 1989).
(d)*	--	Form of The Williams Companies, Inc. Change in Control Protection Plan among Williams and employees (filed as Exhibit 10(iii)(e) to Form 10-K for the fiscal year ended December 31, 1989).
(e)*	--	The Williams Companies, Inc. 1985 Stock Option Plan (filed as Exhibit A to the Proxy Statement dated March 13, 1985).
(f)*	--	The Williams Companies, Inc. 1988 Stock Option Plan for Non-Employee Directors (filed as Exhibit A to the Proxy Statement dated March 14, 1988).
(g)*	--	The Williams Companies, Inc. 1990 Stock Plan (filed as Exhibit A to the Proxy Statement dated March 12, 1990).
(h)*	--	The Williams Companies, Inc. Stock Plan for Non-Officer Employees (filed as Exhibit 10(iii)(g) to Form 10-K for the fiscal year ended December 31, 1995).
(i)*	--	The Williams Companies, Inc. 1996 Stock Plan (filed as Exhibit A to the Proxy Statement dated March 27, 1996).

EXHIBIT NO.	DESCRIPTION
(j)*	-- The Williams Companies, Inc. 1996 Stock Plan for Non-Employee Directors (filed as Exhibit B to the Proxy Statement dated March 27, 1996).
(k)*	-- Indemnification Agreement effective as of August 1, 1986, among Williams, members of the Board of Directors and certain officers of Williams (filed as Exhibit 10(iii)(e) to Form 10-K for the year ended December 31, 1986).
(l)*	-- The Williams Communications Stock Plan (filed as Exhibit 99 to Form S-8 filed August 14, 1998).
(m)*	-- The Williams International Stock Plan (filed as Exhibit 10(iii)(l) to Form 10-K for the fiscal year ended December 31, 1998).
(n)*	-- Form of Stock Option Secured Promissory Note and Pledge Agreement among Williams and certain employees, officers and non-employee directors (filed as Exhibit 10(iii)(m) to Form 10-K for the fiscal year ended December 31, 1998).
12	-- Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements.
20*	-- Definitive Proxy Statement of Williams for 2001 (to be filed with the Securities and Exchange Commission on or before March 31, 2001).
21	-- Subsidiaries of the registrant.
23	-- Consent of Independent Auditors, Ernst & Young LLP.
24	-- Power of Attorney together with certified resolution.

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* Each such exhibit has heretofore been filed with the Securities and Exchange Commission as part of the filing indicated and is incorporated herein by reference.

** Williams agrees upon request to furnish each such exhibit to the Securities and Exchange Commission. The total amount of the securities authorized under each such exhibit does not exceed ten percent of the total assets of Williams and its subsidiaries taken as a whole.

(b) Reports on Form 8-K.

On October 26, 2000, Williams filed a current report on Form 8-K to report its unaudited net income for the third quarter that ended September 30, 2000.

On November 29, 2000, Williams filed a current report on Form 8-K to announce that its Board of Directors had authorized management to continue to pursue a tax free spinoff of Williams' communications business to Williams' shareholders.

(d) The financial statements of partially-owned companies are not presented herein since none of them individually, or in the aggregate, constitute a significant subsidiary.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE WILLIAMS COMPANIES, INC.
(Registrant)

By: /s/ SUZANNE H. COSTIN

Suzanne H. Costin
Attorney-in-fact

Date: March 12, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ KEITH E. BAILEY* Keith E. Bailey	Chairman of the Board, President, Chief Executive Officer (Principal Executive Officer) and Director	March 12, 2001
/s/ JACK D. MCCARTHY* Jack D. McCarthy	Senior Vice President -- Finance (Principal Financial Officer)	March 12, 2001
/s/ GARY R. BELITZ* Gary R. Belitz	Controller (Principal Accounting Officer)	March 12, 2001
/s/ HUGH M. CHAPMAN* Hugh M. Chapman	Director	March 12, 2001
/s/ GLENN A. COX* Glenn A. Cox	Director	March 12, 2001
/s/ THOMAS H. CRUIKSHANK* Thomas H. Cruikshank	Director	March 12, 2001
/s/ WILLIAM E. GREEN* William E. Green	Director	March 12, 2001
/s/ W.R. HOWELL* W.R. Howell	Director	March 12, 2001
/s/ JAMES C. LEWIS* James C. Lewis	Director	March 12, 2001

SIGNATURE	TITLE	DATE
/s/ CHARLES M. LILLIS* Charles M. Lillis	Director	March 12, 2001
/s/ FRANK T. MACINNIS* Frank T. MacInnis	Director	March 12, 2001
/s/ PETER C. MEINIG* Peter C. Meinig	Director	March 12, 2001
/s/ GORDON R. PARKER* Gordon R. Parker	Director	March 12, 2001
/s/ JANICE D. STONEY* Janice D. Stoney	Director	March 12, 2001
/s/ JOSEPH H. WILLIAMS* Joseph H. Williams	Director	March 12, 2001
*By: /s/ SUZANNE H. COSTIN Suzanne H. Costin Attorney-in-fact		March 12, 2001

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
3(I)(a)	-- Restated Certificate of Incorporation, as supplemented.
3(II)(a)*	-- Restated By-laws (filed as Exhibit 99.1 to Form 8-K filed January 19, 2000).
4(a)*	-- Form of Senior Debt Indenture between Williams and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4.1 to Form S-3 filed September 8, 1997).
(b)*	-- Form of Subordinated Debt Indenture between Williams and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4.2 to Form S-3 filed September 8, 1997).
(c)*	-- Form of Floating Rate Senior Note (filed as Exhibit 4.3 to Form S-3 filed September 8, 1997).
(d)*	-- Form of Fixed Rate Senior Note (filed as Exhibit 4.4 to Form S-3 filed September 8, 1997).
(e)*	-- Form of Floating Rate Subordinated Note (filed as Exhibit 4.5 to Form S-3 filed September 8, 1997).
(f)*	-- Form of Fixed Rate Subordinated Note (filed as Exhibit 4.6 to Form S-3 filed September 8, 1997).
(g)**	-- First Supplemental Indenture between Williams and Bank One Trust Company, N.A., as Trustee, dated as of September 8, 2000.
(h)**	-- Second Supplemental Indenture between Williams and Bank One Trust Company, N.A., as Trustee, dated as of December 7, 2000.
(i)**	-- Third Supplemental Indenture between Williams and Bank One Trust Company, N.A., as Trustee dated as of December 20, 2000.
(j)	-- Fourth Supplemental Indenture between Williams and Bank One Trust Company, N.A., as Trustee, dated as of January 17, 2001.
(k)	-- Fifth Supplemental Indenture between Williams and Bank One Trust Company, N.A., as Trustee, dated as of January 17, 2001.
(l)*	-- Form of Senior Debt Indenture between Williams and The Chase Manhattan Bank (formerly Chemical Bank), as Trustee (filed as Exhibit 4.1 to Form S-3 filed February 2, 1990).
(m)*	-- Indenture dated May 1, 1990, between Transco Energy Company and The Bank of New York, as Trustee (filed as an Exhibit to Transco Energy Company's Form 8-K dated June 25, 1990).
(n)*	-- First Supplemental Indenture dated June 20, 1990, between Transco Energy Company and The Bank of New York, as Trustee (filed as an Exhibit to Transco Energy Company's Form 8-K dated June 25, 1990).
(o)*	-- Second Supplemental Indenture dated November 29, 1990, between Transco Energy Company and The Bank of New York, as Trustee (filed as an Exhibit to Transco Energy Company's Form 8-K dated December 7, 1990).
(p)*	-- Third Supplemental Indenture dated April 23, 1991, between Transco Energy Company and The Bank of New York, as Trustee (filed as an Exhibit to Transco Energy Company's Form 8-K dated April 30, 1991).
(q)*	-- Fourth Supplemental Indenture dated August 22, 1991, between Transco Energy Company and The Bank of New York, as Trustee (filed as an Exhibit to Transco Energy Company's Form 8-K dated August 27, 1991).

EXHIBIT NO.	DESCRIPTION
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(s)*	-- Form of Senior Debt Indenture between Williams Holdings of Delaware, Inc. and Citibank, N.A., as Trustee (filed as Exhibit 4.1 to Williams Holdings of Delaware, Inc.'s Form 10-Q filed October 18, 1995).
(t)*	-- First Supplemental Indenture dated as of July 31, 1999, among Williams Holdings of Delaware, Inc., Williams and Citibank, N.A., as Trustee (filed as Exhibit 4(o) to Form 10-K for the fiscal year ended December 31, 1999).
(u)*	-- Indenture dated March 31, 1990, between MAPCO Inc. and Bankers Trust Company, as Trustee (filed as Exhibit 4.0 to MAPCO Inc.'s Form 8-K filed February 19, 1991).
(v)*	-- First Supplemental Indenture dated March 31, 1998, among MAPCO Inc., Williams Holdings of Delaware, Inc. and Bankers Trust Company, as Trustee (filed as Exhibit 4(f) to Williams Holdings of Delaware, Inc.'s Form 10-K for the fiscal year ended December 31, 1998).
(w)*	-- Second Supplemental Indenture dated as of July 31, 1999, among Williams Holdings of Delaware, Inc., Williams and Bankers Trust Company, as Trustee (filed as Exhibit 4(p) to Form 10-K for the fiscal year ended December 31, 1999).
(x)*	-- Senior Indenture dated February 25, 1997, between MAPCO Inc. and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4.5.1 to MAPCO Inc.'s Amendment No. 1 to Form S-3 dated February 25, 1997).
(y)*	-- Supplemental Indenture No. 1 dated March 5, 1997, between MAPCO Inc. and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4.(o) to MAPCO Inc.'s Form 10-K for the fiscal year ended December 31, 1997).
(z)*	-- Supplemental Indenture No. 2 dated March 5, 1997, between MAPCO Inc. and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4.(p) to MAPCO Inc.'s Form 10-K for the fiscal year ended December 31, 1997).
(aa)*	-- Supplemental Indenture No. 3 dated March 31, 1998, among MAPCO Inc., Williams Holdings of Delaware, Inc. and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4(j) to Williams Holdings of Delaware, Inc.'s Form 10-K for the fiscal year ended December 31, 1998).
(bb)*	-- Supplemental Indenture No. 4 dated as of July 31, 1999, among Williams Holdings of Delaware, Inc., Williams and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as Trustee (filed as Exhibit 4(q) to Form 10-K for the fiscal year ended December 31, 1999).
(cc)*	-- Rights Agreement dated as of February 6, 1996, between Williams and First Chicago Trust Company of New York (filed as Exhibit 4 to Form 8-K filed January 24, 1996).
(dd)*	-- Certificate of Increase of Authorized Number of Shares of Series A Junior Participating Preferred Stock (filed as Exhibit 3(f) to Form 10-K for the fiscal year ended December 31, 1995).
(ee)*	-- Certificate of Increase of Authorized Number of Shares of Series A Junior Participating Preferred Stock (filed as Exhibit 3(g) to Form 10-K for the fiscal year ended December 31, 1997).

EXHIBIT NO.	DESCRIPTION
(ff)*	-- Credit Agreement dated as July 25, 2000, among Williams and certain of its subsidiaries, the banks named therein and Citibank, N.A., as agent (filed as Exhibit 4.1 to Form 10-Q filed August 11, 2000).
(gg)	-- Waiver and First Amendment to Credit Agreement dated as of January 31, 2001, to Credit Agreement dated July 25, 2000, among Williams and certain of its subsidiaries, the banks named therein and Citibank, N.A., as agent.
(hh)*	-- Credit Agreement dated as of July 25, 2000, among Williams, the banks named therein and Citibank, N.A., as agent (filed as Exhibit 4.2 to Form 10-Q filed August 11, 2000).
(ii)	-- Waiver and First Amendment to Credit Agreement dated as of January 31, 2001, to Credit Agreement dated July 25, 2000, among Williams, the banks named therein and Citibank, N.A., as agent.
(jj)*	-- U.S. $400,000,000 Term Loan Agreement dated April 7, 2000, among Williams, the lenders named therein and Credit Lyonnais New York Branch, as administrative agent (filed as Exhibit 4(r) to Form 10-K for the fiscal year ended December 31, 1999).
(kk)	-- First Amendment dated as of August 21, 2000, to Term Loan Agreement dated April 7, 2000, among Williams, the lenders named therein and Credit Lyonnais New York Branch, as administrative agent.
(ll)	-- Form of Waiver and Second Amendment dated as of January 31, 2001, to Term Loan Agreement dated April 7, 2000, among Williams, the lenders named therein and Credit Lyonnais New York Branch, as administrative agent.
10(a)	-- Underwriting Agreement dated January 16, 2001, among Williams and the underwriters named therein.
(b)*	-- The Williams Companies, Inc. Supplemental Retirement Plan effective as of January 1, 1988 (filed as Exhibit 10(iii)(c) to Form 10-K for the fiscal year ended December 31, 1987).
(c)*	-- Form of Employment Agreement dated January 1, 1990, among Williams and certain executive officers (filed as Exhibit 10(iii)(d) to Form 10-K for the fiscal year ended December 31, 1989).
(d)*	-- Form of The Williams Companies, Inc. Change in Control Protection Plan among Williams and employees (filed as Exhibit 10(iii)(e) to Form 10-K for the fiscal year ended December 31, 1989).
(e)*	-- The Williams Companies, Inc. 1985 Stock Option Plan (filed as Exhibit A to the Proxy Statement dated March 13, 1985).
(f)*	-- The Williams Companies, Inc. 1988 Stock Option Plan for Non-Employee Directors (filed as Exhibit A to the Proxy Statement dated March 14, 1988).
(g)*	-- The Williams Companies, Inc. 1990 Stock Plan (filed as Exhibit A to the Proxy Statement dated March 12, 1990).
(h)*	-- The Williams Companies, Inc. Stock Plan for Non-Officer Employees (filed as Exhibit 10(iii)(g) to Form 10-K for the fiscal year ended December 31, 1995).
(i)*	-- The Williams Companies, Inc. 1996 Stock Plan (filed as Exhibit A to the Proxy Statement dated March 27, 1996).
(j)*	-- The Williams Companies, Inc. 1996 Stock Plan for Non-Employee Directors (filed as Exhibit B to the Proxy Statement dated March 27, 1996).
(k)*	-- Indemnification Agreement effective as of August 1, 1986, among Williams, members of the Board of Directors and certain officers of Williams (filed as Exhibit 10(iii)(e) to Form 10-K for the year ended December 31, 1986).

EXHIBIT NO.	DESCRIPTION
(l)*	-- The Williams Communications Stock Plan (filed as Exhibit 99 to Form S-8 filed August 14, 1998).
(m)*	-- The Williams International Stock Plan (filed as Exhibit 10(iii)(l) to Form 10-K for the fiscal year ended December 31, 1998).
(n)*	-- Form of Stock Option Secured Promissory Note and Pledge Agreement among Williams and certain employees, officers and non-employee directors (filed as Exhibit 10(iii)(m) to Form 10-K for the fiscal year ended December 31, 1998).
12	-- Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements.
20*	-- Definitive Proxy Statement of Williams for 2001 (to be filed with the Securities and Exchange Commission on or before March 31, 2001).
21	-- Subsidiaries of the registrant.
23	-- Consent of Independent Auditors, Ernst & Young LLP.
24	-- Power of Attorney together with certified resolution.

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* Each such exhibit has heretofore been filed with the Securities and Exchange Commission as part of the filing indicated and is incorporated herein by reference.

** Williams agrees upon request to furnish each such exhibit to the Securities and Exchange Commission. The total amount of the securities authorized under each such exhibit does not exceed ten percent of the total assets of Williams and its subsidiaries taken as a whole.

EXHIBIT 3(I)(a)

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "THE WILLIAMS COMPANIES, INC.", FILED IN THIS OFFICE ON THE TWENTY-EIGHTH DAY OF DECEMBER, A.D. 2000, AT 2 O'CLOCK P.M.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

[SECRETARY'S OFFICE SEAL]

/s/ EDWARD J. FREEL

Edward J. Freel, Secretary of State

2116534 8100 AUTHENTICATION: 0883450

001655107 DATE: 12-28-00

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 02:00 PM 12/28/2000
001655107 -- 2116534

CERTIFICATE OF DESIGNATION

OF THE

DECEMBER 2000 CUMULATIVE CONVERTIBLE PREFERRED STOCK
($1.00 Par Value)

OF

THE WILLIAMS COMPANIES, INC.

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

The undersigned DOES HEREBY CERTIFY that the following resolution was duly adopted on December 28, 2000, by a duly appointed Special Committee of the Board of Directors of The Williams Companies, Inc., a Delaware Corporation (hereinafter called the "Corporation"), acting pursuant to the provisions of Section 141(c) of the General Corporation Law of the State of Delaware and pursuant to authority granted to such Committee in a resolution of such Board of Directors (the "Board") duly adopted on November 16, 2000 (capitalized terms used herein but not otherwise defined shall have the meanings set forth in Exhibit A to the Amended and Restated Company Agreement of Snow Goose Associates, L.L.C., dated as of December 28, 2000, among Arctic Fox Assets, L.L.C., and Prairie Wolf Investors, L.L.C., the "Joint Venture Company Agreement"):

RESOLVED that pursuant to authority expressly granted to and vested in the Board by provisions of the Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), the issuance of a series of Preferred Stock, par value $1.00 per share (the "Preferred Stock"), which shall consist of up to 400,000 of the 30,000,000 shares of Preferred Stock which the Corporation now has authority to issue, be, and the same hereby is, authorized, and the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the shares (in addition to the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, set forth in the Certificate of Incorporation which may be applicable to the Preferred Stock) are fixed as follows:

1. Designation. The designation of such series of the Preferred Stock authorized by this resolution shall be the December 2000 Cumulative Convertible Preferred Stock (the "December 2000 Preferred Stock"). The total number of shares of the December 2000 Preferred Stock shall be 400,000.

2. Preferred Dividends. Holders of shares of December 2000 Preferred Stock will be entitled to receive, when, as and if declared by the Board out of assets of the Corporation legally available for payment, an annual cash dividend, payable with respect to each Fiscal Quarter in arrears on the fifth Business Day of each of January, April, July and October, commencing on April 6, 2001 (each a "dividend payment date" and each period in respect to which such dividend payment date relates, a "Dividend Period"), equal to the yield for the most recently issued U.S. Treasury Bill with a maturity at issue of three months (as quoted at the close of business on Bloomberg Page PX2 (or such other page as may replace that page on that service) two Business Days before the first day of such Dividend Period) plus three percent (3%) on the Liquidation Preference of each share of December 2000 Preferred Stock; provided that, upon a Liquidating Event (such date, the "Rate Reset Date"), the dividend rate (or the formula therefor) on the December 2000 Preferred Stock shall be reset so as to enable such holders to sell the December 2000 Preferred Stock to a third party at the Liquidation Preference (as defined herein) plus accrued and unpaid dividends. The rate or formula shall be reset by the Board based on the opinion of an investment banking firm of recognized national standing selected by the holders of December 2000 Preferred Stock subject to the approval of the Board, not to be unreasonably withheld. Accumulated but unpaid dividends will not bear interest.

Dividends will accrue on the December 2000 Preferred Stock whether or not declared and will be cumulative from the date of initial issuance of shares of December 2000 Preferred Stock, but holders of December 2000 Preferred Stock shall not be entitled to any dividends in excess of the cumulative dividends provided herein. Dividends will be payable to holders of record as they appear on the stock books of the Corporation on the record date established by the Corporation for each dividend declared, which record date shall not be more than 60 days nor less than 10 days preceding the payment dates thereof, as shall be fixed by the Board. When dividends are not paid in full upon the December 2000 Preferred Stock and any other Parity Preferred Stock (as defined in Section 10 below), all dividends declared upon shares of Parity Preferred Stock will be declared pro rata so that in all cases the amount of dividends declared per share on the December 2000 Preferred Stock and such other Parity Preferred Stock shall bear to each other the same ratio that accumulated and unpaid dividends per share on the shares of December 2000 Preferred Stock and such other Parity Preferred Stock bear to each other. Except as set forth in the preceding sentence, unless full cumulative dividends on the December 2000 Preferred Stock have been paid (or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment) for all dividend periods terminating on or prior to the date of determination, no dividends (other than dividends paid in shares of (or options, warrants or rights to subscribe for or purchase shares of) Junior Stock (as defined herein)) may be paid or declared, nor may a sum sufficient for the payment thereof be set apart for such payment made upon the Common Stock or on any other stock of the Corporation ranking junior to or on a parity with the December 2000 Preferred Stock as to dividends, nor may any Common Stock or any other stock of the Corporation ranking junior to the December 2000 Preferred Stock as to the payment of dividends (collectively, "Junior Dividend Stock") be redeemed, purchased or otherwise acquired by the Corporation for any consideration other than in exchange for Junior Stock and cash in lieu of fractional shares, if any, upon such an exchange (or any payment made to or available for a sinking fund for the redemption of any shares of such stock) by the Corporation (except by conversion into or exchange for Junior Stock). Dividends shall be calculated on the basis of a 360-day year of 12 30-day months.

3. Liquidation Preference. The shares of December 2000 Preferred Stock shall rank prior to shares of Common Stock (such junior stock is referred to herein collectively as "Junior Liquidation Stock", and collectively with the Junior Dividend Stock, the "Junior Stock"), so that in the event of any liquidation, dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the holders of the December 2000 Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to its stockholders, whether from capital, surplus or earnings, before any distribution is made to holders of shares of Junior Liquidation Stock, an amount equal to $1,000.00 per share (the "Liquidation Preference" of a share of December 2000 Preferred Stock) plus an amount equal to all dividends (whether or not earned or declared) accumulated and unpaid on the shares of December 2000 Preferred Stock to the date of final distribution. After payment of the full amount of the Liquidation Preference and such dividends, the holders of shares of December 2000 Preferred Stock will not be entitled to any further participation in any distribution of assets by the Corporation. If, upon any liquidation, dissolution or winding up of the affairs of the Corporation, the assets of the Corporation, or proceeds thereof, available for distribution among the holders of shares of Parity Preferred Stock shall be insufficient to pay in full the amount payable on all such Parity Preferred Stock upon such liquidation, dissolution or winding up, then such assets, or the proceeds thereof, shall be distributed among such holders of Parity Preferred Stock equally and ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were payable in full. For the purposes hereof, neither a consolidation nor merger of the Corporation with or into any other corporation, nor a merger of any other corporation with or into the Corporation, nor a sale, exchange or transfer of all or any part of the Corporation's assets for cash, shares of stock, securities or other consideration shall be considered a liquidation, dissolution or winding up of the affairs of the Corporation.

4. Voting Rights. (a) The holders of shares of December 2000 Preferred Stock shall have the voting rights set forth in the Certificate of Incorporation, as otherwise permitted under the laws of the State of Delaware, or as set forth in this Section 4. The holders of shares of December 2000 Preferred Stock shall have no voting rights permitting them to vote as a class except as

required by law and as set forth in clauses (d), (e) and (f) below and the second paragraph of Section 8.

(b) On any matter for which the holders of December 2000 Preferred Stock shall have the right to vote as a separate class, together with other shares of Preferred Stock then entitled to vote on such matter with the December 2000 Preferred Stock, if any, each share of December 2000 Preferred Stock shall be entitled to one vote.

(c) So long as shares of the December 2000 Preferred Stock are outstanding, upon the proposal of a merger or consolidation of the Corporation with or into any Person where the Corporation would not be the surviving entity (a "Proposed Merger") and with respect to which holders of December 2000 Preferred Stock do not have the right under applicable law or the Certificate of Incorporation including this Certificate of Designation, to vote as a separate class (together with any other shares of Preferred Stock so entitled to vote thereon as a class with the December 2000 Preferred Stock) on such merger or consolidation, the holders of December 2000 Preferred Stock shall have full voting power on all matters with respect to such Proposed Merger upon which holders of Common Stock are entitled to vote with respect to such Proposed Merger, voting together as a class with the Common Stock and any other class or series of stock entitled to vote together with the Common Stock with respect to such Proposed Merger, with each holder of December 2000 Preferred Stock having the same number of votes per share of December 2000 Preferred Stock as represents the number of shares of Common Stock into which one share of December 2000 Preferred Stock would be convertible at the time of the vote with respect to the Proposed Merger.

(d) Upon the accumulation of accrued and unpaid dividends on the outstanding December 2000 Preferred Stock in an amount equal to six full quarterly dividends (whether or not consecutive) (a "Voting Rights Triggering Event"), the number of members of the Board will be immediately and automatically increased by two, and the holders of a majority of the outstanding shares of December 2000 Preferred Stock, will be entitled to elect two members to the Board. Voting rights of the December 2000 Preferred Stock arising as a result of a Voting Rights Triggering Event will continue until such time as all dividends in arrears on the December 2000 Preferred Stock are paid in full. If the right of the holders of December 2000 Preferred Stock to elect directors pursuant to this Section 4(d) become exercisable, the Board shall take all actions as may be necessary or appropriate (including increasing the size of the Board or, if the number of members of the Board is at its maximum, seeking the resignation of then current members) to permit the holders to exercise their rights in full as contemplated pursuant to this Section 4(d). In accordance with Section D of Article FIFTH of the Certificate of Incorporation, any persons elected as directors of the Corporation pursuant to this Section 4(d) shall not be a member of any class of the Board and such persons or their duly elected successors shall serve until the first annual meeting after all arrears on the December 2000 Preferred Stock are paid in full or until their earlier resignation or removal.

(e) So long as shares of the December 2000 Preferred Stock are outstanding, the Corporation shall not, without the affirmative vote or written consent of the holders of at least a majority of the outstanding shares of December 2000 Preferred Stock, voting as a class, authorize, create or issue to any Person (other than the holders of the December 2000 Preferred Stock) any Preferred Stock (the "Additional Preferred Stock") or authorize, create or issue any obligation or security convertible into shares of Preferred Stock, provided that the Corporation may authorize, create and issue any Preferred Stock to a Person other than the holders of the December 2000 Preferred Stock without such consent if the following conditions are satisfied: (a) prior to the completion of the sale or other transfer of all or substantially all of the direct or indirect equity interests in, or all or substantially all of the assets of Williams Communications Group, Inc. and its Subsidiaries, in each case as in existence on the date hereof (the "WCG Spin-Off"), following the issuance of the Additional Preferred Stock the total Preferred Stock issued by the Corporation shall not represent more than 37.5% of the total shareholders' equity of the Corporation as of its most recently filed balance sheet prepared in accordance with GAAP and (b) upon the completion of the WCG Spin-Off, following the issuance of the Additional Preferred Stock the total Preferred Stock issued by the Corporation shall not represent more than 50% of the total shareholders' equity of the Corporation as of its most recently filed balance sheet prepared in accordance with GAAP.

(f) So long as shares of the December 2000 Preferred Stock are outstanding, the Corporation shall not, without the affirmative vote or written consent of the holders of at least a majority (or, in the case of Section 4(f)(ii), (iii), (iv) and (v), 95%) of the outstanding shares of December 2000 Preferred Stock, voting as a class, take any of the following actions:

(i) Merge or consolidate with or into any Person, or sell, lease or otherwise transfer all or substantially all of its assets, or permit any of its material Subsidiaries to merge or consolidate with or into any Person, or sell, lease or otherwise transfer all or substantially all of its assets (except any merger or sale associated with the WCG Spin-Off), in any case where such merger, sale, lease or transfer would affect adversely the preferences, special rights or powers of the December 2000 Preferred Stock;

(ii) Authorize any reclassification of the December 2000 Preferred Stock.

(iii) Alter or change the rights, powers or preferences of the December 2000 Preferred Stock so as to affect them adversely;

(iv) Authorize, create or issue any other shares of December 2000 Preferred Stock;

(v) Authorize, create, increase the number of shares of or issue (A) any class or series of capital stock which expressly provides that such class or series of capital stock ranks senior to the December 2000 Preferred Stock as to dividends or distributions upon the liquidation, winding up or dissolution of the Corporation (such class or series of capital stock being referred to hereafter as "Senior Stock"); or (B) any obligation or security convertible into, or any rights or options entitling the holder thereof to purchase, shares of Senior Stock;

(vi) Authorize, create, increase the number of shares of or issue (A) any class or series of capital stock (other than Common Stock) with voting rights (other than as required by the laws of the State of Delaware or the Certificate of Incorporation or similar to any one or more of those set forth in Sections 4(a), 4(b), 4(c), 4(d), 4(e), 4(f) and Section 8 hereof or any provision thereof) (such class or series of capital stock being referred to hereafter as "Additional Voting Stock") or (B) any obligation or security convertible into, or any rights or options entitling the holder thereof to purchase, shares of Additional Voting Stock; or

(vii) Amend Section I(5)(b) of Article FOURTH or Section H of Article FIFTH of the Certificate of Incorporation (other than any amendment that does not limit or restrict the right of holders of December 2000 Preferred Stock to act by written consent to the extent permitted by Section I(5)(b) of Article FOURTH and Section H of Article FIFTH of the Certificate of Incorporation.

5. Optional Redemption. At any time prior to the Rate Reset Date, the Corporation shall have the right, exercisable at any time at the option of the Board of Directors on any date fixed by the Board of Directors (or any authorized committee of the Board of Directors), to redeem, out of funds legally available therefor, shares of the December 2000 Preferred Stock, in whole or in part, upon not less than 10 nor more than 60 days' prior notice, at a redemption price in cash equal to $1,000 per share of the December 2000 Preferred Stock to be redeemed, plus an amount equal to dividends accrued and accumulated but unpaid to the redemption date with respect to the shares to be so redeemed.

If less than all of the outstanding shares of December 2000 Preferred Stock are to be redeemed, the Corporation will select those to be redeemed by lot or a substantially equivalent method.

If a notice of redemption has been given pursuant to this Section 5 and if, on or before the date fixed for redemption, the funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares so called for redemption, then, notwithstanding that any certificates for such shares have not been surrendered for cancellation, on the redemption date dividends shall cease to accrue on the shares of December 2000 Preferred Stock to be redeemed, and at the close of business on the redemption date the holders of such shares shall cease to be stockholders with respect to such shares and shall have no interest in or claims against the Corporation by virtue thereof and shall have no voting or other rights with respect to such shares, except the right to receive the moneys payable upon such redemption, without interest thereon, upon surrender (and endorsement, if required by the Corporation) of their certificates, and the shares evidenced thereby shall no longer be outstanding. Subject to applicable escheat laws, any moneys so set aside by the Corporation and unclaimed at the end of two years from the redemption date shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of the amounts payable upon such redemption. Any interest that may accrue on funds so deposited shall be paid to the Corporation from time to time.

6. Optional Conversion. (a) Subject to and upon compliance with the provisions of this Certificate of Designation, the holder of any December 2000 Preferred Stock shall have the right, exercisable at its option, at any time after the original issuance of the December 2000 Preferred Stock hereunder, to convert such December 2000 Preferred Stock into that number of fully paid and non-assessable shares of Common Stock (as such shares shall then be constituted) obtained by dividing $1,000 by the Conversion Price in effect at such time, in the manner provided in Section 6(b). As used herein, the term "Conversion Price" means on the date hereof, the "Initial Conversion Price" as defined in Section 6(f), and subsequently the Conversion Price as adjusted from time to time in accordance with Section 7.

(b) In order to exercise the conversion privilege with respect to any December 2000 Preferred Stock in certificated form, the holder of any such December 2000 Preferred Stock to be converted shall surrender such December 2000 Preferred Stock, duly endorsed, to the Corporation and shall give written notice of conversion and, if fewer than all the shares of December 2000 Preferred Stock evidenced by the certificate so surrendered are to be converted, the holder shall specify the number of shares to be so converted.

(c) As promptly as practicable after satisfaction of the requirements for conversion set forth above, the Corporation shall issue and shall deliver, a certificate or certificates for the number of full shares of Common Stock issuable upon conversion as determined by the Corporation in accordance with the provisions of this Section 6 and a check or cash in respect of any fractional interest in respect of a share of Common Stock arising upon such conversion, calculated by the Corporation, as provided in this Section 6.

(d) Each conversion shall be deemed to have been effected on the date on which the requirements set forth above in this Section 6 have been satisfied, and the Person in whose name any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become on said date the holder of record of the shares represented thereby; provided, however, that any such surrender on any date when the stock transfer books of the Corporation shall be closed shall constitute the Person in whose name the certificates are to be issued as the record holder thereof for all purposes on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date of conversion.

(e) No fractional shares of Common Stock or scrip representing fractional shares shall be issued upon conversion of December 2000 Preferred Stock. If any fractional share of stock would be issuable upon the conversion of any December 2000 Preferred Stock, the Corporation shall make an adjustment and payment therefor in cash at the current market price thereof to the holder of December 2000 Preferred Stock. The current market price of a share of Common Stock shall be the Closing Price on the last Business Day immediately preceding the day on which the conversion shall have occurred.

(f) The "Initial Conversion Price" shall be $31.8125 per share.

7. Adjustment of Conversion Price. The Conversion Price shall be adjusted from time to time by the Corporation as follows:

(a) In case the Corporation shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution by a fraction, the numerator of which shall be the number of shares of the Common Stock outstanding at the close of business on the date fixed for such determination, and the denominator of which shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the day following the date fixed for such determination. For the purpose of this paragraph (a), the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Corporation. The Corporation will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Corporation. If any dividend or distribution of the type described in this Section 7(a) is declared but not so paid or made, the Conversion Price shall again be adjusted to the Conversion Price that would then be in effect if such dividend or distribution had not been declared.

(b) In case the Corporation shall issue rights or warrants to all holders of its outstanding shares of Common Stock entitling them (for a period expiring within 45 days after the date fixed for determination of stockholders entitled to receive such rights or warrants) to subscribe for or purchase shares of Common Stock at a price per share less than the Current Market Price on the date fixed for determination of stockholders entitled to receive such rights or warrants, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date fixed for determination of stockholders entitled to receive such rights or warrants by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding at the close of business on the date fixed for determination of stockholders entitled to receive such rights or warrants plus the number of shares that the aggregate offering price of the total number of shares so offered for subscription or purchase (pursuant to such rights or warrants) would purchase at such Current Market Price, and the denominator of which shall be the number of shares of Common Stock outstanding on the date fixed for determination of stockholders entitled to receive such rights or warrants plus the total number of additional shares of Common Stock offered for subscription or purchase pursuant to such rights or warrants. Such adjustment shall be successively made whenever any such rights or warrants are issued, and shall become effective immediately after the opening of business on the day following the date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock are not delivered after the expiration of such rights or warrants, the Conversion Price shall be readjusted to the Conversion Price that would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of delivery of only the number of shares of Common Stock actually delivered. If such rights or warrants are not so issued, the Conversion Price shall again be adjusted to be the Conversion Price that would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received by the Corporation for such rights or warrants and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined by the Board.

(c) In case outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately reduced, and conversely, in case outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(d) In case the Corporation shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Corporation (other than any dividends or distributions to which Section 7(a) applies) or evidence of its indebtedness or assets (excluding cash) (including securities, but excluding any rights or warrants referred to in Section 7(b), and excluding any dividend or distribution (x) paid exclusively in cash or (y) referred to in Section 7(a) (any of the foregoing hereinafter in this Section 7(d) called the "Securities")), then, in each such case (unless the Corporation elects to reserve such Securities for distribution to the holders of December 2000 Preferred Stock upon conversion so that any holder converting will receive upon such conversion, in addition to the shares of Common Stock to which such holder is entitled, the amount and kind of such Securities which such holder would have received if such holder had converted its December 2000 Preferred Stock into Common Stock immediately prior to the Record Date (as defined in Section 7(h)(4)) for such distribution of the Securities), the Conversion Price shall be reduced so that the same shall be equal to the price determined by multiplying the Conversion Price in effect on the Record Date with respect to such distribution by a fraction, the numerator of which shall be the Current Market Price per share of the Common Stock on such Record Date less the fair market value (as determined by the Board, whose determination shall be conclusive, and described in a resolution of the Board) on the Record Date of the portion of the Securities so distributed applicable to one share of Common Stock and the denominator of which shall be the Current Market Price per share of the Common Stock on such Record Date, such reduction to become effective immediately prior to the opening of business on the day following such Record Date; provided, however, that in the event the then fair market value (as so determined) of the portion of the Securities so distributed applicable to one share of Common Stock is equal to or greater than the Current Market Price of the Common Stock on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each holder of December 2000 Preferred Stock shall have the right to receive upon conversion the amount of Securities such holder would have received had such holder converted its December 2000 Preferred Stock into Common Stock immediately prior to the Record Date. If such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price that would then be in effect if such dividend or distribution had not been declared. If the Board determines the fair market value of any distribution for purposes of this Section 7(d) by reference to the actual or when issued trading market for any Securities, it must in doing so consider the prices in such market over the same period used in computing the Current Market Price of the Common Stock.

Rights or warrants distributed by the Corporation to all holders of Common Stock entitling the holders thereof to subscribe for or purchase shares of the Company's capital stock (either initially or under certain circumstances), which rights or warrants, until the occurrence of a specified event or events ("Trigger Event"): (i) are deemed to be transferred with such shares of Common Stock; (ii) are not immediately exercisable; and (iii) are also issued in respect of future issuances of Common Stock, shall be deemed not to have been distributed for purposes of this Section 7 (and no adjustment to the Conversion Price under this Section 7 will be required) until the occurrence of the earliest Trigger Event, whereupon such rights and warrants shall be deemed to have been distributed and an appropriate adjustment (if any is required) to the Conversion Price shall be made under this Section 7(d). If any such right or warrant, including any such existing rights or warrants distributed prior to the date of this Certificate of Designation, are subject to events, upon the occurrence of which such rights or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event shall be deemed to be the date of distribution and Record Date with respect to new rights or warrants with such rights (and a termination or expiration of the existing rights or warrants without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights or warrants, or any Trigger Event or other event (of the type described in the preceding sentence) with respect thereto, that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Price under this Section 7 was made, (1) in the case of any such rights or warrants that shall all have been redeemed or repurchased without exercise by any holders thereof, the Conversion Price shall be readjusted upon such final redemption or repurchase to give effect to such distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or repurchase price received by a holder or holders of Common Stock with respect to such rights or warrants (assuming such holder had retained such rights or warrants), made to all holders of Common Stock as of the date of such redemption or repurchase, and (2) in the case of such rights or warrants that shall have expired or been terminated without exercise by any holders thereof, the Conversion Price shall be readjusted as if such rights and warrants had not been issued.

No adjustment of the Conversion Price shall be made pursuant to this Section 7(d) in respect of rights or warrants distributed or deemed distributed on any Trigger Event to the extent that such rights or warrants are actually distributed, or reserved by the Corporation for distribution, to holders of December 2000 Preferred Stock upon conversion by such holders of December 2000 Preferred Stock to Common Stock. For purposes of this Section 7(d) and Sections 7(a) and (b), any dividend or distribution to which this Section 7(d) is applicable that also includes shares of Common Stock, or rights or warrants to subscribe for or purchase shares of Common Stock (or both), shall be deemed instead to be (1) a dividend or distribution of the evidences of indebtedness, assets or shares of capital stock other than such shares of Common Stock or rights or warrants (and any Conversion Price reduction required by this Section 7(d) with respect to such dividend or distribution shall then be made) immediately followed by (2) a dividend or distribution of such shares of Common Stock or such rights or warrants (and any further Conversion Price reduction required by Sections 7(a) and (b) with respect to such dividend or distribution shall then be made), except (A) the Record Date of such dividend or distribution shall be substituted as "the date fixed for the determination of stockholders entitled to receive such dividend or other distribution", "the date fixed for the determination of stockholders entitled to receive such rights or warrants" and "the date fixed for such determination" within the meaning of Sections 7(a) and (b), and (B) any shares of Common Stock included in such dividend or distribution shall not be deemed "outstanding at the close of business on the date fixed for such determination" within the meaning of Section 7(a).

(e) In case the Corporation shall, by dividend or otherwise, distribute to all holders of its Common Stock cash (excluding (x) any quarterly cash dividend on the Common Stock to the extent the annualized rate of such cash dividend together with any other cash dividend paid or payable during such quarter does not exceed the greater of (A) the annualized cash dividend rate per share of Common Stock in effect during the next preceding quarter to the extent that such preceding quarterly dividend did not require any adjustment of the Conversion Price pursuant to this Section 7(e) (as adjusted to reflect subdivisions, or combinations of the Common Stock), and (B) 3.75% of the Current Market Price determined immediately prior to the date of declaration of such dividend, and (y) any dividend or distribution in connection with the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary), then, in such case, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the close of business on such record date by a fraction, the numerator of which shall be the Current Market Price of the Common Stock on the record date less the amount of cash so distributed (and not excluded as provided above or as set forth in the last two sentences of this Section 7(e)) applicable to one share of Common Stock, and the denominator of which shall be such Current Market Price of the Common Stock, such reduction to be effective immediately prior to the opening of business on the day following the record date; provided, however, that if the portion of the cash so distributed applicable to one share of Common Stock is equal to or greater than the Current Market Price of the Common Stock on the record date, in lieu of the foregoing adjustment, adequate provision shall be made so that each holder of December 2000 Preferred Stock shall have the right to receive upon conversion, out of funds legally available therefor, the amount of cash such holder would have received had such holder converted such December 2000 Preferred Stock on the record date. If such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price that would then be in effect if such dividend or distribution had not been declared. If any adjustment is required to be made as set forth in this Section 7(e) as a result of a distribution that is a quarterly dividend, such adjustment shall be based upon the amount by which such distribution exceeds the amount of the quarterly cash dividend permitted to be excluded pursuant hereto. If an adjustment is required to be made as set forth in this Section 7(e) above as a result of a distribution that is not a quarterly dividend, such adjustment shall be based upon the full amount of the distribution.

(f) In case a tender or exchange offer made by the Corporation or any Subsidiary for all or any portion of the Common Stock shall expire and such tender or exchange offer (as amended upon the expiration thereof) shall require the payment to stockholders of consideration per share of Common Stock having a fair market value (as determined by the Board, whose determination shall be conclusive and described in a resolution of the Board) that as of the last time (the "Expiration Time") tenders or exchanges may be made pursuant to such tender or exchange offer (as it may be amended) exceeds the Current Market Price of the Common Stock on the Trading Day next succeeding the Expiration Time, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the Expiration Time by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding (including any tendered or exchanged shares) at the Expiration Time multiplied by the Current Market Price of the Common Stock on the Trading Day next succeeding the Expiration Time and the denominator of which shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of all shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) at the Expiration Time and the Current Market Price of the Common Stock on the Trading Day next succeeding the Expiration Time, such reduction to become effective immediately prior to the opening of business on the Trading Day following the Expiration Time. If the Corporation is obligated to purchase shares pursuant to any such tender or exchange offer, but the Corporation is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price that would then be in effect if such tender or exchange offer had not been made.

(g) For purposes of this Section 7, the following terms shall have the meaning indicated:

(1) "Closing Price" with respect to any security on any day shall mean the closing sale price, regular way, on such day or, in case no such sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in each case as quoted on the New York Stock Exchange or, if such security is not quoted or listed or admitted to trading on such New York Stock Exchange, on the principal national securities exchange or quotation system on which such security is quoted or listed or admitted to trading or, if not quoted or listed or admitted to trading on any national securities exchange or quotation system, the average of the closing bid and asked prices of such security on the over-the-counter market on the day in question as reported by the National Quotation Bureau Incorporated, or a similar generally accepted reporting service, or if not so available, in such manner as furnished by any New York Stock Exchange member firm selected from time to time by the Board for that purpose, or a price determined in good faith by the Board.

(2) "Current Market Price" shall mean the arithmetic average of the daily Closing Prices per share of Common Stock for the 10 consecutive Trading Days immediately prior to the date in question.

(3) "Fair Market Value" shall mean the amount which a willing buyer would pay a willing seller in an arm's-length transaction.

(4) "Record Date" shall mean, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board or by statute, contract or otherwise).

(5) "Trading Day" shall mean (x) if the applicable security is listed or admitted for trading on the New York Stock Exchange or another national securities exchange, a day on which the New York Stock Exchange or such other national securities exchange is open for business or (y) if the applicable security is not so listed, admitted for trading or quoted, any day other than a Saturday or Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

(h) The Corporation may (but is not obligated to) make such reductions in the Conversion Price, in addition to those required by Sections 7(a), (b), (c), (d), (e) or (f) as the Board considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

To the extent permitted by applicable law, the Corporation from time to time may (but is not obligated to) reduce the Conversion Price by any amount for any period of time if the period is at least 20 days, the reduction is irrevocable during the period and the Board shall have made a determination that such reduction would be in the best interests of the Company, which determination shall be conclusive. Whenever the Conversion Price is reduced pursuant to the preceding sentence, the Corporation shall mail to holders of record of the December 2000 Preferred Stock a notice of the reduction at least 15 days prior to the date the reduced Conversion Price takes effect, and such notice shall state the reduced Conversion Price and the period during which it will be in effect.

(i) No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in such price; provided, however, that any adjustments that by reason of this Section 7(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 7 shall be made by the Corporation and shall be made to the nearest cent or to the nearest one-hundredth (1/100) of a share, as the case may be. No adjustment need be made pursuant to any provision of this Section 7 for rights to purchase Common Stock pursuant to a Corporation plan for reinvestment of dividends or interest. To the extent the December 2000 Preferred Stock becomes convertible into cash, assets, property or securities (other than capital stock of the Company), no adjustment need be made thereafter as to the cash, assets, property or such securities. Interest will not accrue on the cash into which shares of December 2000 Preferred Stock may be convertible.

(j) Whenever the Conversion Price is adjusted as herein provided, the Corporation shall promptly prepare a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price and the date on which each adjustment becomes effective and shall promptly mail such notice of such adjustment of the Conversion Price to each holder of a share of December 2000 Preferred Stock. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(k) In any case in which this Section 7 provides that an adjustment shall become effective immediately after (1) a record date for an event, (2) the date fixed for the determination of stockholders entitled to receive a dividend or distribution pursuant to Section 7(a), (3) a date fixed for the determination of stockholders entitled to receive rights or warrants pursuant to Section 7(b) or (4) the Expiration Time for any tender or exchange offer pursuant to Section 7(f), (each a "Determination Date"), the Corporation may elect to defer until the occurrence of the relevant Adjustment Event (as hereinafter defined) (x) issuing to the holder of any share of December 2000 Preferred Stock converted after such Determination Date and before the occurrence of such Adjustment Event, the additional shares of Common Stock or other securities or assets issuable upon such conversion by reason of the adjustment required by such Adjustment Event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (y) paying to such holder any amount in cash in lieu of any fraction pursuant to Section 6(e). For purposes of this Section 7(k), the term "Adjustment Event" shall mean:

(1) in any case referred to in clause (1) hereof, the occurrence of such event,

(2) in any case referred to in clause (2) hereof, the date any such dividend or distribution is paid or made,

(3) in any case referred to in clause (3) hereof, the date of expiration of such rights or warrants, and

(4) in any case referred to in clause (4) or clause (5) hereof, the date a sale or exchange of Common Stock pursuant to such tender or exchange offer is consummated and becomes irrevocable.

(l) For purposes of this Section 7, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Corporation but shall include shares issuable in respect of outstanding scrip certificates, if any, issued by the Corporation in lieu of fractions of shares of Common Stock. The Corporation will not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

8. Reclassifications, Consolidation, Merger or Sale. If any of the following events occur, namely (i) any reclassification or change of the outstanding shares of Common Stock (other than a subdivision or combination to which Section 7(c) applies), (ii) any consolidation, merger or combination of the Corporation with another Person as a result of which holders of Common Stock shall be entitled to receive stock, other securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, or (iii) any sale or conveyance of all or substantially all of the properties and assets of the Corporation to any other Person as a result of which holders of Common Stock shall be entitled to receive stock, other securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, then the December 2000 Preferred Stock shall be convertible into the kind and amount of shares of stock, other securities or other property or assets (including cash) that the holder of a share of December 2000 Preferred Stock would have received upon such reclassification, change, consolidation, merger, combination, sale or conveyance had such holder converted such share of December 2000 Preferred Stock into the number of shares of Common Stock issuable upon such conversion (assuming, for such purposes, a sufficient number of authorized shares of Common Stock are available for such conversion) immediately prior to such reclassification, change, consolidation, merger, combination, sale or conveyance, assuming such holder of Common Stock did not exercise his rights of election, if any, as to the kind or amount of stock, other securities or other property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance (provided that, if the kind or amount of stock, other securities or other property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance is not the same for each share of Common Stock in respect of which such rights of election shall not have been exercised ("non-electing share"), then for the purposes of this Section 8 the kind and amount of stock, other securities or other property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance for each non-electing share shall be deemed to be the kind and amount so receivable per share by a plurality of the non-electing shares).

The Corporation shall not enter into any transaction governed by this Section 8 unless (I) if the Corporation is not the entity surviving any such merger, consolidation or combination, (A) such merger, consolidation or combination has been approved by the affirmative vote or written consent of the holders of 95% of the outstanding shares of December 2000 Preferred Stock or (B) the December 2000 Preferred Stock is converted into shares of preferred stock or equivalent equity securities of the entity surviving or resulting from such merger or consolidation having terms and conditions substantially similar to the terms and conditions of the December 2000 Preferred Stock in effect immediately prior to such merger or consolidation, but giving effect to the conversion adjustments contemplated in this Section 8 or (II) if the Corporation survives such consolidation, merger or sale, the entity into whose securities or assets the December 2000 Preferred Stock becomes convertible pursuant to this Section 8, if other than the Corporation, shall agree to honor the conversion rights provided in this Section 8.

The above provisions of this Section 8 shall similarly apply to successive reclassifications, changes, consolidations, mergers, combinations, sales and conveyances.

If this Section 8 applies to any event or occurrence, Section 7 shall not apply.

9. Actions Not Requiring Consent. No consent of the holders of the December 2000 Preferred Stock shall be required for (a) the creation of any indebtedness of any kind of the Corporation, (b) subject to Section 4(e), the creation, or increase or decrease in the amount, of any class or series of stock of the Corporation not ranking prior upon liquidation or as to the payment of dividends to the December 2000 Preferred Stock, (c) any increase or decrease in the amount of authorized shares of Common Stock or blank check Preferred Stock or any increase, decrease or change in the par value thereof or in any other terms thereof or (d) the issuance of Preferred Stock for which consent is not required pursuant to Section 4(e).

10. Ranking. Subject to the second sentence of this Section 10, the December 2000 Preferred Stock shall rank senior, with respect to dividends, as to all shares of Junior Dividend Stock and shall rank senior, with respect to distributions upon the liquidation, winding up or dissolution of the Corporation, as to all shares of Junior Liquidation Stock. All series of preferred stock of the Corporation with which the December 2000 Preferred Stock ranks on a parity, with respect to dividends or distributions upon the liquidation, winding up or dissolution of the Corporation shall constitute "Parity Preferred Stock" and the December 2000 Preferred Stock shall rank, as to dividends or distributions upon the liquidation, winding up or dissolution of the Corporation, on a parity with such Parity Preferred Stock. The term "Parity Preferred Stock" as used in (a) Section 2 shall be deemed to refer to preferred stock of the Corporation that constitutes Parity Preferred Stock in respect of the payment of dividends and (b) Section 3 shall be deemed to refer to preferred stock of the Corporation that constitutes Parity Preferred Stock in respect of the right to distributions upon the liquidation, winding up or dissolution of the Corporation.

IN WITNESS WHEREOF, The Williams Companies, Inc. has caused this Certificate to be signed by William G. von Glahn, a Senior Vice President, this 28th day of December, 2000.

THE WILLIAMS COMPANIES, INC.

By: /s/ WILLIAM G. VON GLAHN

Name: William G. von Glahn
Title: Senior Vice President

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF MERGER, WHICH MERGES:

"WILLIAMS HOLDINGS OF DELAWARE, INC.", A DELAWARE CORPORATION,

WITH AND INTO "THE WILLIAMS COMPANIES, INC." UNDER THE NAME OF "THE WILLIAMS COMPANIES, INC.", A CORPORATION ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF DELAWARE, AS RECEIVED AND FILED IN THIS OFFICE THE THIRTIETH DAY OF JULY, A.D. 1999, AT 10:30 O'CLOCK A.M.

AND I DO HEREBY FURTHER CERTIFY THAT THE EFFECTIVE DATE OF THE AFORESAID CERTIFICATE OF MERGER IS THE THIRTY-FIRST DAY OF JULY, A.D. 1999.

A FILED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS.

[SECRETARY'S OFFICE SEAL]

/s/ EDWARD J. FREEL

Edward J. Freel, Secretary of State

2116534 8100M   AUTHENTICATION: 9896079

991315590   DATE: 07-30-99

CERTIFICATE OF MERGER

OF

WILLIAMS HOLDINGS OF DELAWARE, INC.

INTO

THE WILLIAMS COMPANIES, INC.

The Williams Companies, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of Delaware with its principal office at One Williams Center, Tulsa, Oklahoma 74172, does hereby certify as follows:

FIRST: The name and state of incorporation of each of the constituent entities to the merger are as follows:

Name	State of Organization
Williams Holdings of Delaware, Inc.	Delaware
The Williams Companies, Inc.	Delaware

SECOND: An Agreement of Merger between the parties to the merger has been approved, adopted, certified, executed and acknowledged by each of the constituent corporations in accordance with the requirements of Section 251 of the General Corporation Law of Delaware.

THIRD: The name of the surviving corporation of the merger is The Williams Companies, Inc.

FOURTH: The Certificate of Incorporation of The Williams Companies, Inc., a Delaware corporation, which will survive the merger, shall be the Certificate of Incorporation of the surviving corporation.

FIFTH: The executed Agreement of Merger is on file at the office of the surviving corporation, the address of which is One Williams Center, Tulsa, Oklahoma 74172.

SIXTH: A copy of the Agreement of Merger will be furnished by the Surviving Corporation, on request and without cost, to any stockholder of Williams Holdings of Delaware, Inc. or any stockholder of The Williams Companies, Inc.

SEVENTH: The merger of the constituent entities shall become effective on July 31, 1999.

IN WITNESS WHEREOF, this Certificate of Merger has been duly executed as of the 29th day of July, 1999 and is being filed in accordance with Section 103 of the General Corporation Law of the State of Delaware.

THE WILLIAMS COMPANIES, INC.

By: /s/ SHAWNA L. GEHRES

Name: Shawna L. Gehres
Title: Secretary

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "THE WILLIAMS COMPANIES, INC.", FILED IN THIS OFFICE ON THE TWENTY-SIXTH DAY OF FEBRUARY, A.D. 1998, AT 12 O'CLOCK P.M.

[SECRETARY'S OFFICE SEAL]

/s/ EDWARD J. FREEL

Edward J. Freel, Secretary of State

2116534 8100 AUTHENTICATION: 8943311

981075195 DATE: 02-26-98

CERTIFICATE OF AMENDMENT

OF

RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED

* * * * * * * * *

THE WILLIAMS COMPANIES, INC., a corporation organized and existing under and by virtue of the General Corporation Law of Delaware, DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of The Williams Companies, Inc., at a meeting of the Board of Directors duly called and held on November 23, 1997, adopted a resolution proposing and declaring advisable the following amendment to the Restated Certificate of Incorporation, as amended, of said Company:

> RESOLVED that the Board of Directors of the Company hereby declares it advisable to amend Article FOURTH of the Company's Restated Certificate of Incorporation, as amended, to increase the authorized Common Stock, $1.00 par value, so that, as amended, the first paragraph of Article FOURTH shall be, and read, as follows:
>
> > "FOURTH: The total number of shares of capital stock which the Company shall have authority to issue is 990,000,000 shares, consisting of 960,000,000 shares of Common Stock, par value $1.00 per share (the "Common

Stock") and 30,000,000 shares of Preferred Stock, par value $1.00 per share (the "Preferred Stock")

SECOND: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Section 242 of the General Corporation Law of Delaware.

IN WITNESS WHEREOF, The Williams Companies, Inc. has caused this Certificate to be signed by William G. von Glahn, its Senior Vice President and General Counsel, and attested by David M. Higbee, its Secretary, this 26th day of February, 1998.

THE WILLIAMS COMPANIES, INC.

By: /s/ WILLIAM G. VON GLAHN

William G. von Glahn
Senior Vice President and
General Counsel

ATTEST:

By: /s/ DAVID M. HIGBEE

David M. Higbee
Secretary

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "THE WILLIAMS COMPANIES, INC.", FILED IN THIS OFFICE ON THE SIXTH DAY OF JANUARY, A.D. 1998, AT 2:30 O'CLOCK P.M.

[SECRETARY'S OFFICE SEAL]

/s/ EDWARD J. FREEL

Edward J. Freel, Secretary of State

2116534 8100 AUTHENTICATION: 8852182

981005956 DATE: 01-07-98

THE WILLIAMS COMPANIES, INC.

CERTIFICATE OF INCREASE
OF AUTHORIZED NUMBER OF SHARES
OF SERIES A JUNIOR
PARTICIPATING PREFERRED STOCK
PURSUANT TO SECTION 151 OF THE
GENERAL CORPORATION LAW OF THE
STATE OF DELAWARE

The Williams Companies, Inc., a corporation organized and existing under the General Corporation Law of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the Restated Certificate of Incorporation of said Corporation was filed in the office of the Secretary of State of Delaware on April 27, 1987, and was filed for recording in the office of the Recorder of Deeds of New Castle County, Delaware, on April 27, 1987, and the Certificate of the Designations, Preferences and Rights of the Series A Junior Participating Preferred Stock was included in said Restated Certificate of Incorporation.

SECOND: That Certificates of Increase of Authorized Number of Shares of Series A Junior Participating Preferred Stock were filed in the office of the Secretary of State of Delaware on February 7, 1989, and February 6, 1996, respectively, and were filed for recording in the office of the Recorder of Deeds of New Castle County, Delaware, on February 7, 1989, and February 6, 1996, respectively.

THIRD: That the Board of Directors of said Corporation at a meeting held on November 23, 1997, duly adopted a resolution authorizing and directing an increase in the authorized number of shares of Series A Participating Preferred Stock of the Corporation, from 1,200,000 shares to 1,600,000 shares.

IN WITNESS WHEREOF, said The Williams Companies, Inc. has caused this certificate to be signed by Gary R. Belitz, its Controller and Chief Accounting Officer, and attested by David M. Higbee, its Secretary, this 30th day of December, 1997.

THE WILLIAMS COMPANIES, INC.

CORPORATE SEAL

By: /s/ GARY R. BELITZ

Name: Gary R. Belitz
Title: Controller and
Chief Accounting
Officer

ATTEST:

/s/ DAVID M. HIGBEE
- ------------------------------
NAME: David M. Higbee
TITLE: Secretary

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "THE WILLIAMS COMPANIES, INC.", FILED IN THIS OFFICE ON THE FIRST DAY OF OCTOBER, A.D. 1997, AT 4:30 O'CLOCK P.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

[SECRETARY'S OFFICE SEAL]

/s/ EDWARD J. FREEL

Edward J. Freel, Secretary of State

2116534 8100 AUTHENTICATION: 8697688

971332869 DATE: 10-10-97

Certificate of Elimination

OF

$2.21 CUMULATIVE PREFERRED STOCK
$1.00 PAR VALUE

(PURSUANT TO SECTION 151(g)

OF THE GENERAL CORPORATION LAW OF DELAWARE)

The Williams Companies, Inc., a corporation organized and existing under the General Corporation Law of Delaware,

DOES HEREBY CERTIFY:

That the Restated Certificate of Incorporation of said Company, as subsequently amended, was filed in the office of the Secretary of State of Delaware on April 27, 1987, and was filed for recording in the office of the Recorder of Deeds for New Castle County, Delaware on April 27, 1987, and that the Certificate of Designation for the $2.21 Cumulative Preferred Stock, $1.00 par value (the "Preferred Stock"), was filed in the office of the Secretary of State of Delaware on August 31, 1992;

That the Preferred Stock was called for redemption by the Company under the terms and provisions of said Certificate of Designation on August 1, 1997, and that all outstanding shares of the Preferred Stock were, in fact, redeemed as of September 1, 1997;

That the Board of Directors of said Company at a meeting duly called and convened on September 18, 1997, adopted a resolution to the effect that none of the authorized shares of the Preferred Stock remain outstanding, and that no additional stock of such series will be issued subject to the Certificate of Designation filed with respect to such series of Preferred Stock; and

That when this Certificate is executed, acknowledged, filed and recorded in accordance with Section 103 of the General Corporation Law of Delaware and, when the certificate becomes effective, it shall have the effect of eliminating from the Company's Restated Certificate of Incorporation all matters set forth in the Certificate of Designation with respect to such series of Preferred Stock.

IN WITNESS WHEREOF, said The Williams Companies, Inc. has caused this certificate to be signed by William G. von Glahn, a Senior Vice President, and attested by David N. Higbee, its Secretary, this 30th day of September, 1997.

THE WILLIAMS COMPANIES, INC.

By: /s/ WILLIAM G. VON GLAHN

William G. von Glahn
Senior Vice President

ATTEST:

By: /s/ DAVID M. HIGBEE

David N. Higbee
Secretary

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "THE WILLIAMS COMPANIES, INC.", FILED IN THIS OFFICE ON THE SIXTEENTH DAY OF MAY, A.D. 1997, AT 2:30 O'CLOCK P.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

[SECRETARY'S OFFICE SEAL]

/s/ EDWARD J. FREEL

Edward J. Freel, Secretary of State

2116534 8100 AUTHENTICATION: 8471092

971161920 DATE: 05-19-97

CERTIFICATE OF AMENDMENT

OF

RESTATED CERTIFICATE OF INCORPORATION

* * * * * * * * *

THE WILLIAMS COMPANIES, INC., a corporation organized and existing under and by virtue of the General Corporation Law of Delaware, DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of The Williams Companies, Inc., at a meeting of the Board of Directors duly called and held on January 26, 1997, adopted a resolution proposing and declaring advisable the following amendment to the Restated Certificate of Incorporation, as amended, of said Company;

RESOLVED that the Board of Directors of the Company hereby declares it advisable to amend Article FOURTH of the Company's Restated Certificate of Incorporation, as amended, to increase the authorized Common Stock, $1.00 par value, so that, as amended, the first paragraph of Article FOURTH shall be, and read, as follows:

"FOURTH: The total number of shares of capital stock which the Company shall have authority to issue is 510,000,000 shares, consisting of 480,000,000 shares of Common Stock, par value $1.00 per share (the "Common

Stock") and 30,000,000 shares of Preferred Stock, par value $1.00 per share (the "Preferred Stock")."

SECOND: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Section 242 of the General Corporation Law of Delaware.

IN WITNESS WHEREOF, said The Williams Companies, Inc. has caused this Certificate to be signed by William G. von Glahn, its Senior Vice President and General Counsel, and attested by David M. Higbee, its Secretary, this 15th day of May, 1997.

THE WILLIAMS COMPANIES, INC.

By: /s/ WILLIAM G. VON GLAHN

William G. von Glahn
Senior Vice President and
General Counsel

ATTEST:

By: /s/ DAVID M. HIGBEE

David M. Higbee
Secretary

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "THE WILLIAMS COMPANIES, INC.", FILED IN THIS OFFICE ON THE SIXTH DAY OF FEBRUARY, A.D. 1996, AT 10 O'CLOCK A.M.

[SECRETARY'S OFFICE SEAL]

/s/ EDWARD J. FREEL

Edward J. Freel, Secretary of State

2116534 8100 AUTHENTICATION: 7844820

960057403 DATE: 02-28-96

SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 10:00 AM 02/06/1996
960034476 - 2116534

THE WILLIAMS COMPANIES, INC.

CERTIFICATE OF INCREASE
OF AUTHORIZED NUMBER OF SHARES
OF SERIES A JUNIOR
PARTICIPATING PREFERRED STOCK
PURSUANT TO SECTION 151 OF THE
GENERAL CORPORATION LAW OF THE
STATE OF DELAWARE

The Williams Companies, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the Restated Certificate of Incorporation of said Corporation was filed in the office of the Secretary of State of Delaware on April 27, 1987, and was filed for recording in the office of the Recorder of Deeds of New Castle County, Delaware on April 27, 1987, and the Certificate of the Designations, Preferences and Rights of the Series A Junior Participating Preferred Stock was included in said Restated Certificate of Incorporation.

SECOND: That a Certificate of Increase of Authorized Number of Shares of Series A Junior Participating Preferred Stock was filed in the office of the Secretary of State of Delaware on February 7, 1989, and was filed for recording in the office of the Recorder of Deeds of New Castle County, Delaware on February 7, 1989.

THIRD: That the Board of Directors of said Corporation at a meeting held on January 21, 1996, duly adopted a resolution authorizing and directing an increase in the authorized number of shares of Series A Participating Preferred Stock of the Corporation, from 400,000 shares to 1,200,000 shares.

IN WITNESS WHEREOF, said The Williams Companies, Inc. has caused this certificate to be signed by Gary R. Belitz, its Controller and Chief Accounting Officer, and attested by David M. Higbee, its Secretary, this 5th day of February, 1996.

THE WILLIAMS COMPANIES, INC.

CORPORATE SEAL

By: /s/ GARY R. BELITZ

Name: Gary R. Belitz
Title: Controller and Chief Accounting Officer

ATTEST:

/s/ DAVID M. HIGBEE

Name: David M. Higbee
Title: Secretary

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STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, EDWARD J. FREEL, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF DESIGNATION OF "THE WILLIAMS COMPANIES, INC.", FILED IN THIS OFFICE ON THE TWENTY-FIRST DAY OF APRIL, A.D. 1995, AT 10 O'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

[SECRETARY'S OFFICE SEAL]

/s/ EDWARD J. FREEL

Edward J. Freel, Secretary of State

2116534 8100 AUTHENTICATION: 7481187

950088208 DATE: 04-21-95

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 10:00 AM 04/21/1995
950088208 - 2116534

CERTIFICATE OF DESIGNATION,
PREFERENCES AND RIGHTS

OF THE

CUMULATIVE CONVERTIBLE
PREFERRED STOCK, $3.50 SERIES
($1 Par Value)

OF

THE WILLIAMS COMPANIES, INC.

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

The undersigned DOES HEREBY CERTIFY that the following resolution was duly adopted on December 11, 1994, by the Board of Directors (the "Board") of The Williams Companies, Inc., a Delaware corporation (hereinafter called the "Corporation"), in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware:

RESOLVED that pursuant to authority expressly granted to and vested in the Board by provisions of the Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), the issuance of a series of Preferred Stock, par value $1 per share (the "Preferred Stock"), which shall consist of up to 2,500,000 of the 30,000,000 shares of Preferred Stock which the Corporation now has authority to issue, be, and the same hereby is, authorized, and the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the shares of such series (in addition to the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, set forth in the Certificate of Incorporation which may be applicable to the Preferred Stock) are fixed as follows:

(i) The designation of such series of the Preferred Stock authorized by this resolution shall be the Cumulative Convertible Preferred Stock, $3.50 Series (the "$3.50 Preferred Stock"). The total number of shares of the $3.50 Preferred Stock shall be 2,500,000.

(ii) Holders of shares of $3.50 Preferred Stock will be entitled to receive, when and as declared by the Board out of assets of the Corporation legally available for payment, an annual cash dividend of $3.50 per share, payable in quarterly installments on February 1, May 1, August 1 and November 1, commencing August 1, 1995 (each a "dividend payment date"). Dividends on the $3.50 Preferred Stock will be cumulative from the date of initial issuance of shares of $3.50 Preferred Stock. Dividends will be payable to holders of record as they appear on the stock books of the Corporation on such record dates, not more than 60 days nor less than 10 days preceding the payment dates thereof, as shall be fixed by the Board. When dividends are not paid in full upon the $3.50 Preferred Stock and any other Parity Preferred Stock (as defined in paragraph (ix)), all dividends declared upon shares of Parity Preferred Stock will be declared pro rata so that in all cases the amount of dividends declared per share on the $3.50 Preferred Stock and such other Parity Preferred Stock shall bear to each other the same ratio that accumulated and unpaid dividends per share on the shares of $3.50 Preferred Stock and such other Parity Preferred Stock bear to each other. Except as set forth in the preceding sentence, unless full cumulative dividends on the $3.50 Preferred Stock have been paid, no dividends (other than in Common Stock of the Corporation) may be paid or declared and set aside for payment or other distribution made upon the Common Stock or on any other stock of the Corporation ranking junior to or on a parity with the $3.50 Preferred Stock as to dividends, nor may any Common Stock or any other stock of the Corporation ranking junior to or on a parity with the $3.50 Preferred Stock as to dividends be redeemed, purchased or otherwise acquired for any consideration (or any payment made to or available for a sinking fund for the redemption of any shares of such stock; provided, however, that any moneys theretofore deposited in any sinking fund with respect to any Preferred Stock of the Corporation in compliance with the provisions of such sinking fund may thereafter be applied to the purchase or redemption of such Preferred Stock in accordance with the terms of such sinking fund regardless of whether at the time of such application full cumulative dividends upon shares of the $3.50 Preferred Stock outstanding to the last dividend payment date shall have been paid or declared and set apart for payment) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to the $3.50 Preferred Stock as to dividends). Dividends payable on the $3.50 Preferred Stock for any period less than the full dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months.

(iii) The shares of $3.50 Preferred Stock shall rank prior to the shares of Common Stock and of any other class of stock of the Corporation ranking junior to the $3.50 Preferred Stock upon liquidation, so that in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the $3.50 Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to its stockholders, whether from capital, surplus or earnings, before any distribution is made to holders of shares of Common Stock or any other such junior stock, an amount equal to $50 per share (the "Liquidation Preference" of a share of $3.50 Preferred Stock) plus an amount equal to all dividends (whether or not earned or declared) accumulated and unpaid on the shares of $3.50 Preferred Stock to the date of final distribution. After payment of the full amount of the Liquidation Preference and such dividends, the holders of shares of $3.50 Preferred Stock will not be entitled to any further participation in any distribution of assets by the Corporation. It, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of shares of Parity Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributable among such holders ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were payable in full. For the purposes hereof, neither a consolidation or merger of the Corporation with or into any other corporation, nor a merger of any other corporation with or into the Corporation, nor a sale or transfer of all or any part of the corporation's assets for cash or securities shall be considered a liquidation, dissolution or winding up of the Corporation.

(iv) The shares of the $3.50 Preferred Stock will not be redeemable prior to November 1, 1999. On and after November 1, 1999, the $3.50 Preferred Stock will be redeemable, in whole at any time or from time to time in part at the option of the Corporation, upon not less than 30 nor more than 60 days' notice, at the following redemption prices (the "Redemption Prices") per share if redeemed during the twelve-month period beginning November 1 of the year indicated below; plus, in each case, all dividends accrued and unpaid on the $3.50 Preferred Stock up to the date fixed for redemption:

Year	Redemption Price Per Share
1999	$ 51.40
2000	51.05
2001	50.70
2002	50.35
2003 and thereafter	50.00

In the event that the Corporation determines to redeem fewer than all of the outstanding shares of the $3.50 Preferred Stock, the shares to be redeemed shall be determined by lot or a substantially equivalent method.

If a notice of redemption has been given pursuant to this paragraph (iv) and if, on or before the date fixed for redemption, the funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares so called for redemption, then, notwithstanding that any certificates for such shares have not been surrendered for cancellation, on the redemption date dividends shall cease to accrue on the shares of $3.50 Preferred Stock to be redeemed, and at the close of business on the redemption date the holders of such shares shall cease to be stockholders with respect to such shares and shall have no interest in or claims against the Corporation by virtue thereof and shall have no voting or other rights with respect to such shares, except the right to receive the moneys payable upon such redemption, without interest thereon, upon surrender (and endorsement, if required by the Corporation) of their certificates, and the shares evidenced thereby shall no longer be outstanding. Subject to applicable escheat laws, any moneys so set aside by the Corporation and unclaimed at the end of two years from the redemption date shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of the amounts payable upon such redemption. Any interest accrued on funds so deposited shall be paid to the Corporation from time to time.

(v) The holders of shares of $3.50 Preferred Stock shall have no voting rights whatsoever, except for any voting rights to which they may be entitled under the laws of the State of Delaware, and except as follows:

(I) If and whenever at any time or times dividends payable on the $3.50 Preferred Stock or on any other Preferred Stock shall have been in arrears and unpaid in an aggregate amount equal to or exceeding the amount of dividends payable thereon for six quarterly periods, then the holders of the Preferred Stock shall have, in addition to the other voting rights set forth herein, the exclusive right, voting separately as a class, to elect two directors of the Corporation, such directors to be in addition to the number of directors constituting the Board immediately prior to the accrual of such right, the remaining directors to be elected by the other class or classes of stock entitled to vote therefor at each meeting of stockholders held for the purpose of electing directors. Such voting right shall continue until such time as all cumulative dividends accumulated on all the Preferred Stock having cumulative dividends shall have been paid in full and until any noncumulative dividends payable on all the Preferred Stock having noncumulative dividends shall have been paid regularly for at least one year, at which time such voting right of the holders of the Preferred Stock shall terminate, subject to revesting at such time as there shall occur each and every subsequent event of default of the character indicated above.

Whenever such voting right shall have vested, such right may be exercised initially either at a special meeting of the holders of the Preferred Stock, called as hereinafter provided, or at any annual meeting of stockholders held for the purpose of electing directors, and thereafter at each successive annual meeting.

At such time when such voting right shall have vested in the holders of the Preferred Stock, and if such right shall not already have been initially exercised, a proper officer of the Corporation shall, upon the written request of the holders of record of 10 percent in number of shares of the Preferred Stock then outstanding, addressed to the Secretary of the Corporation, call a special meeting of the holders of the Preferred Stock and of any other class or classes of stock having voting power with respect thereto for the purpose of electing directors. Such meeting shall be held at the earliest practicable date upon the notice required for annual meetings of stockholders at the place for holding of annual meetings of stockholders of the Corporation, or, if none, at a place designated by the Secretary of the Corporation. If such meeting shall not be called by the proper officers of the Corporation within 30 days after the personal service of such written request upon the Secretary of the Corporation, or within 30 days after mailing the same within the United

States of America, by registered mail, addressed to the Secretary of the Corporation at its principal office (such mailing to be evidenced by the registry receipt issued by the postal authorities), then the holders of record of 10 percent in number of shares of the Preferred Stock then outstanding may designate in writing one of their number to call such meeting at the expense of the Corporation, and such meeting may be called by such person so designated upon the notice required for annual meetings of stockholders and shall be held at the same place as is elsewhere provided for in this subparagraph (I). Any holder of the Preferred Stock shall have access to the stock books of the Corporation for the purpose of causing a meeting of stockholders to be called pursuant to the provisions of this paragraph. Notwithstanding the provisions of this paragraph, however, no such special meeting shall be called during a period within 90 days immediately preceding the date fixed for the next annual meeting of stockholders.

At any meeting held for the purpose of electing directors at which the holders of the Preferred Stock shall have the right to elect directors as provided herein, the presence in person or by proxy of the holders of 33-1/3 percent of the then outstanding shares of the Preferred Stock shall be required and be sufficient to constitute a quorum of the Preferred Stock for the election of directors by the Preferred Stock. At any such meeting or adjournment thereof (A) the absence of a quorum of the holders of the Preferred Stock shall not prevent the election of directors other than those to be elected by the holders of the Preferred Stock and the absence of a quorum or quorums of the holders of other classes of capital stock entitled to elect such other directors shall not prevent the election of directors to be elected by the holders of the Preferred Stock and (B) in the absence of a quorum of the holders of any class of stock entitled to vote for the election of directors, a majority of the holders present in person or by proxy of such class shall have the power to adjourn the meeting for the election of directors which the holders of such class are entitled to elect, from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

The directors elected pursuant to this subparagraph (I) shall serve until the next annual meeting or until their respective successors shall be elected and shall qualify; provided, however, that when the right of the holders of the Preferred Stock to elect directors as herein provided shall terminate, the terms of office of all persons so elected by the holders of the Preferred Stock shall terminate, and the number of directors of the Corporation shall thereupon be such number as may be provided in the By-laws of the Corporation irrespective of any increase made pursuant to this subparagraph (I).

So long as any shares of $3.50 Preferred Stock are outstanding, the By-laws of the Corporation shall contain provisions ensuring that the number of directors of the Corporation shall at all times be such that the exercise, by the holders of shares of $3.50 Preferred Stock and the holders of other Preferred Stock, of the right to elect directors under the circumstances provided in this subparagraph (I) will not contravene any provisions of the Corporation's Certificate of Incorporation or By-laws.

(II) So long as any shares of the $3.50 Preferred Stock remain outstanding, the Corporation will not, either directly or indirectly or through merger or consolidation with any other corporation, without the affirmative vote at a meeting or the written consent with or without a meeting of the holders of at least 66-2/3 percent in number of shares of the $3.50 Preferred Stock then outstanding, (A) create any class or classes of stock ranking prior to or on a parity with the $3.50 Preferred Stock either as to dividends or upon liquidation or increase the authorized number of shares of any class or classes of stock ranking prior to or on a parity with the $3.50 Preferred Stock either as to dividends or upon liquidation, or create or authorize any obligation or security convertible into shares of stock of any class ranking prior to or on a parity with the Preferred Stock either as to dividends or upon liquidation, but may, without such consent, create or authorize obligations or securities convertible into shares of Preferred Stock, or (B) amend, alter or repeal any of the provisions of the Certificate of Incorporation (including this resolution) so as to affect adversely the preferences, special rights or powers of the $3.50 Preferred Stock or of the holders thereof.

(vi) Except as provided in paragraph (v) (II), no consent of the holders of the $3.50 Preferred Stock shall be required for (a) the creation of any indebtedness of any kind of the Corporation, (b) the creation, or increase or decrease in the amount, of any class or series of stock of the Corporation not ranking prior to or on a parity with to the $3.50 Preferred Stock as to dividends or upon liquidation or (c) any increase or decrease in the amount of authorized Common Stock or any increase, decrease or change in the par value thereof or in any other terms thereof.

(vii) Subject to the provisions of paragraph (iv) hereof, the Board reserves the right by subsequent amendment of this resolution from time to time to increase or decrease the number of shares which constitute the $3.50 Preferred Stock (but not below the number of shares thereof then outstanding) and in other respects to amend this resolution within the limitations provided by law, this resolution and the Certificate of Incorporation.

(viii) At the option of the holder thereof and upon surrender thereof for conversion to the Corporation at the office of the Transfer Agent of the Corporation's Common Stock in the Borough of Manhattan, the City of New York or in the City of Tulsa, each share of $3.50 Preferred Stock will be convertible (or if such share is called or surrendered for redemption, then in respect of such share to and including, but not after, the redemption date) into fully paid and nonassessable shares of Common Stock at the initial conversion rate of 1.5625 shares of Common Stock for each share of $3.50 Preferred Stock,the conversion rate being subject to adjustment as hereinafter provided:

(I) In case the Corporation shall (A) pay a dividend in shares of its capital stock, (B) subdivide its outstanding shares of Common Stock into a greater number of shares, (C) combine its outstanding shares of Common Stock into a smaller number of shares, or (D) issue by reclassification of its shares of Common Stock any shares of its capital stock, the conversion rate in effect immediately prior thereto shall be adjusted so that the holder of a share of $3.50 Preferred Stock surrendered for conversion after the record date fixing stockholders to be affected by such event shall be entitled to receive upon conversion the number of such shares of Common Stock which he would have been entitled to receive after the happening of such event had such share of $3.50 Preferred Stock been converted immediately prior to such record date. Such adjustment shall be made whenever any of such events shall happen, but shall also be effective retroactively as to shares of $3.50 Preferred Stock converted between such record date and the date of the happening of any such event.

(II) In case the Corporation shall issue rights or warrants to all holders of its Common Stock entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the Current Market Price Per Share (as defined in subparagraph (IV) below) of Common Stock at the record date mentioned below, the number of shares of Common Stock into which each share of $3.50 Preferred Stock shall thereafter be convertible shall be determined by multiplying the number of shares of Common Stock into which such share of $3.50 Preferred Stock was theretofore convertible by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase, and the denominator of which shall be the number of the shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such Current Market Price Per Share. Such adjustment shall be made whenever such rights or warrants are issued, but shall also be effected retroactively as to shares of $3.50 Preferred Stock converted between the record date for the determination of stockholders entitled to receive such rights or warrants and the date such rights or warrants are issued.

(III) In case the Corporation shall distribute to all holders of its Common Stock evidences of its indebtedness or assets (excluding any cash dividend or distribution made out of current or retained earnings) or rights to subscribe other than as set forth in subparagraph (II) above, then in each such case the number of shares of Common Stock into which each share of $3.50 Preferred Stock shall thereafter be convertible shall be determined by multiplying the number of shares of Common Stock into which such share was theretofore convertible by a fraction, the numerator of which shall be the Current Market Price Per Share of the Common Stock on the record date fixed by the Board for such distribution, and the denominator of which shall be such Current Market Price Per Share of the Common Stock less the then fair market value (as determined by the Board, whose determination shall be conclusive) of the portion of the assets, evidences of indebtedness or subscription rights so distributed applicable to one share of the Common Stock. Such adjustment shall be made whenever any such distribution is made, but shall also be effective retroactively as to shares of $3.50 Preferred Stock converted between the record date for the determination of stockholders entitled to receive such distribution and the date such distribution is made.

(IV) For the purpose of any computation under subparagraphs (II) and (III) above and (VI) below, the "Current Market Price Per Share" of Common Stock at any date shall be deemed to be the average of the daily closing prices for the 15 consecutive trading days commencing 20 trading days before the day in question. The closing price for each day shall be reported on the New York Stock Exchange-Composite Transactions Tape or as reported by any successor central market System.

(V) No adjustment in the conversion rate shall be required unless such adjustment would require an increase or decrease of at least 1% in such rate; provided, however, that any adjustments which by reason of this subparagraph (V) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this paragraph (viii) shall be made to the nearest one-hundredth of a share.

(VI) No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon the conversion of any share of $3.50 Preferred Stock. If the conversion thereof results in a fraction, an amount equal to such fraction multiplied by the Current Market Price Per Share of Common Stock (as defined in subparagraph (IV) above) as of the conversion date shall be paid to such holder in cash by the Corporation.

(VII) In case the Corporation shall enter into any consolidation, merger or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in each such case each share of $3.50 Preferred Stock remaining outstanding at the time of consummation of such transaction shall thereafter be convertible into the kind and amount of such stock or securities, cash and/or other property receivable upon consummation of such transaction by a holder of the number of shares of Common Stock into which such shares of $3.50 Preferred Stock might have been converted immediately prior to consummation of such transaction, assuming in each case that such holder of Common Stock failed to exercise rights of election, if any, as to the kind or amount of securities, cash or other property receivable upon consummation of such transaction (provided that if the kind or amount of securities, cash or other property receivable upon consummation of such transaction is not the same for each non-electing share, then the kind and amount of securities, cash or other property receivable upon consummation of such transaction for each non-electing share shall be deemed to be the kind and amount as receivable per share by a plurality of the non-electing shares)

(VIII) In the event of any Change in Control (as hereinafter defined) of the Corporation, each holder of $3.50 Preferred Stock shall have the right, at the holder's option, to require the Corporation to redeem all or any number of such holder's shares of $3.50 Preferred Stock during the period (the "Exercise Period") beginning on the 30th day and ending on the 90th day after the date of such Change in Control at the Redemption Price, plus accrued and unpaid dividends to the date fixed for redemption; provided, however, that such redemption right shall not be applicable in the case of any Change in Control of the Corporation which shall have been duly approved by the Continuing Directors (as hereinafter defined) during the period (the "Approval Period") prior to or within 21 days after the date on which such Change in Control shall have occurred. As used herein, (a) "Acquiring Person" means any Person who is or becomes the Beneficial Owner, directly or indirectly, of 10% or more of the outstanding Common Stock, (b) "Beneficial Owner" has the meaning ascribed to such term in Rule 13d-3 adopted pursuant to the Securities Exchange Act of 1934, as amended, (c) a "Change in Control" of the Corporation shall be deemed to have occurred at such time as (i) any Person is or becomes the Beneficial Owner, directly or indirectly, of 30% or more of the outstanding Common Stock or (ii) individuals who constitute the Continuing Directors cease for any reason to constitute at least a majority of the Board, (d) "Continuing Director" means any member of the Board who is not affiliated with an Acquiring Person and who was a member of the Board immediately prior to the time that the Acquiring Person became an Acquiring Person and any successor to a Continuing Director who is not affiliated with the Acquiring Person and is recommended to succeed a Continuing Director by a majority of Continuing Directors who are then members of the Board, and (e) "Person" means any individual, corporation, partnership, limited partnership, association, joint-stock company, trust, unincorporated organization, syndicate or group (as such terms are used in Section 13d-3 adopted pursuant to the Securities Exchange Act of 1934, as amended) or government or political subdivision thereof.

On or before the seventh day after the termination of the Approval Period, the Corporation shall mail to all holders of record of the $3.50 Preferred Stock as of the last day of the Approval Period, at their respective addresses as the same shall appear on the books of the Corporation as of such date, a notice disclosing (i) the Change in Control, (ii) whether or not the Continuing Directors have approved the Change in Control, and (iii) if the Continuing Directors have not approved the Change in Control, the respective dates on which the Exercise Period commences and ends, the redemption price per share of the $3.50 Preferred Stock applicable hereunder and the procedure which the holder must follow to exercise the redemption right provided above. The Corporation shall cause a copy of such notice to be published in a newspaper of general circulation in the Borough of Manhattan, New York. To exercise such redemption right, a holder of the $3.50 Preferred Stock must deliver during the Exercise Period written notice to the Corporation (or an agent designated by the Corporation for such purpose) of the holder's exercise of such redemption right, and, to be valid, any such notice of exercise must be accompanied by each certificate evidencing shares of the $3.50 Preferred Stock with respect to which the redemption right is being exercised, duly endorsed for transfer. On or prior to the seventh day after the close of the Exercise Period, the Corporation shall accept for payment all shares of $3.50 Preferred Stock properly surrendered to the Corporation (or an agent designated by the Corporation for such purpose) during the

Exercise Period for redemption in connection with the valid exercise of such redemption right and shall cause payment to be made in cash for such shares of $3.50 Preferred Stock.

(ix) For the purposes of this resolution, any stock of any class or classes of the Corporation shall be deemed to rank:

(a) prior to shares of the $3.50 Preferred Stock, either as to dividends or upon liquidation, if the holders of stock of such class or classes shall be entitled by the terms thereof to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of shares of the $3.50 Preferred Stock;

(b) on a parity with shares of the $3.50 Preferred Stock, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the $3.50 Preferred Stock, if the holders of stock of such class or classes shall be entitled by the terms thereof to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority of one over the other as between the holders of such stock and the holders of shares of $3.50 Preferred Stock (the term "Parity Preferred Stock" being used to refer to any stock on a parity with the shares of $3.50 Preferred Stock, either as to dividends or upon liquidation as the context may require); and

(c) junior to shares of the $3.50 Preferred Stock, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of the $3.50 Preferred Stock shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of stock of such class or classes.

(x) The $3.50 Preferred Stock shall rank on a parity with the $2.21 Cumulative Preferred Stock, par value $1 per share, of the Corporation as to dividends and upon liquidation. The $3.50 Preferred Stock shall rank prior to the Series A Junior Participating Preferred Stock, par value $1 per share, and all other shares of capital stock of the Corporation outstanding at the time of issuance of the $3.50 Preferred Stock.

IN WITNESS WHEREOF, The Williams Companies, Inc. has caused this Certificate to be made under the seal of the Corporation and signed by J. Furman Lewis, Senior Vice President and General Counsel, and attested by David M. Higbee, Secretary, this 19th day of April, 1995.

THE WILLIAMS COMPANIES, INC.

[SEAL]

Attest:

By: /s/ J. FURMAN LEWIS

J. Furman Lewis
Senior Vice President
& General Counsel

/s/ DAVID M. HIGBEE
- --------------------
David M. Higbee
Secretary

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, WILLIAM T. QUILLEN, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF AMENDMENT OF "THE WILLIAMS COMPANIES, INC.", FILED IN THIS OFFICE ON THE TWENTIETH DAY OF MAY, A.D. 1994, AT 10 O'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO THE NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

[SECRETARY'S OFFICE SEAL]

/s/ WILLIAM T. QUILLEN

William T. Quillen, Secretary of State

2116534 8100 AUTHENTICATION: 7125786

944090114 DATE: 05-20-94

CERTIFICATE OF AMENDMENT

OF

RESTATED CERTIFICATE OF INCORPORATION

* * * * * * * * *

THE WILLIAMS COMPANIES, INC., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of the Williams Companies, Inc., at a meeting of the Board of Directors duly called and held on January 23, 1994, adopted a resolution proposing and declaring advisable the following amendment to the Restated Certificate of Incorporation, as amended, of said Company:

RESOLVED that the Board of Directors of the Company hereby declares it advisable to amend Article FOURTH of the Company's Restated Certificate of Incorporation, as amended, to increase the authorized Common Stock, $1.00 par value, so that, as amended, the first paragraph of Article FOURTH shall be, and read, as follows:

"FOURTH: The total number of shares of capital stock which the Company shall have authority to issue is 270,000,000 shares, consisting of 240,000,000 shares of Common Stock, par value $1.00 per share (the "Common

Stock") and 30,000,000 shares of Preferred Stock, par value $1.00 per share (the "Preferred Stock")."

SECOND: That the aforesaid amendment was duly adopted in accordance with the applicable provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said The Williams Companies, Inc. has caused this Certificate to be signed by J. Furman Lewis, its Senior Vice President and General Counsel, and attested by David M. Higbee, its Secretary, this 20th day of May, 1994.

THE WILLIAMS COMPANIES, INC.

By: /s/ J. FURMAN LEWIS

J. Furman Lewis
Senior Vice President and
General Counsel

ATTEST:

By: /s/ DAVID M. HIGBEE

David M. Higbee
Secretary

STATE OF DELAWARE

OFFICE OF THE SECRETARY OF STATE

I, WILLIAM T. QUILLEN, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF RETIREMENT OF STOCK OF "THE WILLIAMS COMPANIES, INC." FILED IN THIS OFFICE ON THE TWENTY-EIGHTH DAY OF SEPTEMBER, A.D. 1993, AT 10 0'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

* * * * * * * * * *

[SECRETARY'S OFFICE SEAL]

/s/ WILLIAM T. QUILLEN

William T. Quillen, Secretary of State

AUTHENTICATION: *4075831

723271110 DATE: 09/28/1993

CERTIFICATE OF RETIREMENT

OF

$3.875 CONVERTIBLE EXCHANGEABLE PREFERRED STOCK
$1.00 PAR VALUE

(PURSUANT TO SECTION 243)

The Williams Companies, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

That the Restated Certificate of Incorporation of said Company was filed in the office of the Secretary of State of Delaware on April 27, 1987, and was filed for recording in the office of the Recorder of Deeds for New Castle County, Delaware on April 27, 1987, and that the Certificate of Designation for the $3.875 Convertible Exchangeable Preferred Stock, $1.00 par value (the "Preferred Stock"), was filed in the office of the Secretary of State of Delaware on May 1, 1989;

That the Preferred Stock was called for redemption by the Company under the terms and provisions of said Certificate of Designation on June 10, 1993, and that all outstanding shares of the Preferred Stock were, in fact, redeemed as of June 10, 1993;

That the Board of Directors of said Company at a meeting duly called and convened on September 19, 1993, adopted a resolution to the effect that none of the authorized shares of the Preferred Stock remain outstanding, and that no additional stock of such series will be issued subject to the Certificate of Designation filed with respect to such series of Preferred Stock; and

That when this Certificate is executed, acknowledged, filed and recorded in accordance with Section 103 of the General Corporation Law of the State of Delaware and, when the certificate becomes effective, it shall have the effect of eliminating from the Company's Restated Certificate of Incorporation all matters set forth in the Certificate of Designation with respect to such series of Preferred Stock.

IN WITNESS WHEREOF, said The Williams Companies, Inc. has caused this certificate to be signed by Jack D. McCarthy, a Senior Vice President, and attested by David M. Higbee, its Secretary, this 20th day of September, 1993.

THE WILLIAMS COMPANIES, INC.

By: /s/ JACK D. MCCARTHY

Jack D. McCarthy
Senior Vice President

ATTEST:

By: /s/ DAVID M. HIGBEE

David M. Higbee
Secretary

STATE OF DELAWARE

[LOGO]

OFFICE OF SECRETARY OF STATE

I, MICHAEL RATCHFORD, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF STOCK DESIGNATION OF "THE WILLIAMS COMPANIES, INC. FILED IN THIS OFFICE ON THE THIRTY-FIRST DAY OF AUGUST, A.D. 1992, AT 10 O'CLOCK A.M.

A CERTIFIED COPY OF THIS CERTIFICATE HAS BEEN FORWARDED TO NEW CASTLE COUNTY RECORDER OF DEEDS FOR RECORDING.

* * * * * * * * * *

[OFFICE OF THE SECRETARY OF STATE SEAL]

/s/ MICHAEL RATCHFORD

MICHAEL RATCHFORD, SECRETARY OF STATE

722244066 AUTHENTICATION: *3575698

DATE: 08/31/1992

CERTIFICATE OF DESIGNATION

OF THE

$2.21 CUMULATIVE PREFERRED STOCK
($1 Par Value)

OF

THE WILLIAMS COMPANIES, INC.

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

The undersigned DOES HEREBY CERTIFY that the following resolution was duly adopted on August 27, 1992, by a duly appointed Special Committee of the Board of Directors of The Williams Companies, Inc., a Delaware corporation (hereinafter called the "Corporation"), acting pursuant to the provisions of Section 141(c) of the General Corporation Law of the State of Delaware and pursuant to authority granted to such Committee in a resolution of such Board of Directors (the "Board") duly adopted on July 10, 1992:

RESOLVED that pursuant to authority expressly granted to and vested in the Board by provisions of the Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), the issuance of a series of Preferred Stock par value $1 per share (the "Preferred Stock"), which shall consist of up to 4,000,000 of the 26,300,000 shares of Preferred Stock which the Corporation now has authority to issue, be, and the same hereby is, authorized, and the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the shares of such series (in addition to the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, set forth in the Certificate of Incorporation which may be applicable to the Preferred Stock) are fixed as follows:

(i) The designation of such series of the Preferred Stock authorized by this resolution shall be the $2.21 Cumulative Preferred Stock (the "$2.21 Preferred Stock").

The total number of shares of the $2.21 Preferred Stock shall be 4,000,000.

(ii) Holders of shares of $2.21 Preferred Stock will be entitled to receive, when and as declared by the Board out of assets of the Corporation legally available for payment, an annual cash dividend of $2.21 per share, payable in quarterly installments on March 1, June 1, September 1 and December 1, commencing December 1, 1992 (each a "dividend payment date"). Dividends on the $2.21 Preferred Stock will be cumulative from the date of initial issuance of shares of $2.21 Preferred Stock. Dividends will be payable to holders of record as they appear on the stock books of the Corporation on such record dates, not more than 60 days nor less than 10 days preceding the payment dates thereof, as shall be fixed by the Board. When dividends are not paid in full upon the $2.21 Preferred Stock and any other Parity Preferred Stock (as defined in paragraph (viii) below), all dividends declared upon shares of Parity Preferred Stock will be declared pro rata so that in all cases the amount of dividends declared per share on the $2.21 Preferred Stock and such other Parity Preferred Stock shall bear to each other the same ratio that accumulated and unpaid dividends per share on the shares of $2.21 Preferred Stock and such other Parity Preferred Stock bear to each other. Except as set forth in the preceding sentence, unless full cumulative dividends on the $2.21 Preferred Stock have been paid, no dividends (other than in Common Stock of the Corporation) may be paid or declared and set aside for payment or other distribution made upon the Common Stock or on any other stock of the Corporation ranking junior to or on a parity with the $2.21 Preferred Stock as to dividends, nor may any Common Stock or any other stock of the Corporation ranking junior to or on a parity with the $2.21 Preferred Stock as to dividends be redeemed, purchased or otherwise acquired for any consideration (or any payment made to or available for a sinking fund for the redemption of any shares of such stock; provided, however, that any moneys theretofore deposited in any sinking fund with respect to any Preferred Stock of the Corporation in compliance with the provisions of such sinking fund may thereafter be applied to the purchase or redemption of such Preferred Stock in accordance with the terms of such sinking fund regardless of whether at the time of such application full cumulative dividends upon shares of the $2.21 Preferred Stock outstanding to the last dividend payment date shall have been paid or declared and set apart for payment) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to the $2.21 Preferred Stock as to dividends). Dividends payable for any partial dividend period shall be calculated on the basis of a 360-day year of 12 30-day months.

(iii) The shares of $2.21 Preferred Stock shall rank prior to the shares of Common Stock and of any other class of stock of the Corporation ranking junior to the $2.21 Preferred Stock upon liquidation, so that in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the $2.21 Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to its stockholders, whether from capital, surplus or earnings, before any distribution is made to holders of shares of Common Stock or any other such junior stock, an amount equal to $25 per share (the "Liquidation Preference" of a share of $2.21 Preferred Stock) plus an amount equal to all dividends (whether or not earned or declared) accumulated and unpaid on the shares of $2.21 Preferred Stock to the date of final distribution. After payment of the full amount of the Liquidation Preference and such dividends, the holders of shares of $2.21 Preferred Stock will not be entitled to any further participation in any distribution of assets by the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of shares of Parity Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributable among such holders ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were payable in full. For the purposes hereof, neither a consolidation or merger of the Corporation with or into any other corporation, nor a merger of any other corporation with or into the Corporation, nor a sale or transfer of all or any part of the Corporation's assets for cash or securities shall be considered a liquidation, dissolution or winding up of the Corporation.

(iv) The holders of shares of $2.21 Preferred Stock shall have no voting rights whatsoever, except for any voting rights to which they may be entitled under the laws of the State of Delaware, and except as follows:

(I) If and whenever at any time or times dividends payable on the $2.21 Preferred Stock or on any other Preferred Stock shall have been in arrears and unpaid in an aggregate amount equal to or exceeding the amount of dividends payable thereon for six quarterly periods, then the holders of the Preferred Stock shall have, in addition to the other voting rights set forth herein, the exclusive right, voting separately as a class, to elect two directors of the Corporation, such directors to be in addition to the number of directors constituting the Board immediately prior to the accrual of such right, the remaining directors to be elected by the other class or classes of stock entitled to vote therefor at each meeting of stockholders held for the purpose of electing directors. Such voting right shall continue until such time as all cumulative dividends accumulated on all the Preferred Stock having cumulative dividends shall have been paid in full and until any noncumulative dividends payable on all the Preferred Stock having noncumulative dividends shall have been paid regularly for at least one year, at which time such voting right of the holders of the Preferred Stock shall terminate, subject to revesting in the event of each and every subsequent event of default of the character indicated above.

Whenever such voting right shall have vested, such right may be exercised initially either at a special meeting of the holders of the Preferred Stock, called as hereinafter provided, or at any annual meeting of stockholders held for the purpose of electing directors, and thereafter at each successive annual meeting.

At any time when such voting right shall have vested in the holders of the Preferred Stock, and if such right shall not already have been initially exercised, a proper officer of the Corporation shall, upon the written request of the holders of record of 10 percent in number of shares of the Preferred Stock then outstanding, addressed to the Secretary of the Corporation, call a special meeting of the holders of the Preferred Stock and of any other class or classes of stock having voting power with respect thereto for the purpose of electing directors. Such meeting shall be held at the earliest practicable date upon the notice required for annual meetings of stockholders at the place for holding of annual meetings of stockholders of the Corporation, or, if none, at a place designated by the Secretary of the Corporation. If such meeting shall not be called by the proper officers of the Corporation within 30 days after the personal service of such written request upon the Secretary of the Corporation, or within 30 days after mailing the same within the United States of America, by registered mail, addressed to the Secretary of the Corporation at its principal office (such mailing to be evidenced by the registry receipt issued by the postal authorities), then the holders of record of 10 percent in number of shares of the Preferred Stock then outstanding may designate in writing one of their number to call such meeting at the expense of the Corporation, and such meeting may be called by such person so designated upon the notice required for annual meetings of stockholders and shall be held at the same place as is elsewhere provided for in this subparagraph (I). Any holder of the Preferred Stock shall have access to the stock books of the Corporation for the purpose of causing a meeting of stockholders to be called pursuant to the provisions of this paragraph. Notwithstanding the provisions of this paragraph, however, no such special meeting shall be called during a period within 90 days immediately preceding the date fixed for the next annual meeting of stockholders.

At any meeting held for the purpose of electing directors at which the holders of the Preferred Stock shall have the right to elect directors as provided herein, the presence in person or by proxy of the holders of 33-1/3 percent of the then outstanding shares of the Preferred Stock shall be required and be sufficient to constitute a quorum of the Preferred Stock for the election of directors by the Preferred Stock. At any such meeting or adjournment thereof (A) the absence of a quorum of the holders of the Preferred Stock shall not prevent the election of directors other than those to be elected by the holders of the Preferred Stock and the absence of a quorum or quorums of the holders of other classes of capital stock entitled to elect such other directors shall not prevent the election of directors to be elected by the holders of the Preferred Stock and (B) in the absence of a quorum of the holders of any class of stock entitled to vote for the election of directors, a majority of the holders present in person or by proxy of such class shall have the power to adjourn the meeting for the election of directors which the holders of such class are entitled to elect, from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

The directors elected pursuant to this subparagraph (I) shall serve until the next annual meeting or until their respective successors shall be elected and shall qualify; provided, however, that when the right of the holders of the Preferred Stock to elect directors as herein provided shall terminate, the terms of office of all persons so elected by the holders of the Preferred Stock shall terminate, and the number of directors of the Corporation shall thereupon be such number as may be provided in the By-laws of the Corporation irrespective of any increase made pursuant to this subparagraph (I).

So long as any shares of $2.21 Preferred Stock are outstanding, the By-laws of the Corporation shall contain provisions ensuring that the number of directors of the Corporation shall at all times be such that the exercise, by the holders of shares of $2.21 Preferred Stock and the holders of other Preferred Stock, of the right to elect directors under the circumstances provided in this subparagraph (I) will not contravene any provisions of the Corporation's Certificate of Incorporation or By--laws.

(II) So long as any shares of the $2.21 Preferred Stock remain outstanding, the Corporation will not, either directly or indirectly or through merger or consolidation with any other corporation, without the affirmative vote at a meeting or the written consent with or without a meeting of the holders of at least 66-2/3 percent in number of shares of the $2.21 Preferred Stock then outstanding, (A) create any class or classes of stock ranking prior to the $2.21 Preferred Stock either as to dividends or upon liquidation or increase the authorized number of shares of any class or classes of stock ranking prior to the $2.21 Preferred Stock either as to dividends or upon liquidation, (B) amend, alter or repeal any of the provisions of the Certificate of Incorporation (including this resolution) so as to affect adversely the preferences, special rights or powers of the $2.21 Preferred Stock or (C) authorize any reclassification of the $2.21 Preferred Stock.

(v) The shares of the $2.21 Preferred Stock will not be redeemable prior to September 1, 1997. On or after such date, the $2.21 Preferred Stock will be redeemable at the option of the Corporation, in whole or in part, upon not less than 30 nor more than 60 days' notice, at a redemption price equal to $25 per share of the $2.21 Preferred Stock plus dividends accrued and accumulated but unpaid to the redemption date.

If full cumulative dividends on the $2.21 Preferred Stock have not been paid, the $2.21 Preferred Stock may not be redeemed in part and the Corporation may not purchase or acquire any shares of the $2.21 Preferred Stock otherwise than pursuant to a purchase or exchange offer made on the same terms to all holders of the $2.21 Preferred Stock. If less than all the outstanding shares of $2.21 Preferred Stock are to be redeemed, the Corporation will select those to be redeemed by lot or a substantially equivalent method.

If a notice of redemption has been given pursuant to this paragraph (v) and if, on or before the date fixed for redemption, the funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares so called for redemption, then, notwithstanding that any certificates for such shares have not been surrendered for cancellation, on the redemption date dividends shall cease to accrue on the shares of $2.21 Preferred Stock to be redeemed, and at the close of business on the redemption date the holders of such shares shall cease to be stockholders with respect to such shares and shall have no interest in or claims against the Corporation by virtue thereof and shall have no voting or other rights with respect to such shares, except the right to receive the moneys payable upon such redemption, without interest thereon, upon surrender (and endorsement, if required by the Corporation) of their certificates, and the shares evidenced thereby shall no longer be outstanding. Subject to applicable escheat laws, any moneys so set aside by the Corporation and unclaimed at the end of two years from the redemption date shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of the amounts payable upon such redemption. Any interest accrued on funds so deposited shall be paid to the Corporation from time to time.

(vi) No consent of the holders of the $2.21 Preferred Stock shall be required for (a) the creation of any indebtedness of any kind of the Corporation, (b) the creation, or increase or decrease in the amount, of any class or series of stock of the Corporation not ranking prior as to dividends or upon liquidation to the $2.21 Preferred Stock or (c) any increase or decrease in the amount of authorized Common Stock or any increase, decrease or change in the par value thereof or in any other terms thereof.

(vii) Subject to the provisions of paragraph (iv) hereof, the Board reserves the right by subsequent amendment of this resolution from time to time to increase or decrease the number of shares which constitute the $2.21 Preferred Stock (but not below the number of shares thereof then outstanding) and in other respects to amend this resolution within the limitations provided by law, this resolution and the Certificate of Incorporation.

(viii) For the purposes of this resolution, any stock of any class or classes of the Corporation shall be deemed to rank:

(a) prior to shares of the $2.21 Preferred Stock, either as to dividends or upon liquidation, if the holders of stock of such class or classes shall be entitled by the terms thereof to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of shares of the $2.21 Preferred Stock;

(b) on a parity with shares of the $2.21 Preferred Stock, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the $2.21 Preferred Stock, if the holders of stock of such class or classes shall be entitled by the terms thereof to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority of one over the other as between the holders of such stock and the holders of shares of $2.21 Preferred Stock (the term "Parity Preferred Stock" being used to refer to any stock on a parity with the shares of $2.21 Preferred Stock, either as to dividends or upon liquidation as the context may require); and

(c) junior to shares of the $2.21 Preferred Stock, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of the $2.21 Preferred Stock shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of stock of such class or classes.

The $2.21 Preferred Stock shall rank on a parity with the $3.875 Convertible Exchangeable Preferred Stock, par value $1 per share, and prior to the Series A Junior Participating Preferred Stock, par value $1 per share, and all other shares of capital stock of the Corporation outstanding at the time of issuance of the $2.21 Preferred Stock.

IN WITNESS WHEREOF, The Williams Companies, Inc. has caused this Certificate to be made under the seal of the Corporation and signed by J. Furman Lewis, a Senior Vice President, and attested by David M. Higbee, its Secretary, this 28th day of August, 1992.

THE WILLIAMS COMPANIES, INC.

/s/ J. FURMAN LEWIS

J. Furman Lewis
Senior Vice President

[SEAL]

Attest:

/s/ DAVID M. HIGBEE

- ----------------------------------

David M. Higbee
Secretary

STATE OF DELAWARE

[LOGO]

OFFICE OF SECRETARY OF STATE

I, MICHAEL HARKINS, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF STOCK DESIGNATION OF THE WILLIAMS COMPANIES, INC. FILED IN THIS OFFICE ON THE FIRST DAY OF MAY, A.D. 1989, AT 11:30 O'CLOCK A.M.

: : : : : : : : : :

[OFFICE OF THE SECRETARY OF STATE SEAL]

720200157

/s/ MICHAEL HARKINS

Michael Harkins, Secretary of State

AUTHENTICATION: 12732083
DATE: 07/19/1990

CERTIFICATE OF DESIGNATION

OF THE

$3.875 CONVERTIBLE EXCHANGEABLE PREFERRED STOCK
($1 Par Value)

OF

THE WILLIAMS COMPANIES, INC.

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

The undersigned DOES HEREBY CERTIFY that the following resolution was duly adopted on April 26, 1989, by a duly appointed Special Committee of the Board of Directors of The Williams Companies, Inc., a Delaware corporation (hereinafter called the "Corporation"), acting pursuant to the provisions of Section 141(c) of the General Corporation law of the State of Delaware and pursuant to authority granted to such Committee in a resolution of such Board of Directors (the "Board") duly adopted on March 15, 1989:

RESOLVED that pursuant to authority expressly granted to and vested in the Board by provisions of the Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), the issuance of a series of Preferred Stock par value $1 per share (the "Preferred Stock"), which shall consist of up to 3,300,000 of the 30,000,000 shares of Preferred Stock which the Corporation now has authority to issue, be, and the same hereby is, authorized, and the Board hereby fixes the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, of the shares of such series (in addition to the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, set forth in the Restated Certificate of Incorporation which may be applicable to the Preferred Stock) as follows:

(i) The designation of such series of the Preferred Stock authorized by this resolution shall be the $3.875 Convertible Exchangeable Preferred Stock (the "Exchangeable Preferred Stock"). The total number of shares of Exchangeable Preferred Stock shall be 3,300,000.

(ii) Holders of shares of Exchangeable Preferred Stock will be entitled to receive, when and as declared by the Board out of assets of the Corporation legally available for payment, an annual cash dividend of $3.875 per share, payable in quarterly installments on March 31, June 30, September 30 and December 31, commencing June 30, 1989 (each a "dividend payment date"). Dividends on the Exchangeable Preferred Stock will be cumulative from the date of initial issuance of shares of Exchangeable Preferred Stock. Dividends will be payable to holders of record as they appear on the stock books of the Corporation on such record dates, not more than 60 days nor less than 10 days preceding the payment dates thereof, as shall be fixed by the Board. When dividends are not paid in full upon the Exchangeable Preferred Stock and any other Parity Preferred Stock (as defined in paragraph (xii) below), all dividends declared upon shares of Parity Preferred Stock will be declared pro rata so that in all cases the amount of dividends declared per share on the Exchangeable Preferred Stock and such other Parity Preferred Stock shall bear to each other the same ratio that accumulated and unpaid dividends per share on the shares of Exchangeable Preferred Stock and such other Parity Preferred Stock bear to each other. Except as set forth in the preceding sentence, unless full cumulative dividends on the Exchangeable Preferred Stock have been paid, no dividends (other than in Common Stock of the Corporation (as defined in subparagraph (iv)(I) below) may be paid or declared and set aside for payment or other distribution made upon the Common Stock or on any other stock of the Corporation ranking junior to or on a parity with the Exchangeable Preferred Stock as to dividends, nor may any Common Stock or any other stock of the Corporation ranking junior to or on a parity with the Exchangeable Preferred Stock as to dividends be redeemed, purchased or otherwise acquired for any consideration (or any payment made to or available for a sinking fund for the redemption of any shares of such stock; provided, however, that any moneys theretofore deposited in any sinking fund with respect to any preferred stock of the Corporation in compliance with the provisions of such sinking fund may thereafter be applied to the purchase or redemption of such preferred stock in accordance with the terms of such sinking fund regardless of whether at the time of such application full cumulative dividends upon shares of the Exchangeable Preferred Stock outstanding to the last dividend payment date shall have been paid or declared and set apart for payment) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to the Exchangeable Preferred Stock as to dividends). Dividends payable for any partial dividend period shall be calculated on the basis of a 360-day year of 12 30-day months.

(iii) The shares of Exchangeable Preferred Stock shall rank prior to the shares of Common Stock and of any other class of stock of the Corporation ranking junior to the Exchangeable Preferred Stock upon liquidation, so that in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Exchangeable Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to its stockholders, whether from capital, surplus or earnings, before any distribution is made to holders of shares of Common Stock or any other such junior stock, an amount equal to $50 per share (the "Liquidation Preference" of a share of Exchangeable Preferred Stock) plus an amount equal to all dividends (whether or not earned or declared) accumulated and unpaid on the shares of Exchangeable Preferred Stock to the date of final distribution. After payment of the full amount of the Liquidation Preference and such dividends, the holders of shares of Exchangeable Preferred Stock will not be entitled to any further participation in any distribution of assets by the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of shares of Parity Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributable among such holders ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were payable in full. For the purposes hereof, neither a consolidation or merger of the Corporation with or into any other corporation, nor a merger of any other corporation with or into the Corporation, nor a sale or transfer of all or any part of the Corporation's assets for cash or securities shall be considered a liquidation, dissolution or winding-up of the Corporation.

(iv) (I) Subject to and upon compliance with the provisions of this paragraph (iv), the holder of a share of Exchangeable Preferred Stock shall have the right, at his option, at any time, to convert such share into that number of fully paid and non-assessable shares of Common Stock (calculated as to each conversion to the nearest 1/100th of a share) obtained by dividing the Liquidation Preference of such share being converted by the Conversion Price (as defined below) and by surrender of such share so to be converted, such surrender to be made in the manner provided in subparagraph (II) of this paragraph (iv); provided, however, that the right to convert shares called for redemption pursuant to paragraph (viii) or for exchange pursuant to paragraph (vii) shall terminate at the close of business on the date fixed for such redemption or exchange, as the case may be, unless the Corporation shall default in making payment of the amount payable upon such redemption or in making the exchange and payment of any amount payable upon such exchange.

The term "Applicable Price" means (i) in the event of a Fundamental Change in which the holders of the Corporation's Common Stock receive only cash, the amount of cash received by the holder of one share of Common Stock and (ii) in the event of any other Fundamental Change, the average of the last reported sales price for the Corporation's Common Stock (determined as set forth in subparagraph IV(d) of this paragraph (iv)) during the ten Trading Days (as defined in subparagraph IV(d) of this paragraph (iv)) prior to the record date for the determination of the holders of Common Stock entitled to receive cash, securities, property or other assets in connection with such Fundamental Change, or, if there is no such record date, the date upon which the holders of the Common Stock shall have the right to receive such cash, securities, property or other assets.

The term "Common Stock" shall mean the Common Stock, $1.00 par value, of the Corporation as the same exists at the date of this Certificate of Designation or as such stock may be constituted from time to time, except that for the purpose of subparagraph (V) of this paragraph (iv) the term "Common Stock" shall also mean and include stock of the Corporation of any class, whether now or hereafter authorized, which shall have the right to participate in the distribution of either earnings or assets of the Corporation without limit as to amount or percentage.

The term "Common Stock Fundamental Change" means any Fundamental Change in which more than 50% (by value as determined in good faith by the Board) of the consideration received by holders of Common Stock consists of common stock that, for the ten Trading Days (as defined in subparagraph IV (d) of this paragraph (iv)) prior to such Fundamental Change, has been admitted for listing on a national securities exchange or quoted on the National Market of the National Association of Securities Dealers, Inc. Automated Quotation System.

The term "Conversion Price" shall mean $39.25, as adjusted in accordance with the provisions of this paragraph (iv).

The term "Fundamental Change" means the occurrence of any transaction or event in connection with which all or substantially all the Common Stock of the Corporation shall be exchanged for, converted into, acquired for or constitute solely the right to receive cash or securities, property or other assets (whether by means of an exchange offer, liquidation, tender offer, consolidation, merger, combination, reclassification, recapitalization or otherwise).

The term "Liquidation Preference" shall have the meaning specified in paragraph (iii).

The term "Non-Stock Fundamental Change" means any Fundamental Change other than a Common Stock Fundamental Change.

The term "Purchaser Stock Price" means, with respect to any Common Stock Fundamental Change, the average of the last reported sales price for the common stock received in such Common Stock Fundamental Change (determined as set forth in subparagraph IV(d) of this paragraph (iv) as if such subparagraph were applicable to such common stock) during the ten Trading Days (as defined in subparagraph IV(d) of this paragraph (iv)) prior to the record date for the determination of the holders of Common Stock entitled to receive such common stock, or if there is no such record date, the date upon which the holders of the Common Stock shall have the right to receive such common stock.

The term "Reference Market Price" shall initially mean $20.917, and in the event of any adjustment to the Conversion Price pursuant to subparagraphs IV(a), IV(b) or IV(c) of this paragraph (iv), the Reference Market Price shall also be adjusted so that the ratio of the Reference Market Price to the Conversion Price after giving effect to any such adjustment shall always be the same as the ratio of $20.917 to the Conversion Price set forth in this Certificate of Designation (without regard to any adjustment thereto).

The term "Rights Agreement" shall have the meaning specified in paragraph (ix).

The term "Rights" shall have the meaning specified in paragraph (ix).

(II) In order to exercise the conversion privilege, the holder of each share of Exchangeable Preferred Stock to be converted shall surrender the certificate representing such share at the office of the conversion agent for the Exchangeable Preferred Stock in the Borough of Manhattan, City of New York, appointed for such purpose by the Corporation, with the Notice of Election to Convert on the back of said certificate completed and signed. Unless the shares issuable on conversion are to be issued in the same name as the name in which such share of Exchangeable Preferred Stock is registered, each share surrendered for conversion shall be accompanied by instruments of transfer, in form satisfactory to the Corporation, duly executed by the holder or his duly authorized attorney and an amount sufficient to pay any transfer or similar tax.

The holders of shares of Exchangeable Preferred Stock at the close of business on a dividend payment record date shall be entitled to receive the dividend payable on such shares (except that holders of shares called for redemption on a redemption date between such record date and the dividend payment date shall not be entitled to receive such dividend on such dividend payment date) on the corresponding dividend payment date notwithstanding the conversion thereof or the Corporation's default in payment of the dividend due on such dividend payment date. However, shares of Exchangeable Preferred Stock surrendered for conversion during the period between the close of business on any dividend payment record date and the opening of business on the corresponding dividend payment date (except shares called for redemption on a redemption date during such period) must be accompanied by payment of an amount equal to the dividend payable on such shares on such dividend payment date. A holder of shares of Exchangeable Preferred Stock on a dividend payment record date who (or whose transferee) tenders any of such shares for conversion into shares of Common Stock on a dividend payment date will receive the dividend payable by the Corporation on such shares of Exchangeable Preferred Stock on such date, and the converting holder need not include payment in the amount of such dividend upon surrender of shares of Exchangeable Preferred Stock for conversion. Except as provided above, the Corporation shall make no payment or allowance for unpaid dividends whether or not in arrears, on converted shares or for dividends on the shares of Common Stock issued upon such conversion.

As promptly as practicable after the surrender of the certificates for shares of Exchangeable Preferred Stock as aforesaid, the Corporation shall issue and shall deliver at such office to such holder, or on his written order, a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of such shares in accordance with the provisions of this paragraph (iv), and any fractional interest in respect of a share of Common Stock arising upon such conversion shall be settled as provided in subparagraph (III) of this paragraph (iv).

Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the certificates for shares of Exchangeable Preferred Stock shall have been surrendered and such notice received by the Corporation as aforesaid, and the person or persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares represented thereby at such time on such date and such conversion shall be at the Conversion Price in effect at such time on such date, unless the stock transfer books of the Corporation shall be closed on that date, in which event such person or persons shall be deemed to have become such holder or holders of record at the close of business on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date upon which such shares shall have been surrendered and such notice received by the Corporation. All shares of Common Stock delivered upon conversions of the Exchangeable Preferred Stock will upon delivery be duly and validly issued and fully paid and non-assessable, free of all liens and charges and not subject to any preemptive rights.

(III) No fractional shares or scrip representing fractions of shares of Common Stock shall be issued upon conversion of the Exchangeable Preferred Stock. Instead of any fractional interest in a share of Common Stock which would otherwise be deliverable upon the conversion of a share of Exchangeable Preferred Stock, the Corporation shall pay to the holder of such share an amount in cash (computed to the nearest cent) equal to the last reported sale price (as defined in subparagraph (IV)(d) of this paragraph (iv)) thereof on the business day next preceding the day of conversion. If more than one share shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate Liquidation Preference of the shares of Exchangeable Preferred Stock so surrendered.

(IV) The Conversion Price shall be adjusted from time to time as follows:

(a) In case the Corporation shall (i) pay a dividend or make a distribution on its Common Stock in shares of its Common Stock, (ii) subdivide its outstanding Common Stock into a greater number of shares, or (iii) combine its outstanding Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior thereto shall be adjusted so that the holder of any share of Exchangeable Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock of the Corporation which he would have owned or have been entitled to receive after the happening of any of the events described above had such share been converted immediately prior to the happening of such event. An adjustment made pursuant to this subparagraph (a) shall become effective immediately, except as provided in subparagraph (g) below, after the record date in the case of a dividend and shall become effective immediately after the effective date in the case of subdivision or combination.

(b) In case the Corporation shall issue rights (other than the Rights) or warrants to all holders of its Common Stock entitling them (for a period expiring within 45 days after the record date mentioned below) to subscribe for or purchase Common Stock at a price per share less than the current market price per share of Common Stock (as defined in subparagraph (d) below) at the record date for the determination of stockholders entitled to receive such rights or warrants, the Conversion Price in effect immediately prior thereto shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of issuance of such rights or warrants by a fraction of which the numerator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such current market price, and of which the denominator shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase. Such adjustment shall be made successively whenever any such rights or warrants are issued, and shall become effective immediately, except as provided in subparagraph (g) below, after such record date. In determining whether any rights or warrants entitle the holders of the Exchangeable Preferred Stock to subscribe for or purchase shares of Common Stock at less than such current market price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received by the Corporation for such rights or warrants, the value of such consideration, if other than cash, to be determined by the Board.

(c) In case the Corporation shall distribute to all holders of its Common Stock any shares of capital stock of the Corporation (other than Common Stock) or evidences of its indebtedness or assets (excluding cash dividends or distributions paid from retained earnings of the Corporation) or rights (other than the Rights) or warrants to subscribe for or purchase any of its securities (excluding those referred to in subparagraph (b) above) (any of the foregoing being hereinafter in this subparagraph (c) called the "Securities"), then in each such case, unless the Corporation elects to reserve shares or other units of such Securities for distribution to the holders of the Exchangeable Preferred

Stock upon the conversion of the shares of Exchangeable Preferred Stock so that any such holder converting shares of Exchangeable Preferred Stock will receive upon such conversion, in addition to the shares of the Common Stock to which such holder is entitled, the amount and kind of such Securities which such holder would have received if such holder had, immediately prior to the record date for the distribution of the Securities, converted its shares of Exchangeable Preferred Stock into Common Stock, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the date of such distribution by a fraction of which the numerator shall be the current market price per share (as defined in subparagraph (d) below) of the Common Stock on the record date mentioned below less the then fair market value (as determined by the Board, whose determination shall, if made in good faith, be conclusive) of the portion of the capital stock or assets or evidences of indebtedness so distributed or of such rights or warrants applicable to one share of Common Stock, and of which the denominator shall be the current market price per share (as defined in subparagraph (d) below) of the Common Stock. Such adjustment shall become effective immediately, except as provided in subparagraph (g) below, after the record date for the determination of shareholders entitled to receive such distribution.

(d) For the purpose of any computation under subparagraphs (b) and (c) above, the current market price per share of Common Stock on any date shall be deemed to be the average of the last reported sales prices for the thirty consecutive Trading Days (as defined below) commencing forty-five Trading Days before the date in question. The last reported sales price for each day shall be the last reported sale price regular way on the New York Stock Exchange, or, if not reported for such Exchange, on the Composite Tape, or, in case no such reported sale takes place on such day, the average of the reported closing bid and asked quotations on the New York Stock Exchange, or, if the Common Stock is not listed on such Exchange or no such quotations are available, the average of the high bid and low asked quotations in the over-the-counter market as reported by the National Quotation Bureau, Incorporated, or similar organization, or, if no such quotations are available, the fair market value of such class of stock as determined by a member firm of the New York Stock Exchange, Inc. selected by the Corporation. As used herein the term "Trading Days" with respect to Common Stock means (i) if the Common Stock is listed or admitted for trading on the New York Stock Exchange or any national securities exchange, days on which the New York Stock Exchange or such national securities exchange is open for business or (ii) if the Common Stock is quoted on the National Market of the National Association of Securities Dealers, Inc. Automated Quotation System or any similar system of automated dissemination of quotations of securities prices, days on which trades may be made on such system.

(e) No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this subsection (e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment; and provided, further, that adjustment shall be required and made in accordance with the provisions of this paragraph (iv) (other than this subparagraph (e)) not later than such time as may be required in order to preserve the tax free nature of a distribution to the holders of shares of Common Stock. All calculations under this paragraph (iv) shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be. Anything in this subparagraph (IV) to the contrary notwithstanding, the Corporation shall be entitled to make such reductions in the Conversion Price, in addition to those required by this subparagraph (IV), as it in its discretion shall determine to be advisable in order that any stock dividends, subdivision of shares, distribution of rights or warrants to purchase stock or securities, or a distribution of other assets (other than cash dividends) hereafter made by the Corporation to its stockholders shall not be taxable.

(f) Whenever the Conversion Price is adjusted, as herein provided, the Corporation shall promptly file with any conversion agent an officers' certificate setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment, which certificate shall be conclusive evidence of the correctness of such adjustment. Promptly after delivery of such certificate, the Corporation shall prepare a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price and the date on which such adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Price to the holder of each share of Exchangeable Preferred Stock at his last address as shown on the stock books of the Corporation.

(g) In any case in which this subparagraph (IV) provides that an adjustment shall become effective immediately after a record date for an event, the Corporation may defer until the occurrence of such event (i) issuing to the holder of any share of Exchangeable Preferred Stock converted after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (ii) paying to such holder any amount in cash in lieu of any fraction pursuant to subparagraph (III) of this paragraph (iv).

(V) If:

(a) the Corporation shall declare a dividend (or any other distribution) on the Common Stock (other than in cash out of retained earnings); or

(b) the Corporation shall authorize the granting to the holders of the Common Stock of rights (other than the Rights) or warrants to subscribe for or purchase any shares of any class or any other rights or warrants; or

(c) there shall be any reclassification of the Common Stock (other than a subdivision or combination of the outstanding Common Stock and other than a change in the par value, or from par value to no par value, or from no par value to par value), or any consolidation, merger, or statutory share exchange to which the Corporation is a party and for which approval of any stockholders of the Corporation is required, or any sale or transfer of all or substantially all the assets of the Corporation as an entirety or any Fundamental Change; or

(d) there shall be a voluntary or in involuntary dissolution, liquidation or winding up of the Corporation;

then the Corporation shall cause to be filed with the conversion agent, and shall cause to be mailed to the holders of shares of the Convertible Preferred Stock at their addresses as shown on the stock books of the Corporation, at least 15 days prior to the applicable date hereinafter specified, a notice stating (i) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights or warrants are to be determined or (ii) the date on which such reclassification, consolidation, merger, statutory share exchange, sale, transfer, Fundamental Change, dissolution, liquidation or winding up is expected to become effective, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, statutory share exchange, sale, transfer, Fundamental Change, dissolution, liquidation or winding up. Failure to give such notice or any defect therein shall not affect the legality or validity of the proceedings described in subparagraph VIII of this paragraph (iv) or in subparagraph V(a.), V(b), V(c) or V(d) of this paragraph (iv).

(VI) The Corporation covenants that it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Common Stock or its issued shares of Common Stock held in its treasury, or both, for the purpose of effecting conversions of the Exchangeable Preferred Stock, the full number of shares of Common Stock deliverable upon the conversion of all outstanding shares of Exchangeable Preferred Stock not theretofore converted. For purposes of this subparagraph (VI), the number of shares of Common Stock which shall be deliverable upon the conversion of all outstanding shares of Exchangeable Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single holder.

Before taking any action which would cause an adjustment reducing the Conversion Price below the then par value (if any) of the shares of Common Stock deliverable upon conversion of the Exchangeable Preferred Stock, the Corporation will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and non-assessable shares of Common Stock at such adjusted Conversion Price.

The Corporation will endeavor to list the shares of Common Stock required to be delivered upon conversion of the Exchangeable Preferred Stock prior to such delivery upon each national securities exchange, if any, upon which the outstanding Common Stock is listed at the time of such delivery.

Prior to the delivery of any securities which: the Corporation shall be obligated to deliver upon conversion of the Exchangeable Preferred Stock, the Corporation will endeavor to comply with all federal and state laws and regulations thereunder requiring the registration of such securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(VII) The Corporation will pay any and all documentary stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock on conversions of the Exchangeable Preferred Stock pursuant hereto; provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock in a name other than that of the holder of the Exchangeable Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting such issue or delivery has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

(VIII) Notwithstanding any other provision herein to the contrary, if any of the following events occur, namely (a) any reclassification or change of outstanding shares of Common Stock issuable upon conversion of the Exchangeable Preferred Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), (b) any consolidation, merger or combination of the Corporation with another corporation as a result of which holders of Common Stock issuable upon conversion of the Exchangeable Preferred Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock or (c) any sale or conveyance of the properties and assets of the Corporation as, or substantially as, an entirety to any other entity as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, or (d) any Fundamental Change (including any event in the foregoing clauses (a), (b) and (c) which constitutes a Fundamental Change), then the holder of each share of Exchangeable Preferred Stock then outstanding shall have the right to convert such share into the kind and amount of shares of stock and other securities or property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale, conveyance or Fundamental Change (such amount to be determined, in the case of a Fundamental Change, in accordance with the following paragraph), by a holder of the number of shares of Common Stock issuable upon conversion of such share of Exchangeable Preferred Stock immediately prior to such reclassification, change, consolidation, merger, sale, conveyance or Fundamental Change subject to further adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in paragraph (iv); provided, however, that if the event referred to in clauses (a) through (d) above constitutes a Common Stock Fundamental Change, each share of Exchangeable Preferred Stock shall be convertible solely into common stock of the kind received by holders of Common Stock as the result of such Common Stock Fundamental Change (the amount of such common stock to be determined in accordance with the following paragraph). If, in the case of any such consolidation, merger, sale, conveyance or Fundamental Change, the stock or other securities and property receivable thereupon by a holder of shares of Common Stock includes shares of stock or other securities and property of an entity other than the successor or purchasing entity, as the case may be, in such consolidation, merger, sale, conveyance or Fundamental Change, then the Corporation shall enter into an agreement with such other entity for the benefit of the holders of the Exchangeable Preferred Stock which shall contain such additional provisions to protect the interests of such holders as the Board shall reasonably consider necessary by reason of the foregoing.

For purposes of calculating any adjustment to be made pursuant to the preceding paragraph in the event of a Fundamental Change, immediately prior to such Fundamental Change:

(A) in the case of a Non-Stock Fundamental Change, (x) the conversion price of the shares of Exchangeable Preferred Stock shall be deemed to be the lower of (1) the then applicable Conversion Price (after giving effect to any adjustments required pursuant to subparagraphs IV(a), IV(b), or IV(c) of this paragraph (iv)) and (2) the Applicable Price (provided however that in no event shall the Conversion Price be lower than the Reference Market Price); and (y) if such Non-Stock Fundamental Change occurs on or prior to March 30, 1999, the holder of each share of Exchangeable Preferred Stock shall be deemed to have the right to convert a Liquidation Preference amount of such share of Exchangeable Preferred Stock equal to the Liquidation Preference thereof multiplied by (i) in the case of periods after March 30 1992, the percentage of such Liquidation Preference that such holder would have been entitled to receive if such share of Exchangeable Preferred Stock had been redeemed at the Corporation's option on the date of such Non-Stock Fundamental Change, or (ii) in the case of periods prior to March 31, 1992, the applicable percentage set forth in the following table for the 12-month periods ending March 31 in each of the years set forth therein.

Year	Percentage
1990	%107.750
1991	%106.975
1992	%106.200

(B) in the case of a Common Stock Fundamental Change, the Conversion Price shall be the then applicable Conversion Price after giving effect to any adjustment required pursuant to subparagraphs IV(a), IV(b) or IV(c) of this paragraph (iv) multiplied by a fraction, the numerator of which is the Purchaser Stock Price and the denominator of which is the Applicable Price.

The provisions of this subparagraph (VIII) shall similarly apply to successive reclassifications, consolidations, mergers, sales, conveyances or Fundamental Changes.

(v) Upon any conversion, exchange or redemption of shares of Exchangeable Preferred Stock, the shares of Exchangeable Preferred Stock so converted, exchanged or redeemed shall have the status of authorized and unissued shares of Preferred Stock, and the number of shares of Preferred Stock which the Corporation shall have authority to issue shall not be decreased by the conversion, exchange or redemption of shares of Exchangeable Preferred Stock.

(vi) The holders of shares of Exchangeable Preferred Stock shall have no voting rights whatsoever, except for any voting rights to which they may be entitled under the laws of the State of Delaware, and except as follows:

(I) If and whenever at any time or times dividends payable on the Exchangeable Preferred Stock or on any other preferred stock shall have been in arrears and unpaid in an aggregate amount equal to or exceeding the amount of dividends payable thereon for six quarterly periods, then the holders of the preferred stock shall have, in addition to the other voting rights set forth herein, the exclusive right, voting separately as a class, to elect two directors of the Corporation, such directors to be in addition to the number of directors constituting the Board immediately prior to the accrual of such right, the remaining directors to be elected by the other class or classes of stock entitled to vote therefor at each meeting of stockholders held for the purpose of electing directors. Such voting right shall continue until such time as all cumulative dividends accumulated on all the preferred stock having cumulative dividends shall have been paid in full and until any noncumulative dividends payable on all the preferred stock having noncumulative dividends shall have been paid regularly for at least one year, at which time such voting right of the holders of the preferred stock shall terminate, subject to revesting in the event of each and every subsequent event of default of the character indicated above.

Whenever such voting right shall have vested, such right may be exercised initially either at a special meeting of the holders of the preferred stock, called as hereinafter provided, or at any annual meeting of stockholders held for the purpose of electing directors, and thereafter at each successive annual meeting.

At any time when such voting right shall have vested in the holders of the preferred stock, and if such right shall not already have been initially exercised, a proper officer of the Corporation shall, upon the written request of the holders of record of 10% in number of shares of the preferred stock then outstanding, addressed to the Secretary of the Corporation, call a special meeting of the holders of the preferred stock and of any other class or classes of stock having voting power with respect thereto for the purpose of electing directors. Such meeting shall be held at the earliest practicable date upon the notice required for annual meetings of stockholders at the place for holding of annual meetings of stockholders of the Corporation, or, if none, at a place designated by the Secretary of the Corporation. If such meeting shall not be called by the proper officers of the Corporation within 30 days after the personal service of such written request upon the Secretary of the Corporation, or within 30 days after mailing the same within the United States of America, by registered mail, addressed to the Secretary of the Corporation at its principal office (such mailing to be evidenced by the registry receipt issued by the postal authorities), then the holders of record of 10% in number of shares of the preferred stock then outstanding may designate in writing one of their number to call such meeting at the expense of the Corporation, and such meeting may be called by such person so designated upon the notice required for annual meetings of stockholders and shall be held at the same place as is elsewhere provided for in this subparagraph (I). Any holder of the preferred stock shall have access to the stock books of the Corporation for the purpose of causing a meeting of stockholders to be called pursuant to the provisions of this paragraph. Notwithstanding the provisions of this paragraph, however, no such special meeting shall be called during a period within 90 days immediately preceding the date fixed for the next annual meeting of stockholders.

At any meeting held for the purpose of electing directors at which the holders of the preferred stock shall have the right to elect directors as provided herein, the presence in person or by proxy of the holders of 33-1/3% of the then outstanding shares of the preferred stock shall be required and be sufficient to constitute a quorum of the preferred stock for the election of directors by the preferred stock. At any such meeting or adjournment thereof (A) the absence of a quorum of the holders of the preferred stock shall not prevent the election of directors other than those to be elected by the holders of the preferred stock and the absence of a quorum or quorums of the holders of other classes of capital stock entitled to elect such other directors shall not prevent the election of directors to be elected by the holders of the preferred stock and (B) in the absence of a quorum of the holders of any class of stock entitled to vote for the election of directors, a majority of the holders present in person or by proxy of such class shall have the power to adjourn the meeting for the election of directors which the holders of such class are entitled to elect, from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

The directors elected pursuant to this subparagraph (I) shall serve until the next annual meeting or until their respective successors shall be elected and shall qualify; provided, however, that when the right of the holders of the preferred stock to elect directors as herein provided shall terminate, the terms of office of all persons so elected by the holders of the preferred stock shall terminate, and the number of directors of the Corporation shall thereupon be such number as may be provided in the By-laws of the Corporation irrespective of any increase made pursuant to this subparagraph (I).

So long as any shares of Exchangeable Preferred Stock are outstanding, the By-laws of the Corporation shall contain provisions ensuring that the number of Directors of the Corporation shall at all times be such that the exercise, by the holders of shares of Exchangeable Preferred Stock and the holders of other preferred stock, of the right to elect Directors under the circumstances provided in this subparagraph (I) will not contravene any provisions of the Corporation's Certificate of Incorporation or By-laws.

(II) So long as any shares of the Exchangeable Stock remain outstanding, the Corporation will not, either directly or indirectly or through merger or consolidation with any other corporation, without the affirmative vote at a meeting or the written consent with or without a meeting of the holders of at least 66 2/3% in number of shares of the Exchangeable Preferred Stock then outstanding, (A) create any class or classes of stock ranking prior to the Exchangeable Preferred Stock either as to dividends or upon liquidation or increase the authorized number of shares of any class or classes of stock ranking prior to the Exchangeable Preferred Stock either as to dividends or upon liquidation, (B) amend, alter or repeal any of the provisions of the Certificate of Incorporation (including this resolution) so as to affect adversely the preferences, special rights or powers of the Exchangeable Preferred Stock or (C) authorize any reclassification of the Exchangeable Preferred Stock.

(vii) The Exchangeable Preferred Stock is exchangeable in whole at the option of the Corporation on any dividend payment date beginning March 31, 1992, for the Corporation's 7 3/4% Convertible Subordinated Debentures due 2014 (the "Debentures") as described in the Corporation's Registration Statement on Form S-3 (Registration No. 33-27507), as filed with the Securities and Exchange Commission. Holders of outstanding shares of Exchangeable Preferred Stock will be entitled to receive $50 principal amount of Debentures in exchange for each share of Exchangeable Preferred Stock held by them at the time of exchange; provided that the Debentures will be issuable in denominations of $1,000 and integral multiples thereof and an amount in cash shall be paid to such holders for any excess principal amount otherwise issuable. The Corporation will mail to each record holder of the Exchangeable Preferred Stock written notice of its intention to exchange not less than 30 nor more than 60 days prior to the date of exchange. The notice shall specify the effective date of the exchange, the place where certificates for shares of Exchangeable Preferred Stock are to be surrendered for Debentures and state that dividends on Exchangeable Preferred Stock will cease to accrue on such date of exchange. Prior to giving notice of intention to exchange, the Corporation shall execute and deliver with a bank or trust company selected by the Corporation an Indenture substantially in the form filed as an Exhibit to such Registration Statement with such changes as may be required by law, stock exchange rule or usage. The Corporation will cause the Debentures to be authenticated on the dividend payment date on which the exchange is effective; at such time the rights of the holders of Exchangeable Preferred Stock as stockholders of the Corporation shall cease (except the right to receive accumulated and unpaid dividends to the date of exchange), and the shares of Exchangeable Preferred Stock shall no longer be deemed outstanding and shall represent only the right to receive the Debentures and such accumulated and unpaid dividends. Notwithstanding the foregoing, if notice of exchange has been given pursuant to this paragraph (vii) and any holder of shares of Exchangeable Preferred Stock shall, prior to the close of business on the Exchange Date, give written notice to the Corporation pursuant to paragraph (iv) of the conversion of any or all of the shares held by such holder (accompanied by a certificate or certificates for such shares, duly endorsed or assigned to the Corporation), then such exchange shall not become effective as to such shares to be converted and such conversion shall become effective as provided in paragraph (iv). The Debentures will be delivered to the persons entitled thereto upon surrender to the Corporation or its agent appointed for that purpose of the certificates for the shares of Exchangeable Preferred Stock being exchanged therefor. If the Corporation has not paid full cumulative dividends on the Exchangeable Preferred Stock to the date of exchange (or set aside a sum therefor) the Exchangeable Preferred Stock may not be exchanged for the Debentures.

(viii) The shares of the Exchangeable Preferred Stock may be redeemed at the option of the Corporation, as a whole, or from time to time, in part, at any time after March 31, 1992, upon not less than 30 nor more than 60 days' prior notice mailed to the holders of the shares to be redeemed at their addresses as shown on the stock books of the Corporation, at the following redemption prices:

If redeemed during the 12-month period beginning March 31,

Year	Price	Year	Price
1992	$52.7125	1997	$50.7750
1993	$52.3250	1998	$50.3875
1994	$51.9375	1999	
1995	$51.5500	and there-	$ 50
1996	$51.1625	after	

in each case together with an amount equal to all dividends (whether or not earned or declared) accumulated and unpaid to the date fixed for redemption.

If full cumulative dividends on the Exchangeable Preferred Stock have not been paid, the Exchangeable Preferred Stock may not be redeemed in part and the Corporation may not purchase or acquire any shares of the Exchangeable Preferred Stock otherwise than pursuant to a purchase or exchange offer made on the same terms to all holders of the Exchangeable Preferred Stock. If less than all the outstanding shares of Exchangeable Preferred Stock are to be redeemed, the Corporation will select those to be redeemed by lot or a substantially equivalent method.

If a notice of redemption has been given pursuant to this paragraph (viii) and if, on or before the date fixed for redemption, the funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares so called for redemption, then, notwithstanding that any certificates for such shares have not been surrendered for cancellation, on the redemption date dividends shall cease to accrue on the shares of Exchangeable Preferred Stock to be redeemed, and at the close of business on the redemption date the holders of such shares shall cease to be stockholders with respect to such shares and shall have no interest in or claims against the Corporation by virtue thereof and shall have no voting or other rights with respect to such shares, except the right to receive the moneys payable upon such redemption, without interest thereon, upon surrender (and endorsement, if required by the Corporation) of their certificates, and the shares evidenced thereby shall no longer be outstanding. Subject to applicable escheat laws, any moneys so set aside by the Corporation and unclaimed at the end of two years from the redemption date shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of the amounts payable upon such redemption. Any interest accrued on funds so deposited shall be paid to the Corporation from time to time. Any funds which have been deposited by the Corporation, or on its behalf, with a paying agent or segregated and held in trust by the Corporation for the redemption of shares converted into Common Stock on or prior to the date fixed for such redemption shall (subject to any right of the holder of such shares to receive the dividend payable thereon as provided in paragraph (iv)) immediately upon such conversion be returned to the Corporation or, if then held in trust by the Corporation, shall be discharged from such trust.

(ix) Each share of Common Stock issued upon conversion of Exchangeable Preferred Stock on or prior to the close of business on the earliest of (a) the Distribution Date (as defined in the Amended and Restated Rights Agreement, dated as of July 12, 1988, between the Corporation and Morgan Guaranty Trust Company of New York, as Rights Agent, (the "Rights Agreement"), (b) any date fixed for redemption of the Rights (as defined in the Rights Agreement) in accordance with the provisions of the Rights Agreement or (c) the Final Expiration Date (as defined in the Rights Agreement) shall in accordance with the Rights Agreement also evidence one Right, and the certificates for such Common Stock shall bear the legend set forth in Section 3(c) of the Rights Agreement. In addition, holders of the Exchangeable Preferred Stock converted into Common Stock after the Distribution Date, but prior to the earlier of (x) any date fixed for redemption of the Rights in accordance with the provisions of the Rights Agreement and (y) the Final Expiration Date, shall be entitled to the issuance, in the manner provided in the Rights Agreement, of Rights Certificates (as defined in the Rights Agreement) representing the appropriate number of Rights in connection with the issuance of Common Stock upon conversion of Exchangeable

Preferred Stock; except if, and to the extent that, the Corporation shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Corporation or the person to whom such Rights Certificate would be issued or appropriate adjustment shall otherwise have been made in lieu of the issuance thereof. Notwithstanding the foregoing, holders of Exchangeable Preferred Stock converted into Common Stock shall not be entitled to Rights or the issuance of Rights Certificates if at the time of conversion all Rights under the Rights Agreement have been terminated or cancelled. Holders of Exchangeable Preferred Stock who have not converted Exchangeable Preferred Stock on or prior to any such date fixed for redemption of Rights will not be entitled to the redemption price in respect thereof.

(x) No consent of the holders of the Exchangeable Preferred Stock shall be required for (a) the creation of any indebtedness of any kind of the Corporation, (b) the creation, or increase or decrease in the amount, of any class or series of stock of the Corporation not ranking prior as to dividends or upon liquidation to the Exchangeable Preferred Stock or (c) any increase or decrease in the amount of authorized Common Stock or any increase, decrease or change in the par value thereof or in any other terms thereof.

(xi) Subject to the provisions of paragraph (vi) hereof, the Board reserves the right by subsequent amendment of this resolution from time to time to increase or decrease the number of shares which constitute the Exchangeable Preferred Stock (but not below the number of shares thereof then outstanding) and in other respects to amend this resolution within the limitations provided by law, this resolution and the Certificate of Incorporation.

(xii) For the purposes of this resolution any stock of any class or classes of the Corporation shall be deemed to rank:

(a) prior to shares of the Exchangeable Preferred Stock, either as to dividends or upon liquidation, if the holders of stock of such class or classes shall be entitled by the terms thereof to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of shares of the Exchangeable Preferred Stock;

(b) on a parity with shares of the Exchangeable Preferred Stock, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates, or redemption or liquidation prices per share thereof be different from those of the Exchangeable Preferred Stock, if the holders of stock of such class or classes shall be entitled by the terms thereof to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority of one over the other as between the holders of such stock and the holders of shares of Exchangeable Preferred Stock (the term "Parity Preferred Stock" being used to refer to any stock on a parity with the shares of Exchangeable Preferred Stock, either as to dividends or upon liquidation as the context may require); and

(c) junior to shares of the Exchangeable Preferred Stock, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of the Exchangeable Preferred Stock shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of stock of such class or classes.

The Exchangeable Preferred Stock shall rank prior to the Series A Junior Participating Preferred Stock, par value $1 per share, and all other shares of capital stock of the Corporation outstanding at the time of issuance of the Exchangeable Preferred Stock.

IN WITNESS WHEREOF, The Williams Companies Inc. has caused this Certificate to be made under the seal of the Corporation and signed by J. Furman Lewis, its Senior Vice President, and attested by David M. Higbee, its Secretary, this 28th day of April 1989.

THE WILLIAMS COMPANIES, INC.

/s/ J. FURMAN LEWIS

[SEAL]:

Attest.

/s/ DAVID M. HIGBEE

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Secretary

STATE OF DELAWARE

[LOGO]

OFFICE OF SECRETARY OF STATE

I, MICHAEL HARKINS, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF STOCK DESIGNATION OF THE WILLIAMS COMPANIES, INC. FILED IN THIS OFFICE ON THE SEVENTH DAY OF FEBRUARY, A.D. 1989, AT 10 O'CLOCK A.M.

[OFFICE OF THE SECRETARY OF STATE SEAL]

/s/ MICHAEL HARKINS

Michael Harkins, Secretary of State

729038057 AUTHENTICATION: 2057835

DATE: 02/07/1989

729038057

CERTIFICATE OF INCREASE

OF

AUTHORIZED NUMBER OF SHARES [STAMP]

OF

Series A Junior Participating
Preferred Stock

The Williams Companies, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

That the Restated Certificate of Incorporation of said Corporation was filed in the office of the Secretary of State of Delaware on April 27, 1987, and was filed for recording in the office of the Recorder of Deeds for New Castle County, Delaware on April 27, 1987, and the Certificate of the Designations, Preferences and Rights of the Series A Junior Participating Preferred Stock was included in said Restated Certificate of Incorporation.

That the Board of Directors of said Corporation at a meeting held on January 22, 1989, duly adopted a resolution authorizing and directing an increase in the authorized number of shares of Series A Junior Participating Preferred Stock of the Corporation, from 200,000 shares to 400,000 shares, in accordance with the provisions of Section 151 of The General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said The Williams Companies, Inc. has caused this certificate to be signed by Vernon T. Jones, its President and attested by David M. Higbee, its Secretary, this 26th day of January, 1989.

THE WILLIAMS COMPANIES, INC.

By /s/ VERNON T. JONES

President

ATTEST:

By /s/ DAVID M. HIGBEE

Secretary

PLEASE RETURN TO
THE CORPORATION TRUST COMPANY

INDEXED
RECEIVED FOR RECORD

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[ILLEGIBLE]
RECORDER

BOOK 530 PAGE 73

STATE OF DELAWARE

[LOGO]

OFFICE OF SECRETARY OF STATE

I, MICHAEL HARKINS, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF RESTATED CERTIFICATE OF INCORPORATION OF THE WILLIAMS COMPANIES, INC. FILED IN THIS OFFICE ON THE TWENTY-SEVENTH DAY OF APRIL, A.D. 1987, AT 10 O'CLOCK A.M.

[OFFICE OF THE SECRETARY OF STATE SEAL]

/s/ MICHAEL HARKINS

Michael Harkins, Secretary of State

877117092 AUTHENTICATION: 1214714

DATE: 04/27/1987

RESTATED
CERTIFICATE OF INCORPORATION
OF
THE WILLIAMS COMPANIES, INC.

THE WILLIAMS COMPANIES, INC., a corporation organized and existing under the laws of the State of Delaware (the "Company") does hereby certify as follows:

1. The name of the Company is THE WILLIAMS COMPANIES, INC. The date of filing of the Company's original Certificate of Incorporation with the Secretary of State of the state of Delaware was February 3, 1987.

2. The Board of Directors of the Company adopted a resolution proposing and declaring advisable the following amendments to and restatement of the Certificate of Incorporation of the Company.

3. This Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the state of Delaware.

FIRST: The name of the Company is THE WILLIAMS COMPANIES, INC.

SECOND: The address of the registered office of the Company in the state of Delaware is 1209 Orange Street, in the city of Wilmington, county of New Castle. The name of the Company's registered agent at that address is The Corporation Trust Company.

THIRD: The purpose of the Company is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware as set forth in Title 8 of the Delaware Code.

FOURTH: The total number of shares of capital stock which the Company shall have authority to issue is 150,000,000 shares, consisting of 120,000,000 shares of Common Stock, par value $1.00 per share (the "Common Stock") and 30,000,000 shares of Preferred Stock, par value $1.00 per share (the "Preferred Stock").

I.

1. Any unissued or treasury shares of the Preferred Stock may be issued from time to time in one or more series, as authorized by the Board of Directors, subject to the limitations of this Article FOURTH. The designations, preferences and relative, participating, optional and other special rights, and the

qualifications, limitations and restrictions thereof, of the Preferred Stock of each series shall be such as are stated and expressed in this Article FOURTH and, to the extent not stated and expressed herein, shall be such as may be fixed by the Board of Directors (authority so to do being hereby expressly granted) and stated and expressed in a resolution or resolutions adopted by the Board of Directors providing for the issue of Preferred Stock of such series. Such resolution or resolutions shall specify:

(a) the distinctive designation of such series and the number of shares which shall constitute such series, which may be increased (except where otherwise provided by the Board of Directors in creating such series) or decreased (but not below the number of shares thereof then outstanding) from time to time by like action of the Board of Directors;

(b) the rate of dividends, if any, payable on shares of such series, the date, if any, from which such dividends shall accrue, the conditions upon which and the dates when such dividends shall be payable, and whether such dividends shall be cumulative or noncumulative;

(c) the amount or amounts which the holders of the Preferred Stock of such series shall be entitled to be paid in the event of a voluntary or involuntary liquidation, dissolution or winding up of the Company (which amounts need not be the same for each such event); and

(d) whether or not the Preferred Stock of such series shall be redeemable and at what times and under what conditions and the amount or amounts payable thereon in the event of redemption; and may, in a manner not inconsistent with the provisions of this Article FOURTH,

(i) limit the number of shares of such series which may be issued;

(ii) provide for a sinking fund for the purchase or redemption or a purchase fund for the purchase of shares of such series and the terms and provisions governing the operation of any such fund and the status as to reissue of shares of Preferred Stock purchased or otherwise reacquired or redeemed or retired through the operation thereof, and that so long as the Company is in default as to such sinking or purchase fund the Company shall not (with such exceptions, if any, as may be provided) pay any dividends upon or purchase or redeem shares of capital stock ranking junior to the Preferred Stock as to dividends or distribution of assets upon liquidation (referred to in this Article FOURTH as "junior stock");

(iii) grant voting rights to the holders of shares of such series, in addition to and not inconsistent with those granted by this Article FOURTH to the holders of Preferred Stock;

(iv) impose conditions or restrictions upon the creation of indebtedness of the Company or upon the issue of additional Preferred Stock or other capital stock ranking equally therewith or prior thereto as to dividends or distribution of assets on liquidation;

(v) impose conditions or restrictions upon the payment of dividends upon, or the making of other distributions to, or the acquisition of, junior stock;

(vi) grant to the holders of the Preferred Stock of such series the right to convert such stock into shares of another series or class of capital stock; and

(vii) grant such other special rights to the holders of shares of such series as the Board of Directors may determine and as shall not be inconsistent with the provisions of this Article FOURTH.

The term "fixed for such series" and similar terms shall mean stated and expressed in this Article FOURTH or in the resolution or resolutions adopted by the Board of Directors providing for the issue of Preferred Stock of the series referred to therein.

2. Subject to any limitations specified in the resolution or resolutions providing for the issuance thereof, the holders of the Preferred Stock of the respective series shall be entitled to receive, when and as declared by the Board of Directors, out of any funds legally available therefor, preferential dividends in cash, at the rate per annum, if any, fixed for such series, payable at quarter-yearly, half-yearly, or yearly intervals, and on such dates, as may be specified in the resolution or resolutions adopted by the Board of Directors providing for the issue of Preferred Stock of such respective series, to stockholders of record on a date, preceding each such dividend payment date, fixed for the purpose by the Board of Directors in advance of payment of each particular dividend. Each share of Preferred Stock shall rank on a parity with each other share of Preferred Stock, irrespective of series, with respect to preferential dividends accrued on the shares of such series, and no dividend shall be declared or paid or set apart for payment for the Preferred Stock of any series unless at the same time a dividend in like proportion to the dividends accrued upon the Preferred Stock of each other series shall be declared or paid or set apart for payment, as the case may be, on Preferred Stock of each other series then outstanding; but nothing in this subdivision 2. shall prevent the authorization or issuance of one or more series of Preferred Stock bearing dividends subject to contingencies as to the existence or amount of earnings of the Company during one or more fiscal periods, or as to other events, to which dividends on other series of Preferred Stock are not subject.

3. So long as any shares of Preferred Stock shall remain outstanding, in no event shall any dividends whatsoever, whether in cash, stock, or otherwise, be paid or declared, or any distribution be made on any class of junior stock, nor shall any shares of junior stock be purchased, retired or otherwise acquired for a valuable consideration by the Company, unless all dividends accrued on outstanding shares of Preferred Stock for all past dividend periods shall have been paid, or declared and a sum sufficient for the payment thereof set apart, and the full

dividend thereon for the then current dividend period shall have been paid, or declared and a sum sufficient for the payment thereof set apart. For purposes of this Article FOURTH, dividends shall not be deemed to have "accrued" for any dividend period on the shares of Preferred Stock of any series unless (a) such shares were outstanding during such period, and either (b) the resolution or resolutions of the Board of Directors providing for such series shall expressly state that dividends on shares thereof accrue whether or not earned or declared, and are cumulative, or (c) any and all contingencies to which the accrual of dividends on shares of such series shall by the terms of the resolution or resolutions of the Board of Directors providing for such series be subject shall have been satisfied; and the term "accrued and unpaid dividends" with respect to Preferred Stock of any series shall mean accrued dividends on all outstanding shares of Preferred Stock of such series, from the date or dates from which dividends accrued thereon to the date as of which accrued and unpaid dividends are being determined, less the aggregate amount of all dividends theretofore declared and paid or set apart for payment upon such outstanding Preferred Stock.

4. The Company at the option of the Board of Directors may redeem all or any part of the Preferred Stock of any series which by its terms is redeemable, at the time or times and on the terms and conditions fixed for such series, upon notice duly given in the manner provided in the resolution or resolutions of the Board of Directors providing for such series, by paying therefore in cash the sum fixed for such series, together, in each case, with an amount equal to accrued and unpaid dividends thereon. The resolution or resolutions of the Board of Directors providing for a series subject to redemption may provide that when notice of redemption of all or part of the shares of such series shall have been given, and the redemption price of such shares, together with accrued dividends to the date fixed as the redemption date (which shall be a date after the date of such notice), has been set aside by the Company, or deposited with a suitable depositary, for the pro rata benefit of the holders of the shares called for redemption, then the shares so called shall no longer be deemed outstanding, and all rights with respect to such shares, including the accrual of further dividends, other than the right to receive the redemption price of such shares, without interest, shall cease. Such resolution or resolutions may further provide, in any case where funds are deposited with a depositary other than the Company, that any funds held by such depositary in respect of shares not presented for redemption within such period as may be fixed in such resolution or resolutions, but not less than six months, after the date on which such funds were first available to holders of such shares against presentation thereof for redemption, shall be repaid to the Company, and that thereafter the holders of such shares shall look solely to the Company for the funds payable upon redemption thereof.

5. Except as herein or by law expressly provided or except as may be provided for any series of Preferred Stock by

the resolution or resolutions of the Board of Directors providing for the issuance thereof as herein permitted, the Preferred Stock shall have no right or power to vote on any question or in any proceeding or to be represented at or to receive notice of any meeting of stockholders. On any matters on which the holders of the Preferred Stock or any series thereof shall be entitled to vote separately as a class or series, they shall be entitled to one vote for each share held.

(a) So long as any shares of Preferred Stock are outstanding, the Company shall not, without the consent of the holders of at least a majority of the number of shares of the Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by vote at any annual meeting, or any special meeting called for the purpose, purchase, redeem, or otherwise acquire for value any shares of the Preferred Stock or of any other stock ranking on a parity with the Preferred Stock in respect of dividends or distribution of assets on liquidation during the continuance of any default in the payment of dividends on the Preferred Stock.

(b) Any action specified in this subdivision 5. as requiring the consent of the holders of at least a specified proportion of the number of shares of Preferred Stock or of any particular series thereof at the time outstanding or represented at a meeting may be taken with such consent and with such additional vote or consent, if any, of stockholders as may be from time to time required by this Restated Certificate of Incorporation, as amended from time to time, or by law.

6. In the event of any liquidation, dissolution or winding up of the affairs of the Company, voluntary or involuntary, then, before any distribution or payment shall be made to the holders of any class of stock of the Company ranking junior to the Preferred Stock as to dividends or distribution of assets on liquidation, the holders of the Preferred Stock of the respective series shall be entitled to be paid in full the respective amount fixed, with respect to liquidations, dissolution or winding up, voluntary or involuntary, as the case may be, in the resolution or resolutions of the Board of Directors providing for the issue of shares of such series, plus a sum equal to all accrued and unpaid dividends thereon to the date of payment thereof. After such payment shall have been made in full to the holders of the Preferred Stock, the remaining assets and funds of the Company shall be distributed among the holders of the stocks of the Company ranking junior to the Preferred Stock according to their respective rights. In the event that the assets of the Company available for distribution to holders of Preferred Stock shall not be sufficient to make the payment herein required to be made in full, such assets shall be distributed to the holders of the respective shares of Preferred Stock pro rata in proportion to the amounts payable hereunder upon each share thereof.

7. Except as otherwise provided in any resolution of the Board of Directors providing for the issuance of any particular series of Preferred Stock, Preferred Stock redeemed or

otherwise retired by the Company shall assume the status of authorized but unissued Preferred Stock and may thereafter, subject to the provisions of this Article FOURTH and of any restriction contained in any such resolution, be reissued in the same manner as other authorized but unissued Preferred Stock.

II.

At every meeting of the stockholders of the Company, each holder of Common Stock shall be entitled to one vote, in person or by proxy, for each share of such Common Stock standing in such holder's name on the record books of the Company on a record date to be fixed by the Board of Directors. The holders of the Common Stock shall have the exclusive right to vote, except as provided by the resolution or resolutions providing for the issue of any series of Preferred Stock, or except as expressly provided by Part I of this Article FOURTH.

Subject to the limitations prescribed in this Article FOURTH, and any further limitations prescribed in accordance therewith, the holders of the Common Stock shall be entitled to receive, when and as declared by the Board of Directors, out of the assets of the Company which are by law available therefor, dividends payable either in cash, in property, or in shares of the Common Stock of the Company.

In the event of any dissolution, liquidation or winding up of the affairs of the Company, the holders of the Common Stock shall be entitled, after payment or provision for payment of the debts and other liabilities of the Company, and the amounts to which the holders of the Preferred Stock shall be entitled to share ratably in the remaining net assets of the Company.

III.

Except as may be otherwise expressly provided with respect to a particular series of Preferred Stock in the resolution or resolutions of the Board of Directors providing for such series, no holder of any shares of stock of the Company of any class or series shall be entitled as of right to subscribe to and/or purchase or acquire from the Company any stock of such class or series or any other class or series and/or any bonds, notes, debentures or other securities or obligations convertible into, or carrying warrants or rights to subscribe to, stock of the Company of any class or series; but all shares of stock, and all bonds, notes, debentures or other securities or obligations, whether or not convertible into stock or carrying warrants or rights to subscribe to stock, may be issued, sold and disposed of from time to time by the Board of Directors to such persons, firms or corporations and for such consideration (so far as may be permitted by law) as the Board of Directors shall from time to time in its absolute discretion, determine, without offering any stock, bonds, notes, debentures or other securities or obligations to the holders of Common Stock or any series of Preferred Stock.

Of the 30,000,000 authorized shares of Preferred Stock of the Company, 200,000 shares shall be issued in a series designated as Series A Junior Participating Preferred Stock, $1.00 par value per share as set forth hereinafter.

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" and the number of shares constituting such series shall be 200,000.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Junior Participating Preferred Stock with respect to dividends, the holders of Series A Junior Participating Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of February, May, August and November in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $20 or (b) subject to the provision for adjustment hereinafter set forth, 200 times the aggregate per share amount of all cash dividends, and 200 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, $1.00 par value, of the Company (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior Participating Preferred Stock. In the event the Company shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, (iii) combine the outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock in a reclassification of the outstanding Common Stock, then in each such case the amount to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event under clause (a) and clause (b) of the preceding sentence shall be adjusted by multiplying each such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Company shall declare a dividend or distribution on the Series A Junior Participating Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $20 per share on the Series A Junior Participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to 200 votes on all matters submitted to a vote of the stockholders of the Company. In the event the Company shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, (iii) combine the outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock in a reclassification of the outstanding Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Junior Participating Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Company.

(C) (i) If at any time dividends on any Series A Junior Participating Preferred Stock shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Junior Participating Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, the holders of Preferred Stock, voting as a class, irrespective of series, shall have the right to elect two (2) Directors.

(ii) During any default period, such voting right of the holders of Series A Junior Participating Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase, in certain cases, the authorized number of Directors shall be exercised unless the holders of ten percent (10%) in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) Directors or, if such right is exercised at an annual meeting, to elect two (2) Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series A Junior Participating Preferred Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the Chairman of the Board, the President, a Vice President or the Secretary of the Company. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this paragraph (C)(iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Company. Such meeting shall be called for a time not earlier than 10 days and not later than 60 days after such order or request; or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than 10% of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv) In any default period the holders of Common Stock, and other classes of stock of the Company if applicable, shall continue to be entitled to elect the whole number of Directors until the holders of Preferred Stock shall have exercised their right to elect two (2) Directors voting as a class, after the exercise of which right (x) the Directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph (C)(ii) of this Section 3) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class of stock which elected the Director whose office shall have become vacant. References in this paragraph (C) to Directors elected by the holders of a particular class of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the Restated

Certificate of Incorporation or By-laws irrespective of any increase made pursuant to the provisions of paragraph (C)(ii) of this Section 2 (such number being subject, however, to change thereafter in any manner provided by law or in the Restated Certificate of Incorporation or By-laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(D) Except as set forth herein, holders of Series A Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Company shall not

(i) declare or pay dividends on, make other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, provided that the Company may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Company ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Junior Participating Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any shares of stock ranking on a parity with the Series A Junior Participating Preferred Stock except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of

Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Company shall not permit any subsidiary of the Company to purchase or otherwise acquire for consideration any shares of stock of the Company unless the Company could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up.

(A) Upon any voluntary liquidation, dissolution or winding up of the Company, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received $200 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 200 (as appropriately adjusted as set forth in subparagraph (C) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Junior Participating Preferred Stock and Common Stock, respectively, holders of Series A Junior Participating Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Series A Junior Participating Preferred Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the

Series A Liquidation Preference and the liquidation preferences of all other series of Preferred Stock, if any, which rank on a parity with the Series A Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Company shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, (iii) combine the outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock in a reclassification of the outstanding Common Stock, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Company shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case, the shares of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 200 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Company shall at any time (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, (iii) combine the outstanding Common Stock into a smaller number of shares, or (iv) issue any shares of its capital stock in a reclassification of the outstanding Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Junior Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Junior Participating Preferred Stock shall not be redeemable.

Section 9. Ranking. The Series A Junior Participating Preferred Stock shall rank junior to all other series of the Company's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. The Restated Certificate of Incorporation of the Company shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

Section 11. Fractional Shares. Series A Junior Participating Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in liquidating distributions and to have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Company, and for further definition, limitation and regulation of the powers of the Company and of the Board of Directors and stockholders:

A. The business and affairs of the Company shall be managed by or under the direction of the Board of Directors.

B. The Board of Directors shall consist of not fewer than five nor more than seventeen Directors. The exact number of Directors shall be determined from time to time by resolution adopted by the affirmative vote of a majority of the Board of Directors. The Directors shall serve for three-year terms and shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of Directors constituting the entire Board of Directors.

C. If the number of Directors is changed in accordance with the terms of this Restated Certificate of Incorporation, any increase or decrease shall be apportioned among the classes so as to maintain the number of Directors in each class as nearly equal as possible, and any additional Director of any class elected to fill a vacancy resulting from an increase in such class shall hold office for a term that shall coincide with the remaining term of that class, but in no case will a decrease in the number of Directors shorten the term of any incumbent Director. A Director shall hold office until the annual meeting for the year in which such Director's term expires and until such Director's successor shall be elected and shall qualify, subject, however, to the Director's prior death, resignation, disqualification or removal from office. The stockholders shall not have the right to remove any one or all of the Directors except for cause and by the affirmative vote of the holders of 75 percent of the voting power of all shares of outstanding stock of the Company generally entitled to vote in the election of Directors, considered for purposes of this Article FIFTH as one class. Any vacancy on the Board of Directors that results from a newly created Directorship may be filled by the affirmative vote of a majority of the Board of Directors then in office, and any other vacancy occurring on the Board of Directors may be filled by a majority of the Directors then in office, although less than a quorum, or by a sole remaining Director. Any Director elected to fill a vacancy not resulting from an increase in the number of Directors shall have the same remaining term as that of the predecessor.

D. Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Company shall have the right, voting separately by class or series, to elect Directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Restated Certificate of Incorporation applicable thereto (including the resolutions adopted by the Board of Directors pursuant to Article FOURTH), and such Directors so elected shall not be divided into classes pursuant to Paragraph B of this Article FIFTH unless expressly provided by such terms. Election of Directors need not be by written ballot unless the By-laws so provide.

E. The Board of Directors may from time to time determine whether, to what extent, at what times and places and under what conditions and regulations the accounts, books and paper of the Company or any of them, shall be open to the inspection of the stockholders, and no stockholder shall have any right to inspect any account, book or document of the Company, except as and to the extent expressly provided by law with reference to the right of stockholders to examine the original or duplicate stock ledger, or otherwise expressly provided by law, or except as expressly authorized by resolution of the Board of Directors.

F. To the fullest extent permitted by Delaware General Corporation Law as the same exists or may hereafter be amended, a Director of the Company shall not be liable to the Company or its stockholders for monetary damages for breach of such Director's fiduciary duty as Director.

G. In addition to the powers and authority herein before or by statute expressly conferred upon them, the Directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Company, subject, nevertheless, to the provisions of the statutes of Delaware, this Restated Certificate of Incorporation, and any By-laws adopted by the stockholders; provided, however, that no By-laws hereafter adopted by the stockholders shall invalidate any prior act of the Directors which would have been valid if such By-laws had not been adopted.

H. Any action, except election of Directors, which may be taken by the vote of stockholders at a meeting, may be taken without a meeting if authorized by the written consent of stockholders holding at least a majority of the voting power, provided, that if any greater proportion of voting power is required for such action at a meeting, then such greater proportion of written consents shall be required.

I. Subject to the terms of any series of Preferred Stock or any other securities of the Company, special meetings of stockholders of the Company may be called only by the Board of Directors pursuant to a resolution approved by a majority of the entire Board of Directors or as otherwise provided in the By-laws of the Company.

J. No amendment to the Restated Certificate of Incorporation of the Company shall amend, alter, change, or repeal any provision of this Article FIFTH unless the amendment affecting such amendment, alteration, change, or repeal shall receive the affirmative vote of the holders of 75 percent of the voting power of all shares of outstanding stock of the Company generally entitled to vote in the election of Directors, considered for purposes of this Article FIFTH as one class.

SIXTH. A. Except to the extent prohibited by law, the Board of Directors shall have the right (which, to the extent exercised, shall be exclusive) to establish the rights, powers, duties, rules and procedures that from time to time shall govern the Board of Directors and each of its members, including without limitation the vote required for any action by the Board of Directors, and that from time to time shall affect the Directors' power to manage the business and affairs of the Company; and no By-law shall be adopted by stockholders which shall impair or impede the implementation of the foregoing.

B. The Board of Directors shall have the power to make, alter, amend, change, add to or repeal the By-laws of the Company. The Board of Directors may amend the By-laws of the Company upon the affirmative vote of the number of Directors which shall constitute, under the terms of the By-laws, the action of the Board of Directors.

SEVENTH: Except as set forth below, the affirmative vote of the holders of 75 percent of the voting power of all shares of outstanding stock of the Company, generally entitled to vote in elections of Directors, considered for the purposes of this Article SEVENTH as one class, shall be required (a) for the adoption of any agreement for the merger or consolidation of the Company with or into any other corporation, or (b) to authorize any sale or lease of all or any substantial part of the assets of the Company to, or any sale or lease to the Company or any subsidiary thereof in exchange for securities of the Company of any assets (except assets having an aggregate fair market value of less than $6,000,000) of, any other corporation, person or other entity, if, in either case, as of the record date for the determination of stockholders entitled to notice thereof and to vote thereon such other corporation, person or entity is the beneficial owner, directly or indirectly, of more than five percent of the voting power of all shares of outstanding stock of the Company entitled to vote in elections of Directors considered for the purposes of this Article SEVENTH as one class. Such affirmative vote shall be in addition to the vote of the holders of the stock of the Company otherwise required by law or any agreement between the Company and any national securities exchange.

For the purpose, but only for the purpose, of determining whether a person, corporation, or other entity is "the beneficial owner, directly or indirectly, of more than five percent of the voting power of all shares of outstanding stock of the Company generally entitled to vote in elections of Directors", (x) any corporation, person or other entity shall be deemed to be the beneficial owner of any shares of stock of the Company (i) which it has the right to acquire pursuant to any agreement, or upon exercise of conversion rights, warrants or options, or otherwise, and whether for or without the payment of any consideration therefor, or (ii) which are beneficially owned, directly or indirectly (including shares deemed owned through application of clause (i), above), by any other corporation, person or entity with which it or its "affiliate" or "associate" (as defined below) has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting, or disposing of stock of the Company, or which is its "affiliate" or associate" (as defined below), and (y) the outstanding shares of any class of stock of the Company shall include shares deemed owned through application of clause (i), as if all such acquisitions had been effected, and clause (ii) above.

The Board of Directors shall have the power and duty to determine for the purposes of this Article SEVENTH on the basis of information known to the Company, whether (i) such other corporation, person or other entity beneficially owns more than five percent of the voting power of all shares of outstanding stock of the Company entitled to vote in elections of Directors, (ii) a corporation, person or entity is an "affiliate" or "associate" (as defined below) of another, (iii) the assets being acquired by the corporation, or any subsidiary thereof, have an aggregate fair market value of less than $6,000,000 and (iv) the memorandum of understanding referred to below is substantially consistent with the transaction covered thereby. Any such determination shall be conclusive and binding for all purposes of this Article SEVENTH.

The provisions of this Article SEVENTH shall not be applicable to (i) any merger or consolidation of the Company with or into any other corporation, or any sale or lease of all or any substantial part of the assets of the Company to, or any sale or lease to the Company or any subsidiary thereof in exchange for securities of the Company of any assets of, any corporation if the Board of Directors of the Company shall by resolution have approved a memorandum of understanding with such other corporation with respect to and substantially consistent with such transaction, prior to the time that such other corporation shall have become a holder of more than five percent of the voting power of all shares of outstanding stock of the Company entitled to vote in elections of Directors; or (ii) any merger or consolidation of the Company with, or any sale or lease to the Company or any subsidiary thereof of any of the assets of, any corporation of which a majority of the outstanding shares of all classes of stock entitled to vote in elections of Directors is owned of record or beneficially by the Company and/or its subsidiaries.

For purposes of this Article SEVENTH the following terms shall have the following meanings:

AFFILIATE. An "affiliate" of, or a person "affiliated" with, a specified person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the person specified.

ASSOCIATE. The term "associate" used to indicate a relationship with any person, means (1) any corporation or organization of which such person is an officer or partner or is, directly or indirectly, the beneficial owner of 10 percent or more of any class of equity securities, (2) any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity, and (3) any relative or spouse of such person, or any relative of such spouse, who has the same home as such person or who is a director or officer of any corporation or organization, or any parent or subsidiary of any corporation or organization, of which such person is an affiliate or associate.

No amendment to the Restated Certificate of Incorporation of the Company shall amend, alter, change or repeal any of the provisions of this Article SEVENTH, unless the amendment affecting such amendment, alteration, change or repeal shall receive the affirmative vote of the holders of 75 percent of the voting power of all shares of outstanding stock of the Company generally entitled to vote in elections of Directors, considered for the purpose of this Article SEVENTH as one class.

EIGHTH: When considering a merger, consolidation, business combination or similar transaction, the Board of

Directors, committees of the Board, individual Directors and individual officers may, in considering the best interests of the Company and its stockholders, consider the effects of any such transaction upon the employees, customers and suppliers of the Company, and upon communities and states and other political entities in which offices, plants or other facilities of the Company or any of its subsidiaries are located.

NINTH: Subject to the provisions of this Restated Certificate of Incorporation, the Company reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation, in the manner now or thereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

IN WITNESS WHEREOF, said The Williams Companies, Inc. has caused this certificate to be signed by V. T. Jones its President, and attested by D. M. Higbee, its Secretary this 21st day of April, 1987.

THE WILLIAMS COMPANIES, INC.

By /s/ V. T. Jones

President

ATTEST:

[STAMP]

By /s/ D. M. Higbee

Secretary

PLEASE RETURN TO
THE CORPORATION TRUST COMPANY

RECEIVED FOR RECORD

APR 29 1987

William M. Honey, Recorder

INDEXED

STATE OF DELAWARE

[LOGO]

OFFICE OF SECRETARY OF STATE

I, MICHAEL HARKINS, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF THE WILLIAMS COMPANIES, INC. FILED IN THIS OFFICE ON THE THIRD DAY OF FEBRUARY A.D. 1987, AT 10 O'CLOCK A.M.

: : : : : : : : : :

[OFFICE OF THE SECRETARY OF STATE SEAL]

/s/ MICHAEL HARKINS

Michael Harkins, Secretary of State

737034056

AUTHENTICATION: 11104322

DATE: 02/03/1987

[FILED STAMP]

CERTIFICATE OF INCORPORATION

OF

THE WILLIAMS COMPANIES, INC.

FIRST: The name of this corporation is

THE WILLIAMS COMPANIES, INC.

SECOND: Its registered office in the State of Delaware is to be located at 1209 Orange Street, City of Wilmington, State of Delaware, County of New Castle, and the name and address of its registered agent is The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801.

THIRD: The nature of the business and the objects and purposes proposed to be transacted, promoted and carried on, are to engage in any other lawful acts or activities for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of common stock which this corporation shall have authority to issue is 1,000 shares, all of which shall be with a par value of one dollar ($1.00) per share. The number of shares to be issued initially will be 1,000 shares and the consideration to be received therefor will be $1,000.

FIFTH: The name and mailing address of the incorporator is:

NAME	MAILING ADDRESS
David M. Higbee	One Williams Center Tulsa, OK 74172

SIXTH: Upon the filing of the Certificate of Incorporation, the authority of the incorporator shall terminate and the following named individuals, whose mailing addresses are set out beside their names, shall serve as directors until the first Annual Meeting of the Stockholders or until their successors are elected and qualified:

NAME	MAILING ADDRESS
K. E. Bailey	One Williams Center Tulsa, OK 74172
V. T. Jones	One Williams Center Tulsa, OK 74172
Joseph H. Williams	One Williams Center Tulsa, OK 74172

SEVENTH: The following provisions are inserted for the management of the business and for the conduct of the affairs of this corporation and for defining and regulating the powers of this corporation and its directors and stockholders:

1. The private property of the stockholders of the corporation shall not be subject to the payment of corporate debts to any extent whatsoever.

2. The first meeting of the stockholders for the election of directors shall be held in Tulsa, Oklahoma, at the office of this corporation, on June 2, 1987, or at such other time and place as may be designated by the Board of Directors, and thereafter the directors shall be elected at the time and place named in the By-laws of this corporation.

3. Written ballots shall not be required for the election of directors of this corporation.

4. The Board of Directors shall have the power to make, alter or repeal By-laws of this corporation.

5. The By-laws of the corporation may fix or provide the manner of fixing and altering the number of directors constituting the Board of Directors, provided that such number shall not be less than three.

IN WITNESS WHEREOF, I, the undersigned, being the incorporator of this corporation hereinbefore named, do certify that the facts herein stated are true, that the execution of this instrument is my act and deed, and that I accordingly have hereunto set my hand this 29th day of January, 1987.

/s/ David M. Higbee

David M. Higbee

RECEIVED FOR RECORD

FEB 5 1987

William M. Honey, Recorder

PLEASE RETURN TO
THE CORPORATION TRUST COMPANY

RECEIVED FOR RECORD

FEB 5 1987

William M. Honey, Recorder

INDEXED

EXHIBIT 4(j)

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THE WILLIAMS COMPANIES, INC.

AND

BANK ONE TRUST COMPANY, N.A.,

as Trustee

Fourth Supplemental Indenture
Dated as of January 17, 2000
To
Indenture
Dated as of November 10, 1997

Putable Asset Term Securities ("PATS")
Putable/Callable January 15, 2006

==

FOURTH SUPPLEMENTAL INDENTURE, dated as of January 17, 2001 (this "Fourth Supplemental Indenture"), between THE WILLIAMS COMPANIES, INC., a corporation duly organized and existing under the laws of the State of Delaware (the "Issuer"), having its principal office at One Williams Center, Tulsa, Oklahoma 74172, and BANK ONE TRUST COMPANY, N.A. (successor in interest to THE FIRST NATIONAL BANK OF CHICAGO), as Trustee (the "Trustee") under the Indenture dated as of November 10, 1997 between the Issuer and the Trustee (the "Original Indenture").

Recitals of the Issuer

WHEREAS, the Issuer has executed and delivered the Original Indenture to the Trustee to provide for the issuance from time to time of its senior, unsecured debentures, notes or other evidences of indebtedness (the "Securities"), to be issued in one or more series as in the Original Indenture provided;

WHEREAS, pursuant to the terms of the Original Indenture, the Issuer desires to make, execute and deliver to the Trustee this Fourth Supplemental Indenture to the Original Indenture in order to establish the form and terms of, and to provide for the creation and issue of a new series of its Securities designated as Putable Asset Term Securities, Putable/Callable January 15, 2006 (herein called the "PATS") under the Original Indenture in the aggregate principal amount of $400,000,000;

WHEREAS, all things necessary to make the PATS, when executed by the Issuer and authenticated and delivered by the Trustee and issued upon the terms and subject to the conditions hereinafter and in the Indenture set forth, against payment therefor, the valid, binding and legal obligations of the Issuer and to make this Fourth Supplemental Indenture a valid, binding and legal agreement of the Issuer, have been done;

Now, Therefore, This Fourth Supplemental Indenture Witnesseth that for, and in consideration of, the premises and covenants contained in the Original Indenture and this Fourth Supplemental Indenture and the purchase of the PATS by the Holders thereof, it is mutually agreed and covenanted, for the equal and proportionate benefit of all Holders of the PATS, as follows:

ARTICLE ONE

DEFINED TERMS

Section 1.1. Defined Terms. Except as otherwise expressly provided in this Fourth Supplemental Indenture or in the form of PATS set forth in Exhibit A hereto or otherwise clearly required by the context hereof or thereof, all capitalized terms used and not defined herein or in said form of Security that are defined in the Original Indenture shall have the meanings assigned to them in the Original Indenture. The Original Indenture, as supplemented from time to time, including by this Fourth Supplemental Indenture, is hereafter referred to as the "Indenture."

ARTICLE TWO

TERMS OF THE PATS

Section 2.1. Establishment of the PATS. There is hereby authorized a series of Securities designated the Putable Asset Term Securities, Putable/Callable January 15, 2006, limited in aggregate principal amount to $400,000,000 (except as provided in Section 2.3(2) of the Indenture). The PATS shall be substantially in the form set forth in Exhibit A hereto and shall include substantially the legends set forth on the face of the form of PATS.

Section 2.2. Terms of the PATS. The terms and provisions of the PATS as set forth in Exhibit A are hereby incorporated in and expressly made part of this Fourth Supplemental Indenture.

The PATS will mature and the principal thereof will be due and payable, together with all accrued and unpaid interest thereon, on January 15, 2016; provided, however, that this scheduled maturity date may be extended by the length of the Floating Rate Period, if any, in which case the PATS will mature not later than January 15, 2017.

The PATS shall bear interest as provided in the form of PATS set forth in Exhibit A.

The amount of interest payable on the PATS will be computed on the basis of a 360-day year consisting of twelve 30-day months, except that the interest accruing during the Floating Rate Period, if any, will be computed on the basis of the actual number of days in such period over a 360-day year.

Payment of the principal of (and premium, if any) and interest on the PATS will be made at the office or agency of the Issuer maintained for that purpose in the Borough of Manhattan, the City and State of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts and in immediately available funds; provided, however, that at the option of the Issuer payment of interest may be made by wire transfer of immediately available funds to an account of the Person entitled thereto as such account shall be provided to the Trustee at least 15 days prior to the relevant payment date or by check in New York Clearinghouse Funds mailed to the address of the person entitled thereto as such address shall appear in the registry books of the Issuer.

In certain circumstances described in the form of PATS set forth in Exhibit A hereto, the Trustee will be required, for and on behalf of the Holders of the PATS, to exercise the option to put the PATS to the Issuer. The Put Option referred to in the form of PATS attached as Exhibit A hereto shall be exercised by the Trustee by the delivery by hand or facsimile transmission of the form of notification attached hereto as Appendix C.

Initially the PATS will be issued in global form registered in the name of Cede & Co. (as nominee for The Depository Trust Company ("DTC"), the initial securities depositary for the PATS), and may bear such legends as DTC may reasonably request. So long as the PATS are held solely in global form, the Regular Record Date shall be the Business Day immediately preceding the relevant Interest Payment Date; if the PATS are registered in the names of additional Holders, the Issuer shall have the right to select a Regular Record Date for such PATS, which shall be at least one Business Day but not more than 60 Business Days prior to the relevant Interest Payment Date. So long as the PATS are outstanding in global form registered in the name of DTC or its nominee, all payments of principal (and premium, if any) and interest will be made by the Issuer in immediately available funds. In case the Issuer shall be required to repurchase the PATS held by DTC or its nominee, the Issuer will deliver the required payment amount to the Trustee (which will effect such payment by book entry through DTC) by 9 a.m. New York time on the applicable Coupon Reset Date against delivery through DTC of such PATS.

No service charge shall be made for the registration of transfer or exchange of the PATS; provided, however, that the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the exchange or transfer.

The PATS shall not be superior in right of payment to, and shall rank pari passu with, all other unsecured and unsubordinated indebtedness of the Issuer.

The PATS shall be issued in minimum denominations of $1,000 or any integral multiple of $1,000 over such denomination.

ARTICLE THREE

SUNDRY PROVISIONS

Section 3.1. Execution, Authentication and Delivery of the PATS. PATS in the aggregate principal amount of $400,000,000 may, upon execution of this Fourth Supplemental Indenture, or from time to time thereafter, be executed by the Issuer and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said PATS upon a Issuer Order without any further action by the Issuer.

Section 3.2. Assignment of the Call Option. UBS AG, acting through its London Branch, will acknowledge the assignment by the Issuer of the Call Option to UBS AG by providing a letter substantially in the form of Appendix A hereto.

Section 3.3. Calculation Agent. UBS Warburg LLC shall acknowledge its appointment as Calculation Agent by providing a letter substantially in the form of Appendix B hereto.

Section 3.4. Paying Agent and Security Registrar. Bank One Trust Company, N.A. will be the paying agent and registrar for the PATS.

Section 3.5. Supplemental Indenture. The Issuer and the Trustee shall not enter into any supplemental indenture pursuant to Sections 8.1 and 8.2 of the Original Indenture that would modify, amend or eliminate any provision of the PATS that materially adversely affects the interest of the Callholder or the Calculation Agent without the prior written consent of the Callholder or the Calculation Agent, as the case may be.

Section 3.6. Trustee Not Responsible for Recitals. The recitals contained in this Fourth Supplemental Indenture shall be taken as the statements of the Issuer and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Fourth Supplemental Indenture.

Section 3.7. Incorporation of Indenture. The Original Indenture, as supplemented by this Fourth Supplemental Indenture, is in all respects ratified and confirmed, and this Fourth Supplemental Indenture shall be deemed part of the Indenture in the manner and to the extent herein and therein provided.

Section 3.8. Governing Law. This Fourth Supplemental Indenture shall be deemed a contract under the laws of the State of New York and for all purposes shall be construed in accordance with the laws of such State, except as may otherwise be required by mandatory provisions of law.

Section 3.9. Counterparts. This Fourth Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

In Witness Whereof, the parties hereto have caused this Fourth Supplemental Indenture to be duly executed as of the day and year first above written.

THE WILLIAMS COMPANIES, INC.

By: /s/ Deborah S. Fleming

Name: Deborah S. Fleming
Title: Assistant Treasurer

BANK ONE TRUST COMPANY, N.A.,
as Trustee

By: /s/ Benita A. Pointer

Name: Benita A. Pointer
Title: Account Executive

EXHIBIT A

(FORM OF PATS)

APPENDIX A

January 17, 2001

Acknowledgment

The Williams Companies, Inc.
One Williams Center
Tulsa, Oklahoma 74172

Bank One Trust Company, N.A.
One Bank One Plaza
Chicago, IL 60670-0126

Ladies and Gentlemen:

Reference is made to the Indenture dated as of November 10, 1997, as supplemented by the Fourth Supplemental Indenture (the "Supplemental Indenture") dated as of January 17, 2001 (as supplemented, the "Indenture") between The Williams Companies, Inc., a Delaware corporation, and Bank One Trust Company, N.A., as Trustee, in connection with the offering of $400,000,000 aggregate principal amount of 6.75% Putable Asset Term Securities, Putable/Callable January 15, 2006. Capitalized terms used but not defined herein shall have the meaning given to such terms in the Indenture.

The undersigned hereby acknowledges the assignment of the Call Option by the Issuer.

Very truly yours,

UBS AG, acting through its London Branch

By: ------------------------------
Name:
Title:

By: ------------------------------
Name:
Title:

APPENDIX B

January 17, 2001

Acknowledgment

The Williams Companies, Inc.
One Williams Center
Tulsa, Oklahoma 74172

Bank One Trust Company, N.A.
One Bank One Plaza
Chicago, IL 60670-0126

Ladies and Gentlemen:

Reference is made to the Indenture dated as of November 10, 1997, as supplemented by the Fourth Supplemental Indenture (the "Supplemental Indenture") dated as of January 17, 2001 (as supplemented, the "Indenture") between The Williams Companies, Inc., a Delaware corporation, and Bank One Trust Company, N.A., as Trustee, in connection with the offering of $400,000,000 aggregate principal amount of 6.75% Putable Asset Term Securities, Putable/Callable January 15, 2006. Capitalized terms used but not defined herein shall have the meaning given to such terms in the Indenture.

The undersigned hereby acknowledges its obligations as Calculation Agent under the Indenture.

Very truly yours,

UBS Warburg LLC

By:

Name:
Title:

By:

Name:
Title:

APPENDIX C

[ ], 200[ ]

Form of Put Notice to be Delivered by the Trustee
To the Company Upon Exercise of the Put Option

The Williams Companies, Inc.
One Williams Center
Tulsa, Oklahoma 74172

Attention: Treasurer

Bank One Trust Company, N.A., as Trustee for The Williams Companies' $400,000,000 aggregate principal amount of 6.75% Putable Asset Term Securities Putable/Callable January 15, 2006, issued under the Indenture dated as of November 10, 1997, as supplemented by a first supplemental indenture dated as of September 8, 2000 and a fourth supplemental indenture dated as of January 17, 2001 (the "Fourth Supplemental Indenture") hereby gives notice of the Put Option (as defined in the Fourth Supplemental Indenture) pursuant to Section 2.2 of the Fourth Supplemental Indenture.

Bank One Trust Company, N.A.

Authorized Officer

EXHIBIT 4(k)

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THE WILLIAMS COMPANIES, INC.

AND

BANK ONE TRUST COMPANY, N.A.,

as Trustee

Fifth Supplemental Indenture
Dated as of January 17, 2001
To
Indenture
Dated as of November 10, 1997

7.50% Debentures due January 15, 2031

==

FIFTH SUPPLEMENTAL INDENTURE, dated as of January 17, 2001 (this "Fifth Supplemental Indenture"), between THE WILLIAMS COMPANIES, INC., a corporation duly organized and existing under the laws of the State of Delaware (the "Issuer"), having its principal office at One Williams Center, Tulsa, Oklahoma 74172, and BANK ONE TRUST COMPANY, N.A. (successor in interest to THE FIRST NATIONAL BANK OF CHICAGO), as Trustee (the "Trustee") under the Indenture dated as of November 10, 1997 between the Issuer and the Trustee (the "Original Indenture").

Recitals of the Issuer

WHEREAS, the Issuer has executed and delivered the Original Indenture to the Trustee to provide for the issuance from time to time of its senior, unsecured notes, debentures or other evidences of indebtedness (the "Securities"), to be issued in one or more series as in the Original Indenture provided;

WHEREAS, pursuant to the terms of the Original Indenture, the Issuer desires to make, execute and deliver to the Trustee this Fifth Supplemental Indenture to the Original Indenture in order to establish the form and terms of, and to provide for the creation and issue of a new series of its Securities designated as the 7.50% Debentures due January 15, 2031 (herein called the "Debentures"), under the Original Indenture in the aggregate principal amount of $700,000,000;

WHEREAS, all things necessary to make the Debentures, when executed by the Issuer and authenticated and delivered by the Trustee and issued upon the terms and subject to the conditions hereinafter and in the Indenture set forth, against payment therefor, the valid, binding and legal obligations of the Issuer and to make this Fifth Supplemental Indenture a valid, binding and legal agreement of the Issuer, have been done;

Now, Therefore, This Fifth Supplemental Indenture Witnesseth that for, and in consideration of, the premises and covenants contained in the Original Indenture and this Fifth Supplemental Indenture and the purchase of the Debentures by the Holders thereof, it is mutually agreed and covenanted, for the equal and proportionate benefit of all Holders of the Debentures, as follows:

ARTICLE ONE

DEFINED TERMS

Section 1.1. Defined Terms. Except as otherwise expressly provided in this Fifth Supplemental Indenture or in the form of Debenture set forth in Exhibit A hereto or otherwise clearly required by the context hereof or thereof, all capitalized terms used and not defined herein or in said form of Debenture that are defined in the Original Indenture shall have the meanings assigned to them in the Original Indenture. The Original Indenture, as supplemented from time to time, including by this Fifth Supplemental Indenture, is hereafter referred to as the "Indenture."

ARTICLE TWO

TERMS OF THE DEBENTURES

Section 2.1. Establishment of the Debentures. There is hereby authorized a series of Securities designated the 7.50% Debentures due January 15, 2031, limited in aggregate principal amount to $700,000,000 (except as provided in Section 2.3(2) of the Indenture). The Issuer may, without the consent of the Holders of the Debentures, provided that no Event of Default shall have occurred and be continuing, issue additional Debentures in such principal amount as shall be determined by or pursuant to a Board Resolution and having the same ranking and the same interest rate, maturity or other terms as the Debentures originally issued hereunder, which together with said additional Debentures shall constitute a single series of Securities under the Indenture. The Debentures shall be substantially in the form of Debenture set forth in Exhibit A hereto and shall include substantially the legends set forth on the face of the form of Debenture.

Section 2.2. Terms of the Debentures. The terms and provisions of the Debentures as set forth in Exhibit A are hereby incorporated in and expressly made part of this Fifth Supplemental Indenture.

The Debentures will mature and the principal thereof will be due and payable, together with all accrued and unpaid interest thereon, on January 15, 2031.

The Debentures shall bear interest at the rate of 7.50% per annum.

The amount of interest payable on the Debentures will be computed on the basis of a 360-day year of twelve 30-day months.

Payment of the principal of (and premium, if any) and interest on the Debentures will be made at the office or agency of the Issuer maintained for that purpose in the Borough of Manhattan, the City and State of New York, in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts and in immediately available funds; provided, however, that at the option of the Issuer payment of interest may be made by wire transfer of immediately available funds to an account of the Person entitled thereto as such account shall be provided to the Trustee at least 15 days prior to the relevant payment date or by check in New York Clearinghouse Funds mailed to the address of the person entitled thereto as such address shall appear in the registry books of the Issuer.

Initially the Debentures will be issued in global form registered in the name of Cede & Co. (as nominee for The Depository Trust Company ("DTC"), the initial securities depositary for the Debentures), and may bear such legends as DTC may reasonably request. So long as the Debentures are held solely in global form, the Regular Record Date shall be the Business Day immediately preceding the relevant Interest Payment Date; if the Debentures are registered in the names of additional Holders, the Issuer shall have the right to select a Regular Record Date for such Debentures, which shall be at least one Business Day but not more than 60 Business Days prior to the relevant Interest Payment Date. So long as the Debentures are outstanding in global form registered in the name of DTC or its nominee, all payments of principal, premium, if any, and interest will be made by the Issuer in immediately available funds.

No service charge shall be made for the registration of transfer or exchange of the Debentures; provided, however, that the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the exchange or transfer.

The Debentures shall not be superior in right of payment to, and shall rank pari passu with, all other unsecured and unsubordinated Indebtedness of the Issuer.

The Debentures shall be issued in minimum denominations of $1,000 or any integral multiple of $1,000 over such denomination.

ARTICLE THREE

SUNDRY PROVISIONS

Section 3.1. Execution, Authentication and Delivery of the Debentures. Debentures in the aggregate principal amount of $700,000,000, or in such greater principal amount as shall be permitted by Section 2.1, may, upon execution of this Fifth Supplemental Indenture, or from time to time thereafter, be executed by the Issuer and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Debentures upon a Issuer Order without any further action by the Issuer.

Section 3.2. Paying Agent and Security Registrar. Bank One Trust Company, N.A. will be the paying agent and registrar for the Debentures.

Section 3.3. Trustee Not Responsible for Recitals. The recitals contained in this Fifth Supplemental Indenture shall be taken as the statements of the Issuer and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Fifth Supplemental Indenture.

Section 3.4. Incorporation of Indenture. The Original Indenture, as supplemented by this Fifth Supplemental Indenture, is in all respects ratified and confirmed, and this Fifth Supplemental Indenture shall be deemed part of the Indenture in the manner and to the extent herein and therein provided.

Section 3.5. Governing Law. This Fifth Supplemental Indenture shall be deemed to be a contract under the laws of the State of New York and for all purposes shall be construed in accordance with the laws of such State, except as may otherwise be required by mandatory provisions of law.

Section 3.6. Counterparts. This Fifth Supplemental Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterpartys shall together constitute one and the same instrument.

In Witness Whereof, the parties hereto have caused this Fifth Supplemental Indenture to be duly executed as of the day and year first above written.

THE WILLIAMS COMPANIES, INC.

By: /s/ Deborah S. Fleming

Name: Deborah S. Fleming
Title: Assistant Treasurer

BANK ONE TRUST COMPANY, N.A.,
as Trustee

By: /s/ Benita A. Pointer

Name: Benita A. Pointer
Title: Account Executive

EXHIBIT A

(FORM OF DEBENTURE)

EXHIBIT 4(gg)

WAIVER AND FIRST AMENDMENT TO CREDIT AGREEMENT

THIS WAIVER AND FIRST AMENDMENT TO CREDIT AGREEMENT (herein called this "Amendment"), dated as of January 31, 2001 is entered into by and among the Borrowers party to the Credit Agreement (as hereinafter defined), the Banks from time to time party to the Credit Agreement, the Co-Syndication Agents as named therein, the Documentation Agent as named therein and Citibank, N.A., as agent for the Banks (in such capacity, the "Agent"). Except as otherwise defined or as the context requires, terms defined in the Credit Agreement are used herein as therein defined.

WITNESSETH:

WHEREAS, The Williams Companies, Inc., a Delaware Corporation ("TWC"), Northwest Pipeline Corporation, a Delaware corporation ("NWP"), Transcontinental Gas Pipe Line Corporation, a Delaware corporation ("TGPL"), Texas Gas Transmission Corporation, a Delaware corporation ("TGT"; TWC, NWP, TGPL and TGT each a "Borrower" and collectively, the "Borrowers") have entered into a certain Credit Agreement dated as of July 25, 2000 with the financial institutions from time to time party thereto (the "Banks"), The Chase Manhattan Bank and Commerzbank AG, as Co-Syndication Agents, Credit Lyonnais New York Branch, as Documentation Agent, and Citibank, N.A., as Agent (the "Credit Agreement"), which Credit Agreement has been amended by a letter agreement dated as of October 10, 2000 (the "Letter Agreement");

WHEREAS, the Borrowers and the Banks now desire to amend the Credit Agreement in certain respects, as hereinafter provided, and to terminate the Letter Agreement; and

WHEREAS, the Borrowers have requested waivers of certain provisions of the Credit Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Borrowers and the Banks hereby agree as follows:

SECTION 1. Amendment of Section 1.01 of the Credit Agreement. Section 1.01 of the Credit Agreement is hereby amended as follows:

(a) The definition of "Consolidated Net Worth" in such Section 1.01 is hereby amended and restated to read in its entirety as follows:

" "Consolidated Net Worth" of any Person means the Net Worth of such Person and its Subsidiaries on a Consolidated basis plus, in the case of TWC, the Designated

Minority Interests to the extent not otherwise included; provided that, in no event shall the value ascribed to Designated Minority Interests for the Subsidiaries of TWC described in clauses (i) through (v) and (vii) of the definition of "Designated Minority Interests" exceed $136,892,000 in the aggregate."

(b) The definition of "Debt" is hereby amended and restated to read in its entirety as follows:

" "Debt" means, in the case of any Person, (i) indebtedness of such Person for borrowed money, (ii) obligations of such Person evidenced by bonds, debentures or notes, (iii) obligations of such Person to pay the deferred purchase price of property or services (other than trade payables not overdue by more than 60 days incurred in the ordinary course of business), (iv) monetary obligations of such Person as lessee under leases that are, in accordance with generally accepted accounting principles, recorded as capital leases, (v) obligations of such Person under guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (iv) of this definition and (vi) indebtedness or obligations of others of the kinds referred to in clauses (i) through (v) of this definition secured by any Lien on or in respect of any property of such Person; provided, however, that (x) Debt shall not include any obligation under or resulting from any agreement referred to in paragraph (y) of Schedule III, paragraph (y) of Schedule IV, paragraph (y) of Schedule V, or paragraph (y) of Schedule VI; (y) in the case of TWC, Debt shall not include any contingent obligation of TWC relating to indebtedness incurred by any SPV, WCG or a WCG Subsidiary pursuant to the WCG Structured Financing; and (z) it is the understanding of the parties hereto that Debt shall not include any monetary obligations or guaranties of monetary obligations of Persons as lessee under leases that are, in accordance with generally accepted accounting principles, recorded as operating leases."

(c) The definition of "Designated Minority Interests" is hereby amended and restated to read in its entirety as follows:

" "Designated Minority Interests" of TWC means, as of any date of determination, the total of the minority interests in the following Subsidiaries of TWC: (i) El Furrial, (ii) PIGAP II, (iii) Nebraska Energy, (iv) Seminole, (v) American Soda, (vi) the Midstream Asset MLP, and (vii) other Subsidiaries, as presented in the Consolidating balance sheet of TWC, in an amount not to exceed in the aggregate $9,000,000 for such other Subsidiaries not referred to in items (i) through (vi); provided that minority interests which provide for a stated preferred cumulative return shall not be included in "Designated Minority Interests."

(d) The following definitions are added to Section 1.01 of the Credit Agreement in appropriate alphabetical order:

" "Midstream Asset MLP" means one or more master limited partnerships included in the Consolidated financial statements of TWC to which TWC has transferred or shall transfer certain assets relating to the distribution, storage and transportation of petroleum products and ammonia, including without limitation marine and inland terminals and related pipeline systems, including, without limitation, Williams Energy Partners L.P."

" "SPV" is used as defined in the definition of "WCG Structured Financing."

" "WCG Structured Financing" means a certain series of related transactions in anticipation of the spin-off of WCG pursuant to which WCG or a WCG Subsidiary shall obtain loans or equity contributions, either directly from investors in the marketplace or through one or more special purpose vehicles (each, an "SPV"), which SPV or SPVs may be Subsidiaries of TWC. Principal of such loans and such equity contributions shall be in a cumulative amount after January 31, 2001 which does not exceed in the aggregate $1.5 billion. TWC shall have a contingent obligation with respect to repayment of indebtedness or return on and of equity of the SPV (or SPVs) or WCG or a WCG Subsidiary in regard to such transaction, which contingent obligation shall terminate in each case no later than four (4) years after the effective date of such transaction and shall be satisfied only through the issuance of equity securities unless further sales of equity securities of TWC are not possible or will not result in additional proceeds."

(e) Section 1.03 of the Credit Agreement is hereby amended and restated in its entirety as follows:

" Section 1.03 Accounting Terms. All accounting terms not specifically defined shall be construed in accordance with general accounting principles, and each reference herein to "generally accepted accounting principles" shall mean generally accepted accounting principles in effect, consistently applied."

SECTION 2. Waivers. The Borrowers have requested the waiver of, and each Bank hereby agrees to waive, certain provisions of the Credit Agreement for and in connection with the transactions described below:

(a) TWC or certain of its Subsidiaries are currently the owners of certain assets described on Schedule A-1 hereto which TWC or such certain Subsidiaries wish to transfer to WCG and/or certain WCG Subsidiaries. In exchange for the transfer to WCG and/or certain WCG Subsidiaries of the assets listed on Schedule A-1 and the assumption by TWC and/or its Subsidiaries of those certain liabilities of WCG or WCG Subsidiaries listed on Schedule A-2, WCG and/or certain WCG Subsidiaries will transfer to TWC and/or its Subsidiaries, the assets listed on Schedule B-1 and will assume those certain liabilities of TWC and/or its Subsidiaries listed on Schedule B-2.

TWC hereby represents and warrants that such transaction is being entered into on terms and conditions reasonably fair in all material respects to TWC and its Subsidiaries.

TWC anticipates that it or one of its Subsidiaries may purchase certain assets of WCG or a WCG Subsidiary listed on Schedule A-1 and enter into a Sale Lease-Back Transaction in which TWC or one of its Subsidiaries will lease such assets to WCG or a WCG Subsidiary. TWC hereby covenants that such transaction shall be entered into on terms and conditions reasonably fair in all material respects to TWC and its Subsidiaries. To the extent that such Sale Lease-Back Transaction may be, or may be deemed to be, an investment in WCG or a WCG Subsidiary, such transaction is prohibited by Section 5.02(e) of the Credit Agreement.

In connection with such asset exchange and the Sale Lease-Back Transaction, and only for purposes of such transactions, TWC requests that the Banks waive the provisions of Section 5.02(e) to allow TWC and/or its Subsidiaries to effect the Sale Lease-Back Transaction, described in the preceding paragraph, and to acquire the equity interests and stock in WCG and certain WCG Subsidiaries, as described on Schedule B-1, and to transfer assets to WCG and/or WCG Subsidiaries on the terms set forth above. Nothing herein shall be construed or deemed to permit TWC or its Subsidiaries to invest in or acquire stock or equity interests in WCG or any WCG Subsidiaries except to the extent described above. Nothing herein shall, or shall be deemed to, waive the provisions of Section 5.02(j) or any other provisions of the Credit Agreement applicable to the Sale Lease-Back Transaction, except as expressly set forth above with respect to Section 5.02(e).

(b) In connection with the WCG Structured Financing, and only with respect to such WCG Structured Financing, TWC requests that the Banks waive:

(i) the provisions of Section 5.02(d) to allow consensual encumbrances and restrictions on the ability of any SPV (as defined above) to make or pay any distributions, dividends, loans or advances to TWC or its Subsidiaries; provided, that, such consensual encumbrances or restrictions (x) are pursuant to the documents governing the WCG Structured Financing and (y) restrict making or paying distributions, dividends, loans or advances of or on only those assets held by an SPV directly relating to the WCG Structured Financing; and

(ii) the provisions of Section 5.02(i) to allow TWC or a Subsidiary of TWC to be contingently liable for the obligations of any SPV, WCG or WCG Subsidiaries for payments relating to indebtedness or return on and of equity incurred by such entity pursuant to the WCG Structured Financing.

By its signature hereto, each Bank agrees to waive and does hereby waive (i) Section 5.02(e) to allow TWC and its Subsidiaries to acquire the equity interests and stock in WCG and certain WCG Subsidiaries, to the extent set forth above and to allow TWC and its Subsidiaries to act as lessor pursuant to the Sale Lease-Back Transaction described above involving assets listed on Schedule A-1; (ii) Section 5.02(d) to allow consensual encumbrances and restrictions on the ability of any SPV to make or pay distributions, dividends, loans or advances to TWC or its Subsidiaries if such encumbrances and restrictions are pursuant to documents governing the WCG Structured Financing and apply only to assets of such SPV which are directly related to the WCG Structured Financing and (iii) Section 5.02(i) to allow TWC or a Subsidiary to be contingently liable with respect to the indebtedness or return on and of equity incurred pursuant to the WCG Structured Financing. Nothing herein shall be deemed or construed to waive any other breach of Sections 5.02(d), 5.02(e) or Section 5.02(i) of the Credit Agreement or to waive a breach of any other provision of the Credit Agreement or to require any similar or dissimilar waiver to be granted hereafter.

SECTION 3. To induce the Agent and the Banks to enter into this Amendment, each of the Borrowers hereby reaffirms as to itself and its Subsidiaries, as of the date hereof, its representations and warranties contained in Article IV of the Credit Agreement (except to the extent such representations and warranties relate solely to an earlier date) and additionally represents and warrants as follows:

(a) Each Borrower is duly organized, validly existing and in good standing under the laws of the State of Delaware and has all corporate or limited liability company powers and all governmental licenses, authorizations, certificates, consents and approvals required to carry on its business as now conducted in all material respects, except for those licenses, authorizations, certificates, consents and approvals which the failure to have could not reasonably be expected to have a material adverse effect on the business, assets, condition or operation of the Borrower and its Subsidiaries taken as a whole. Each material Subsidiary of each Borrower is duly organized or validly formed, validly existing and (if applicable) in good standing under the laws of its jurisdiction of incorporation or formation, except where the failure to be so organized, existing and in good standing could not reasonably be expected to have a material adverse effect on the business, assets, condition or operations of such Borrower and its Subsidiaries taken as a whole. Each material Subsidiary of a Borrower has all corporate or limited liability company powers and all governmental licenses, authorizations, certificates, consents and approvals required to carry on its business as now conducted in all material respects, except for those licenses, authorizations, certificates, consents and approvals which the failure to have could not reasonably be expected to have a material adverse effect on the business, assets, condition or operation of such Borrower and its Subsidiaries taken as a whole.

(b) The execution, delivery and performance by each Borrower of this Amendment and the consummation of the transactions contemplated by this Amendment are within such Borrower's corporate powers, have been duly authorized by all necessary corporate action, do not contravene (i) such Borrower's charter or by-laws or (ii) any law or any contractual restriction binding on or affecting such Borrower and will not result in or require the creation or imposition of any Lien.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by any Borrower of this Amendment or the consummation of the transactions contemplated by this Amendment.

(d) This Amendment has been duly executed and delivered by each Borrower. This Amendment and the Credit Agreement as amended by this Amendment are the legal, valid and binding obligations of each Borrower enforceable against each Borrower in accordance with its terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and by general principles of equity.

(e) Except as set forth in the Public Filings, there is, as to each of the Borrowers, no pending or, to the knowledge of such Borrower, threatened action or proceeding affecting such Borrower or any material Subsidiary of such Borrower (or in the case of TWC, the Borrowers, any Subsidiary of a Borrower or any WCG Subsidiary) before any court, governmental agency or arbitrator, which could reasonably be expected to materially and adversely affect the financial condition or operations of such Borrower and its Subsidiaries taken as a whole or which purports to affect the legality, validity, binding effect or enforceability of this Amendment, the Credit Agreement or any Note. For the purposes of this Section, "Public Filings" shall mean the respective annual reports of TWC or any other Borrower on Form 10-K or Form 10-K/A for the year ended December 31, 1999, and TWC's and the Borrowers' respective quarterly reports on Form 10-Q for the quarter ended September 30, 2000.

(f) Upon giving effect to this Amendment, no event has occurred and is continuing which constitutes an Event of Default or which would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

SECTION 4. The effectiveness of this Amendment is conditioned upon receipt by the Agent of all the following documents, each in form and substance satisfactory to the Agent:

(a) Counterparts of this Amendment executed by each of the Borrowers, the Agent and the Majority Banks;

(b) A certificate of the Secretary or Assistant Secretary of each of the Borrowers as to (i) any changes (or the absence of changes) since July 25, 2000 to its certificate of incorporation and its by-laws as of the date hereof, (ii) the resolutions of such Borrower authorizing the execution of this Amendment and (iii) the names and true signatures of the officers authorized to execute this Amendment;

(c) A certificate in form and substance satisfactory to the Agent dated the date hereof addressed to the Banks of a responsible officer of WCG and/or each relevant WCG Subsidiary as to (i) its title to those assets transferred to TWC or a Subsidiary of TWC pursuant to the transactions described in Section 2 hereof, and (ii) the equity interests and shares of stock issued to TWC or a Subsidiary of TWC;

(d) An opinion of William G. von Glahn, General Counsel of the Borrower, substantially in the form of Exhibit A hereto; and

(e) Such other documents as the Agent shall have reasonably requested.

SECTION 5. This Amendment shall be deemed to be an amendment to the Credit Agreement, and the Credit Agreement, as amended hereby, is hereby ratified, approved and confirmed in each and every respect. All references to the Credit Agreement in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Credit Agreement as amended hereby.

SECTION 6. The Letter Agreement is hereby terminated.

SECTION 7. THIS AMENDMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK. Whenever possible each provision of this Amendment shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Amendment shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Amendment.

SECTION 8. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Amendment by signing one or more counterparts.

SECTION 9. This Amendment shall be binding upon each of the Borrowers, the Agent and the Banks and their respective successors and assigns, and shall inure to the benefit of each of the Borrowers, the Agent and the Banks and the successors and assigns of the Banks.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized, to be effective as of January 31, 2001.

BORROWERS:

THE WILLIAMS COMPANIES, INC.

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

TEXAS GAS TRANSMISSION CORPORATION

By: /s/ Jeff P. Heinrichs

Name: Jeff P. Heinrichs
Title: Treasurer

TRANSCONTINENTAL GAS PIPE LINE CORPORATION

By: /s/ Jeff P. Heinrichs

Name: Jeff P. Heinrichs
Title: Treasurer

NORTHWEST PIPELINE CORPORATION

By: /s/ Jeff P. Heinrichs

Name: Jeff P. Heinrichs
Title: Treasurer

AGENT:

CITIBANK, N.A., as Agent

By: /s/ (illegible)

Authorized Officer

Date: February 12, 2001

CO-SYNDICATION AGENTS:

THE CHASE MANHATTAN BANK,
as Co-Syndication Agent

By: /s/ (illegible)

Authorized Officer

Date: February 8, 2001

COMMERZBANK AG,
as Co-Syndication Agent

By: /s/ Harry P. Yergey

Authorized Officer

By: /s/ Brian J. Campbell

Authorized Officer

Date: February 8, 2001

DOCUMENTATION AGENT:

CREDIT LYONNAIS NEW YORK BRANCH,
as Documentation Agent and as a Bank

By: /s/ Philippe Soustra

Authorized Officer

Date: ________________, 2001

BANKS:

CITIBANK, N.A.

By: /s/ (illegible)

Authorized Officer

Date: February 12, 2001

THE BANK OF NOVA SCOTIA

By: /s/ (illegible)

Authorized Officer

Date: February 9, 2001

BANK OF AMERICA, N.A.

By: /s/ Claire M. Liu

Authorized Officer

Date: February 8, 2001

BANK ONE, NA (CHICAGO)

By: /s/ Jeanie Harman

Authorized Officer

Date: February 8, 2001

THE CHASE MANHATTAN BANK

By: /s/ (illegible)

Authorized Officer

Date: February 8, 2001

COMMERZBANK AG

NEW YORK AND GRAND CAYMAN BRANCHES

By: /s/ Brian J. Campbell

Authorized Officer

By: /s/ Subash R. Viswanathan

Authorized Officer

Date: February 8, 2001

CREDIT LYONNAIS NEW YORK BRANCH

By: [See Page S-3 for Signature]

Authorized Officer

Date: _____________, 2001

THE FUJI BANK, LIMITED

By: /s/ Jacques Azagury

Authorized Officer

Date: February 9, 2001

NATIONAL WESTMINSTER BANK PLC
NEW YORK BRANCH

By: /s/ Kevin J. Howard

Name: Kevin J. Howard
Title: Managing Director

Date: February 9, 2001

NATIONAL WESTMINSTER BANK PLC
NASSAU BRANCH

By: /s/ Kevin J. Howard

Name: Kevin J. Howard
Title: Managing Director

Date: February 9, 2001

ABN AMRO BANK, N.V.

By: /s/ Frank R. Russo, Jr.

Authorized Officer

By: /s/ Stuart Murray

Authorized Officer

Date: February 9, 2001

BANK OF MONTREAL

By: /s/ (illegible)

Authorized Officer

Date: February 6, 2001

THE BANK OF NEW YORK

By: /s/ (illegible)

Authorized Officer

Date: February 8, 2001

BARCLAYS BANK PLC

By: /s/ Nicholas A. Bell

Authorized Officer

Date: February 9, 2001

CIBC INC.

By: /s/ Lindsay Gordon

Authorized Officer

Date: February 9, 2001

CREDIT SUISSE FIRST BOSTON

By: /s/ James Moran

Authorized Officer

By: /s/ Robert Finney

Authorized Officer

Date: February 9, 2001

ROYAL BANK OF CANADA

By:

Authorized Officer

Date: ________________, 2001

THE BANK OF TOKYO-MITSUBISHI, LTD.,
HOUSTON AGENCY

By: /s/ K. Glasscock

Authorized Officer

Date: January 29, 2001

FLEET NATIONAL BANK
f/k/a Bank Boston, N.A.

By: /s/ Kristine A. Kasselman

Authorized Officer

Date: February 9, 2001

SOCIETE GENERALE, Southwest Agency

By: /s/ (illegible)

Authorized Officer

Date: February 8, 2001

THE INDUSTRIAL BANK OF JAPAN
TRUST COMPANY

By: /s/ Michael N. Oakes

Authorized Officer

Date: February 8, 2001

TORONTO DOMINION (TEXAS), INC.

By: /s/ Debbie A. Greene

Authorized Officer

Date: February 8, 2001

UBS AG, STAMFORD BRANCH

By: /s/ Wilfred V. Saint

Authorized Officer

By: /s/ Anthony N. Joseph

Authorized Officer

Date: ___________________, 2001

WELLS FARGO BANK TEXAS, N.A.

By: /s/ J. Alan Alexander

Authorized Officer

Date: February 8, 2001

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

By: /s/ Duncan M. Robertson

Authorized Officer

By: /s/ Thomas Lee

Authorized Officer

Date: February 8, 2001

CREDIT AGRICOLE INDOSUEZ

By: /s/ Brian Knezeak

Authorized Officer

By: /s/ Douglas A. Whiddon

Authorized Officer

Date: February 14, 2001

SUNTRUST BANK

By: /s/ David J. Edge

Authorized Officer

Date: February 9, 2001

THE DAI-ICHI KANGYO BANK, LTD.

By: /s/ (illegible)

Authorized Officer

Date: February 7, 2001

ARAB BANKING CORPORATION (B.S.C.)

By:

Authorized Officer

Date: ___________________, 2001

BANK OF CHINA, NEW YORK BRANCH

By:

Authorized Officer

Date: ___________________, 2001

Multiyear Credit Agreement

BANK OF OKLAHOMA, N.A.

By: /s/ Robert D. Mattax

Authorized Officer

Date: February 8, 2001

BNP PARIBAS, HOUSTON AGENCY

By: /s/ (illegible)

Authorized Officer

By: /s/ Betsy Jocker

Authorized Officer

Date: February 12, 2001

DG BANK DEUTSCHE
GENNOSSENSCHAFTSBANK AG

By: /s/ (illegible)

Authorized Officer

By: /s/ (illegible)

Authorized Officer

Date: February 8, 2001

KBC BANK N.V.

By: /s/ Robert Snauffer

Authorized Officer

By: /s/ Patrick A. Janssens

Authorized Officer

Date: February 8, 2001

THE SUMITOMO BANK, LIMITED

By: /s/ C. Michael Garrido

Authorized Officer

Date: ___________________, 2001

COMMERCE BANK, N.A.

By: /s/ Dennis R. Block

Authorized Officer

Date: February 8, 2001

RZB FINANCE LLC

By: /s/ Frank J. Yautz

Authorized Officer

By: /s/ Pearl Geffers

Authorized Officer

Date: February 8, 2001

FIRST UNION NATIONAL BANK

By:

Authorized Officer

Date: _______________, 2001

SCHEDULE A-1

ASSETS TO BE TRANSFERRED FROM TWC AND/OR ITS SUBSIDIARIES
TO WCG AND/OR WCG SUBSIDIARIES

1. Those certain three aircraft owned by Williams Aviation, Inc., or under contract for purchase by Williams Aviation, Inc, more specifically identified as follows:

   Citation V - located in Chesterfield, Missouri, Tail Number N352WC

   Citation X - located in Tulsa, Oklahoma, Tail Number N358WC

   Citation Excel - scheduled for delivery by April 1, 2001, Tail Number N359WC

   The aggregate value of the three aircraft is $32,000,000.

2. That certain Williams Technology Center located in Tulsa, Oklahoma, and owned by the Williams Headquarters Building Company. The Williams Technology Center is constructing a fifteen story office building that will house various Williams energy and communications employees. It will be attached to the east-end of the existing Bank of Oklahoma Tower at the Plaza, Ground and Service levels. The building is bounded on the north by First Street, east by Cincinnati Avenue, south by Second Street, and west by the podium of the Bank of Oklahoma Tower. The building will contain 733,391 net rentable square feet and accommodate up to 4,000 employees.

3. That certain Parking Garage being constructed on the northeast corner of First Street and Cincinnati Avenue, directly south of the LaPetite Academy daycare center. The parking garage will be six levels tall and contain 1,029 parking spaces. It will be connected to the Williams Technology Center by pedestrian bridges west across Cincinnati and south across First Street.

   The aggregate value of the Williams Technology Center and the Parking Garage (items 2 and 3) is $85,000,000.

4. That certain Intercompany Note executed between TWC and Williams Communications, Inc., on September 8, 1999. The note is for seven years and has approximately $975 million outstanding, bears interest at rates equal to LIBOR, or an alternate base rate, plus a margin based on the debt rating of WCG's credit facility by Standard & Poor's and Moody's, plus 0.25% based on WCG's ratio of total debt to EBITDA greater than or equal to 6.0 to 1.0. Principle is paid quarterly beginning July 1, 2000.

   The value of the Intercompany Note is $630,000,000.

SCHEDULE A-2

LIABILITIES OF WCG AND/OR WCG SUBSIDIARIES
TO BE ASSUMED BY TWC AND/OR ITS SUBSIDIARIES

1. Payment obligations with respect to those certain building improvements, fixtures and equipment including all construction, design, flooring, food service equipment, security, audio equipment, video equipment, telecommunication equipment, furniture and fixtures, and related costs, including but not limited to material, labor, installation and taxes, as set forth in the Authorization for Expenditure(s) dated September 18, 2000.

   The aggregate value of the building improvements, fixtures and equipment is $160,000,000.

SCHEDULE B-1

ASSETS TO BE TRANSFERRED FROM WCG AND/OR WCG SUBSIDIARIES
TO TWC AND/OR ITS SUBSIDIARIES

1. All losses or credit carryovers or other similar attributes of WCG not in existence on September 30, 1999, but arising thereafter, and utilized by Williams as part of its consolidated tax return for any consolidated returns filed following September 30, 1999, as described in the Tax Sharing Agreement dated September 30, 1999.

   The aggregate value is $317,000,000.

2. That certain Telecommunications Services Agreement dated January 5, 1995, between The Williams Companies, Inc. and Wiltel, Inc., and subsequently amended. WorldCom, as the successor to Wiltel, provides WCG a specific amount of long distance, frame relay and private line services free of costs other than its out of pocket expenses payable to third parties. WCG resells these services to Williams, its subsidiaries and affiliates at market rates. The term of the agreement is 35 years beginning January 1995.

   The value is $65,000,000.

3. Those certain two dark fibers capable of providing a minimum capacity up to an OC-12 along the entire length of the fiber optic facilities along Transco's main line pipelines from Houston, Texas to Manassas, Virginia and Washington, D.C. to Station 200 outside Philadelphia, Pennsylvania which include property in the states of Texas, Louisiana, Mississippi, Alabama, Georgia, South Carolina, North Carolina, Virginia, the District of Columbia, Maryland and Pennsylvania, including the dark fiber needed to connect the non-contiguous points along the Transco right of way (the "Transco Fiber"). The general description of this service is provided in that certain Construction, Operating, Maintenance Agreement dated January 1, 1997. The Transco Fiber excludes any incidental services required to support the dark fiber pair, such as collocation, power, and maintenance fees.

   The aggregate value is $15,000,000.

4 That number of shares of WCG Class A stock to be issued to TWC having an aggregate value equal to approximately $470 million, to be priced based upon the average of the high and low for each of the five business days beginning January 17, 2001 and ending January 23, 2001.

SCHEDULE B-2

LIABILITIES OF TWC AND/OR ITS SUBSIDIARIES
TO BE ASSUMED BY WCG AND/OR WCG SUBSIDIARIES

1 All incremental costs to be incurred by WCG in connection with the replacement of certain shared hardware, systems and applications that will need to be replicated upon the separation of the two companies. In addition, WCG will need to procure it own unique software licenses on everything from Microsoft products to the PeopleSoft applications. Also included in this category are those miscellaneous costs incurred to effect the spin-off of WCG from Williams.

The aggregate value is $40,000,000.

Exhibit A

Form of Opinion

______________, 2001

To each of the Banks parties to the Credit Agreement
dated as of July 25, 2000, as amended, by and among
the Borrowers, the Banks parties thereto and
Citibank, N.A., as Agent for the Banks

Ladies and Gentlemen:

I am General Counsel of The Williams Companies, Inc. ("TWC") and have acted as counsel to the Borrowers in connection with the U.S. $700,000,000 Credit Agreement dated July 25, 2000, by and among the Borrowers, the Banks parties thereto, and Citibank, N.A., as Agent for the Banks, as amended by a certain letter agreement dated October 10, 2000 (the "Original Agreement") and a certain Waiver and First Amendment to Credit Agreement dated as of January 31, 2001 (the "Amendment"). This opinion is furnished to you at the request of the Borrower pursuant to Section 4(d) of the Amendment. Terms defined in the Amendment not otherwise defined herein are used herein as therein defined.

In connection with the opinions expressed herein, I, or attorneys reporting to me, have examined and relied upon copies of the following documents:

(a) the Amendment, including all exhibits, schedules, and attachments thereto;

(b) the Original Agreement, including all exhibits, schedules and attachments thereto;

(c) the Certificates of Incorporation and By-Laws of the Borrowers, and all amendments thereto; and

(d) Certificates of the Secretary of State of the State of Delaware dated February 9, 2001 attesting to the continued corporate existence and good standing of each Borrower in that state.

Those documents identified in items (a) and (b) above are collectively referred to herein as the "Transaction Documents." In connection with this opinion, I or other attorneys acting under my supervision have (i) investigated such questions of law, (ii) examined such corporate documents and records of the Borrowers and certificates of public officials, and (iii) received such information from officers and representatives of the Borrowers and made such investigations as I or other attorneys under my supervision have deemed necessary or appropriate for the purposes of this opinion. I have not, nor have other attorneys under my supervision, conducted independent investigations or inquiries to determine the existence of matters, actions, proceedings, items, documents, facts, judgments, decrees, franchises, certificates, permits, or the like and have made no independent search of the records of any court, arbitrator, or governmental authority affecting any Person, and no inference as to my knowledge thereof shall be drawn from the fact of my representation of any party or otherwise.

In rendering the opinions herein, I have assumed without independent verification (i) the genuineness of all signatures of the Banks and the Agent, (ii) the capacity of the signing officers of each of the Banks and the Agent, (iii) the authenticity of all documents submitted to me as originals and the conformity with the authentic originals of all documents submitted to me as copies, and (iv) the due execution and delivery, pursuant to due authorization, of the Transaction Documents by the necessary Banks and the Agent and the enforceability of the Transaction Documents against the necessary Banks and the Agent.

Based upon and subject to the foregoing and the other qualifications, limitations, and assumptions set forth below and upon such other matters as I have deemed appropriate, I am of the opinion that:

(1) Each of the Borrowers is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware.

(2) The execution, delivery, and performance by each Borrower of the Amendment and the consummation of the transactions contemplated by the Amendment are (a) within each Borrower's corporate powers, (b) will not contravene (i) the respective Certificates of Incorporation or By-Laws of each Borrower, (ii) any law, rule, or regulation applicable to each Borrower (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System), or (iii) any contractual or legal restriction, and (c) will not result in or require the creation or imposition of any Lien prohibited by the Original Agreement, as amended by the Amendment.

(3) The Amendment has been duly authorized, executed, and delivered to the Agent by each Borrower.

(4) No authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery,

and performance by any Borrower of the Amendment or the consummation of the transactions contemplated by the Amendment, except, in the case of such performance, for such authorizations, approvals, actions, notices, and filings which have been made or obtained.

(5) The Amendment, when executed and delivered, will constitute legal, valid and binding obligations of the Borrowers enforceable against each Borrower in accordance with its terms.

(6) Except as set forth in the Public Filings, to my knowledge there are no pending or overtly threatened actions or proceedings against any Borrower or any of its Subsidiaries before any court, governmental agency, or arbitrator that purport to affect the legality, validity, binding effect, or enforceability of the Original Agreement, as amended by the Amendment, or that would reasonably be expected to have a materially adverse effect upon the financial condition or operations of the Borrowers and their Subsidiaries, taken as a whole.

(7) No Borrower is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended. No Borrower is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(8) In any action or proceeding arising out of or relating to the Amendment in any court of the State of Oklahoma or in any Federal court sitting in the State of Oklahoma, assuming (i) proper venue, jurisdiction, and a full and proper presentation of the issues and the law to the court, (ii) such action or proceeding is not dismissed on the basis of an inconvenient forum, and (iii) that the court properly applies Oklahoma law, such court would (a) recognize and give effect to the provisions of the Amendment that set forth the governing law, and (b) construe the Amendment in accordance with the internal laws of the State of New York. However, if a court were to hold that the Amendment is governed by or to be construed in accordance with the laws of the State of Oklahoma, the Amendment when executed and delivered, would be, under the laws of the State of Oklahoma, legal, valid, and binding obligations of each Borrower signatory thereto and enforceable against each Borrower in accordance with its terms.

The opinions expressed in this letter are subject to the following additional qualifications and limitations.

1. My opinion in paragraph 1 with respect to the incorporation and good standing of the Borrowers is based solely on a Certificates, dated as of February 9, 2001, from the Secretary of State of the State of Delaware, certifying as to such matters.

2. My opinions in paragraph 5 and my opinion in the last sentence of paragraph 8 above are subject, insofar as enforceability is concerned, to the effect of any applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, or similar law affecting creditors' rights and remedies generally.

3. My opinion in paragraph 5 and my opinion in the last sentence of paragraph 8 above are subject, insofar as enforceability is concerned, to the effect of general principles of equity including principles of commercial reasonableness, good faith, and fair dealing (regardless of whether considered in a proceeding in equity or at law).

4. I express no opinion with respect to the enforceability of any of the following: (i) indemnification provisions to the extent the same are violative of federal or state securities laws, rules, or regulations, or of public policy, (ii) clauses waiving right to trial by jury, exculpation clauses, or clauses granting offset rights to the Banks or against any deposits or in respect of matured claims, (iii) clauses relating to recovery of attorneys' fees in connection with the enforcement of obligations, (iv) clauses relating to release of unmatured claims and integration clauses to the effect that no representation was made other than as appears in a Transaction Document, (v) clauses purporting to waive unmatured rights, representations, warranties, or affirmative or negative covenants to the extent such representations, warranties, or covenants can be construed to be independent clauses which purport to be legal, valid, binding, and enforceable by themselves, as distinguished from being clauses that trigger an event of default, and severability and similar clauses, and (vi) clauses that incorporate by reference a document or instrument or agreement not in existence on the date hereof to the extent that any such document, instrument, or agreement is the basis of an effort to enforce a Transaction Document, insofar as any of the foregoing are contained in a Transaction Document.

5. I express no opinion as to the effect on the opinions herein stated of compliance or non-compliance by any Bank with any applicable state, federal, or other laws or regulations applying only to banks, or the legal or regulatory status of any Bank.

6. My opinion in paragraph 5 and my opinion in paragraph 8 above assumes (i) application of New York law would not be found to be contrary to a fundamental policy of a state with a materially greater interest in determining the question presented and the laws of which would govern in absence of an effective choice of law, (ii) Citibank, N.A. has a place of business located in the State of New York, and (iii) the Borrowers are required to perform a part of their respective obligations under the Original Agreement or Amendment, such as delivery of payment, in the State of New York.

7. Qualification of any statement or opinion herein by the use of the words "to my knowledge" means that during the course of representation in connection with the transactions contemplated by the Original Agreement or the Amendment, no information has come to the attention of me or attorneys reporting to me that would give me or such attorneys current actual knowledge of the existence of facts or matters so qualified. I have not undertaken any investigation to determine the existence of facts, and no inference as to my knowledge thereof shall be drawn from the fact of the representation by me or attorneys reporting to me of any party or otherwise.

I am admitted to practice law in the States of Oklahoma and New York, and, accordingly, the opinions expressed herein are based upon and limited exclusively to the laws of the States of Oklahoma and New York, the General Corporation Law of the State of Delaware and the laws of the United States of America insofar as any of such laws are applicable. I render no opinion with respect to any other laws.

This opinion letter is solely for the benefit of the Banks and the Agent, their respective successors, assigns, participants, and other transferees and counsel for the Persons referred to in this sentence, in consummating the transaction contemplated by the Amendment, and may not be used or relied upon by, quoted, transmitted to, or filed with any other Person or for any other purpose whatsoever without in each instance my prior written consent. This opinion speaks as of its date, and I undertake no, and hereby expressly disclaim any, duty to advise you as to any changes of fact or law coming to my attention after the date hereof.

Very truly yours,

William G. von Glahn

EXHIBIT 4(ii)

WAIVER AND FIRST AMENDMENT TO CREDIT AGREEMENT

THIS WAIVER AND FIRST AMENDMENT TO CREDIT AGREEMENT (herein called this "Amendment"), dated as of January 31, 2001, is entered into by and among The Williams Companies, Inc., a Delaware corporation, as Borrower pursuant to the Credit Agreement (as hereinafter defined), the Banks from time to time party to the Credit Agreement, the Co-Syndication Agents as named therein, the Documentation Agent as named therein and Citibank, N.A., as agent for the Banks (in such capacity, the "Agent"). Except as otherwise defined or as the context requires, terms defined in the Credit Agreement are used herein as therein defined.

WITNESSETH:

WHEREAS, The Williams Companies, Inc. ("TWC" or the "Borrower") has entered into a certain Credit Agreement dated as of July 25, 2000 with the financial institutions from time to time party thereto (the "Banks"), The Chase Manhattan Bank and Commerzbank AG, as Co-Syndication Agents, Credit Lyonnais New York Branch, as Documentation Agent, and Citibank, N.A., as Agent (the "Credit Agreement"), which Credit Agreement has been amended by a letter agreement dated as of October 10, 2000 (the "Letter Agreement");

WHEREAS, the Borrower and the Banks now desire to amend the Credit Agreement in certain respects, as hereinafter provided, and to terminate the Letter Agreement; and

WHEREAS, the Borrower has requested waivers of certain provisions of the Credit Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the Borrower and the Banks hereby agree as follows:

SECTION 1. Amendment of Section 1.1 of the Credit Agreement. Section 1.1 of the Credit Agreement is hereby amended as follows:

(a) The definition of "Consolidated Net Worth" in such Section 1.1 is hereby amended and restated to read in its entirety as follows:

" "Consolidated Net Worth" of any Person means the Net Worth of such Person and its Subsidiaries on a Consolidated basis plus, in the case of the Borrower, the Designated Minority Interests to the extent not otherwise included; provided that, in no event shall the value ascribed to Designated Minority Interests for the Subsidiaries of the Borrower described in clauses (i) through (v) and (vii) of the definition of "Designated Minority Interests" exceed $136,892,000 in the aggregate."

(b) The definition of "Debt" is hereby amended and restated to read in its entirety as follows:

" "Debt" means, in the case of any Person, (i) indebtedness of such Person for borrowed money, (ii) obligations of such Person evidenced by bonds, debentures or notes, (iii) obligations of such Person to pay the deferred purchase price of property or services (other than trade payables not overdue by more than 60 days incurred in the ordinary course of business), (iv) monetary obligations of such Person as lessee under leases that are, in accordance with generally accepted accounting principles, recorded as capital leases, (v) obligations of such Person under guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (iv) of this definition and (vi) indebtedness or obligations of others of the kinds referred to in clauses (i) through (v) of this definition secured by any Lien on or in respect of any property of such Person; provided, however, that (x) Debt shall not include any obligation under or resulting from any agreement referred to in paragraph (y) of Schedule III; (y) in the case of the Borrower, Debt shall not include any contingent obligation of the Borrower relating to indebtedness incurred by any SPV, WCG or a WCG Subsidiary pursuant to the WCG Structured Financing; and (z) it is the understanding of the parties hereto that Debt shall not include any monetary obligations or guaranties of monetary obligations of Persons as lessee under leases that are, in accordance with generally accepted accounting principles, recorded as operating leases."

(c) The definition of "Designated Minority Interests" is hereby amended and restated to read in its entirety as follows:

" "Designated Minority Interests" of the Borrower means, as of any date of determination, the total of the minority interests in the following Subsidiaries: (i) El Furrial, (ii) PIGAP II, (iii) Nebraska Energy, (iv) Seminole, (v) American Soda, (vi) the Midstream Asset MLP, and (vii) other Subsidiaries, as presented in the Consolidating balance sheet of the Borrower, in an amount not to exceed in the aggregate $9,000,000 for such other Subsidiaries not referred to in items (i) through (vi); provided that minority interests which provide for a stated preferred cumulative return shall not be included in "Designated Minority Interests."

(d) The following definitions are added to Section 1.1 of the Credit Agreement in appropriate alphabetical order:

> " "Midstream Asset MLP" means one or more master limited partnerships included in the Consolidated financial statements of the Borrower to which the Borrower has transferred or shall transfer certain assets relating to the distribution, storage and transportation of petroleum products and ammonia, including without limitation marine and inland terminals and related pipeline systems, including, without limitation, Williams Energy Partners L.P."

> " "SPV" is used as defined in the definition of "WCG Structured Financing."

> " "WCG Structured Financing" means a certain series of related transactions in anticipation of the spin-off of WCG pursuant to which WCG or a WCG Subsidiary shall obtain loans or equity contributions, either directly from investors in the marketplace or through one or more special purpose vehicles (each, an "SPV"), which SPV or SPVs may be Subsidiaries of the Borrower. Principal of such loans and such equity contributions shall be in a cumulative amount after January 31, 2001 which does not exceed in the aggregate $1.5 billion. The Borrower shall have a contingent obligation with respect to repayment of indebtedness or return on and of equity of the SPV (or SPVs), WCG or a WCG Subsidiary in regard to such transaction, which contingent obligation shall terminate in each case no later than four years after the effective date of such transaction and shall be satisfied only through the issuance of equity securities unless further sales of equity securities of the Borrower are not possible or will not result in additional net proceeds."

(e) Section 1.3 of the Credit Agreement is hereby amended and restated in its entirety as follows:

> " Section 1.3 Accounting Terms. All accounting terms not specifically defined shall be construed in accordance with general accounting principles, and each reference herein to "generally accepted accounting principles" shall mean generally accepted accounting principles in effect, consistently applied."

SECTION 2. Waivers. The Borrower has requested the waiver of, and each Bank hereby agrees to waive, certain provisions of the Credit Agreement for and in connection with the transactions described below:

(a) TWC or certain of its Subsidiaries are currently the owners of certain assets described on Schedule A-1 hereto which TWC or such certain Subsidiaries wish to transfer to WCG and/or certain WCG Subsidiaries. In exchange for the transfer to WCG and/or certain WCG Subsidiaries of the assets listed on Schedule A-1 and the assumption by TWC and/or its Subsidiaries of those certain liabilities of WCG or WCG Subsidiaries listed on Schedule A-2, WCG and/or certain WCG Subsidiaries will transfer to TWC and/or its Subsidiaries the assets listed on Schedule B-1 and will assume those certain liabilities of TWC and/or its Subsidiaries listed on Schedule B-2.

TWC hereby represents and warrants that such transaction is being entered into on terms and conditions reasonably fair in all material respects to TWC and its Subsidiaries.

TWC anticipates that it or one of its Subsidiaries may purchase certain assets of WCG or a WCG Subsidiary listed on Schedule A-1 and enter into a Sale Lease-Back Transaction in which TWC or one of its Subsidiaries will lease such assets to WCG or a WCG Subsidiary. TWC hereby covenants that such transaction shall be entered into on terms and conditions reasonably fair in all material respects to TWC and its Subsidiaries. To the extent that such Sale Lease-Back Transaction may be, or may be deemed to be, an investment in WCG or a WCG Subsidiary, such transaction is prohibited by Section 5.2(e) of the Credit Agreement.

In connection with such asset exchange and the Sale Lease-Back Transaction, and only for purposes of such transactions, TWC requests that the Banks waive the provisions of Section 5.2(e) to allow TWC and/or its Subsidiaries to effect the Sale Lease-Back Transaction, described in the preceding paragraph, and to acquire the equity interests and stock in WCG and certain WCG Subsidiaries, as described on Schedule B-1, and to transfer assets to WCG and/or WCG Subsidiaries on the terms set forth above. Nothing herein shall be construed or deemed to permit TWC or its Subsidiaries to invest in or acquire stock or equity interests in WCG or any of its Subsidiaries except to the extent described above. Nothing herein shall, or shall be deemed to, waive the provisions of Section 5.2(j) or any other provisions of the Credit Agreement applicable to the Sale Lease-Back Transaction, except as expressly set forth above with respect to Section 5.2(e).

(b) In connection with the WCG Structured Financing, and only with respect to such WCG Structured Financing, TWC requests that the Banks waive:

(i) the provisions of Section 5.2(d) to allow consensual encumbrances and restrictions on the ability of any SPV (as defined above) to make or pay any distributions, dividends, loans or advances to TWC or its Subsidiaries; provided, that, such consensual encumbrances or restrictions (x) are pursuant to the documents governing the WCG Structured Financing and (y) restrict making or paying distributions, dividends, loans or advances of or on only those assets held by an SPV directly relating to the WCG Structured Financing; and

(ii) the provisions of Section 5.2(i) to allow TWC or a Subsidiary of TWC to be contingently liable for the obligations of any SPV, WCG or WCG Subsidiaries for payments relating to indebtedness or return on and of equity incurred by such entity pursuant to the WCG Structured Financing.

By its signature hereto, each Bank agrees to waive and does hereby waive (i) Section 5.2(e) to allow TWC and its Subsidiaries to acquire the equity interests and stock in WCG and certain WCG Subsidiaries, to the extent set forth above and to allow TWC and its Subsidiaries to act as lessor pursuant to the Sale Lease-Back Transaction described above involving assets listed on Schedule A-1; (ii) Section 5.2(d) to allow consensual encumbrances and restrictions on the ability of any SPV to make or pay distributions, dividends, loans or advances to TWC or its Subsidiaries if such encumbrances and restrictions are pursuant to documents governing the WCG Structured Financing and apply only to assets of such SPV which are directly related to the WCG Structured Financing and (iii) Section 5.2(i) to allow TWC or a Subsidiary to be contingently liable with respect to the indebtedness or return on and of equity incurred pursuant to the WCG Structured Financing. Nothing herein shall be deemed or construed to waive any other breach of Sections 5.2(d), 5.2(e) or Section 5.2(i) of the Credit Agreement or to waive a breach of any other provision of the Credit Agreement or to require any similar or dissimilar waiver to be granted hereafter.

SECTION 3. To induce the Agent and the Banks to enter into this Amendment, the Borrower hereby reaffirms, as of the date hereof, its representations and warranties contained in Article IV of the Credit Agreement (except to the extent such representations and warranties relate solely to an earlier date) and additionally represents and warrants as follows:

(a) The Borrower is duly organized, validly existing and in good standing under the laws of the State of Delaware and has all corporate or limited liability company powers and all governmental licenses, authorizations, certificates, consents and approvals required to carry on its business as now conducted in all material respects, except for those licenses, authorizations, certificates, consents and approvals which the failure to have could not reasonably be expected to have a material adverse effect on the business, assets, condition or operation of the Borrower and its Subsidiaries taken as a whole. Each material Subsidiary of the Borrower is duly organized or validly formed, validly existing and (if applicable) in good standing under the laws of its jurisdiction of incorporation or formation, except where the failure to be so organized, existing and in good standing could not reasonably be expected to have a material adverse effect on the business, assets, condition or operations of the Borrower and its Subsidiaries taken as a whole. Each material Subsidiary of the Borrower has all corporate or limited liability company powers and all governmental licenses, authorizations, certificates, consents and approvals required to carry on its business as now conducted in all material respects, except for those licenses, authorizations, certificates, consents and approvals which the failure to have could not reasonably be expected to have a material adverse effect on the business, assets, condition or operation of the Borrower and its Subsidiaries taken as a whole.

(b) The execution, delivery and performance by the Borrower of this Amendment and the consummation of the transactions contemplated by this Amendment are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, do not contravene (i) the Borrower's charter or by-laws or (ii) any law or any contractual restriction binding on or affecting the Borrower and will not result in or require the creation or imposition of any Lien.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower of this Amendment or the consummation of the transactions contemplated by this Amendment.

(d) This Amendment has been duly executed and delivered by the Borrower. This Amendment and the Credit Agreement as amended by this Amendment are the legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with its terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and by general principles of equity.

(e) Except as set forth in the Public Filings, there is, as to the Borrower, no pending or, to the knowledge of the Borrower, threatened action or proceeding affecting the Borrower or any material Subsidiary of the Borrower before any court, governmental agency or arbitrator, which could reasonably be expected to materially and adversely affect the financial condition or operations of the Borrower and its Subsidiaries taken as a whole or which purports to affect the legality, validity, binding effect or enforceability of this Amendment, the Credit Agreement or any Note. For the purposes of this Section, "Public Filings" shall mean the Borrower's annual report on Form 10-K/A for the year ended December 31, 1999, and the Borrower's quarterly reports on Form 10-Q for the quarter ended September 30, 2000.

(f) Upon giving effect to this Amendment, no event has occurred and is continuing which constitutes an Event of Default or which would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

SECTION 4. The effectiveness of this Amendment is conditioned upon receipt by the Agent of all the following documents, each in form and substance satisfactory to the Agent:

(a) Counterparts of this Amendment executed by the Borrower, the Agent and the Majority Banks;

(b) A certificate of the Secretary or Assistant Secretary of the Borrower as to (i) any changes (or the absence of changes) since July 25, 2000 to its certificate of incorporation and its by-laws as of the date hereof, (ii) the resolutions of the Borrower authorizing the execution of this Amendment and (iii) the names and true signatures of the officers authorized to execute this Amendment;

(c) A certificate in form and substance satisfactory to the Agent dated the date hereof addressed to the Banks of a responsible officer of WCG and/or each relevant WCG Subsidiary as to (i) its title to those assets transferred to the Borrower pursuant to the transactions described in Section 2 hereof, and (ii) the equity interests and shares of stock issued to the Borrower;

(d) An opinion of William G. von Glahn, General Counsel of the Borrower, substantially in the form of Exhibit A hereto; and

(e) Such other documents as the Agent shall have reasonably requested.

SECTION 5. This Amendment shall be deemed to be an amendment to the Credit Agreement, and the Credit Agreement, as amended hereby, is hereby ratified, approved and confirmed in each and every respect. All references to the Credit Agreement in any other document, instrument, agreement or writing shall hereafter be deemed to refer to the Credit Agreement as amended hereby.

SECTION 6. The Letter Agreement is hereby terminated.

SECTION 7. THIS AMENDMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK. Whenever possible each provision of this Amendment shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Amendment shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Amendment.

SECTION 8. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Amendment by signing one or more counterparts.

SECTION 9. This Amendment shall be binding upon the Borrower, the Agent and the Banks and their respective successors and assigns, and shall inure to the benefit of each of the Borrower, the Agent and the Banks and the successors and assigns of the Banks.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective officers thereunto duly authorized, to be effective as of January 31, 2001.

BORROWER:

THE WILLIAMS COMPANIES, INC.

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

AGENT:

CITIBANK, N.A., as Agent

By: /s/ (illegible)

Authorized Officer

Date: February 12, 2001

CO-SYNDICATION AGENTS:

THE CHASE MANHATTAN BANK,
as Co-Syndication Agent

By: /s/ (illegible)

Authorized Officer

Date: February 8, 2001

COMMERZBANK AG,
as Co-Syndication Agent

By: /s/ Brian J. Campbell

Authorized Officer

By: /s/ Subash R. Viswanathan

Authorized Officer

Date: February 8, 2001

DOCUMENTATION AGENT:

CREDIT LYONNAIS NEW YORK BRANCH,
as Documentation Agent and as a Bank

By: /s/ Philippe Soustra

Authorized Officer

Date: ___________________, 2001

BANKS:

CITIBANK, N.A.

By: /s/ (illegible)

Authorized Officer

Date: February 12, 2001

THE BANK OF NOVA SCOTIA

By: /s/ (illegible)

Authorized Officer

Date: February 9, 2001

BANK OF AMERICA, N.A.

By: /s/ Clair M. Liu

Authorized Officer

Date: February 8, 2001

364-Day Credit Agreement

BANK ONE, NA (CHICAGO)

By: /s/ Jeanie Harman

Authorized Officer

Date: February 8, 2001

THE CHASE MANHATTAN BANK

By: /s/ (illegible)

Authorized Officer

Date: February 8, 2001

COMMERZBANK AG

NEW YORK AND GRAND CAYMAN BRANCHES

By: /s/ Harry P. Yergey

Authorized Officer

By: /s/ Brian J. Campbell

Authorized Officer

Date: February 7, 2001

CREDIT LYONNAIS NEW YORK BRANCH

By: [See Page S-3 for Signature]

Authorized Officer

Date: , 2001

THE FUJI BANK, LIMITED

By: /s/ Jacques Azagury

Authorized Officer

Date: February 9, 2001

NATIONAL WESTMINSTER BANK PLC
NEW YORK BRANCH

By: /s/ Kevin J. Howard
Name: Kevin J. Howard
Title: Managing Director

Date: February 9, 2001

NATIONAL WESTMINSTER BANK PLC
NASSAU BRANCH

By: /s/ Kevin J. Howard
Name: Kevin J. Howard
Title: Managing Director

Date: February 9, 2001

ABN AMRO BANK, N.V.

By: /s/ Frank R. Russo, Jr.

Authorized Officer

By: /s/ Stuart Murray

Authorized Officer

Date: February 9, 2001

BANK OF MONTREAL

By: /s/ (illegible)

Authorized Officer

Date: February 8, 2001

THE BANK OF NEW YORK

By: /s/ (illegible)

Authorized Officer

Date: February 8, 2001

BARCLAYS BANK PLC

By: /s/ Nicholas A. Bell

Authorized Officer

Date: February 8, 2001

364-Day Credit Agreement

CIBC INC.

By: /s/ Lindsay Gordon

Authorized Officer

Date: February 9, 2001

364-Day Credit Agreement

CREDIT SUISSE FIRST BOSTON

By: /s/ James Moran

Authorized Officer

By: /s/ Robert Finney

Authorized Officer

Date: February 9, 2001

ROYAL BANK OF CANADA

By: /s/ (illegible)

Authorized Officer

Date: February 9, 2001

THE BANK OF TOKYO-MITSUBISHI, LTD.,
HOUSTON AGENCY

By: /s/ K. Glasscock

Authorized Officer

Date: January 29, 2001

FLEET NATIONAL BANK
f/k/a Bank Boston, N.A.

By: /s/ Kristine A. Kasselman

Authorized Officer

Date: February 9, 2001

SOCIETE GENERALE, SOUTHWEST AGENCY

By: /s/ (illegible)

Authorized Officer

Date: February 8, 2001

THE INDUSTRIAL BANK OF JAPAN
TRUST COMPANY

By: /s/ Michael N. Oakes

Authorized Officer

Date: February 8, 2001

TORONTO DOMINION (TEXAS), INC.

By: /s/ Debbie A. Greene

Authorized Officer

Date: February 8, 2001

UBS AG, STAMFORD BRANCH

By: /s/ Wilfred V. Saint

Authorized Officer

By: /s/ Anthony N. Joseph

Authorized Officer

Date: _________________, 2001

WELLS FARGO BANK TEXAS, N.A.

By: /s/ J. Alan Alexander

Authorized Officer

Date: February 8, 2001

WESTDEUTSCHE LANDESBANK
GIROZENTRALE, NEW YORK BRANCH

By: /s/ Duncan M. Robertson

Authorized Officer

By: /s/ Thomas Lee

Authorized Officer

Date: February 8, 2001

CREDIT AGRICOLE INDOSUEZ

By: /s/ Brian Knezeak

Authorized Officer

By: /s/ Douglas A. Whiddon

Authorized Officer

Date: February 14, 2001

SUNTRUST BANK

By: /s/ David J. Edge

Authorized Officer

Date: February 9, 2001

364-Day Credit Agreement

THE DAI-ICHI KANGYO BANK, LTD.

By: /s/ (illegible)

Authorized Officer

Date: February 7, 2001

ARAB BANKING CORPORATION (B.S.C.)

By:

Authorized Officer

Date: , 2001

364-Day Credit Agreement

BANK OF CHINA, NEW YORK BRANCH

By:

Authorized Officer

Date: ___________________, 2001

364-Day Credit Agreement

BANK OF OKLAHOMA, N.A.

By: /s/ Robert D. Mattax

Authorized Officer

Date: February 8, 2001

BNP PARIBAS, HOUSTON AGENCY

By: /s/ (illegible)

Authorized Officer

By: /s/ Betsy Jocher

Authorized Officer

Date: February 12, 2001

DG BANK DEUTSCHE
GENNOSSENSCHAFTSBANK AG

By: /s/ (illegible)

Authorized Officer

By: /s/ (illegible)

Authorized Officer

Date: February 8, 2001

KBC BANK N.V.

By: /s/ Robert Snauffer

Authorized Officer

By: /s/ Patrick A. Janssens

Authorized Officer

Date: February 8, 2001

THE SUMITOMO BANK, LIMITED

By: /s/ C. Michael Garrido

Authorized Officer

Date: ________________, 2001

COMMERCE BANK, N.A.

By: /s/ Dennis R. Block

Authorized Officer

Date: February 8, 2001

RZB FINANCE LLC

By: /s/ Frank J. Yautz

Authorized Officer

By: /s/ Pearl Geffers

Authorized Officer

Date: February 8, 2001

FIRST UNION NATIONAL BANK

By: ----------------------
Authorized Officer

Date: ----------------- , 2001

SCHEDULE A-1

ASSETS TO BE TRANSFERRED FROM TWC AND/OR ITS SUBSIDIARIES TO WCG AND/OR WCG SUBSIDIARIES

1 Those certain three aircraft owned by Williams Aviation, Inc., or under contract for purchase by Williams Aviation, Inc, more specifically identified as follows:

Citation V - located in Chesterfield, Missouri, Tail Number N352WC

Citation X - located in Tulsa, Oklahoma, Tail Number N358WC

Citation Excel - scheduled for delivery by April 1, 2001, Tail Number N359WC

The aggregate value of the three aircraft is $32,000,000.

2 That certain Williams Technology Center located in Tulsa, Oklahoma, and owned by the Williams Headquarters Building Company. The Williams Technology Center is constructing a fifteen story office building that will house various Williams energy and communications employees. It will be attached to the east-end of the existing Bank of Oklahoma Tower at the Plaza, Ground and Service levels. The building is bounded on the north by First Street, east by Cincinnati Avenue, south by Second Street, and west by the podium of the Bank of Oklahoma Tower. The building will contain 733,391 net rentable square feet and accommodate up to 4,000 employees.

3 That certain Parking Garage being constructed on the northeast corner of First Street and Cincinnati Avenue, directly south of the LaPetite Academy daycare center. The parking garage will be six levels tall and contain 1,029 parking spaces. It will be connected to the Williams Technology Center by pedestrian bridges west across Cincinnati and south across First Street.

The aggregate value of the Williams Technology Center and the Parking Garage (items 2 and 3) is $85,000,000.

4 That certain Intercompany Note executed between TWC and Williams Communications, Inc., on September 8, 1999. The note is for seven years and has approximately $975 million outstanding, bears interest at rates equal to LIBOR, or an alternate base rate, plus a margin based on the debt rating of WCG's credit facility by Standard & Poor's and Moody's, plus 0.25% based on WCG's ratio of total debt to EBITDA greater than or equal to 6.0 to 1.0. Principle is paid quarterly beginning July 1, 2000.

The value of the Intercompany Note is $630,000,000.

SCHEDULE A-2

LIABILITIES OF WCG AND/OR WCG SUBSIDIARIES
TO BE ASSUMED BY TWC AND/OR ITS SUBSIDIARIES

1 Payment obligations with respect to those certain building improvements, fixtures and equipment including all construction, design, flooring, food service equipment, security, audio equipment, video equipment, telecommunication equipment, furniture and fixtures, and related costs, including but not limited to material, labor, installation and taxes, as set forth in the Authorization for Expenditure(s) dated September 18, 2000.

The aggregate value of the building improvements, fixtures and equipment is $160,000,000.

SCHEDULE B-1

ASSETS TO BE TRANSFERRED FROM WCG AND/OR WCG SUBSIDIARIES TO TWC AND/OR ITS SUBSIDIARIES

1 All losses or credit carryovers or other similar attributes of WCG not in existence on September 30, 1999, but arising thereafter, and utilized by Williams as part of its consolidated tax return for any consolidated returns filed following September 30, 1999, as described in the Tax Sharing Agreement dated September 30, 1999.

The aggregate value is $317,000,000.

2 That certain Telecommunications Services Agreement dated January 5, 1995, between The Williams Companies, Inc. and Wiltel, Inc., and subsequently amended. WorldCom, as the successor to Wiltel, provides WCG a specific amount of long distance, frame relay and private line services free of costs other than its out of pocket expenses payable to third parties. WCG resells these services to Williams, its subsidiaries and affiliates at market rates. The term of the agreement is 35 years beginning January 1995.

The value is $65,000,000.

3 Those certain two dark fibers capable of providing a minimum capacity up to an OC-12 along the entire length of the fiber optic facilities along Transco's main line pipelines from Houston, Texas to Manassas, Virginia and Washington, D.C. to Station 200 outside Philadelphia, Pennsylvania which include property in the states of Texas, Louisiana, Mississippi, Alabama, Georgia, South Carolina, North Carolina, Virginia, the District of Columbia, Maryland and Pennsylvania, including the dark fiber needed to connect the non-contiguous points along the Transco right of way (the "Transco Fiber"). The general description of this service is provided in that certain Construction, Operating, Maintenance Agreement dated January 1, 1997. The Transco Fiber excludes any incidental services required to support the dark fiber pair, such as collocation, power, and maintenance fees.

The aggregate value is $15,000,000.

4 That number of shares of WCG Class A stock to be issued to TWC having an aggregate value equal to approximately $470 million, to be priced based upon the average of the high and low for each of the five business days beginning January 17, 2001 and ending January 23, 2001.

SCHEDULE B-2

LIABILITIES OF TWC AND/OR ITS SUBSIDIARIES
TO BE ASSUMED BY WCG AND/OR WCG SUBSIDIARIES

1 All incremental costs to be incurred by WCG in connection with the replacement of certain shared hardware, systems and applications that will need to be replicated upon the separation of the two companies. In addition, WCG will need to procure it own unique software licenses on everything from Microsoft products to the PeopleSoft applications. Also included in this category are those miscellaneous costs incurred to effect the spin-off of WCG from Williams.

The aggregate value is $40,000,000.

Exhibit A

Form of Opinion

_______________, 2001

To each of the Banks parties to the Credit Agreement
dated as of July 25, 2000, as amended, by and among
the Borrower, the Banks parties thereto and
Citibank, N.A., as Agent for the Banks

Ladies and Gentlemen:

I am General Counsel of The Williams Companies, Inc. (the "Borrower") and have acted as counsel to the Borrower in connection with the U.S. $1,700,000,000 Credit Agreement dated July 25, 2000, by and among the Borrower, the Banks parties thereto, and Citibank, N.A., as Agent for the Banks, as amended by a certain letter agreement dated October 10, 2000 (the "Original Agreement") and a certain Waiver and First Amendment to Credit Agreement dated as of January 31, 2001 (the "Amendment"). This opinion is furnished to you at the request of the Borrower pursuant to Section 4(d) of the Amendment. Terms defined in the Amendment not otherwise defined herein are used herein as therein defined.

In connection with the opinions expressed herein, I, or attorneys reporting to me, have examined and relied upon copies of the following documents:

(a) the Amendment, including all exhibits, schedules, and attachments thereto;

(b) the Original Agreement, including all exhibits, schedules and attachments thereto;

(c) the Certificate of Incorporation and By-Laws of the Borrower, and all amendments thereto; and

(d) a Certificate of the Secretary of State of the State of Delaware dated February 9, 2001 certifying as to the good standing of the Borrower in that State.

Those documents identified in items (a) and (b) above are collectively referred to herein as the "Transaction Documents." In connection with this opinion, I or other attorneys acting under my supervision have (i) investigated such questions of law, (ii) examined such corporate documents and records of the Borrower and certificates of public officials, and (iii) received such information from officers and representatives of the Borrower and made such investigations as I or other attorneys under my supervision have deemed necessary or appropriate for the purposes of this opinion. I have not, nor have other attorneys under my supervision, conducted independent investigations or inquiries to determine the existence of matters, actions, proceedings, items, documents, facts, judgments, decrees, franchises, certificates, permits, or the like and have made no independent search of the records of any court, arbitrator, or governmental authority affecting any Person, and no inference as to my knowledge thereof shall be drawn from the fact of my representation of any party or otherwise.

In rendering the opinions herein, I have assumed without independent verification (i) the genuineness of all signatures of the Banks and the Agent, (ii) the capacity of the signing officers of each of the Banks and the Agent, (iii) the authenticity of all documents submitted to me as originals and the conformity with the authentic originals of all documents submitted to me as copies, and (iv) the due execution and delivery, pursuant to due authorization, of the Transaction Documents by the necessary Banks and the Agent and the enforceability of the Transaction Documents against the necessary Banks and the Agent.

Based upon and subject to the foregoing and the other qualifications, limitations, and assumptions set forth below and upon such other matters as I have deemed appropriate, I am of the opinion that:

1. The Borrower is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware.

2. The execution, delivery, and performance by the Borrower of the Amendment and the consummation of the transactions contemplated by the Amendment are (a) within the Borrower's corporate powers, (b) will not contravene (i) the Certificate of Incorporation or By-Laws of the Borrower, (ii) any law, rule, or regulation applicable to the Borrower (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System), or (iii) any contractual or legal restriction, and (c) will not result in or require the creation or imposition of any Lien prohibited by the Original Agreement, as amended by the Amendment.

3. The Amendment has been duly authorized, executed, and delivered to the Agent by the Borrower.

4. No authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery, and performance by the Borrower of the Amendment or the consummation of the transactions contemplated by the Amendment, except, in the case of such performance, for such authorizations, approvals, actions, notices, and filings which have been made or obtained.

5. The Amendment, when executed and delivered, will constitute legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with its terms.

6. Except as set forth in the Public Filings, to my knowledge there are no pending or overtly threatened actions or proceedings against the Borrower or any of its Subsidiaries before any court, governmental agency, or arbitrator that purport to affect the legality, validity, binding effect, or enforceability of the Original Agreement, as amended by the Amendment, or that would reasonably be expected to have a materially adverse effect upon the financial condition or operations of the Borrower and its Subsidiaries, taken as a whole.

7. The Borrower is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Borrower is not a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate " of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

8. In any action or proceeding arising out of or relating to the Amendment in any court of the State of Oklahoma or in any Federal court sitting in the State of Oklahoma, assuming (i) proper venue, jurisdiction, and a full and proper presentation of the issues and the law to the court, (ii) such action or proceeding is not dismissed on the basis of an inconvenient forum, and (iii) that the court properly applies Oklahoma law, such court would (a) recognize and give effect to the provisions of the Amendment that set forth the governing law, and (b) construe the Amendment in accordance with the internal laws of the State of New York. However, if a court were to hold that the Amendment is governed by or to be construed in accordance with the laws of the State of Oklahoma, the Amendment when executed and delivered, would be, under the laws of the State of Oklahoma, legal, valid, and binding obligations of the Borrower signatory thereto and enforceable against the Borrower in accordance with its terms.

The opinions expressed in this letter are subject to the following additional qualifications and limitations.

(a) My opinion in paragraph 1 with respect to the incorporation and good standing of the Borrower is based solely on a Certificate, dated as of February 9, 2001, from the Secretary of State of the State of Delaware, certifying as to such matters.

(b) My opinions in paragraph 5 and my opinion in the last sentence of paragraph 8 above are subject, insofar as enforceability is concerned, to the effect of any applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, or similar law affecting creditors' rights and remedies generally.

(c) My opinion in paragraph 5 and my opinion in the last sentence of paragraph 8 above are subject, insofar as enforceability is concerned, to the effect of general principles of equity including principles of commercial reasonableness, good faith, and fair dealing (regardless of whether considered in a proceeding in equity or at law).

(d) I express no opinion with respect to the enforceability of any of the following: (i) indemnification provisions to the extent the same are violative of federal or state securities laws, rules, or regulations, or of public policy, (ii) clauses waiving right to trial by jury, exculpation clauses, or clauses granting offset rights to the Banks or against any deposits or in respect of matured claims, (iii) clauses relating to recovery of attorneys' fees in connection with the enforcement of obligations, (iv) clauses relating to release of unmatured claims and integration clauses to the effect that no representation was made other than as appears in a Transaction Document, (v) clauses purporting to waive unmatured rights, representations, warranties, or affirmative or negative covenants to the extent such representations, warranties, or covenants can be construed to be independent clauses which purport to be legal, valid, binding, and enforceable by themselves, as distinguished from being clauses that trigger an event of default, and severability and similar clauses, and (vi) clauses that incorporate by reference a document or instrument or agreement not in existence on the date hereof to the extent that any such document, instrument, or agreement is the basis of an effort to enforce a Transaction Document, insofar as any of the foregoing are contained in a Transaction Document.

(e) I express no opinion as to the effect on the opinions herein stated of compliance or non-compliance by any Bank with any applicable state, federal, or other laws or regulations applying only to banks, or the legal or regulatory status of any Bank.

(f) My opinion in paragraph 5 and my opinion in paragraph 8 above assumes (i) application of New York law would not be found to be contrary to a fundamental policy of a state with a materially greater interest in determining the question presented and the laws of which would govern in absence of an effective choice of law, (ii) Citibank, N.A. has a place of business located in the State of New York, and (iii) the Borrower is required to perform a part of its obligations under the Original Agreement or Amendment, such as delivery of payment, in the State of New York.

(g) Qualification of any statement or opinion herein by the use of the words "to my knowledge" means that during the course of representation in connection with the transactions contemplated by the Original A greement or the Amendment, no information has come to the attention of me or attorneys reporting to me that would give me or such attorneys current actual knowledge of the existence of facts or matters so qualified. I have not undertaken any investigation to determine the existence of facts, and no inference as to my knowledge thereof shall be drawn from the fact of the representation by me or attorneys reporting to me of any party or otherwise.

(h) I am admitted to practice law in the States of Oklahoma and New York, and, accordingly, the opinions expressed herein are based upon and limited exclusively to the laws of the States of Oklahoma and New York, the General Corporation Law of the State of Delaware and the laws of the United States of America insofar as any of such laws are applicable. I render no opinion with respect to any other laws.

This opinion letter is solely for the benefit of the Banks and the Agent, their respective successors, assigns, participants, and other transferees and counsel for the Persons referred to in this sentence, in consummating the transaction contemplated by the Amendment, and may not be used or relied upon by, quoted, transmitted to, or filed with any other Person or for any other purpose whatsoever without in each instance my prior written consent. This opinion speaks as of its date, and I undertake no, and hereby expressly disclaim any, duty to advise you as to any changes of fact or law coming to my attention after the date hereof.

Very truly yours,

William G. von Glahn

EXHIBIT 4(kk)

FIRST AMENDMENT TO TERM LOAN AGREEMENT

THIS FIRST AMENDMENT TO TERM LOAN AGREEMENT (the "AMENDMENT") is entered into as of August 21, 2000, among The Williams Companies, Inc., a Delaware corporation (the "COMPANY"), Credit Lyonnais New York Branch, as Administrative Agent (in such capacity, "ADMINISTRATIVE AGENT"), and certain LENDERS (herein so called) named on SCHEDULE 2.1 (as amended and supplemented from time to time) of the Term Loan Agreement (as hereinafter defined).

RECITALS

A. The Company, Lenders, Commerzbank AG New York and Cayman Island Branches, as Syndication Agent, The Bank of Nova Scotia, as Documentation Agent, and Administrative Agent entered into that certain Term Loan Agreement dated as of April 7, 2000 (the "TERM LOAN AGREEMENT"). Unless otherwise indicated herein, all terms used with their initial letter capitalized are used herein with their meaning as defined in the Term Loan Agreement, and all Section references are to Sections in the Term Loan Agreement.

B. The Company has requested that the Lenders modify and amend certain terms and provisions of the Term Loan Agreement.

C. The Lenders are willing to so modify and amend the Term Loan Agreement, as requested, in accordance with the terms and provisions set forth herein and upon the condition that the Company and the Lenders shall have executed and delivered this Amendment and that the Company shall have fully satisfied the terms and conditions hereof.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company, Administrative Agent and the Lenders hereby agree, as follows:

PARAGRAPH 1. AMENDMENTS TO CREDIT AGREEMENT. The Term Loan Agreement is hereby amended, as follows:

1.1 Definitions.

(a) Subparagraph(c)(i) of the definition of "CASH HOLDINGS" appearing in SECTION 1.1 is amended, in its entirety, to read as follows:

> "(i) a corporation (other than an Affiliate of the Company) rated (x) A-1 by S&P, P-1 by Moody's or F-1 by Fitch or (y) lower than set forth in the immediately preceding CLAUSE (x), provided, however, that the value of all such commercial paper shall not exceed 10% of the total value of all commercial paper comprising "Cash Holdings," or"

(b) The definition of "CONSOLIDATED" appearing in Section 1.1 is amended, in its entirety, to read as follows:

"CONSOLIDATED" refers to the consolidation of the accounts of any Person and its subsidiaries in accordance with generally accepted accounting principles; provided

that, unless otherwise provided, in the case of the Company, "CONSOLIDATED" shall mean the consolidation of the accounts of the Company and its Subsidiaries and shall not include any accounts of the WCG Subsidiaries; provided that for purposes of the Consolidated financial statements required to be delivered pursuant to Sections 7.5, 8.2(b) and 8.2(c) and where otherwise provided, the consolidation of the accounts of the Company and its subsidiaries shall include the WCG Subsidiaries.

(c) The definitions of "CHOICESEAT", "DUFF AND PHELPS", "WFS" AND "WPL" in Section 1.1 are hereby deleted in their entirety.

(d) Section 1.1 is further amended by adding the following new definitions thereto, such definitions to appear in appropriate alphabetical order therein:

"AMERICAN SODA" means American Soda, L.L.P., a Colorado limited liability partnership.

"CONSOLIDATING" refers to, with respect to the balance sheets and statements of income and cash flow required by Sections 7.5, 8.2(b) and 8.2(c), the consolidation of the accounts of the Company and its subsidiaries in accordance with the following format: (i) the WCG Subsidiaries, (ii) the Company and its subsidiaries (which term does not include the WCG Subsidiaries), (iii) consolidation adjustments, and (iv) Consolidated financial statements of the Company and each of its subsidiaries, including the WCG Subsidiaries.

"EDGAR" means "Electronic Data Gathering, Analysis and Retrieval" system, a database maintained by the Securities and Exchange Commission containing electronic filings of issuers of certain securities.

"WCG SUBSIDIARIES" means, collectively, WCG and any direct or indirect Subsidiary of WCG.

(e) The definitions of "CONSOLIDATED NET WORTH", "DEBT", "DESIGNATED MINORITY INTERESTS", "ENVIRONMENT", "FITCH", "NET DEBT" and "PUBLIC FILINGS" appearing in SECTION 1.1 are amended, in their entirety, to read as follows:

"CONSOLIDATED NET WORTH" of any Person means the Net Worth of such Person and its Subsidiaries on a consolidated basis plus, in the case of the Company, the Designated Minority Interests to the extent not otherwise included; provided that, in no event shall the value ascribed to Designated Minority Interests exceed $136,892,000 in the aggregate.

"DEBT" means, in the case of any Person, (i) indebtedness of such Person for borrowed money, (ii) obligations of such Person evidenced by bonds, debentures or notes, (iii) obligations of such Person to pay the deferred purchase price of property or services (other than trade payables not overdue by more than sixty

(60) days incurred in the ordinary course of business), (iv) monetary obligations of such Person as lessee under leases that are, in accordance with generally accepted accounting principles, recorded as capital leases, (v) obligations of such Person under guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (iv) of this definition, and (vi) indebtedness or obligations of others of the kinds referred to in clauses (i) through (v) of this definition secured by any Lien on or in respect of any property of such Person; provided, however, that Debt shall not include any obligation under or resulting from any agreement referred to in paragraph (y) of SCHEDULE I; and provided further, it is the understanding of the parties hereto that Debt shall not include any monetary obligations or guaranties of monetary obligations of Persons as lessee under leases that are, in accordance with GAAP, recorded as operating leases.

"DESIGNATED MINORITY INTERESTS" of the Company means, as of any date of determination, the total of the minority interests in the following Subsidiaries of the Company (i) El Furrial, (ii) PIGAP II, (iii) Nebraska Energy, (iv) Seminole, (v) American Soda and (vi) other Subsidiaries of the Company as presented in its Consolidating balance sheet, in an amount not to exceed in the aggregate $9,000,000 for such other Subsidiaries not referred to in CLAUSES (i) through (v) of this definition; provided that minority interests which provide for a stated preferred cumulative return shall not be included in "Designated Minority Interests".

"ENVIRONMENT" shall have the meaning set forth in 42 U.S.C. Section 9601(8) or any successor statute, and "ENVIRONMENTAL" shall mean pertaining or related to the Environment.

"FITCH" means Fitch, Inc.

"NET DEBT" means as of any date of determination, the excess of (x) the aggregate amount of all Debt of the Company and its Subsidiaries on a Consolidated basis, excluding Non-Recourse Debt, over (y) the sum of the Cash Holdings of the Company and its Subsidiaries on a Consolidated basis.

"PUBLIC FILINGS" means the Company's annual report on Form 10-K/A for the year ended December 31, 1999, and its quarterly report on Form 10-Q for the quarter ended March 31, 2000.

(f) The definition of "NON-RECOURSE DEBT" appearing in SECTION 1.1 is amended by adding the following sentence at the end thereof:

"For purposes of this definition, a "non-material Subsidiary" shall mean any Subsidiary of the Company which, as of the date of the most recent Consolidating balance sheet of the Company delivered pursuant to Section 8.2 as described in clause (ii) of the definition of "Consolidating," has total assets which account for less than five percent (5%) of the total assets of the Company and its Subsidiaries, as shown in the column described in clause (ii) of the definition of "Consolidating" of such Consolidating balance sheet; provided that, the total aggregate assets of non-material Subsidiaries shall not comprise at any time more than ten percent (10%) of the total assets of the Company and its Subsidiaries, as shown in such column of such Consolidating balance sheet."

(g) The definitions of "PLAN", "PRIMARY CREDIT AGREEMENT", "PRINCIPAL SUBSIDIARIES" and "S&P" appearing in SECTION 1.1 are amended, in their entirety, to read as follows:

"PLAN" means an employee pension benefit plan (other than a Multiemployer Plan) as defined in Section 3(2) of ERISA currently maintained by, or, in the event such plan has terminated, to which contributions have been made or an obligation to make contributions has accrued, during any of the five (5) plan years preceding the date of termination of such plan by the Company or any ERISA Affiliate for employees of the Company or any such ERISA Affiliate and covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code.

"PRIMARY CREDIT AGREEMENT" means the U.S. $700,000,000 Credit Agreement dated as of July 25, 2000, by and among the Company and the other borrowers named therein, as borrowers, the banks named therein, as lenders, the banks named therein, as co-syndication agents and documentation agent, Citibank, N.A., as agent, and Salomon Smith Barney as arranger, as the same may be from time to time modified or amended.

"PRINCIPAL SUBSIDIARIES" means a collective reference to NWP, TGPL, TGT, and WPC (each a "PRINCIPAL SUBSIDIARY").

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc.

(h) The definition of "SUBSIDIARY" appearing in SECTION 1.1 is amended by adding the following sentence at the end thereof:

"Notwithstanding the above, "Subsidiary" shall not include the WCG Subsidiaries, except that with respect to the Consolidated balance sheet and related Consolidated statements of income and cash flows for the Company referred to in Sections 7.5, 8.2(b) and 8.2(c) and as otherwise specifically provided herein the term "Subsidiary" used with respect to the Company shall include the WCG Subsidiaries."

(i) The definition of "TERMINATION EVENT" appearing in SECTION 1.1 is amended by deleting the phrase "or an event described in Section 4062(f) of ERISA" from clause (a) thereof.

1.2 Amendment to SECTION 7.1. SECTION 7.1 is amended by adding the word "material" before the word "Subsidiary" in the second and third sentences thereof.

1.3 Amendment to SECTION 7.6. SECTION 7.6 is amended to add the phrase "(including for the purposes of this SECTION 7.6, any WCG Subsidiary)" after the word "Subsidiary" appearing therein.

1.4 Amendment to SECTION 7.8. SECTION 7.8 is amended, in its entirety, to read as follows:

> "7.8 ERISA Compliance. No Termination Event has occurred or is reasonably expected to occur with respect to any Plan that could reasonably be expected to have a material adverse effect on the Company or any of its material Subsidiaries (including for the purposes of this SECTION 7.8, the WCG Subsidiaries). Neither the Company nor any ERISA Affiliate has received any notification that any Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and the Company is not aware of any reason to expect that any Multiemployer Plan is to be in reorganization or to be terminated within the meaning of Title IV of ERISA that could reasonably be expected to have a material adverse effect on the Company or any of its material Subsidiaries (including for the purposes of this SECTION 7.8, the WCG Subsidiaries) or any ERISA Affiliate."

1.5 Amendment to SECTION 7.9. SECTION 7.9 is amended by deleting the phrase "(other than material Subsidiaries not in existence on December 31, 1995)" appearing in the first sentence thereof.

1.6 Amendment to SECTION 7.11. SECTION 7.11 is amended, in its entirety, to read as follows:

> "7.11 Environmental Compliance Except as set forth in the Public Filings or as otherwise disclosed in writing to the Administrative Agent after the date hereof and approved by the Administrative Agent and the Determining Lenders, the Company and its material Subsidiaries are in compliance in all material respects with all Environmental Protection Statutes to the extent material to their respective operations or financial condition. Except as set forth in the Public Filings or as otherwise disclosed in writing to the Administrative Agent after the date hereof and approved by the Administrative Agent and the Determining Lenders, the aggregate contingent and non-contingent liabilities of the Company and its Subsidiaries (other than those reserved for in accordance with GAAP and set forth in the financial statements regarding the Company referred to in SECTION 7.5 and delivered to the Administrative Agent and excluding liabilities to the extent covered by insurance if the insurer has confirmed that such insurance covers such liabilities or which the Company reasonably expects to recover from ratepayers) which are reasonably expected to arise in connection with (a) the requirements of Environmental Protection Statutes or (b) any obligation or liability to any Person in connection with any

Environmental matters (including, without limitation, any release or threatened release (as such terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980) of any Hazardous Waste, Hazardous Substance, other waste, petroleum or petroleum products into the Environment) could not reasonably be expected to have a material adverse effect on the business, assets, condition or operations of the Company and its Subsidiaries (including for the purposes of this SECTION 7.11, the WCG Subsidiaries), taken as a whole."

1.7 Amendment to SECTION 7.12(b). SECTION 7.12(b) is amended to add the phrase "(including for the purposes of this SECTION 7.12(b), the WCG Subsidiaries)' after the word "Subsidiaries" appearing in the last sentence thereof.

1.8 Amendment to SECTION 8.2. Subsections (b), (c), (e), (f) and (i) of SECTION 8.2 are amended, in their respective entireties, to read as follows:

"(b) as soon as available and in any event not later than sixty (60) days after the end of each of the first three quarters of each fiscal year of the Company, the Consolidated and Consolidating balance sheets of the Company and its Subsidiaries as of the end of such quarter and the Consolidated and Consolidating statements of income and cash flows of the Company and its Subsidiaries for the period commencing at the end of the previous year and ending with the end of such quarter, all in reasonable detail and duly certified (subject to year-end audit adjustments) by an authorized financial officer of the Company as having been prepared in accordance with GAAP, provided that, if any financial statement referred to in this SECTION 8.2(b) is readily available on-line through EDGAR, the Company shall not be obligated to furnish copies of such financial statement. An authorized financial officer of the Company shall furnish a certificate (i) stating that he has no knowledge that a Default or Potential Default has occurred and is continuing or, if a Default or Potential Default has occurred and is continuing, a statement as to the nature thereof and the action, if any, which the Company proposes to take with respect thereto, and (ii) showing in detail the calculation supporting such statement in respect of SECTION 8.6; provided that, for purposes of Subsections (b) and (c) of this SECTION 8.2, "Subsidiaries" when used in relation to a Consolidated balance sheet and the related statement of income and cash flow shall include the WCG Subsidiaries;"

"(c) as soon as available and in any event not later than one hundred five (105) days after the end of each fiscal year of the Company, a copy of the annual audit report for such year for the Company and its Subsidiaries, including therein Consolidated and Consolidating balance sheets of the Company and its Subsidiaries as of the end of such fiscal year and Consolidated and Consolidating statements of income and cash flows of the Company and its Subsidiaries for such fiscal year, in each case prepared in accordance with GAAP and certified by Ernst & Young, LLP or other independent certified public accountants of recognized standing acceptable to the Administrative Agent, provided that if any financial statement referred to in this SECTION 8.2(c) is readily available on-line through EDGAR, the Company shall not be obligated to furnish copies of such financial statement. The Company shall also deliver in conjunction with such financial statements a certificate of such accounting firm to the Administrative Agent (i) stating that, in the course of the regular audit of the business of the Company and its Subsidiaries, which audit was conducted by such accounting firm in accordance with generally accepted auditing standards, such accounting firm has obtained no knowledge that a Default or Potential Default has occurred and is continuing, or if, in the opinion of such accounting firm, a Default or Potential Default has occurred and is continuing, a statement as to the nature thereof, and (ii) showing in detail the calculations supporting such statement in respect of SECTION 8.6;"

"(e) promptly after the sending or filing thereof, copies of all proxy material, reports and other information which the Company sends to any of its security holders, and copies of all final reports and final registration statements which the Company or any material Subsidiary files with the Securities and Exchange Commission or any national securities exchange; provided that, if such proxy materials and reports, registration statements and other information are readily available on-line through EDGAR, the Company or such material Subsidiary shall not be obligated to furnish copies thereof;"

"(f) as soon as possible and in any event within thirty (30) Business Days after the Company or any ERISA Affiliate knows or has reason to know (i) that any Termination Event described in CLAUSE (a) of the definition of Termination Event with respect to any Plan has occurred that could have a material adverse effect on the Company or any material Subsidiary of the Company (including for the purposes of this SECTION 8.2(f) any material WCG Subsidiary) or any ERISA Affiliate, or (ii) that any other Termination Event with respect to any Plan has occurred or is reasonably expected to occur that could have a material adverse effect on the Company or any material Subsidiary of the Company (including for the purposes of this SECTION 8.2(f) any material WCG Subsidiary) or any ERISA Affiliate, a statement of the chief financial officer or chief accounting officer of the Company describing such Termination Event and the action, if any, which the Company, such Subsidiary or such ERISA Affiliate proposes to take with respect thereto;"

"(i) promptly and in any event within twenty-five (25) Business Days after receipt thereof by the Company or any ERISA Affiliate from the sponsor of a Multiemployer Plan, a copy of each notice received by the Company or any ERISA Affiliate concerning (i) the imposition of a Withdrawal Liability by a Multiemployer Plan, (ii) the determination that a Multiemployer Plan is, or is expected to be, in reorganization within the meaning of Title IV of ERISA, (iii) the termination of a Multiemployer Plan within the meaning of Title IV of

ERISA, or (iv) the amount of liability incurred, or expected to be incurred, by the Company or such ERISA Affiliate in connection with any event described in CLAUSE (i), (ii) or (iii) above that, in each case, could have a material adverse effect on the Company or any ERISA Affiliate;"

1.9 Amendment to SECTION 8.4. SECTION 8.4 is amended by adding the following sentence to the end thereof:

"Notwithstanding the foregoing, the Company and its Subsidiaries may consummate any merger or consolidation permitted pursuant to SECTION 8.7 and any Subsidiary of the Company may be converted into a limited liability company by statutory election."

1.10 Amendment to SECTION 8.6. SECTION 8.6 is amended, in its entirety, to read as follows:

"8.6 Debt. The Company shall not permit the ratio of (a) the aggregate amount of Net Debt of the Company to (b) the sum of the Consolidated Net Worth of the Company plus Net Debt of the Company to exceed 0.65 to 1.0 at any time."

1.11 Amendment to SECTION 8.8. Clause (b)(iii) of SECTION 8.8 is amended, in its entirety, to read as follows:

"(iii) other customary encumbrances and restrictions now or hereafter existing of the Company or any of its Subsidiaries entered into in the ordinary course of business that are not more restrictive in any material respect than the encumbrances and restrictions with respect to the Company or its Subsidiaries existing on July 25, 2000."

1.12 Amendment to SECTION 8.9. SECTION 8.9 is amended, in its entirety, to read as follows:

"8.9 Loans and Advances. The Company shall not make or permit to remain outstanding or allow any of its Subsidiaries to make or permit to remain outstanding, any loan or advance to, or own, purchase or acquire any obligations or debt securities of any WCG Subsidiary, except that the Company and its Subsidiaries may make and permit to remain outstanding loans and advances to a WCG Subsidiary existing as of July 25, 2000 and listed on Exhibit F hereto (and such WCG Subsidiaries may permit such loans and advances on Exhibit F to remain outstanding). Except for those investments in existence on July 25, 2000 and listed on Exhibit F hereof, the Company shall not, and shall not permit any of its Subsidiaries to, acquire or otherwise invest in any stock or other equity or other ownership interest in a WCG Subsidiary."

1.13 Amendment to SECTION 8.10. SECTION 8.10 is amended by adding the following sentence to the end thereof:

> "Nothing herein shall be construed to permit the Company or any of its Subsidiaries to purchase shares, any interest in shares or any ownership interest in a WCG Subsidiary except as permitted by SECTION 8.9."

1.14 Amendment to SECTION 8.11. SECTION 8.11. is amended, in its entirety, to read as follows:

> "8.11 Compliance with ERISA. The Company shall not (a) terminate, or permit any ERISA Affiliate to terminate, any Plan so as to result in any material liability of the Company or any material Subsidiary of the Company (including for purposes of this SECTION 8.11 any material WCG Subsidiary) or any such ERISA Affiliate to the PBGC, or (b) permit to exist any occurrence of any Termination Event with respect to a Plan which would have a material adverse effect on the Company or any material Subsidiary of the Company (including for purposes of this SECTION 8.11 any material WCG Subsidiary)."

1.15 Amendment to SECTION 8.13. SECTION 8.13. is amended, in its entirety, to read as follows:

> "8.13 Guarantees. After July 25, 2000, the Company shall not guarantee or otherwise become contingently liable for, or permit any of its Subsidiaries to guarantee or otherwise become contingently liable for, any Debt or any other obligation of any WCG Subsidiary or to otherwise insure a WCG Subsidiary against loss."

1.16 Amendment to SECTION 8.15. SECTION 8.15. is amended by adding the phrase "relating to the business of the Company and its Subsidiaries, but excluding any WCG Subsidiary" immediately after the phrase "general corporate purposes" appearing therein, and by adding the following sentence at the end thereof:

> "The Company may not use any proceeds of any Borrowings to make any loan or advance to, or to own, purchase or acquire any obligations or debt securities of, any WCG Subsidiary or to acquire or otherwise invest in any stock or other equity or other ownership interest in a WCG Subsidiary."

1.17 Amendment to SECTION 9.3. SECTION 9.3 is amended, in its entirety, to read as follows:

> "9.3 Covenants. The Company shall fail to perform or observe (i) any term, covenant or agreement contained in SECTION 8.2 on its part to be performed or observed and such failure shall continue for ten (10) Business Days after the earlier of the date notice thereof shall have been given to the Company by the

Administrative Agent or any Lender or the date the Company shall have knowledge of such failure, or (ii) any term, covenant or agreement contained in this Agreement (other than a term, covenant or agreement contained in SECTION 8.2) or any Note on its part to be performed or observed; and such failure shall continue for five (5) Business Days after the earlier of the date notice thereof shall have been given to the Company by the Administrative Agent or any Lender or the date the Company shall have knowledge of such failure."

1.18 Amendment to SECTION 9.7. SECTION 9.7 is amended by replacing the reference to (i) the amount "$5,000,000" with the amount "$75,000,000" in Subsections (a) and (c) thereof; and (ii) the amounts "$15,000,000" and "$10,000,000" with the amounts "$75,000,000" and "$50,000,000", respectively, in Subsection (b) thereof.

1.19 Addition of EXHIBIT F. The Term Loan Agreement is amended by adding Exhibit F thereto, such Exhibit F to appear immediately after Exhibit E and to read as "Exhibit F" attached hereto and incorporated by reference herein.

PARAGRAPH 2. AMENDMENT EFFECTIVE DATE. This Amendment shall be binding upon all parties to the Loan Papers on the last day upon which the following has occurred:

(a) The Company shall have delivered to Administrative Agent true and correct copies of all documents evidencing or relating to the Primary Credit Agreement and that the transactions contemplated thereby have been consummated; and

(b) Counterparts of this Amendment shall have been executed and delivered to Administrative Agent by the Company, Administrative Agent, and the Determining Lenders or when Administrative Agent shall have received telecopied, telexed, or other evidence satisfactory to it that all such parties have executed and are delivering to Administrative Agent counterparts thereof.

Upon satisfaction of the foregoing conditions, this Amendment shall be deemed effective on and as of July 25, 2000 (the "AMENDMENT EFFECTIVE DATE").

PARAGRAPH 3. REPRESENTATIONS AND WARRANTIES. As a material inducement to Lenders to execute and deliver this Amendment, the Company hereby represents and warrants to Lenders (with the knowledge and intent that Lenders are relying upon the same in entering into this Amendment) the following: (a) the representations and warranties in the Term Loan Agreement and in all other Loan Papers are true and correct on the date hereof in all material respects, as though made on the date hereof; (b) no Default or Potential Default exists under the Loan Papers; and (c) the terms and provisions of the Primary Credit Agreement have been accurately and completely described in the documents provided to the Administrative Agent pursuant to PARAGRAPH 2(a) above.

PARAGRAPH 4. MISCELLANEOUS.

4.1 EFFECT ON LOAN DOCUMENTS. The Term Loan Agreement and all related Loan Papers shall remain unchanged and in full force and effect, except as provided in this Amendment, and are hereby ratified and confirmed. On and after the Amendment Effective Date, all references to the "Term Loan Agreement" shall be to the Term Loan Agreement as herein amended. The execution, delivery, and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any Rights of the Lenders under the Term Loan Agreement or any Loan Papers, nor constitute a waiver under the Term Loan Agreement or any other provision of the Loan Papers.

4.2 REFERENCE TO MISCELLANEOUS PROVISIONS. This Amendment and the other documents delivered pursuant to this Amendment are part of the Loan Papers referred to in the Term Loan Agreement, and the provisions relating to Loan Papers set forth in SECTION 12 are incorporated herein by reference the same as if set forth herein verbatim.

4.3 COSTS AND EXPENSES. The Company agrees to pay promptly the reasonable fees and expenses of counsel to Administrative Agent for services rendered in connection with the preparation, negotiation, reproduction, execution, and delivery of this Amendment.

4.4 COUNTERPARTS. This Amendment may be executed in a number of identical counterparts, each of which shall be deemed an original for all purposes, and all of which constitute, collectively, one agreement; but, in making proof of this Amendment, it shall not be necessary to produce or account for more than one such counterpart. It is not necessary that all parties execute the same counterpart so long as identical counterparts are executed by the Company, each Determining Lender, and Administrative Agent.

4.5 THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENT OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

Executed as of the date first above written, but effective as of the Amendment Effective Date.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK. SIGNATURE PAGES FOLLOW.]

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

Address for notices
One Williams Center, Suite 5000
Tulsa, Oklahoma 74172
Attention: Treasurer
Telephone No.: (918) 573-5551
Facsimile No.: (918) 573-2065

THE WILLIAMS COMPANIES, INC.,
a Delaware corporation

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

With a copy to:
One Williams Center, Suite 4100
Tulsa, Oklahoma 74172
Attention: Associate General Counsel
Telephone No.: (918) 573-2613
Facsimile No.: (918) 573-4503

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

1301 Avenue of the Americas New York, New York 10019	CREDIT LYONNAIS NEW YORK BRANCH, as Administrative Agent and as a Lender
	By: /s/ Peter D. Kelly ------------------------------------
	Name: Peter D. Kelly ---------------------------------
	Title: Vice President --------------------------------

With a copy to:
1000 Louisiana Street, Suite 5360
Houston, Texas 77002
Attention: Mr. Robert LaRocque
Telephone No.: 713-753-8733
Facsimile No.: 713-751-0307

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

1230 Peachtree Street, Suite 3500
Atlanta, Georgia 30309
Telephone: (404) 888-6518
Facsimile: (404) 888-6539

COMMERZBANK AG NEW YORK AND GRAND CAYMAN BRANCHES, as Syndication Agent, as a Lender and as a Designating Lender

By: /s/ Harry P. Yergey

Name: Harry P. Yergey

Title: SVP & Manager

By: /s/ Brian J. Campbell

Name: Brian J. Campbell

Title: Vice President

FOUR WINDS FUNDING CORPORATION, as a Designated Lender

By COMMERZBANK AKTIENGESELLCHAFT, as Administrator and Attorney-in-Fact

By: /s/ Tom Ausfahl /s/ Carl H. Jackson

Name: Tom Aus Fahl Carl H. Jackson

Title: Vice President Senior Vice President

With a copy to:

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Attention:

Telephone No.:

Facsimile No.:

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

1100 Louisiana Street, Suite 3000
Houston, Texas 77002
Telephone: (713) 759-3445
Facsimile: (713) 752-2425

THE BANK OF NOVA SCOTIA,
as Documentation Agent and as a Lender

By: /s/ F.C.H. Ashby

Name: F.C.H. Ashby

Title: Senior Manager Loan Operations

By:

Name:

Title:

With a copy to:

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Attention:

Telephone No.:

Facsimile No.:

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

1020 19th Street, NW, Suite 500
Washington, DC 20036
Telephone: (202) 842-7956
Facsimile: (202) 842-7955

ABU DHABI INTERNATIONAL BANK INC.,
as a Lender

By: ---------------------------------

Name: -------------------------------

Title: ------------------------------

By: ---------------------------------

Name: -------------------------------

Title: ------------------------------

With a copy to:

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Attention: -----------------------

Telephone No.: -------------------

Facsimile No.: -------------------

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

470 Park Avenue South
32nd Street, 15th Floor
New York, New York
Telephone: (212) 251-1245
Facsimile: (212) 679-5910

BANK POLSKA KASA OPIEKI S.A.,
as a Lender

By: /s/ Hussain B. El-Tawil

Name: Hussain B. El-Tawil

Title: Vice President

With a copy to:

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Attention: ------------------------

Telephone No.: --------------------

Facsimile No.: --------------------

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

450 Park Avenue, Suite 2900
New York, New York 10022-2698
Telephone: (212) 826-5479
Facsimile: (212) 593-4854

BANQUE WORMS CAPITAL CORP.,
as a Lender

By: /s/ Michelle A. Fleming

Name: Michelle A. Fleming

Title: VP & General Counsel

By: /s/ Jeff Marco

Name: Jeff Marco

Title: AVP

With a copy to:

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Attention: -----------------------
Telephone No.: -------------------
Facsimile No.: -------------------

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

1 World Trade Center, Suite 3211
New York, New York 10048
Telephone: (212) 390-7063
Facsimile: (212) 390-0120

CHANG HWA COMMERCIAL BANK, LTD.,
NEW YORK BRANCH, as a Lender

By: /s/ Wan-Tu Yeh

Name: Wan-Tu Yeh

Title: SVP & General Manager

With a copy to:

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Attention:

Telephone No.:

Facsimile No.:

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

1 World Trade Center, 48th Floor
New York, New York 10048
Telephone: (212) 432-6627
Facsimile: (212) 912-1879

THE DAI-ICHI KANGYO BANK, LTD., as a Lender

By: /s/ Katsuya Noto

Name: Katsuya Noto

Title: Vice President

With a copy to:

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Attention:

Telephone No.:

Facsimile No.:

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

Two World Trade Center, Suite 7868
New York, New York 10048
Telephone: (212) 432-5690
Facsimile: (212) 432-7250

FIRST COMMERCIAL BANK - NEW YORK AGENCY, as a Lender

By: /s/ Vincent T. C. Chen

Name: Vincent T. C. Chen

Title: SVP & GM

With a copy to:

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Attention:

Telephone No.:

Facsimile No.:

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

380 Madison Avenue, 21st Floor New York, New York 10017 Telephone: (212) 922-2323 Facsimile: (212) 922-2309	GULF INTERNATIONAL BANK, as a Lender
	By: /s/ Abdel-Fattah Tahoun
	Name: Abdel-Fattah Tahoun
	Title: SVP
With a copy to:	
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Attention:	By: /s/ William B. Shepard
Telephone No.:	Name: William B. Shepard
Facsimile No.:	Title: Vice President

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

2 World Trade Center, Suite 2846
New York, New York 10048
Telephone: (212) 488-2330
Facsimile: (212) 912-1050

HAU NAN COMMERCIAL BANK, LTD., as a Lender

By: /s/ Yun-Peng Chang

Name: Yun-Peng Chang

Title: SVP & General Manager

With a copy to:

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Attention:

Telephone No.:

Facsimile No.:

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

150 East 42nd Street, 29th Floor New York, New York 10017 Telephone: (212) 672-5446 Facsimile: (212) 672-5530	BAYERISCHE HYPO-UND VEREINSBANK AG, NEW YORK BRANCH,as a Lender
	By: /s/ Steven Atwell Name: Steven Atwell Title: Director
	By: /s/ Shannon Batchman Name: Shannon Batchman Title: Director

With a copy to:

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Attention: ________________________

Telephone No.: ____________________

Facsimile No.: ____________________

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

245 Peachtree Center Avenue, Suite 2550
Atlanta, Georgia 30303
Telephone: (404) 584-5466
Facsimile: (404) 584-5465

KBC BANK N.V., as a Lender

By: /s/ Robert Snauffer

Name: Robert Snauffer

Title: First Vice President

By: /s/ Patrick A. Janssens

Name: Patrick A. Janssens

Title: Vice President

With a copy to:

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Attention:

Telephone No.:

Facsimile No.:

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

Grosse Bleiche 54-56 Mainz, Germany 55092 Telephone: (011) 49-61-31-3580 Facsimile:	LANDESBANK RHEINLAND-PFALZ, GIROZENTRALE, as a Lender
	By: /s/ Martina Decker-Ribka /s/ Beatrix Eberz --
	Name: Martina Decker Ribka Beatrix Eberz --
	Title: Assistant Vice President Manager --

With a copy to:

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Attention: ------------------------

Telephone No.: --------------------

Facsimile No.: --------------------

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

Ulsulenan Strasse
Saabrucken, Germany 266111
Telephone: (011) 49-681-383-1476

LANDESBANK SAAR GIROZENTRALE,
as a Lender

By: /s/ Manfred Thinnes /s/ Hans Wobido

Name: Manfred Thinnes Hans Wobido

Title: Sr. Vice President Sr Vice President

With a copy to:

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Attention: ------------------------
Telephone No.: --------------------
Facsimile No.: --------------------

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

Martensdamm 6 Kiel, Germany 24103 Telephone: (011) 49-431-900-2783 Facsimile: (011) 49-431-900-2751	LANDESBANK SCHLESWIG-HOLSTEIN GIROZENTRALE, as a Lender By: /s/ Hans Christian Kuhl /s/ Klaus Reimers Name: Hans Christian Kuhl Klaus Reimers Title: Senior Vice President Asst. Vice President

With a copy to:

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Attention: ------------------------

Telephone No.: --------------------

Facsimile No.: --------------------

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

811 Wilshire Boulevard, Suite 1900 Los Angeles, California 90017 Telephone: (213) 532-3789 Facsimile: (213) 532-3766	LAND BANK OF TAIWAN, LOS ANGELES BRANCH, as a Lender By: ------------------------------ Name: ------------------------------ Title: ------------------------------

With a copy to:

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Attention: -----------------------

Telephone No.: --------------------

Facsimile No.: --------------------

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

2250 East 73rd Street, Suite 200
Tulsa, Oklahoma 74136
Telephone: (918) 494-3874
Facsimile: (918) 495-1284

LOCAL OKLAHOMA BANK, N.A.,
as a Lender

By: /s/ Elisabeth F. Blue

Name: Elisabeth F. Blue

Title: Senior Vice President

With a copy to:

- ---------------------------------

- ---------------------------------
Attention:

Telephone No.:

Facsimile No.:

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

299 Park Avenue, 17th Floor
New York, New York 10171
Telephone: (212) 303-9878
Facsimile: (212) 888-2958

NATIONAL BANK OF KUWAIT, S.A.K., GRAND CAYMAN BRANCH, as a Lender

By: /s/ Muhannad Kamal

Name: Muhannad Kamal

Title: General Manager

By: /s/ Nicholas Arens

Name: Nicholas Arens

Title: Executive Manager

With a copy to:

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Attention: ------------------------

Telephone No.: --------------------

Facsimile No.: --------------------

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

1200 Smith Street, Suite 3100
Houston, Texas 77002
Telephone: (713) 982-1156
Facsimile: (713) 859-6915

PARIBAS, as a Lender

By:

Name:

Title:

By:

Name:

Title:

With a copy to:

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Attention:

Telephone No.:

Facsimile No.:

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

Wall Street Plaza
88 Pine Street, 26th Floor
New York, New York 10005-1801
Telephone: (212) 269-1706
Facsimile: (212) 480-0791

THE ROYAL BANK OF SCOTLAND, PLC,
as a Lender

By: /s/ Scott Barton

Name: Scott Barton

Title: Vice President

With a copy to:

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Attention:

Telephone No.:

Facsimile No.:

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

277 Park Avenue, 6th Floor
New York, New York 10172
Telephone: (212) 224-4194
Facsimile: (212) 224-5188

THE SUMITOMO BANK, LIMITED,
as a Lender

By: /s/ C. Michael Garrido

Name: C. Michael Garrido

Title: Senior Vice President

With a copy to:

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Attention: ------------------------

Telephone No.: --------------------

Facsimile No.: --------------------

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

1251 Avenue of the Americas
New York, New York 10020
Telephone: (212) 282-4065
Facsimile: (212) 282-4250

THE INDUSTRIAL BANK OF JAPAN TRUST COMPANY
as a Lender

By: /s/ Michael N. Oakes

Name: Michael N. Oakes

Title: Senior Vice President

THE INDUSTRIAL BANK OF JAPAN,
LIMITED, HOUSTON OFFICE
(Authorized Representative)

Signature Page to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

55 East 52nd Street, 11th Floor
New York, New York 10055
Telephone: (212) 339-1052
Facsimile: (212) 832-1428

THE TOKAI BANK, LIMITED - NEW YORK BRANCH, as a Lender

By: ------------------------------

Name: ----------------------------

Title: ---------------------------

With a copy to:

- ---------------------------------

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Attention: -----------------------

Telephone No.: --------------------

Facsimile No.: --------------------

EXHIBIT F

EXISTING LOANS AND INVESTMENT IN WCG SUBSIDIARIES

Loan Agreement dated as of September 8, 1999, between Williams Communications, Inc., as Borrower, and the Company, as Lender, filed as Exhibit 10.57 to WCG's Form 10-K/A for the fiscal year ended December 31, 1999.

Various immaterial intercompany receivables between the Company or its Subsidiaries and the WCG Subsidiaries for services rendered, which are settled on a reasonably prompt basis. Services are rendered to the WCG Subsidiaries by the Company or its Subsidiaries pursuant to certain intercompany services agreements, all of which are filed as exhibits to WCG's Form 10-K/A for the fiscal year ended December 31, 1999.

As of July 25, 2000, the Company's investment in WCG consists of 395,434,965 shares of Class B common stock.

EXHIBIT (4)(ll)

FORM OF
WAIVER AND SECOND AMENDMENT TO TERM LOAN AGREEMENT

THIS WAIVER AND SECOND AMENDMENT TO TERM LOAN AGREEMENT (the "AMENDMENT") is entered into effective as of January 31, 2001, among The Williams Companies, Inc., a Delaware corporation (the "COMPANY"), Credit Lyonnais New York Branch, as Administrative Agent (in such capacity, "ADMINISTRATIVE AGENT"), and certain LENDERS (herein so called) named on SCHEDULE 2.1 (as amended and supplemented from time to time) of the Term Loan Agreement (as hereinafter defined).

RECITALS

A. The Company, Lenders, Commerzbank AG New York and Cayman Island Branches, as Syndication Agent, The Bank of Nova Scotia, as Documentation Agent, and Administrative Agent entered into that certain Term Loan Agreement dated as of April 7, 2000, as modified and amended pursuant to that certain First Amendment to Term Loan Agreement dated as of August 21, 2000 (such Term Loan Agreement, as so modified and amended, herein referred to as the "TERM LOAN AGREEMENT") which Term Loan Agreement has been further modified by that certain letter agreement (the "PRIOR WAIVER LETTER") dated as of November 6, 2000. Unless otherwise indicated herein, all terms used with their initial letter capitalized are used herein with their meaning as defined in the Term Loan Agreement, and all Section references are to Sections in the Term Loan Agreement.

B. The Company has requested that the Lenders waive, modify and amend certain terms and provisions of the Term Loan Agreement and to terminate the Prior Waiver Letter.

C. The Lenders are willing to so waive, modify and amend the Term Loan Agreement and to terminate the Prior Waiver Letter, as requested, in accordance with the terms and provisions set forth herein and upon the condition that the Company and the Determining Lenders shall have executed and delivered this Amendment and that the Company shall have fully satisfied the terms and conditions hereof.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company, Administrative Agent and the Lenders hereby agree, as follows:

PARAGRAPH 1. AMENDMENT OF SECTION 1.1 OF THE TERM LOAN AGREEMENT. SECTION 1.1 of the Term Loan Agreement is hereby amended, as follows:

(a) The definition of "Consolidated Net Worth" in such SECTION 1.1 is hereby amended and restated to read in its entirety as follows:

> " "Consolidated Net Worth" of any Person means the Net Worth of such Person and its Subsidiaries on a Consolidated basis plus, in the case of the Company, the Designated Minority Interests to the extent not otherwise included; provided that, in no event shall the value ascribed to Designated Minority Interests for the Subsidiaries of the Company described in clauses (i) through (v) and (vii) of the definition of "Designated Minority Interests" exceed $136,892,000 in the aggregate."

(b) The definition of "DEBT" in SECTION 1.1 is hereby amended and restated to read in its entirety as follows:

" "DEBT" means, in the case of any Person, (i) indebtedness of such Person for borrowed money, (ii) obligations of such Person evidenced by bonds, debentures or notes, (iii) obligations of such Person to pay the deferred purchase price of property or services (other than trade payables not overdue by more than sixty (60) days incurred in the ordinary course of business), (iv) monetary obligations of such Person as lessee under leases that are, in accordance with generally accepted accounting principles, recorded as capital leases, (v) obligations of such Person under guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of, indebtedness or obligations of others of the kinds referred to in clauses (i) through (iv) of this definition and (vi) indebtedness or obligations of others of the kinds referred to in clauses (i) through (v) of this definition secured by any Lien on or in respect of any property of such Person; provided, however, that (x) Debt shall not include any obligation under or resulting from any agreement referred to in paragraph (y) of Schedule I; (y) in the case of the Company, Debt shall not include any contingent obligation of the Company relating to indebtedness incurred by any SPV, WCG or a WCG Subsidiary pursuant to the WCG Structured Financing; and (z) it is the understanding of the parties hereto that Debt shall not include any monetary obligations or guaranties of monetary obligations of Persons as lessee under leases that are, in accordance with generally accepted accounting principles, recorded as operating leases."

(c) The definition of "DESIGNATED MINORITY INTERESTS" in such SECTION 1.1 is hereby amended and restated to read in its entirety as follows:

" "DESIGNATED MINORITY INTERESTS" of the Company means, as of any date of determination, the total of the minority interests in the following Subsidiaries: (i) El Furrial, (ii) PIGAP II, (iii) Nebraska Energy, (iv) Seminole, (v) American Soda, (vi) the Midstream Asset MLP, and (vii) other Subsidiaries, as presented in the Consolidating balance sheet of the Company, in an amount not to exceed in the aggregate $9,000,000 for such other Subsidiaries not referred to in items (i) through (vi); provided that minority interests which provide for a stated preferred cumulative return shall not be included in "Designated Minority Interests."

(d) The following definitions are added to SECTION 1.1 of the Term Loan Agreement in appropriate alphabetical order:

" "MIDSTREAM ASSET MLP" means one or more master limited partnerships included in the Consolidated financial statements of the Company to which the Company has transferred or shall transfer certain assets relating to the distribution, storage and transportation of petroleum products and ammonia, including without limitation marine and inland terminals and related pipeline systems, including, without limitation, Williams Energy Partners L.P."

" "SPV" is used as defined in the definition of "WCG STRUCTURED FINANCING."

" "WCG STRUCTURED FINANCING" means a certain series of related transactions in anticipation of the spin-off of WCG pursuant to which WCG or a WCG Subsidiary shall obtain loans or equity contributions either directly from investors in the marketplace or through one or more special purpose vehicles (each, an "SPV"), which SPV or SPVs may be Subsidiaries of the Company. Principal of such loans and such equity contributions shall be in a cumulative amount after January 31, 2001 which does not exceed in the aggregate $1.5 billion. The Company may have a contingent obligation with respect to repayment of indebtedness or return on and of equity of the SPV (or SPVs), WCG or a WCG Subsidiary in regard to such transaction, which contingent obligation shall terminate in each case no later than four (4) years after the effective date of such transaction and shall be satisfied solely through the issuance of equity securities unless further sales of equity securities of the Company are not possible or will not result in additional net proceeds."

PARAGRAPH 2. WAIVERS. The Company has requested the waiver of, and each Lender hereby agrees to waive, certain provisions of the Term Loan Agreement for and in connection with the transactions described below:

(a) The Company or certain of its Subsidiaries are currently the owners of certain assets described on SCHEDULE A-1 hereto which the Company or such certain Subsidiaries wish to transfer to WCG and/or certain WCG Subsidiaries. In exchange for the transfer to WCG and/or certain WCG Subsidiaries of the assets listed on SCHEDULE A-1 and the assumption by the Company and/or its Subsidiaries of those certain liabilities of WCG or WCG Subsidiaries listed on SCHEDULE A-2, WCG and/or certain WCG Subsidiaries will transfer to the Company and/or its Subsidiaries the assets listed on SCHEDULE B-1 and will assume those certain liabilities of the Company and/or its Subsidiaries listed on SCHEDULE B-2. The Company hereby represents and warrants that such transaction is being entered into on terms and conditions reasonably fair in all material respects to the Company and its Subsidiaries.

The Company anticipates that it or one of its Subsidiaries may purchase certain assets of WCG or a WCG Subsidiary listed on SCHEDULE A-1 and enter into a Sale Lease-Back Transaction in which the Company or one of its Subsidiaries will lease such assets to WCG or a WCG Subsidiary. The Company hereby covenants that such transaction shall be entered into on terms and conditions reasonably fair in all material respects to the Company and its Subsidiaries. To the extent that such Sale Lease-Back Transaction may be, or may be deemed to be, an investment in WCG or a WCG Subsidiary, such transaction is prohibited by SECTION 8.9 of the Term Loan Agreement.

In connection with such asset exchange and the Sale Lease-Back Transaction, and only for purposes of such transactions, the Company requests that the Lenders waive the provisions of SECTION 8.9 to allow the Company and/or its Subsidiaries to effect the Sale Lease-Back Transaction, described in the preceding paragraph, and to acquire the equity interests and stock in WCG and certain WCG Subsidiaries, as described on SCHEDULE B-1, and to transfer assets to WCG and/or WCG Subsidiaries on the terms set forth above. Nothing herein shall be construed or deemed to permit the Company or its Subsidiaries to invest in or acquire stock or equity interests in WCG or any of its Subsidiaries except to the extent described above. Nothing herein shall, or shall be deemed to, waive the provisions of SECTION 8.14 or any other provisions of the Term Loan Agreement applicable to the Sale Lease-Back Transaction, except as expressly set forth above with respect to SECTION 8.9.

(b) In connection with the WCG Structured Financing, and only with respect to such WCG Structured Financing, the Company requests that the Lenders waive:

(i) the provisions of SECTION 8.8 to allow consensual encumbrances and restrictions on the ability of any SPV (as defined above) to make or pay any distributions, dividends, loans or advances to the Company or its Subsidiaries; provided that such consensual encumbrances or restrictions (x) are pursuant to the documents governing the WCG Structured Financing and (y) restrict making or paying distributions, dividends, loans or advances of or on only those assets held by an SPV directly relating to the WCG Structured Financing; and

(ii) the provisions of SECTION 8.13 to allow the Company to be contingently liable for the obligations of any SPV, WCG or WCG Subsidiaries for payments relating to indebtedness or return on and of equity incurred by such entity pursuant to the WCG Structured Financing.

By its signature hereto, each Lender agrees to waive and does hereby waive (i) SECTION 8.9 to allow the Company and its Subsidiaries to acquire the equity interests and stock in WCG and certain WCG Subsidiaries, to the extent set forth above and to allow the Company and its Subsidiaries to act as lessor pursuant to the Sale Lease-Back Transaction described above involving assets listed on SCHEDULE A-1; (ii) SECTION 8.8 to allow consensual encumbrances and restrictions on the ability of any SPV to make or pay distributions, dividends, loans or advances to the Company or its Subsidiaries if such encumbrances and restrictions are pursuant to documents governing the WCG Structured Financing and apply only to assets of such SPV which are directly related to the WCG Structured Financing, and (iii) SECTION 8.13 to allow the Company or a Subsidiary to be contingently liable with respect to the indebtedness or return on and of equity incurred pursuant to the WCG Structured Financing. Nothing herein shall be deemed or construed to waive any other breach of SECTIONS 8.8, 8.9 or SECTION 8.13 of the Term Loan Agreement or to waive a breach of any other provision of the Term Loan Agreement or to require any similar or dissimilar waiver to be granted hereafter.

PARAGRAPH 3. AMENDMENT EFFECTIVE DATE. This Amendment shall be binding upon all parties to the Loan Papers on the last day upon which the following has occurred:

(a) Administrative Agent shall have received a certificate, in form and substance satisfactory to Administrative Agent, addressed to the Lenders, of a responsible officer of WCG and/or each relevant WCG Subsidiary as to (i) its title to those assets transferred to the Company pursuant to the transactions described in Paragraph 2 hereof, and (ii) the equity interests and shares of stock issued or to be issued to the Company pursuant to the transactions described in Paragraph 2 hereof; and

(b) Counterparts of this Amendment shall have been executed and delivered to Administrative Agent by the Company, Administrative Agent, and the Determining Lenders or when Administrative Agent shall have received telecopied, telexed, or other evidence satisfactory to it that all such parties have executed and are delivering to Administrative Agent counterparts thereof.

Upon satisfaction of the foregoing conditions, (i) this Amendment shall be deemed effective on and as of January 31, 2001 (the "AMENDMENT EFFECTIVE DATE"), and (ii) the Prior Waiver Letter shall be and be deemed to be terminated and of no further force and effect.

PARAGRAPH 4. REPRESENTATIONS AND WARRANTIES. As a material inducement to Lenders to execute and deliver this Amendment, the Company hereby represents and warrants to Lenders (with the knowledge and intent that Lenders are relying upon the same in entering into this Amendment) the following: (a) the representations and warranties in the Term Loan Agreement and in all other Loan Papers are true and correct on the date hereof in all material respects, as though made on the date hereof; (b) no Default or Potential Default exists under the Loan Papers; and (c) the terms and provisions of the transactions described in Paragraph 2 hereof have been accurately and completely described herein and in the other documents provided to the Administrative Agent and the Lenders in connection herewith.

PARAGRAPH 5. MISCELLANEOUS.

5.1 EFFECT ON LOAN DOCUMENTS. The Term Loan Agreement and all related Loan Papers shall remain unchanged and in full force and effect, except as provided in this Amendment, and are hereby ratified and confirmed. On and after the Amendment Effective Date, all references to the "TERM LOAN AGREEMENT" shall be to the Term Loan Agreement as herein amended. The execution, delivery, and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any Rights of the Lenders under the Term Loan Agreement or any Loan Papers, nor constitute a waiver under the Term Loan Agreement or any other provision of the Loan Papers.

5.2 REFERENCE TO MISCELLANEOUS PROVISIONS. This Amendment and the other documents delivered pursuant to this Amendment are part of the Loan Papers referred to in the Term Loan Agreement, and the provisions relating to Loan Papers set forth in SECTION 12 are incorporated herein by reference the same as if set forth herein verbatim.

5.3 COSTS AND EXPENSES. The Company agrees to pay promptly the reasonable fees and expenses of counsel to Administrative Agent for services rendered in connection with the preparation, negotiation, reproduction, execution, and delivery of this Amendment.

5.4 COUNTERPARTS. This Amendment may be executed in a number of identical counterparts, each of which shall be deemed an original for all purposes, and all of which constitute, collectively, one agreement; but, in making proof of this Amendment, it shall not be necessary to produce or account for more than one such counterpart. It is not necessary that all parties execute the same counterpart so long as identical counterparts are executed by the Company, each Determining Lender, and Administrative Agent.

5.5 THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR,

CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENT OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

Executed as of the date first above written, but effective as of the Amendment Effective Date.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGES FOLLOW]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

Address for notices
One Williams Center, Suite 5000
Tulsa, Oklahoma 74172
Attention: Treasurer
Telephone No.: (918) 573-5551
Facsimile No.: (918) 573-2065

THE WILLIAMS COMPANIES, INC.,
a Delaware corporation

By:

Name: James G. Ivey
Title: Treasurer

With a copy to:

One Williams Center, Suite 4100
Tulsa, Oklahoma 74172
Attention: Associate General Counsel
Telephone No.: (918) 573-2613
Facsimile No.: (918) 573-4503

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

1301 Avenue of the Americas
New York, New York 10019

CREDIT LYONNAIS NEW YORK BRANCH,
as Administrative Agent and as a Lender

By: ------------------------------------

Name: ----------------------------------

Title: ---------------------------------

With a copy to:

1000 Louisiana Street, Suite 5360
Houston, Texas 77002
Attention: Mr. Robert LaRocque
Telephone No.: 713-753-8733
Facsimile No.: 713-751-0307

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT
TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

1230 Peachtree Street, Suite 3500
Atlanta, Georgia 30309
Telephone: (404) 888-6518
Facsimile: (404) 888-6539

COMMERZBANK AG NEW YORK AND GRAND CAYMAN BRANCHES, as Syndication Agent, as a Lender and as a Designating Lender

By: --------------------------
Name: ------------------------
Title: -----------------------

By: --------------------------
Name: ------------------------
Title: -----------------------

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT TO TERM LOAN AGREEMENT]

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FOUR WINDS FUNDING CORPORATION,
as a Designated Lender

By COMMERZBANK AKTIENGESELLCHAFT, as
Administrator and Attorney-in-Fact

By: ------------------------------------
Name: ----------------------------------
Title: ---------------------------------

By: ------------------------------------
Name: ----------------------------------
Title: ---------------------------------

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT
TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

1100 Louisiana Street, Suite 3000
Houston, Texas 77002
Telephone: (713) 759-3445
Facsimile: (713) 752-2425

THE BANK OF NOVA SCOTIA,
as Documentation Agent and as a Lender

By:

Name:

Title:

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT
TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

1020 19th Street, NW, Suite 500 Washington, DC 20036 Telephone: (202) 842-7956 Facsimile: (202) 842-7955	ABU DHABI INTERNATIONAL BANK INC., as a Lender
	By: ------------------------------------ Name: ---------------------------------- Title: ----------------------------------
	By: ------------------------------------ Name: ---------------------------------- Title: ----------------------------------

With a copy to:

- -----------------------------------

- -----------------------------------

Attention: -------------------------

Telephone No.: ----------------------

Facsimile No.: ----------------------

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT
TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

470 Park Avenue South
32nd Street, 15th Floor
New York, New York
Telephone: (212) 251-1245
Facsimile: (212) 679-5910

BANK POLSKA KASA OPIEKI S.A.,
as a Lender

By:

Name:

Title:

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT
TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

122 East 42nd Street, Suite 4405
New York, New York 100168
Telephone: (212) 883-6330
Facsimile: (212) 883-6350

BANQUE WORMS CAPITAL CORP.,
as a Lender

By:

Name:

Title:

By:

Name:

Title:

With a copy to:

- ------------------------------------

- ------------------------------------
Attention:

Telephone No.:

Facsimile No.:

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT
TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

1 World Trade Center, Suite 3211
New York, New York 10048
Telephone: (212) 390-7049
Facsimile: (212) 390-0120

CHANG HWA COMMERCIAL BANK,
LTD., NEW YORK BRANCH, as a Lender

By:

Name:

Title:

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT
TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

1 World Trade Center, 48th Floor New York, New York 10048 Telephone: (212) 432-6627 Facsimile: (212) 912-1879	THE DAI-ICHI KANGYO BANK, LTD., as a Lender By: ------------------------------------ Name: ---------------------------------- Title: ----------------------------------

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

Two World Trade Center, Suite 7868
New York, New York 10048
Telephone: (212) 432-5690
Facsimile: (212) 432-7250

FIRST COMMERCIAL BANK - NEW YORK AGENCY,
as a Lender

By:

Name:

Title:

With a copy to:

Attention: Jeffrey Wang
Telephone No.: (212) 432-6590
Facsimile No.: (212) 432-7250

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT
TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

380 Madison Avenue, 21st Floor New York, New York 10017 Telephone: (212) 922-2323 Facsimile: (212) 922-2309	GULF INTERNATIONAL BANK, as a Lender

By: ------------------------------------

Name: ----------------------------------

Title: ---------------------------------

By: ------------------------------------

Name: ----------------------------------

Title: ---------------------------------

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

2 World Trade Center, Suite 2846 New York, New York 10048 Telephone: (212) 488-2330 Facsimile: (212) 912-1050	HAU NAN COMMERCIAL BANK, LTD., as a Lender By: ------------------------------------ Name: ---------------------------------- Title: ----------------------------------

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

150 East 42nd Street, 29th Floor
New York, New York 10017
Telephone: (212) 672-5446
Facsimile: (212) 672-5530

BAYERISCHE HYPO-UND VEREINSBANK AG, NEW YORK BRANCH, as a Lender

By:

Name:

Title:

By:

Name:

Title:

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT
TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

245 Peachtree Center Avenue, Suite 2550
Atlanta, Georgia 30303
Telephone: (404) 584-5466
Facsimile: (404) 584-5465

KBC BANK N.V., as a Lender

By:

Name:

Title:

By:

Name:

Title:

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT
TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

Grosse Bleiche 54-56
Mainz, Germany 55092
Telephone: (011) 49-61-31-3580
Facsimile:

LANDESBANK RHEINLAND-PFALZ,
GIROZENTRALE,
as a Lender

By:

Name:

Title:

By:

Name:

Title:

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT
TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

Ursulinenstr. 2
66111 Saarbrucken, Germany
Telephone: (011) 49-681-383-1476

LANDESBANK SAAR GIROZENTRALE,
as a Lender

By:

Name:

Title:

By:

Name:

Title:

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT
TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

Martensdamm 6
Kiel, Germany 24103
Telephone: (011) 49-433-900-2783
Facsimile: (011) -49-431-900-2751

LANDESBANK SCHLESWIG-HOLSTEIN
GIROZENTRALE, as a Lender

By:

Name:

Title:

By:

Name:

Title:

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT
TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

811 Wilshire Boulevard, Suite 1900
Los Angeles, California 90017
Telephone: (213) 532-3789
Facsimile: (213) 532-3766

LAND BANK OF TAIWAN, LOS ANGELES BRANCH,
as a Lender

By:

Name:

Title:

With a copy to:

- -----------------------------------

- -----------------------------------
Attention:

Telephone No.:

Facsimile No.:

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT
TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

2250 East 73rd Street, Suite 200
Tulsa, Oklahoma 74136
Telephone: (918) 494-3874
Facsimile: (918) 495-1284

LOCAL OKLAHOMA BANK, N.A.,
as a Lender

By:

Name:

Title:

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

299 Park Avenue, 17th Floor
New York, New York 10171
Telephone: (212) 303-9878
Facsimile: (212) 888-2958

NATIONAL BANK OF KUWAIT, S.A.K.,,
GRAND CAYMAN BRANCH as a
Lender

By:

Name:

Title:

By:

Name:

Title:

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT
TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

1200 Smith Street, Suite 3100
Houston, Texas 77002
Telephone: (713) 982-1156
Facsimile: (713) 859-6915

PARIBAS, as a Lender

By:

Name:

Title:

By:

Name:

Title:

With a copy to:

- ------------------------------------

- ------------------------------------
Attention:

Telephone No.:

Facsimile No.:

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT
TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

Wall Street Plaza
88 Pine Street, 26th Floor
New York, New York 10005-1801
Telephone: (212) 269-1706
Facsimile: (212) 480-0791

THE ROYAL BANK OF SCOTLAND, PLC,
as a Lender

By:

Name:

Title:

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT
TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

277 Park Avenue, 6th Floor
New York, New York 10172
Telephone: (212) 224-4194
Facsimile: (212) 224-5188

THE SUMITOMO BANK, LIMITED,
as a Lender

By:

Name:

Title:

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT
TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

1251 Avenue of the Americas New York, New York 10020 Telephone: (212) 282-4065 Facsimile: (212) 282-4250	THE INDUSTRIAL BANK OF JAPAN TRUST COMPANY as a Lender

By:

Name:

Title:

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT TO TERM LOAN AGREEMENT]

Signature Page to that certain Waiver and Second Amendment to Term Loan Agreement dated effective as of January 31, 2001, among The Williams Companies, Inc., as the Company, Credit Lyonnais New York Branch, as Administrative Agent and as a Lender, and certain Lenders named therein.

55 East 52nd Street, 11th Floor New York, New York 10055 Telephone: (212) 339-1052 Facsimile: (212) 832-1428	THE TOKAI BANK, LIMITED - NEW YORK BRANCH, as a Lender By: ------------------------------------ Name: ---------------------------------- Title: ----------------------------------

[SIGNATURE PAGE TO WAIVER AND SECOND AMENDMENT TO TERM LOAN AGREEMENT]

SCHEDULE A - 1

ASSETS TO BE TRANSFERRED FROM TWC AND/OR ITS SUBSIDIARIES
TO WCG AND/OR WCG SUBSIDIARIES

1. Those certain three aircraft owned by Williams Aviation, Inc., or under contract for purchase by Williams Aviation, Inc, more specifically identified as follows:

   Citation V - located in Chesterfield, Missouri, Tail Number N352WC
   Citation X - located in Tulsa, Oklahoma, Tail Number N358WC
   Citation Excel - scheduled for delivery by April 1, 2001, Tail Number N359WC

   The aggregate value of the three aircraft is $32,000,000.

2. That certain Williams Technology Center located in Tulsa, Oklahoma, and owned by the Williams Headquarters Building Company. The Williams Technology Center is constructing a fifteen story office building that will house various Williams energy and communications employees. It will be attached to the east-end of the existing Bank of Oklahoma Tower at the Plaza, Ground and Service levels. The building is bounded on the north by First Street, east by Cincinnati Avenue, south by Second Street, and west by the podium of the Bank of Oklahoma Tower. The building will contain 733,391 net rentable square feet and accommodate up to 4,000 employees.

3. That certain Parking Garage being constructed on the northeast corner of First Street and Cincinnati Avenue, directly south of the LaPetite Academy daycare center. The parking garage will be six levels tall and contain 1,029 parking spaces. It will be connected to the Williams Technology Center by pedestrian bridges west across Cincinnati and south across First Street.

   The aggregate value of the Williams Technology Center and the Parking Garage (items 2 and 3) is $85,000,000.

4. That certain Intercompany Note executed between TWC and Williams Communications, Inc., on September 8, 1999. The note is for seven years and has approximately $975 million outstanding, bears interest at rates equal to LIBOR, or an alternate base rate, plus a margin based on the debt rating of WCG's credit facility by Standard & Poor's and Moody's, plus 0.25% based on WCG's ratio of total debt to EBITDA greater than or equal to 6.0 to 1.0. Principal is paid quarterly beginning July 1, 2000.

   The value of the Intercompany Note is $630,000,000.

SCHEDULE A - 2

LIABILITIES OF WCG AND/OR WCG SUBSIDIARIES
TO BE ASSUMED BY TWC AND/OR ITS SUBSIDIARIES

1. Payment obligations with respect to those certain building improvements, fixtures and equipment including all construction, design, flooring, food service equipment, security, audio equipment, video equipment, telecommunication equipment, furniture and fixtures, and related costs, including but not limited to material, labor, installation and taxes, as set forth in the Authorization for Expenditure(s) dated September 18, 2000.

   The aggregate value of the building improvements, fixtures and equipment is $160,000,000.

SCHEDULE B - 1

ASSETS TO BE TRANSFERRED FROM WCG AND/OR WCG SUBSIDIARIES
TO TWC AND/OR ITS SUBSIDIARIES

1. All losses or credit carryovers or other similar attributes of WCG not in existence on September 30, 1999, but arising thereafter, and utilized by Williams as part of its consolidated tax return for any consolidated returns filed following September 30, 1999, as described in the Tax Sharing Agreement dated September 30, 1999.

   The aggregate value is $317,000,000.

2. That certain Telecommunications Services Agreement dated January 5, 1995, between The Williams Companies, Inc. and Wiltel, Inc., and subsequently amended. WorldCom, as the successor to Wiltel, provides WCG a specific amount of long distance, frame relay and private line services free of costs other than its out of pocket expenses payable to third parties. WCG resells these services to Williams, its subsidiaries and affiliates at market rates. The term of the agreement is 35 years beginning January 1995.

   The value is $65,000,000.

3. Those certain two dark fibers capable of providing a minimum capacity up to an OC-12 along the entire length of the fiber optic facilities along Transco's main line pipelines from Houston, Texas to Manassas, Virginia and Washington, D.C. to Station 200 outside Philadelphia, Pennsylvania which include property in the states of Texas, Louisiana, Mississippi, Alabama, Georgia, South Carolina, North Carolina, Virginia, the District of Columbia, Maryland and Pennsylvania, including the dark fiber needed to connect the non-contiguous points along the Transco right of way (the "Transco Fiber"). The general description of this service is provided in that certain Construction, Operating, Maintenance Agreement dated January 1, 1997. The Transco Fiber excludes any incidental services required to support the dark fiber pair, such as collocation, power, and maintenance fees.

   The aggregate value is $15,000,000.

4. That number of shares of WCG Class A stock to be issued to TWC having an aggregate value equal to approximately $470 million, to be priced based upon the average of the high and low for each of the five business days beginning January 17, 2001 and ending January 23, 2001.

SCHEDULE B - 2

LIABILITIES OF TWC AND/OR ITS SUBSIDIARIES
TO BE ASSUMED BY WCG AND/OR WCG SUBSIDIARIES

1. All incremental costs to be incurred by WCG in connection with the replacement of certain shared hardware, systems and applications that will need to be replicated upon the separation of the two companies. In addition, WCG will need to procure it own unique software licenses on everything from Microsoft products to the PeopleSoft applications. Also included in this category are those miscellaneous costs incurred to effect the spin-off of WCG from Williams.

   The aggregate value is $40,000,000.

EXHIBIT 10(a)

33,000,000 SHARES

THE WILLIAMS COMPANIES, INC.

COMMON STOCK

UNDERWRITING AGREEMENT

January 16, 2001

LEHMAN BROTHERS INC.
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
CREDIT SUISSE FIRST BOSTON CORPORATION
As Representatives of the several
Underwriters named in Schedule 1,
c/o Lehman Brothers Inc.
Three World Financial Center
New York, New York 10285

Dear Sirs:

The Williams Companies, Inc., a Delaware corporation (the "COMPANY"), proposes to sell 33,000,000 shares (the "FIRM STOCK") of the Company's Common Stock, par value $1.00 per share (the "COMMON STOCK") to the several Underwriters (the "UNDERWRITERS") named in Schedule 1 hereto, subject to the conditions hereinafter stated. Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse First Boston Corporation shall act as representatives (the "REPRESENTATIVES") of the several Underwriters.

In addition, the Company proposes to grant to the Underwriters an option to purchase up to an additional 4,950,000 shares of the Common Stock on the terms and for the purposes set forth in Section 3 (the "OPTION Stock"). The Firm Stock and the Option Stock, if purchased, are hereinafter collectively called the "STOCK." This is to confirm the agreement concerning the purchase of the Stock from the Company by the Underwriters.

SECTION 1. Representations, Warranties and Agreements of the Company. The Company represents, warrants and agrees that:

(a) A registration statement on Form S-3 with respect to debt securities, preferred and common stock of the Company (collectively, the "SECURITIES"), including the Stock, has (i) been prepared by the Company in conformity in all material respects with the requirements of the Securities Act of 1933, as amended (the "SECURITIES ACT"), and the rules and regulations (the "RULES AND REGULATIONS") of the Securities and Exchange Commission (the "COMMISSION") thereunder, (ii) been filed with the Commission under the Securities Act and (iii) become effective under the Securities Act. The registration statement includes a prospectus relating to the Securities. In addition, the Company has filed, or will file within the applicable time period set forth in the Rules and Regulations, with the Commission, a prospectus supplement specifically relating to the Stock pursuant to Rule 424 of the Rules and Regulations. The term "REGISTRATION STATEMENT" means the registration statement as amended to the date of this Agreement. The term "BASIC PROSPECTUS" means the prospectus included in the Registration Statement. The term "PROSPECTUS" means the Basic Prospectus together with the prospectus supplement (other than a preliminary prospectus supplement) specifically relating to the Stock, in the form first used to confirm sales of the Stock. The term "PRELIMINARY PROSPECTUS" means a preliminary prospectus supplement specifically relating to the Stock, together with the Basic Prospectus. As used herein, the terms "REGISTRATION STATEMENT", "BASIC PROSPECTUS", "PROSPECTUS" and "PRELIMINARY PROSPECTUS" shall include, in each case, the material, if any, incorporated by reference therein; "EFFECTIVE TIME" means the date and time as of which the Registration Statement, or the most recent post-effective amendment thereto, was declared effective by the Commission; "EFFECTIVE DATE" means the date of the Effective Time; and the terms "SUPPLEMENT", "AMEND" and "AMENDMENT", as used in this Agreement with respect to the Registration Statement or the Prospectus, shall include all documents subsequently filed by the Company with the Commission pursuant to the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), that are deemed to be incorporated by reference in the Prospectus. If the Company has filed an abbreviated registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the "RULE 462 REGISTRATION STATEMENT"), then any reference herein to the term "REGISTRATION STATEMENT" shall be deemed to include such Rule 462 Registration Statement. To the best of the Company's knowledge, the Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus.

(b) The Registration Statement conforms in all material respects, and the Prospectus and any further amendments or supplements to the Registration Statement or the Prospectus will, when they become effective or are filed with the Commission, as the case may be, conform in all material respects to the requirements of the Securities Act and the Rules and Regulations and do not and will not, as of the applicable Effective Date (as to the Registration Statement and any amendment thereto) and as of the applicable filing date (as to the Prospectus and any amendment or supplement thereto) contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided that no representation or warranty is made as to information contained in or omitted from the Registration Statement or the Prospectus in reliance upon and in conformity with written information furnished to the Company through the Representatives by or on behalf of any Underwriter specifically for inclusion therein.

(c) The Company and each of its significant subsidiaries (as defined in Rule 1-02 of Regulation S-X under the Securities Act) (each, a "SIGNIFICANT SUBSIDIARY" and collectively, "SIGNIFICANT SUBSIDIARIES"), which are listed on Schedule 2 hereto, have been duly incorporated (in the case of each Significant Subsidiary which is a corporation) or otherwise validly formed and are validly existing in good standing under the laws of their respective jurisdictions of organization, are duly qualified to do business and are in good standing in each jurisdiction in which their respective ownership or lease of property or the conduct of their respective businesses requires such qualification, except where failure to have such qualifications would not, singly or in the aggregate, have a material adverse effect on the consolidated financial position, results of operation, business or prospects of the Company and its subsidiaries, taken as a whole, and have all power and authority necessary to own or hold their respective properties and to conduct the businesses in which they are engaged.

(d) The Company has an authorized capitalization as set forth in the Prospectus and all of the issued shares of capital stock of the Company have been duly authorized and validly issued, are fully paid and non-assessable and conform to the description thereof contained in the Prospectus; and all of the issued shares of capital stock of each Significant Subsidiary (in the case of each Significant Subsidiary which is a corporation) have been duly authorized and validly issued and are fully paid and non-assessable and (except for directors' qualifying shares and as disclosed in the Prospectus) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims.

(e) The shares of the Stock to be issued and sold by the Company to the Underwriters hereunder have been duly authorized and, when issued and delivered against payment therefor in accordance with this Agreement, will be validly issued, fully paid and non-assessable; the issuance of such shares of Stock is not subject to any preemptive rights, and the preferred stock purchase rights under the Rights Agreement dated as of February 6, 1996 (the "RIGHTS AGREEMENT") to which holders of the shares of Stock will be entitled have been duly authorized and, when issued together with such shares of Stock, will be validly issued and the Stock will conform in all material respects to the description thereof contained in the Prospectus.

(f) This Agreement has been duly authorized, executed and delivered by the Company.

(g) The execution, delivery and performance of this Agreement by the Company and the consummation of the transactions contemplated hereby will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its Significant Subsidiaries is a party or by which the Company or any of its Significant Subsidiaries is bound or to which any of the property or assets of the Company or any of its Significant Subsidiaries is subject, other than such conflicts, agreements, breaches, violations or defaults which, singly or in the aggregate, would not have a material adverse effect on the consolidated financial position, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole, nor will such actions result in any violation of the provisions of the charter or by-laws of the Company or any of its Significant Subsidiaries or any statute or any order, rule or regulation known to the Company of any court or governmental agency or body having jurisdiction over the Company or any of its Significant Subsidiaries or any of their properties or assets; and except for the registration of the Stock under the Securities Act and such consents, approvals, authorizations, registrations or qualifications as may be required under the Exchange Act, the Securities Act, applicable state securities laws and securities laws of foreign jurisdictions in connection with the purchase and distribution of the Stock by the Underwriters, no consent, approval, authorization or order of, or filing or registration with, any such court or governmental agency or body is required for the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby.

(h) Except as described in the Prospectus and except for the registration rights granted in connection with the sale of the Company's 7.50% Debentures due January 15, 2031 and the 6.75% Putable Asset Term Securities Putable/Callable January 15, 2006, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include any securities of the Company in the securities registered pursuant to the Registration Statement.

(i) Neither the Company nor any of its Significant Subsidiaries has sustained, since the respective dates as of which information is given in the Prospectus, any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree that has resulted in, or is reasonably likely to result in, a material adverse change in the consolidated financial position, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole, otherwise than as set forth or contemplated in the Prospectus; and, since such date, there has not been any material change in the capital stock or long-term debt of the Company or any of its subsidiaries or any material adverse change, or any development involving a prospective material adverse change, in or affecting the consolidated financial position, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole, otherwise than as set forth or contemplated in the Prospectus.

(j) The financial statements (including the related notes and supporting schedules) filed as part of the Registration Statement or included in the Prospectus present fairly, in all material respects, the financial condition and results of operations of the entities purported to be shown thereby, at the dates and for the periods indicated, and have been prepared in conformity with generally accepted accounting principles applied on a consistent basis throughout the periods involved, except as may be indicated in the notes thereto.

(k) Ernst & Young, who have certified certain financial statements of the Company, whose report appears, or is incorporated by reference, in the Prospectus and who have delivered the initial letter referred to in Section 7(f) hereof, are independent public accountants as required by the Securities Act and the Rules and Regulations; and Deloitte & Touche, whose report appears, or is incorporated by reference, in the Prospectus, were independent accountants as required by the Securities Act and the Rules and Regulations during the periods covered by the financial statements on which they reported.

(l) The Company and each of its Significant Subsidiaries have good title to all real property and good title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects, except such as are described in the Prospectus or such as do not materially affect the value of such property and do not materially interfere with the conduct of business of the Company and its subsidiaries, taken as a whole; and all assets held under lease by the Company and its Significant Subsidiaries are held by them under valid, subsisting and enforceable leases, with such exceptions as are not material and do not interfere with the conduct of business of the Company and its subsidiaries, taken as a whole.

(m) The Company and each of its Significant Subsidiaries carry, or are covered by, insurance in such amounts and covering such risks as the Company believes is adequate for the conduct of their respective businesses and the value of their respective properties and as the Company believes is customary for companies engaged in similar businesses in similar industries.

(n) The Company and each of its Significant Subsidiaries own or possess, or can acquire on reasonable terms, adequate rights to use all material patents, patent applications, trademarks, service marks, trade names, copyrights and licenses necessary for the conduct of their respective businesses and have no reason to believe that the conduct of their respective businesses will conflict with, and have not received any notice of any claim of conflict with, any such rights of others which, singly or in the aggregate, in the judgment of the Company, is reasonably likely to result in any material adverse change in the consolidated financial position, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole.

(o) Except as described in the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its Significant Subsidiaries is a party or of which any property or assets of the Company or any of its Significant Subsidiaries is the subject which, if determined adversely to the Company or any of its Significant Subsidiaries, might have a material adverse effect on the consolidated financial position, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole; and to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others.

(p) There are no contracts or other documents which are required to be described in the Prospectus or filed as exhibits to the Registration Statement by the Securities Act or by the Rules and Regulations which have not been described in the Prospectus or filed as exhibits to the Registration Statement.

(q) No business or related party transaction exists which is required by Item 404 of Regulation S-K to be described in the Prospectus which is not so described.

(r) The Company is in compliance in all material respects with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA"); no "REPORTABLE EVENT" (as defined in ERISA) has occurred with respect to any "PENSION PLAN" (as defined in ERISA) for which the Company would have any liability; the Company has not incurred and does not expect to incur liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "PENSION PLAN" or (ii) Sections 412 or 4971 of the Internal Revenue Code of 1986, as amended, including the regulations and published interpretations thereunder (the "CODE"); and each "PENSION PLAN" for which the Company would have any liability that is intended to be qualified under Section 401(a) of the Code is so qualified in all material respects and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification.

(s) The Company has filed all material federal, state and local income and franchise tax returns required to be filed through the date hereof and has paid all taxes due thereon, other than those filings or payments being contested in good faith, and the Company has not received notice that any tax deficiency has been determined adversely to the Company or any of its Significant Subsidiaries which has had or is reasonably likely to have a material adverse effect on the consolidated financial position, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole.

(t) Since the date as of which information is given in the Prospectus through the date hereof, and except as may otherwise be disclosed in the Prospectus or with respect to the subsequent issuance of shares of Common Stock, if any, pursuant to employee or director benefit plans, the Company has not (i) issued or granted any securities, (ii) incurred any liability or obligation, direct or contingent, other than liabilities and obligations which were incurred in the ordinary course of business, (iii) entered into any transaction not in the ordinary course of business, except, in case of (ii) and (iii), for such liabilities, obligations or transactions that have not had or are not reasonably expected to have, a material adverse effect on the consolidated financial conditions, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole or (iv) declared or paid any dividend on its capital stock.

(u) The Company (i) makes and keeps accurate books and records and (ii) maintains internal accounting controls which provide reasonable assurance that (A) transactions are executed in accordance with management's authorization, (B) transactions are recorded as necessary to permit preparation of its financial statements and to maintain accountability for its assets, (C) access to its assets is permitted only in accordance with management's authorization and (D) the reported accountability for its assets is compared with existing assets at reasonable intervals.

(v) Neither the Company nor any of its Significant Subsidiaries (i) is in violation of its charter or by-laws, (ii) is in default in any material respect, and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any material indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties or assets is subject or (iii) is in violation in any material respect of any law, ordinance, governmental rule, regulation or court decree to which it or its property or assets may be subject or has failed to obtain any material license, permit, certificate, franchise or other governmental authorization or permit necessary to the ownership of its property or to the conduct of its business except, in case of (ii) and (iii), for such defaults, violations, or failures to obtain such authorizations or permits that have not had or are not reasonably expected to have, a material adverse effect on the consolidated financial condition, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole.

(w) There has been no storage, disposal, generation, manufacture, refinement, transportation, handling or treatment of toxic wastes, medical wastes, hazardous wastes or hazardous substances by the Company or any of its Significant Subsidiaries (or, to the knowledge of the Company, any of their predecessors in interest) at, upon or from any of the property now or previously owned or leased by the Company or its Significant Subsidiaries in violation of any applicable law, ordinance, rule, regulation, order, judgment, decree or permit or which would require remedial action under any applicable law, ordinance, rule, regulation, order, judgment, decree or permit, except for any violation or remedial action which would not have, or could not be reasonably likely to have, singularly or in the aggregate with all such violations and remedial actions, a material adverse effect on the consolidated financial position, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole; there has been no material spill, discharge, leak, emission, injection, escape, dumping or release of any kind onto such property or into the environment surrounding such property of any toxic wastes, medical wastes, solid wastes, hazardous wastes or hazardous substances due to or caused by the Company or any of its Significant Subsidiaries or with respect to which the Company or any of its Significant Subsidiaries have knowledge, except for any such spill, discharge, leak, emission, injection, escape, dumping or release which would not have or would not be reasonably likely to have, singularly or in the aggregate with all such spills, discharges, leaks, emissions, injections, escapes, dumpings and releases, a material adverse effect on the consolidated financial position, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole; and the terms "HAZARDOUS WASTES", "TOXIC WASTES", "HAZARDOUS SUBSTANCES" and "MEDICAL WASTES" shall have the meanings specified in any applicable local, state, federal and foreign laws or regulations with respect to environmental protection.

(x) The Company is not, and, after giving effect to the offering contemplated hereby and the application of the net proceeds therefrom as described in the Prospectus, will not be, an "investment company" as defined in the Investment Company Act of 1940, as amended.

SECTION 2. Purchase of the Stock by the Underwriters. On the basis of the representations and warranties contained in, and subject to the terms and conditions of, this Agreement, the Company agrees to sell the Firm Stock to the several Underwriters and each of the Underwriters, severally and not jointly, agrees to purchase the number of shares of the Firm Stock set forth opposite that Underwriter's name in Schedule 1 hereto. The respective purchase obligations of the Underwriters with respect to the Firm Stock shall be rounded among the Underwriters to avoid fractional shares, as the Representatives may determine.

In addition, the Company grants to the Underwriters an option to purchase up to 4,500,000 shares of Option Stock. Such option is granted for the purpose of covering over-allotments in the sale of Firm Stock and is exercisable as provided in Section 4 hereof. Shares of Option Stock shall be purchased severally for the account of the Underwriters in proportion to the number of shares of Firm Stock set forth opposite the name of such Underwriter in Schedule 1 hereto. The respective purchase obligations of each Underwriter with respect to the Option Stock shall be adjusted by the Representatives so that no Underwriter shall be obligated to purchase Option Stock other than in 100 share amounts.

The price of both the Firm Stock and any Option Stock to be paid by the Underwriters shall be $35.135 per share.

The Company shall not be obligated to deliver any of the Stock to be delivered on any Delivery Date (as hereinafter defined), except upon payment for all the Stock to be purchased on such Delivery Date as provided herein.

SECTION 3. Offering of Stock by the Underwriters.

Upon authorization by the Representatives of the release of the Firm Stock, the several Underwriters propose to offer the Firm Stock for sale upon the terms and conditions set forth in the Prospectus.

SECTION 4. Delivery of and Payment for the Stock. Delivery of and payment for the Firm Stock shall be made at the offices of Davis Polk & Wardwell, 450 Lexington Avenue, New York, New York 10017, at 10:00 A.M., New York City time, on January 22, 2001 or at such other date or place as shall be determined by agreement between the Representatives and the Company. This date and time are sometimes referred to as the "FIRST DELIVERY DATE." On the First Delivery Date, the Company shall deliver or cause to be delivered certificates representing the Firm Stock to the Representatives for the account of each Underwriter against payment to or upon the order of the Company of the purchase price by wire transfer in immediately available funds. Time shall be of the essence, and delivery at the time and place specified pursuant to this Agreement is a further condition of the obligation of each Underwriter hereunder. Upon delivery, the Firm Stock shall be registered in such names and in such denominations as the Representatives shall request in writing not less than two full business days prior to the First Delivery Date. For the purpose of expediting the checking and packaging of the certificates for the Firm Stock, the Company shall make the certificates representing the Firm Stock available for inspection by the Representatives in New York, New York, not later than 2:00 P.M., New York City time, on the business day prior to the First Delivery Date.

The option granted in Section 2 will expire 30 days after the date of this Agreement and may be exercised in whole or in part from time to time by written notice being given to the Company by the Representatives. Such notice shall set forth the aggregate number of shares of Option Stock as to which the option is being exercised, the names in which the shares of Option Stock are to be registered, the denominations in which the shares of Option Stock are to be issued and the date and time, as determined by the Representatives, when the shares of Option Stock are to be delivered; provided, however, that this date and time shall not be earlier than the First Delivery Date nor earlier than the second business day after the date on which the option shall have been exercised nor later than the fifth business day after the date on which the option shall have been exercised. The date and time the shares of Option Stock are delivered are sometimes referred to as a "SECOND DELIVERY DATE" and the First Delivery Date and any Second Delivery Date are sometimes each referred to as a "DELIVERY DATE".

Delivery of and payment for the Option Stock shall be made at the place specified in the first sentence of the first paragraph of this Section 4 (or at such other place as shall be determined by agreement between the Representatives and the Company) at 10:00 A.M., New York City time, on such Second Delivery Date. On such Second Delivery Date, the Company shall deliver or cause to be delivered the certificates representing the Option Stock to the Representatives for the account of each Underwriter against payment to or upon the order of the Company of the purchase price by wire transfer in immediately available funds. Time shall be of the essence, and delivery at the time and place specified pursuant to this Agreement is a further condition of the obligation of each Underwriter hereunder. Upon delivery, the Option Stock shall be registered in such names and in such denominations as the Representatives shall request in the aforesaid written notice. For the purpose of expediting the checking and packaging of the certificates for the Option Stock, the Company shall make the certificates representing the Option Stock available for inspection by the Representatives in New York, New York, not later than 2:00 P.M., New York City time, on the business day prior to such Second Delivery Date.

SECTION 5. Further Agreements of the Company. The Company agrees:

(a) To prepare the Prospectus in a form approved by the Representatives and to file such Prospectus pursuant to Rule 424(b) under the Securities Act not later than Commission's close of business on the second business day following the execution and delivery of this Agreement; to make no further amendment or any supplement to the Registration Statement or to the Prospectus except as permitted herein; to advise the Representatives, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed and to furnish the Representatives with copies thereof; to advise the Representatives, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus, of the suspension of the qualification of the Stock for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus or suspending any such qualification, to use promptly its reasonable best efforts to obtain its withdrawal;

(b) To furnish promptly to each of the Representatives and to counsel for the Underwriters a conformed copy of the Registration Statement as originally filed with the Commission, and each amendment thereto filed with the Commission, including all consents and exhibits filed therewith;

(c) To deliver promptly to the Representatives such number of the following documents as the Representatives shall reasonably request: (i) conformed copies of the Registration Statement as originally filed with the Commission and each amendment thereto (in each case excluding exhibits) and (ii) each Preliminary Prospectus, the Prospectus and any amended or supplemented Prospectus; and, if the delivery of a prospectus is required at any time after the Effective Time in connection with the offering or sale of the Stock or any other securities relating thereto and if at such time any events shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary to amend or supplement the Prospectus in order to comply with the Securities Act, to notify the Representatives and, upon their request, to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as the Representatives may from time to time reasonably request of an amended or supplemented Prospectus which will correct such statement or omission or effect such compliance.

(d) To file promptly with the Commission any amendment to the Registration Statement or the Prospectus or any supplement to the Prospectus that may, in the judgment of the Company or the Representatives, be required by the Securities Act or requested by the Commission;

(e) Prior to filing with the Commission any amendment to the Registration Statement or supplement to the Prospectus or any Prospectus pursuant to Rule 424 of the Rules and Regulations, to furnish a copy thereof to the Representatives and counsel for the Underwriters and obtain the consent of the Representatives to the filing, which consent shall not be unreasonably withheld;

(f) As soon as practicable after the date of this Agreement, to make generally available to the Company's security holders and to deliver to the Representatives an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Securities Act and the Rules and Regulations (including, at the option of the Company, Rule 158);

(g) Promptly from time to time to take such action, with the cooperation of the Representatives, as the Representatives may reasonably request to qualify the Stock for offering and sale under the securities laws of such jurisdictions as the Representatives may reasonably request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be reasonably necessary to complete the distribution of the Stock; provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(h) For a period of 90 days from the date of the Prospectus, not to, directly or indirectly, (1) offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device which is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of Common Stock or securities convertible into or exchangeable for Common Stock (other than (a) the Stock, (b) shares of Common Stock issued pursuant to employee benefit plans, qualified stock option plans or other employee compensation plans existing on the date hereof or pursuant to currently outstanding options, warrants or rights and (c) shares of Common Stock used as consideration for acquisitions or issued in connection with strategic alliances, provided that the recipient of any such shares of Common Stock agrees to be bound by the transfer restrictions set forth herein for the unexpired remaining term thereof), or sell or grant options, rights or warrants with respect to any shares of Common Stock or securities convertible into or exchangeable for Common Stock (other than the grant of options pursuant to option plans existing on the date hereof), or (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such shares of Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or other securities, in cash or otherwise, in each case without the prior written consent of Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated on behalf of the Underwriters; and to cause each executive officer and director of the Company to furnish to the Representatives, prior to the First Delivery Date, a letter or letters, substantially in the form of Exhibit A hereto, pursuant to which each such person shall agree not to, directly or indirectly, (1) offer for sale, sell, pledge or otherwise dispose of (or enter into any transaction or device which is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of Common Stock or securities convertible into or exchangeable for Common Stock or (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such shares of Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or other securities, in cash or otherwise, in each case for a period of 90 days from the date of the Prospectus, without the prior written consent of Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated on behalf of the Underwriters;

(i) To apply for the listing of the Stock on the New York Stock Exchange, and to use its reasonable best efforts to complete that listing, subject only to official notice of issuance, prior to the First Delivery Date;

(j) To apply the net proceeds from the sale of the Stock as set forth in the Prospectus; and

(k) To take such steps as shall be necessary to ensure that neither the Company nor any subsidiary shall become an "investment company" as defined in the Investment Company Act of 1940, as amended.

SECTION 6. Expenses. The Company agrees to pay (a) the costs incident to the authorization, issuance, sale and delivery of the Stock and any taxes payable in that connection; (b) the costs incident to the preparation, printing and filing under the Securities Act of the Registration Statement and any amendments and exhibits thereto; (c) the costs of distributing the Registration Statement as originally filed and each amendment thereto and any post-effective amendments thereof (including, in each case, exhibits), any Preliminary Prospectus, the Prospectus and any amendment or supplement to the Prospectus, all as provided in this Agreement; (d) the costs of producing and distributing this Agreement and any other related documents in connection with the offering, purchase, sale and delivery of the Stock; (e) any filing fees incident to securing the review by the National Association of Securities Dealers, Inc. of the terms of sale of the Stock; (f) any applicable listing or other fees; (g) the fees and expenses (not in excess, in the aggregate, of $10,000) of qualifying the Stock under the securities laws of the several jurisdictions as provided in Section 5(g) and of preparing, printing and distributing a Blue Sky Memorandum (including related fees and expenses of counsel to the Underwriters); (h) the costs and expenses of the Company relating to investor presentations on any "ROAD SHOW" undertaken in connection with the marketing of the offering of the Stock, including, without limitation, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and the cost of any aircraft chartered (with the approval of the Company) in connection with the road show and (i) all other costs and expenses incident to the performance of the obligations of the Company under this Agreement; provided that, except as provided in this Section 6 and in Section 11, the Underwriters shall pay their own costs and expenses, including the costs and expenses of their counsel, any transfer taxes on the Stock which they may sell and the expenses of advertising any offering of the Stock made by the Underwriters.

SECTION 7. Conditions of Underwriters' Obligations. The respective obligations of the Underwriters hereunder are subject to the accuracy, when made and on each Delivery Date, of the representations and warranties of the Company contained herein, to the performance by the Company of its obligations hereunder, and to each of the following additional terms and conditions:

(a) The Prospectus shall have been timely filed with the Commission in accordance with Section 5(a); no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and any request of the Commission for inclusion of additional information in the Registration Statement or the Prospectus or otherwise shall have been complied with.

(b) All corporate proceedings and other legal matters incident to the authorization of this Agreement, the Stock, the Registration Statement and the Prospectus, and all other legal matters relating to this Agreement and the transactions contemplated hereby shall be reasonably satisfactory in all material respects to counsel for the Underwriters, and the Company shall have furnished to such counsel all documents and information that they may reasonably request to enable them to pass upon such matters.

(c) William von Glahn, Senior Vice President and General Counsel of the Company, shall have furnished to the Representatives his written opinion, addressed to the Underwriters and dated such Delivery Date, in form and substance reasonably satisfactory to the Representatives, to the effect that:

(i) The Company and each of its Significant Subsidiaries have been duly incorporated (in the case of each Significant Subsidiary that is a corporation) or otherwise validly formed and are validly existing in good standing under the laws of their respective jurisdictions of organization, are duly qualified to do business and are in good standing in each jurisdiction in which their respective ownership or lease of property or the conduct of their respective businesses requires such qualification, except to the extent such failure to be qualified or in good standing would not have a material adverse effect on the consolidated financial position, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole, and have all power and authority necessary to own or hold their respective properties and conduct the businesses in which they are engaged as described in or contemplated by the Registration Statement; and all of the issued shares of capital stock of each Significant Subsidiary (in the case of each Significant Subsidiary that is a corporation) have been duly and validly authorized and issued and are fully paid, non-assessable and (except for directors' qualifying shares and as disclosed in the Prospectus) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims;

(ii) To the best of such counsel's knowledge and other than as set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its Significant Subsidiaries is a party or of which any property or assets of the Company or any of its Significant Subsidiaries is the subject which, if determined adversely to the Company or any of its Significant Subsidiaries, could reasonably be expected to have a material adverse effect on the consolidated financial position, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole; and, to the best of such counsel's knowledge, no such proceedings are threatened or pending by governmental authorities or threatened by others;

(iii) Except as described in the Prospectus and except for the registration rights granted in connection with the sale of the Company's 7.50% Debentures due January 15, 2031 and the 6.75% Putable Asset Term Securities Putable/Callable January 15, 2006, to the best of such counsel's knowledge, there are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company owned or to be owned by such person or to require the Company to include such securities in the securities registered pursuant to the Registration Statement;

(iv) The Company is in compliance in all material respects with all presently applicable provisions of ERISA; no "reportable event" (as defined in ERISA) has occurred with respect to any "PENSION PLAN" (as defined in ERISA) for which the Company would have any liability; the Company has not incurred and does not expect to incur liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "PENSION PLAN" or (ii) Sections 412 or 4971 of the Code; and each "PENSION PLAN" for which the Company would have any liability that is intended to be qualified under Section 401(a) of the Code is so qualified in all material respects and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification;

(v) There has been no storage, disposal, generation, manufacture, refinement, transportation, handling or treatment of toxic wastes, medical wastes, hazardous wastes or hazardous substances by the Company or any of its Significant Subsidiaries (or, to the knowledge of such counsel, any of their predecessors in interest) at, upon or from any of the property now or previously owned or leased (but not including property on which the Company had or has easements or similar rights) by the Company or its Significant Subsidiaries in violation of any applicable law, ordinance, rule, regulation, order, judgment, decree or permit or which would require remedial action under any applicable law, ordinance, rule, regulation, order, judgment, decree or permit, except for any violation or remedial action which would not have, or could not be reasonably likely to have, singularly or in the aggregate with all such violations and remedial actions, a material adverse effect on the consolidated financial position, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole; there has been no material spill, discharge, leak, emission, injection, escape, dumping or release of any kind onto such property or into the environment surrounding such property of any toxic wastes, medical wastes, solid wastes, hazardous wastes or hazardous substances due to or caused by the Company or any of its Significant Subsidiaries or with respect to which the Company or any of its Significant Subsidiaries have knowledge, except for any such spill, discharge, leak, emission, injection, escape, dumping or release which would not have or would not be reasonably likely to have, singularly or in the aggregate with all such spills, discharges, leaks, emissions, injections, escapes, dumpings and releases, a material adverse effect on the consolidated financial position, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole;

(vi) The Company has an authorized capitalization as set forth in the Prospectus under the "Actual" column under the caption

"Capitalization," and all of the issued shares of capital stock of the Company have been duly authorized and validly issued, are fully paid and non-assessable and conform in all material respects to the description thereof contained in the Prospectus;

(vii) The shares of the Stock being delivered on such Delivery Date to the Underwriters hereunder have been duly authorized and, when issued and delivered against payment therefor will be validly issued, fully paid and non-assessable, the issuance of such shares of Stock is not subject to any preemptive rights, and the preferred stock purchase rights under the Rights Agreement to which holders of the shares of Stock will be entitled have been duly authorized and, when issued together with such shares of Stock, will be validly issued;

(viii) Except as described in the Prospectus, there are no preemptive or other rights to subscribe for or to purchase, nor any restriction upon the voting or transfer of, any shares of the Stock pursuant to the Company's charter or by-laws or any agreement or other instrument to which the Company is a party;

(ix) Neither the Company nor any of its Significant Subsidiaries (i) is in violation of its charter or by-laws, (ii) is in default in any material respect, and no event has occurred which, with notice or lapse of time or both, would constitute such a default, in the due performance or observance of any term, covenant or condition contained in any material indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which it is a party or by which it is bound or to which any of its properties or assets is subject or (iii) is in violation in any material respect of any law, ordinance, governmental rule, regulation or court decree to which it or its property or assets may be subject or has failed to obtain any material license, permit, certificate, franchise or other governmental authorization or permit necessary to the ownership of its property or to the conduct of its business except, in case of (ii) and (iii), for such defaults, violations, or failures to obtain such authorizations or permits that have not had or are not reasonably expected to have, a material adverse effect on the consolidated financial condition, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole;

(x) The execution, delivery and performance of this Agreement by the Company and the consummation of the transactions contemplated hereby will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its Significant Subsidiaries is a party or by which the Company or any of its Significant Subsidiaries is bound or to which any of the property or assets of the Company or any of its Significant Subsidiaries is subject, other than such conflicts, agreements, breaches, violations or defaults which, singly or in the aggregate, would not have a material adverse effect on the consolidated financial position, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole, nor will such actions result in any violation of the provisions of the charter or by-laws of the Company or any of its Significant Subsidiaries or any statute or any order, rule or regulation known to the Company of any court or governmental agency or body having jurisdiction over the Company or any of its Significant Subsidiaries or any of their properties or assets; and except for the registration of the Stock under the Securities Act and such consents, approvals, authorizations, registrations or qualifications as may be required under the Exchange Act, the Securities Act, applicable state securities laws and securities laws of foreign jurisdictions in connection with the purchase and distribution of the Stock by the Underwriters, no consent, approval, authorization or order of, or filing or registration with, any such court or governmental agency or body is required for the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby;

(xi) The Company is not, and after giving effect to the offering of the Stock and the application of the net proceeds therefrom will not be, an "investment company" as defined in the Investment Company Act of 1940, as amended;

(xii) The statements in (1) the Prospectus under the captions "Description of Common Stock", "Description of Preferred Stock" and "Plan of Distribution" in the Basic Prospectus and under the caption "Underwriting" in the Prospectus, (2) in the Registration Statement under Item 15 and (3) in the Company's most recent Annual Report on Form 10-K or Form 10/K-A, as the case may be, and in the Company's most recent Quarterly Report on Form 10-Q under "Business" and "Legal Proceedings", in each case insofar as such statements constitute summaries of the legal matters, documents or proceedings referred to therein, fairly present the information called for with respect to such legal matters, documents or proceedings and fairly summarize the matters referred to therein;

(xiii) After due inquiry, such counsel does not know of any legal or governmental proceeding pending or threatened to which the Company or any of its subsidiaries is subject which is required to be described or of any contract or other document which is required to be described in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement which is not described or filed as required; and

(xiv) Such counsel (a) is of the opinion that (except as to the financial statements included therein, as to which such counsel need not express any opinion) each document, if any, filed pursuant to the Exchange Act and incorporated by reference into the Registration Statement and the Prospectus complied when so filed as to form in all material respects with the Exchange Act and the rules and regulations of the Commission thereunder, (b) is of the opinion that the Registration Statement and the Prospectus, as amended or supplemented, if applicable (except as to the financial statements included therein, as to which such counsel need not express any opinion), comply as to form in all material respects with the Securities Act and the Rules and Regulations, (c) believes that (except as to the financial statements included therein, as to which such counsel need not express any belief), each part of the Registration Statement when such part became effective or was incorporated by reference into the Registration Statement did not contain, and as of the date of such opinion, does not contain, any untrue statement of a material fact or omit to state a material fact required to be stated therein or to make the statements therein not misleading, and (d) believes that (except as to the financial statements included therein, as to which such counsel need not express any belief) the Registration Statement and the Prospectus, as amended or supplemented, if applicable, do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

In rendering such opinion, such counsel may state that his opinion is limited to matters governed by the Federal laws of the United States of America, the laws of the State of New York and the State of Oklahoma and the General Corporation Law of the State of Delaware.

(d) The Representatives shall have received from Davis Polk & Wardwell, counsel for the Underwriters, such opinion or opinions, dated such Delivery Date, with respect to the issuance and sale of the Stock, the Registration Statement, the Prospectus and other related matters as the Representatives may reasonably require, and the Company shall have furnished to such counsel such documents as they reasonably request for the purpose of enabling them to pass upon such matters.

(e) At the time of execution of this Agreement, the Representatives shall have received from Ernst & Young a letter, in form and substance satisfactory to the Representatives, addressed to the Underwriters and dated the date hereof (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission and (ii) stating, as of the date hereof (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Prospectus, as of a date not more than five days prior to the date hereof), the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants' "COMFORT LETTERS" to underwriters in connection with registered public offerings.

(f) With respect to the letter of Ernst & Young referred to in the preceding paragraph and delivered to the Representatives concurrently with the execution of this Agreement (the "INITIAL LETTER"), the Company shall have furnished to the Representatives a letter (the "BRING-DOWN LETTER") of such accountants, addressed to the Underwriters and dated such Delivery Date (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, (ii) stating, as of the date of the bring-down letter (or, with respect to matters involving changes or developments since the respective dates as of which specified financial information is given in the Prospectus, as of a date not more than five days prior to the date of the bring-down letter), the conclusions and findings of such firm with respect to the financial information and other matters covered by the initial letters and (iii) confirming in all material respects the conclusions and findings set forth in the initial letter.

(g) The Company shall have furnished to the Representatives a certificate, dated such Delivery Date, of its Chairman of the Board, its President, a Vice President or its chief financial officer or Treasurer stating that:

(i) The representations, warranties and agreements of the Company in Section 1 are true and correct as of such Delivery Date; the Company has complied with all its agreements contained herein; and the conditions set forth in Sections 7(a), 7(h) and 7 (i) have been fulfilled; and

(ii) They have carefully examined the Registration Statement and the Prospectus and, in their opinion (A) as of the date of this Agreement, the Registration Statement and Prospectus did not include any untrue statement of a material fact and did not omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (B) since the date of this Agreement, no event has occurred which should have been set forth in a supplement or amendment to the Registration Statement or the Prospectus.

(h) Since the date of the latest audited financial statements included in the Prospectus (A) neither the Company nor any of the Significant Subsidiaries shall have sustained any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Prospectus or (B) there shall not have been any material change in the capital stock or long-term debt of the Company or any of its subsidiaries or any change, or any development involving a prospective change, in or affecting the consolidated financial position, results of operations, business or prospects of the Company and its subsidiaries, taken as a whole, otherwise than as set forth or contemplated in the Prospectus, the effect of which, in any such case described in clause (A) or (B), is, in the judgment of the Representatives, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Stock being delivered on such Delivery Date on the terms and in the manner contemplated in the Prospectus.

(i) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (a) (i) trading in securities generally on the New York Stock Exchange or the American Stock Exchange, or trading in any securities of the Company on any exchange, shall have been suspended or minimum prices shall have been established on any such exchange by the Commission, by such exchange or by any other regulatory body or governmental authority having jurisdiction, (ii) a general banking moratorium in New York shall have been declared by Federal or New York state authorities, (iii) the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States or there shall have been a declaration of a national emergency or war by the United States or (iv) there shall have occurred a change in general economic, political or financial conditions (or the effect of international conditions on the financial markets in the United States shall be such) that in the judgment of the Representatives is material and adverse and (b) in the case of any of the events specified in clauses (a)(i) through (a)(iv) above, such event, singly or together with any other such event, makes it, in the judgment of the Representatives, impracticable or inadvisable to proceed with the public offering or delivery of the Stock being delivered on such Delivery Date on the terms and in the manner contemplated in the Prospectus.

(j) The New York Stock Exchange, Inc. shall have approved the Stock for listing, subject only to official notice of issuance.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to counsel for the Underwriters.

SECTION 8. Indemnification and Contribution.

(a) The Company shall indemnify and hold harmless each Underwriter, its officers and employees and each person, if any, who controls any Underwriter within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or action relating to purchases and sales of Stock), to which that Underwriter, officer, employee or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in (A) any Preliminary Prospectus, the Registration Statement or the Prospectus or in any amendment or supplement thereto or (B) in any materials or information provided to investors by, or with the approval of, the Company in connection with the marketing of the offering of the Stock ("MARKETING MATERIALS"), including any roadshow or investor presentations made to investors by the Company (whether in person or electronically) or (ii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement or the Prospectus, or in any amendment or supplement thereto, or in any Marketing Materials, any material fact required to be stated therein or necessary to make the statements therein not misleading, and shall reimburse each Underwriter and each such officer, employee or controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Underwriter, officer, employee or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus, or in any such amendment or supplement, in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company through the Representatives by or on behalf of any Underwriter specifically for inclusion therein, which information consists solely of the information specified in Section 8(e); and, provided further, that the Company will not be liable to any Underwriter with respect to any Preliminary Prospectus to the extent the Company shall sustain the burden of proving that any such loss, claim, damage or liability resulted from the fact that such Underwriter, in contravention of a requirement of applicable law, sold Stock to a person to whom such Underwriter failed to send or give, at or prior to the Closing Date, a copy of the Prospectus, as then amended or supplemented, if: (i) the Company has previously furnished copies thereof (in sufficient quantity and sufficiently in advance of the Closing Date to allow for distribution by the Closing Date) to the Underwriter and the loss, claim, damage or liability of such Underwriter resulted from an untrue statement or omission of a material fact contained in or omitted from the Preliminary Prospectus which was corrected in the Prospectus as, if applicable, amended or supplemented prior to the Closing Date and such Prospectus was required by law to be delivered at or prior to the written confirmation of sale to such person and (ii) such failure to give or send such Prospectus by the Closing Date to the party or parties asserting such loss, claim, damage or liability would have constituted the sole defense to the claim asserted by such person. The foregoing indemnity agreement is in addition to any liability which the Company may otherwise have to any Underwriter or to any officer, employee or controlling person of that Underwriter.

(b) Each Underwriter, severally and not jointly, shall indemnify and hold harmless the Company, its officers and employees, each of its directors, and each person, if any, who controls the Company within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, or any action in respect thereof, to which the Company or any such director, officer or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus or in any amendment or supplement thereto, or (ii) the omission or alleged omission to state in any Preliminary Prospectus, the Registration Statement or the Prospectus, or in any amendment or supplement thereto, any material fact required to be stated therein or necessary to make the statements therein not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information concerning such Underwriter furnished to the Company through the Representatives by or on behalf of that Underwriter specifically for inclusion therein, and shall reimburse the Company and any such director, officer or controlling person for any legal or other expenses reasonably incurred by the Company or any such director, officer or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action as such expenses are incurred. The foregoing indemnity agreement is in addition to any liability which any Underwriter may otherwise have to the Company or any such director, officer, employee or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the claim or the commencement of that action; provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 8 except to the extent it has been materially prejudiced by such failure and, provided further, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 8. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 8 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the Representatives shall have the right to employ counsel to represent jointly the Representatives and those other Underwriters and their respective officers, employees and controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the Underwriters against the Company under this Section 8 if (i) the employment of such counsel has been expressly authorized in writing by the Company; (ii) the Company has not assumed the defense of and employed counsel reasonably satisfactory to the Representatives within a reasonable time after notice of the commencement of such action or (iii) the named parties to any such action or proceeding (including impleaded parties) include both an indemnified party and the Company and such indemnified party shall have been advised in writing by counsel that there may be one or more legal defenses available to such indemnified party, which are different from or additional to those available to the Company, and such counsel's representation of such indemnified party and the Company in such action or proceeding would give rise to a conflict of interest which would make it improper for such counsel to represent both the indemnified party and the Company (in which case the Company shall not have the right to assume the defense of such action or proceeding on behalf of such indemnified party). The Company shall not, in connection with any one such action or proceeding, or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm for the Underwriters and all such indemnified parties (in addition to any local counsel), which firm will be designated by the Representatives, as representative of the Underwriters, and the Company shall reimburse all such reasonable fees and expenses as they are billed. No indemnifying party shall (i) without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding, or (ii) be liable for any settlement of any such action effected without its written consent (which consent shall not be unreasonably withheld), but if settled with the consent of the indemnifying party or if there be a final judgment for the plaintiff in any such action, the indemnifying party agrees to indemnify and hold harmless any indemnified party from and against any loss or liability by reason of such settlement or judgment.

(d If the indemnification provided for in this Section 8 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 8(a) or 8(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Stock or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Underwriters on the other with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Stock purchased under this Agreement (before deducting expenses) received by the Company, on the one hand, and the total underwriting discounts and commissions received by the Underwriters with respect to the shares of the Stock purchased under this Agreement, on the other hand, bear to the total gross proceeds from the offering of the shares of the Stock under this Agreement, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or liability, or action in respect thereof, referred to above in this Section shall be deemed to include, for purposes of this Section 8(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8(d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Stock underwritten by it and distributed to the public was offered to the public exceeds the amount of any damages which such Underwriter has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute as provided in this Section 8(d) are several in proportion to their respective underwriting obligations and not joint.

(e The Underwriters severally confirm and the Company acknowledges that the statements with respect to the public offering of the Stock by the Underwriters set forth on the cover page of, the statements concerning over-allotments and the concession and reallowance figures appearing under the caption "Underwriting" in, the Prospectus are correct and constitute the only information concerning such Underwriters furnished in writing to the Company by or on behalf of the Underwriters specifically for inclusion in the Registration Statement and the Prospectus.

SECTION 9. Defaulting Underwriters.

If, on any Delivery Date, any Underwriter defaults in the performance of its obligations under this Agreement, the remaining non-defaulting Underwriters shall be obligated to purchase the Stock which the defaulting Underwriter agreed but failed to purchase on such Delivery Date in the respective proportions which the number of shares of the Firm Stock set opposite the name of each remaining non-defaulting Underwriter in Schedule 1 hereto bears to the total number of shares of the Firm Stock set opposite the names of all the remaining non-defaulting Underwriters in Schedule 1 hereto; provided, however, that the remaining non-defaulting Underwriters shall not be obligated to purchase any of the Stock on such Delivery Date if the total number of shares of the Stock which the defaulting Underwriter or Underwriters agreed but failed to purchase on such date exceeds 9.09% of the total number of shares of the Stock to be purchased on such Delivery Date, and any remaining non-defaulting Underwriter shall not be obligated to purchase more than 110% of the number of shares of the Stock which it agreed to purchase on such Delivery Date pursuant to the terms of Section 3. If the foregoing maximums are exceeded, the remaining non-defaulting Underwriters, or those other underwriters satisfactory to the Representatives and the Company who so agree, shall have the right, but shall not be obligated, to purchase, in such proportion as may be agreed upon among them, all the Stock to be purchased on such Delivery Date. If the remaining Underwriters or other underwriters satisfactory to the Representatives and the Company do not elect to purchase the shares which the defaulting Underwriter or Underwriters agreed but failed to purchase on such Delivery Date, this Agreement (or, with respect to the Second Delivery Date, the obligation of the Underwriters to purchase, and of the Company to sell, the Option Stock) shall terminate without liability on the part of any non-defaulting Underwriter or the Company, except that the Company will continue to be liable for the payment of expenses to the extent set forth in Sections 6 and 11. As used in this Agreement, the term "UNDERWRITER" includes, for all purposes of this Agreement unless the context requires otherwise, any party not listed in Schedule 1 hereto who, pursuant to this Section 9, purchases Stock which a defaulting Underwriter agreed but failed to purchase.

Nothing contained herein shall relieve a defaulting Underwriter of any liability it may have to the Company for damages caused by its default. If other underwriters are obligated or agree to purchase the Stock of a defaulting or withdrawing Underwriter, either the Representatives or the Company may postpone the Delivery Date for up to seven full business days in order to effect any changes that in the opinion of counsel for the Company or counsel for the Underwriters may be necessary in the Registration Statement, the Prospectus or in any other document or arrangement.

SECTION 10. Termination. The obligations of the Underwriters hereunder may be terminated by the Representatives by notice given to and received by the Company prior to delivery of and payment for the Firm Stock if, prior to that time, any of the events described in Sections 7(h) or 7(i), shall have occurred or if the Underwriters shall decline to purchase the Stock for any reason permitted under this Agreement.

SECTION 11. Reimbursement of Underwriters' Expenses. If the Company shall fail to tender the Stock for delivery to the Underwriters by reason of any failure, refusal or inability on the part of the Company to perform any agreement on its part to be performed, or because any other condition of the Underwriters' obligations hereunder required to be fulfilled by the Company is not fulfilled, the Company will reimburse the Underwriters for all reasonable out-of-pocket expenses (including fees and disbursements of counsel) incurred by the Underwriters in connection with this Agreement and the proposed purchase of the Stock, and upon demand the Company shall pay the full amount thereof to the Representatives. If this Agreement is terminated pursuant to Section 9 by reason of the default of one or more Underwriters, the Company shall not be obligated to reimburse any defaulting Underwriter on account of those expenses.

SECTION 12. Notices, Etc. All statements, requests, notices and agreements hereunder shall be in writing, and:

(a) if to the Underwriters, shall be delivered or sent by mail, telex or facsimile transmission to Lehman Brothers Inc., Three World Financial Center, New York, New York 10285, Attention: Syndicate Department (Fax: 212-526-6588), with a copy, in the case of any notice pursuant to Section 8(c), to the Director of Litigation, Office of the General Counsel, Lehman Brothers Inc., 3 World Financial Center, 10th Floor, New York, NY 10285;

(b) if to the Company, shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: General Counsel (Fax: (918) 573-5942);

provided, however, that any notice to an Underwriter pursuant to Section 8(c) shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its acceptance telex to the Representatives, which address will be supplied to any other party hereto by the Representatives upon request. Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof. The Company shall be entitled to act and rely upon any request, consent, notice or agreement given or made on behalf of the Underwriters by Lehman Brothers Inc. on behalf of the Representatives.

SECTION 13. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company, and their respective successors. This Agreement and the terms and provisions hereof are for the sole benefit of only those persons, except that (A) the representations, warranties, indemnities and agreements of the Company contained in this Agreement shall also be deemed to be for the benefit of the person or persons, if any, who control any Underwriter within the meaning of Section 15 of the Securities Act and (B) the indemnity agreement of the Underwriters contained in Section 8(b) of this Agreement shall be deemed to be for the benefit of directors of the Company, officers of the Company who have signed the Registration Statement and any person controlling the Company within the meaning of Section 15 of the Securities Act. Nothing in this Agreement is intended or shall be construed to give any person, other than the persons referred to in this Section 13, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein.

SECTION 14. Survival. The respective indemnities, representations, warranties and agreements of the Company and the Underwriters contained in this Agreement or made by or on behalf on them, respectively, pursuant to this Agreement, shall survive the delivery of and payment for the Stock and shall remain in full force and effect, regardless of any investigation made by or on behalf of any of them or any person controlling any of them.

SECTION 15. Definition of the Terms "BUSINESS DAY" and "SUBSIDIARY" . For purposes of this Agreement, (a) "BUSINESS DAY" means each Monday, Tuesday, Wednesday, Thursday or Friday which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close and (b) "SUBSIDIARY" has the meaning set forth in Rule 405 of the Rules and Regulations.

SECTION 16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of New York.

SECTION 17. Counterparts. This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original but all such counterparts shall together constitute one and the same instrument.

SECTION 18. Headings. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

If the foregoing correctly sets forth the agreement between the Company and the Underwriters, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

THE WILLIAMS COMPANIES, INC.

By /s James G. Ivey

Name: James G. Ivey

Title: Treasurer

Accepted:

LEHMAN BROTHERS INC.
MERRILL LYNCH, PIERCE,
FENNER & SMITH INCORPORATED
CREDIT SUISSE FIRST BOSTON CORPORATION

For themselves and as Representatives
of the several Underwriters named
in Schedule 1 hereto

By LEHMAN BROTHERS INC.

By /s (illegible)

Authorized Representative

By MERRILL LYNCH, PIERCE, FENNER
& SMITH INCORPORATED

By /s (illegible)

Authorized Representative

SCHEDULE 1

Underwriters	Number of Shares of Firm Stock to be Purchased
Lehman Brothers Inc.	8,800,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	8,800,000
Credit Suisse First Boston Corporation	8,800,000
Banc of America Securities LLC.	1,650,000
CIBC World Markets Corp.	1,650,000
Goldman, Sachs & Co.	1,650,000
UBS Warburg LLC	1,650,000
Total	33,000,000

SCHEDULE 2

Significant Subsidiaries

Williams Gas Pipeline Company, LLC
Transcontinental Gas Pipe Line Corporation
Williams Gas Pipelines Central, Inc.
Northwest Pipeline Corporation
Texas Gas Transmission Corporation
Kern River Gas Transmission Company
Williams Energy Services, LLC
Williams Communications Group, Inc.

EXHIBIT A

LOCK-UP LETTER AGREEMENT

LEHMAN BROTHERS INC.
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
CREDIT SUISSE FIRST BOSTON CORPORATION

As Representatives of the several
Underwriters named in Schedule 1
c/o Lehman Brothers Inc.
Three World Financial Center
New York, New York 10285

Dear Sirs:

The undersigned understands that you and certain other firms propose to enter into an Underwriting Agreement (the "UNDERWRITING AGREEMENT") providing for the purchase by you and such other firms (the "UNDERWRITERS") of shares (the "SHARES") of Common Stock, par value $1.00 per share (the "COMMON STOCK"), of The Williams Companies, Inc., a Delaware corporation (the "COMPANY"), and that the Underwriters propose to reoffer the Shares to the public (the "OFFERING").

In consideration of the execution of the Underwriting Agreement by the Underwriters, and for other good and valuable consideration, the undersigned hereby irrevocably agrees that, without the prior written consent of Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of the Underwriters, the undersigned will not, directly or indirectly, (1) offer for sale, sell, pledge, or otherwise dispose of (or enter into any transaction or device that is designed to, or could be expected to, result in the disposition by any person at any time in the future of) any shares of Common Stock (including, without limitation, shares of Common Stock that may be deemed to be beneficially owned by the undersigned in accordance with the rules and regulations of the Securities and Exchange Commission and shares of Common Stock that may be issued upon exercise of any option or warrant) or securities convertible into or exchangeable for Common Stock (other than the Shares) owned by the undersigned on the date of execution of this Lock-Up Letter Agreement or on the date of the completion of the Offering, or (2) enter into any swap or other derivatives transaction that transfers to another, in whole or in part, any of the economic benefits or risks of ownership of such shares of Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or other securities, in cash or otherwise, for a period of 90 days after the date of the final Prospectus relating to the Offering.

In furtherance of the foregoing, the Company and its Transfer Agent are hereby authorized to decline to make any transfer of securities if such transfer would constitute a violation or breach of this Lock-Up Letter Agreement.

It is understood that, if the Company notifies you that it does not intend to proceed with the Offering, if the Underwriting Agreement does not become effective, or if the Underwriting Agreement (other than the provisions thereof which survive termination) shall terminate or be terminated prior to payment for and delivery of the Shares, we will be released from our obligations under this Lock-Up Letter Agreement.

The undersigned understands that the Company and the Underwriters will proceed with the Offering in reliance on this Lock-Up Letter Agreement.

Whether or not the Offering actually occurs depends on a number of factors, including market conditions. Any Offering will only be made pursuant to an Underwriting Agreement, the terms of which are subject to negotiation between the Company and the Underwriters.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Lock-Up Letter Agreement and that, upon request, the undersigned will execute any additional documents necessary in connection with the enforcement hereof. Any obligations of the undersigned shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned.

Very truly yours,

By:

Name:
Title:

Dated:

EXHIBIT 12

THE WILLIAMS COMPANIES, INC. AND SUBSIDIARIES

COMPUTATION OF RATIO OF EARNINGS TO COMBINED FIXED CHARGES
AND PREFERRED STOCK DIVIDEND REQUIREMENTS
(DOLLARS IN MILLIONS)

	YEARS ENDED DECEMBER 31,				
	2000	1999	1998	1997	1996
Earnings:					
Income from continuing operations before income taxes and extraordinary gain (loss)	$1,427.2	$ 333.6	$279.2	$ 636.7	$ 764.7
Add:					
Interest expense -- net	793.5	597.4	482.3	434.3	409.3
Rental expense representative of interest factor	160.5	104.6	37.7	32.0	32.8
Interest accrued -- 50% owned companies	8.7	7.5	6.2	--	1.3
Minority interest in income (loss) and preferred returns of consolidated subsidiaries	(12.0)	17.7	4.0	4.7	1.4
Equity losses in less than 50% owned companies	42.2	40.2	14.8	--	--
Other	(2.8)	(4.8)	7.6	3.2	6.3
Total earnings as adjusted plus fixed charges	$2,417.3	$1,096.2	$831.8	$1,110.9	$1,215.8
Combined fixed charges and preferred stock dividend requirements:					
Interest expense -- net	$ 793.5	$ 597.4	$482.3	$ 434.3	$ 409.3
Capitalized interest	216.1	69.8	30.6	23.3	8.2
Rental expense representative of interest factor	160.5	104.6	37.7	32.0	32.8
Pretax effect of dividends on preferred stock of the Company	--	5.1	12.4	16.1	16.2
Pretax effect of dividends on preferred stock and other preferred returns of subsidiaries	48.4	26.7	--	--	--
Interest accrued -- 50% owned companies	8.7	7.5	6.2	--	1.3
Combined fixed charges and preferred stock dividend requirements	$1,227.2	$ 811.1	$569.2	$ 505.7	$ 467.8
Ratio of earnings to combined fixed charges and preferred stock dividend requirements	1.97	1.35	1.46	2.20	2.60

EXHIBIT 21

SUBSIDIARY LIST

898389 Alberta Ltd.	Alberta	100%
Alaska Blimpie Co-Op, Inc.	Delaware	50%
American Soda, L.L.P.	Colorado	60%
Apco Argentina Inc.	Cayman Islands	68.95%
Apco Delaware, Inc.	Delaware	100%
Apco Properties Ltd.	Cayman Islands	100%
Arctic Fox Assets	Delaware	100%
ATL Cayman International	Cayman Islands	100%
Beaver Dam Wash Energy, LLC	Delaware	70%
Beech Grove Processing Company	Tennessee	100%
Black Marlin Pipeline Company	Texas	100%
Buccaneer Gas Pipeline Company, L.L.C.	Delaware	50%
Carbon County UCG, Inc.	Delaware	100%
Cardinal Operating Company	Delaware	100%
Castle Associates, L.P.	Delaware	100%
ChoiceSeat, L.L.C.	Delaware	100%
Cove Point LNG Limited Partnership	Delaware	99%
Critical Connections, Inc.	Delaware	100%
Cross Bay Operating Company	Delaware	100%
Cumberland Gas Pipeline Company		50%
Cumberland Operating Company	Delaware	100%
Data Communications 2000, Inc.	California	100%
Discovery Gas Transmission LLC	Delaware	50%
Discovery Producer Services LLC	Delaware	50%
Distributed Power Solutions L.L.C.	Delaware	100%
Eagle Gas Services, Inc.	Ohio	100%
Energy International Corporation	Pennsylvania	100%
Energy News Live, LLC	Delaware	100%
Energy Tech, Inc.	Delaware	100%
Erie & Hudson Development Company	Ohio	100%
ESPAGAS USA, Inc.	Delaware	100%
ESPAGAS, S.A. de C.V.	Mexico	90%
Fishhawk Ranch, Inc.	Florida	100%
FleetOne, Inc.	Delaware	100%
FT&T Inc.	Delaware	100%
Garrison, L.L.C.	Delaware	56%
Gas Supply, L.L.C.	Delaware	100%
Gas Supply, L.L.C.	Delaware	100%
Georgia Strait Crossing Pipeline LP	Utah	50%
GLNRP Holdings, L.L.C.	Oklahoma	
Goebel Gathering Company, L.L.C.	Delaware	100%
GSX Operating Company, LLC	Delaware	100%
GSX Pipeline, LLC	Delaware	100%
Gulf Liquids New River Project LLC	Delaware	100%
Hazleton Fuel Management Company	Delaware	100%
Hazleton Fuel Management Company	Delaware	100%

Hazleton Pipeline Company	Delaware	100%
Hi-Bol Pipeline Company	Delaware	100%
Independence Operating Company	Delaware	100%
Inland Ports, Inc.	Tennessee	100%
Intersys Mexico SA de CV	Mexico	100%
Johi Representacoes Ltda	Brazil	100%
Joshua Tree Energy, LLC	Delaware	70%
Juarez Pipeline Company	Delaware	100%
Kern River Acquisition Corporation	Delaware	100%
Kern River Funding Corporation	Delaware	100%
Kern River Gas Transmission Company	Texas	50%
Kiowa Gas Storage, L.L.C.	Delaware	50%
Langside Limited	Bermuda	100%
Liberty Operating Company	Delaware	100%
Littlefield Energy, LLC	Delaware	70%
Longhorn Enterprises of Texas, Inc.	Delaware	100%
Magnolia Methane Corp	Delaware	100%
MAPCO Alaska Inc.	Alaska	100%
MAPCO Canada Energy Inc.	Canada	100%
MAPCO Energy Services, LLC	Delaware	100%
MAPCO Impressions Inc.	Oklahoma	100%
MAPCO Inc.	Delaware	100%
Mapco Indonesia Inc.	Delaware	100%
MAPL Investments, Inc.	Delaware	100%
Marsh Resources, Inc.	Delaware	100%
Memphis Generation, L.L.C.	Delaware	100%
Mid-America Pipeline Company	Delaware	100%
Nebraska Energy, L.L.C.	Kansas	71%
Northwest Alaskan Pipeline Company	Delaware	100%
Northwest Argentina Corporation	Utah	100%
Northwest Border Pipeline Company	Delaware	100%
Northwest Land Company	Delaware	100%
Northwest Pipeline Corporation	Delaware	100%
NWP Enterprises, Inc.	Delaware	100%
P.T. MAPCO Indonesia		95%
Pan-Alberta Resources Inc.	Alberta	100%
Pine Needle LNG Company, LLC	North Carolina	100%
Pine Needle Operating Company	Delaware	100%
Rainbow Resources, Inc.	Colorado	100%
Realco of Crown Center, Ind.	Delaware	100%
Realco of San Antonio, Inc.	Delaware	100%
Realco Realty Corp	Delaware	100%
Rio Vista Energy Marketing Company, L.L.C.	Delaware	100%
Seminole Pipeline Company	Delaware	80%
Servicios de ESPAGAS, S.A. de C.V.	Mexico	90%
Servicios de TouchStar de Mexico S.A. de C.V.	Mexico	90%

SKTI-US L.L.C.	Delaware	50%
Solutions EMT, Inc.		100%
SPV, L.L.C.	Oklahoma	100%
Tarpon Transmission Company		80%
Tennessee Processing Company	Delaware	100%
Terrebonne Pipeline Company	Delaware	100%
Texas Gas Transmission Corporation	Delaware	100%
TGPL Enterprises, Inc.	Delaware	100%
TGT Enterprises, Inc.	Delaware	100%
The Asian Infrastructure Fund	Cayman Islands	79.56%
The Tennessee Coal Company	Delaware	100%
Thermogas Energy, LLC	Delaware	100%
TM Cogeneration Company	Delaware	100%
TM Cogeneration Company	Delaware	100%
TouchStar de Mexico S.A. de C.V.	Mexico	90%
Touchstar Energy Technologies, Inc.	Texas	100%
TouchStar Pacific Pty Limited	Australia	100%
TouchStar Technologies Limited	England	100%
TouchStar Technologies, L.L.C.	Delaware	100%
TouchSystems (Australia) Pty. Ltd.	Australia	100%
TouchSystems (Pty) Ltd.	South Africa	100%
TP Holdings LLC		66.34%
Tradespark LP		66.34%
TransCardinal Company	Delaware	100%
TransCarolina LNG Company	Delaware	100%
Transco Coal Gas Company	Delaware	100%
Transco Cross Bay Company	Delaware	100%
Transco Energy Company	Delaware	100%
Transco Energy Investment Company	Delaware	100%
Transco Energy Marketing Company	Delaware	100%
Transco Exploration Company	Delaware	100%
Transco Gas Company	Delaware	100%
Transco Liberty Pipeline Company	Delaware	100%
Transco P-S Company	Delaware	100%
Transco Resources, Inc.	Delaware	100%
Transco Terminal Company	Delaware	100%
Transco Tower Realty, Inc.	Delaware	100%
Transcontinental Gas Pipe Line Corporation	Delaware	100%
TransCumberland Pipeline Company	Delaware	100%
Transeastern Gas Pipeline Company, Inc.	Delaware	100%
TransNetwork Holding Company	Delaware	100%
Tulsa Williams Company	Delaware	100%
TXG Gas Marketing Company	Delaware	100%
Utility Management Corporation	Delaware	100%
Valley View Coal, Inc.	Tennessee	100%
Volunteer-Williams, L.L.C.	Delaware	100%

Vyvx International Ltd	England	100%
WBI Offshore Pipeline, Inc.	Delaware	100%
WBI Offshore Pipeline, Inc.	Delaware	100%
WCS Communications Systems, Inc.	Delaware	100%
WCS, Inc.	Delaware	100%
Webb/Duval Gatherers		51%
Western Frontier Pipeline Company, L.L.C.	Delaware	100%
WFS - Pipeline Company	Delaware	100%
WFS Enterprises, Inc.	Delaware	100%
WFS Gathering Company, L.L.C.	Delaware	100%
WFS Liquids Company	Delaware	100%
WFS-NGL Pipeline Company, Inc.	Delaware	100%
WFS-OCS Gathering Co.	Delaware	100%
WFS-Offshore Gathering Company	Delaware	100%
WFS-Pipeline Company	Delaware	100%
WGP Enterprises, Inc.	Delaware	100%
WGP Gulfstream Pipeline Company, L.L.C.	Delaware	100%
WGP International (Canada) Inc.	New Brunswick	100%
WHD Enterprises, Inc.	Delaware	100%
WilJet, L.L.C.	Arizona	50%
Willams Express, Inc.	Delaware	100%
WillBros Terminal Company	Delaware	100%
Williams Acquisition Holding Company, Inc.	New Jersey	100%
Williams Aircraft, Inc.	Delaware	100%
Williams Alaska Pipeline Company, L.L.C.	Delaware	100%
Williams Alliance Canada Marketing, Inc.	New Brunswick	100%
Williams Bio-Energy, LLC	Delaware	100%
Williams Buccaneer Operating Company	Delaware	100%
Williams Communications (Cayman) Limited	Cayman Islands	100%
Williams Communications Aircraft, LLC	Delaware	100%
Williams Communications Australia Pty, Limited	Australia	100%
Williams Communications Canada, Inc.	Canada	100%
Williams Communications Group PTE Ltd.	Singapore	100%
Williams Communications Group, Inc.	Delaware	85%
Williams Communications Group, Ltd	England	100%
Williams Communications K.K.	Japan	100%
Williams Communications of Virginia, Inc.	Virginia	100%
Williams Communications Participations GmbH		100%
Williams Communications Participations Holdings GmbH		100%
Williams Communications Procurement, L.L.C.	Delaware	100%
Williams Communications Procurement, LP	Delaware	99%
Williams Communications Solutions, LLC	Delaware	70%
Williams Communications UK Limited	England	100%
Williams Communications, LLC	Delaware	100%
Williams Comunicaciones Chile Limitada	Chile	99%

Williams Cove Point LNG Company, L.L.C.	Delaware	100%
Williams Cove Point, Inc.	Delaware	100%
Williams Customer Information Solution Inc.	Delaware	100%
Williams Distributed Power Services, Inc.	Delaware	100%
Williams Energy (Canada) Pipeline, Inc.	New Brunswick	100%
Williams Energy (Canada), Inc.	New Brunswick	100%
Williams Energy Company	Delaware	100%
Williams Energy Marketing & Trading Company	Delaware	100%
Williams Energy Marketing & Trading Europe Ltd	England	100%
Williams Energy Network, Inc.	Delaware	100%
Williams Energy Partners L.P.	Delaware	99%
Williams Energy Services, LLC	Delaware	100%
Williams Energy Ventures, Inc.	Delaware	100%
Williams Energy, L.L.C.	Delaware	100%
Williams Environmental Services Company	Delaware	100%
Williams Equities, Inc.	Delaware	100%
Williams Ethanol Services, Inc.	Delaware	100%
Williams Exploration Company	Delaware	100%
Williams Fertilizer, Inc.	Delaware	100%
Williams Field Services Company	Delaware	100%
Williams Field Services Group, Inc.	Delaware	100%
Williams Field Services-Gulf Coast Company, L.P.	Delaware	99%
Williams Flexible Generation, LLC	Delaware	100%
Williams Gas Company	Delaware	100%
Williams Gas Energy, Inc.	Delaware	100%
Williams Gas Pipeline Company	Delaware	100%
Williams Gas Pipeline Company, LLC	Delaware	100%
Williams Gas Pipeline Mexico, S.A. de C.V.	Mexico	90%
Williams Gas Pipeline-Alliance Canada, Inc.	New Brunswick	100%
Williams Gas Pipelines Central, Inc.	Delaware	100%
Williams Gas Processing Company	Delaware	100%
Williams Gas Processing-Kansas Hugoton Company	Delaware	100%
Williams Gas Processing-Mid-Continent Region Company	Delaware	100%
Williams Gas Processing-Wamsutter Company	Delaware	100%
Williams Gas Projects Company, L.L.C.	Delaware	100%
Williams Gathering & Transportation, L.L.C.	Delaware	100%
Williams Generation Company-Hazleton	Delaware	100%
Williams Global Communications Holdings, Inc.	Delaware	50%
Williams Global Energy (Cayman) Limited	Cayman Islands	100%
Williams Global Holdings Company	Delaware	100%
Williams GmbH		100%
Williams GP LLC	Delaware	100%
Williams GP LLC	Delaware	100%

Williams GSR, L.L.C.	Delaware	100%
Williams Headquarters Acquisition Company	Delaware	100%
Williams Headquarters Building Company	Delaware	100%
Williams Headquarters Building, L.L.C.	Delaware	100%
Williams Headquarters Management Company	Delaware	100%
Williams Holdings GmbH	Austria	100%
Williams Hugoton Compression Services, Inc.	Delaware	100%
Williams Independence Marketing Company	Delaware	100%
Williams Indonesia, L.L.C.	Delaware	100%
Williams Information Services Corporation	Delaware	100%
Williams Intercontinental Holdings Company	Delaware	100%
Williams International (Bermuda) Limited	Bermuda	100%
Williams International (Operations) Ecuador Limited	Cayman Islands	100%
Williams International ATL Limited	Cayman Islands	100%
Williams International Australian Telecom Limited	Cayman Islands	100%
Williams International Communications, Inc.	Delaware	100%
Williams International Company	Delaware	100%
Williams International Cusiana-Cupiagua Limited	Cayman Islands	100%
Williams International Ecuador (Cayman) Limited	Cayman Islands	100%
Williams International Ecuadorian Ventures (Bermuda) Ltd	Bermuda	100%
Williams International El Furrial Limited	Cayman Islands	100%
Williams International Guara Limited	Cayman Islands	100%
Williams International Holdings Limited	Cayman Islands	100%
Williams International Investment (Cayman) Limited	Cayman Islands	100%
Williams International Investment Ventures (Cayman) Ltd.	Cayman Islands	100%
Williams International Jose Limited	Cayman Islands	100%
Williams International Oil & Gas (Venezuela) Limited	Cayman Islands	100%
Williams International Operations (Venezuela) Limited	Cayman Islands	100%
Williams International Pigap Limited	Cayman Islands	100%
Williams International Pipeline Company	Delaware	100%
Williams International Services Company	Nevada	100%
Williams International Telecom (Chile) Limited	Cayman Islands	100%
Williams International Telecom Lightel Investments Limited	Cayman Islands	100%
Williams International Telecom Limited	Delaware	100%
Williams International Telecommunications Investments (Cayman) Limited	Cayman Islands	100%
Williams International Venezuela Limited	Cayman Islands	100%
Williams International Ventures (Bermuda) Ltd.	Bermuda	70%

Williams International Ventures Company	Delaware	100%
Williams Kansas El Dorado-Americus Company	Delaware	100%
Williams Learning Center, Inc.	Delaware	100%
Williams Learning Network (UK) Limited	England	100%
Williams Learning Network, Inc.	Delaware	100%
Williams Lietuva	Lithuania	100%
Williams Local Network, LLC	Delaware	100%
Williams Memphis Terminal, Inc.	Delaware	100%
Williams Merchant Services Company, Inc.	Delaware	100%
Williams Midstream Natural Gas Liquids, Inc.	Delaware	100%
Williams Mobile Bay Producer Services, L.L.C.	Delaware	100%
Williams Natural Gas Liquids Canada, Inc.	Alberta	100%
Williams Natural Gas Liquids, Inc.	Delaware	100%
Williams Northern NGL Pipeline, LLC	Delaware	100%
Williams Oil Gathering, L.L.C.	Delaware	100%
Williams Olefins Feedstock Pipelines, L.L.C.	Delaware	100%
Williams Olefins, L.L.C.	Delaware	100%
Williams One-Call Services, Inc.	Delaware	100%
Williams Petroleum Pipeline Systems, Inc.	Delaware	100%
Williams Pipe Line Company of Wisconsin	Wisconsin	100%
Williams Pipe Line Company, LLC	Delaware	100%
Williams Pipeline Services Company	Delaware	100%
Williams Pipelines Holdings, L.L.C.	Delaware	100%
Williams Production - Gulf Coast Company, L.P.	Delaware	99%
Williams Production Company,LLC	Delaware	100%
Williams Production Rocky Mountain Company	Delaware	100%
Williams Production-Gulf Coast Company, L.P.	Delaware	99%
Williams Refining & Marketing, L.L.C.	Delaware	100%
Williams Relocation Management, Inc.	Delaware	100%
Williams Resource Center, L.L.C.	Delaware	100%
Williams Risk Holdings, L.L.C.	Delaware	100%
Williams Risk Management, L.L.C.	Delaware	100%
Williams Sodium Products Company	Delaware	100%
Williams Storage Company	Delaware	100%
Williams Strategic Sourcing Company	Delaware	100%
Williams Technology Center, LLC	Delaware	100%
Williams Terminals Holdings, L.L.C.	Delaware	100%
Williams TravelCenters, Inc.	Delaware	100%
Williams Underground Gas Storage Company	Delaware	100%
Williams Western Holding Company, Inc.	Delaware	100%
Williams Western Pipeline Company	Delaware	100%
Williams Wireless, Inc.	Delaware	100%
Williams WPC International Company	Delaware	100%
Williams WPC-I, Inc.	Delaware	100%
Williams WPC-II, Inc.	Delaware	100%
WilMart, Inc.	Delaware	100%

WilPro Energy Services (El Furrial) Limited	Cayman Islands	66.67%
WilPro Energy Services (Guara) Limited	Cayman Islands	50%
WilPro Energy Services (Pigap II) Limited	Cayman Islands	70%
WilTel Communications Pty Limited	Australia	100%
Worldwide Services Limited	Cayman Islands	100%
Worthington Generation, L.L.C.	Delaware	100%
WPX Enterprises, Inc.	Delaware	100%
WPX Gas Resources Company	Delaware	100%

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the following registration statements on Form S-3 and related prospectuses and in the following registration statements on Form S-8 of The Williams Companies, Inc. of our report dated February 28, 2001, with respect to the consolidated financial statements and schedules of The Williams Companies, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2000:

Form S-3:	Registration No. 333-20929; Registration No. 333-35097; Registration No. 333-29185; Registration No. 333-24683; Registration No. 333-66141; Registration No. 333-20927; Registration No. 333-39800
Form S-8:	Registration No. 33-36770; Registration No. 33-44381; Registration No. 33-40979; Registration No. 33-45550; Registration No. 33-43999; Registration No. 33-51539; Registration No. 33-51543; Registration No. 33-51551; Registration No. 33-51549; Registration No. 33-51547; Registration No. 33-51545; Registration No. 33-56521; Registration No. 33-58671; Registration No. 333-03957; Registration No. 333-11151; Registration No. 333-40721; Registration No. 333-33735; Registration No. 333-30095; Registration No. 333-48945; Registration No. 333-61597; Registration No. 333-90265; Registration No. 333-76929; Registration No. 333-51994

ERNST & YOUNG LLP

Tulsa, Oklahoma
March 9, 2001

EXHIBIT 24

THE WILLIAMS COMPANIES, INC.

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each of the undersigned individuals, in their capacity as a director or officer, or both, as hereinafter set forth below their signature, of THE WILLIAMS COMPANIES, INC., a Delaware corporation ("Williams"), does hereby constitute and appoint WILLIAM G. VON GLAHN, SHAWNA L. GEHRES, and SUZANNE H. COSTIN their true and lawful attorneys and each of them (with full power to act without the others) their true and lawful attorneys for them and in their name and in their capacity as a director or officer, or both, of Williams, as hereinafter set forth below their signature, to sign Williams' Annual Report to the Securities and Exchange Commission on Form 10-K for the fiscal year ended December 31, 2000, and any and all amendments thereto or all instruments necessary or incidental in connection therewith; and

THAT the undersigned Williams does hereby constitute and appoint WILLIAM G. VON GLAHN, SHAWNA L. GEHRES, and SUZANNE H. COSTIN its true and lawful attorneys and each of them (with full power to act without the others) its true and lawful attorney for it and in its name and on its behalf to sign said Form 10-K and any and all amendments thereto and any and all instruments necessary or incidental in connection therewith.

Each of said attorneys shall have full power of substitution and resubstitution, and said attorneys or any of them or any substitute appointed by any of them hereunder shall have full power and authority to do and perform in the name and on behalf of each of the undersigned, in any and all capacities, every act whatsoever requisite or necessary to be done in the premises, as fully to all intents and purposes as each of the undersigned might or could do in person, the undersigned hereby ratifying and approving the acts of said attorneys or any of them or of any such substitute pursuant hereto.

IN WITNESS WHEREOF, the undersigned have executed this instrument, all as of the 21st day of January, 2001.

/s/ Keith E. Bailey	/s/ Jack D. McCarthy
Keith E. Bailey Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	Jack D. McCarthy Senior Vice President (Principal Financial Officer)

/s/ Gary R. Belitz

Gary R. Belitz
Controller
(Principal Accounting Officer)

/s/ Hugh M. Chapman	/s/ Glenn A. Cox
Hugh M. Chapman Director	Glenn A. Cox Director
/s/ Thomas H. Cruikshank	/s/ William E. Green
Thomas H. Cruikshank Director	William E. Green Director
/s/ W.R. Howell	/s/ James C. Lewis
W.R. Howell Director	James C. Lewis Director
/s/ Charles M. Lillis	/s/ Frank T. MacInnis
Charles M. Lillis Director	Frank T. MacInnis Director
/s/ Peter C. Meinig	/s/ Gordon R. Parker
Peter C. Meinig Director	Gordon R. Parker Director
/s/ Janice D. Stoney	/s/ Joseph H. Williams
Janice D. Stoney Director	Joseph H. Williams Director

THE WILLIAMS COMPANIES, INC.

By /s/ William G. von Glahn

William G. von Glahn
Senior Vice President

ATTEST:

/s/ Shawna L. Gehres

Shawna L. Gehres
Secretary

THE WILLIAMS COMPANIES, INC.

I, the undersigned, Suzanne H. Costin, Assistant Secretary of THE WILLIAMS COMPANIES, INC., a Delaware corporation (hereinafter called the "Company"), do hereby certify that, pursuant to Section 141(f) of the General Corporation Law of Delaware, the Board of Directors of the Company unanimously consented as of January 22, 2001, to the following:

> RESOLVED that the Chairman of the Board, the President or any Vice President of the Company be, and each of them hereby is, authorized and empowered to execute a Power of Attorney for use in connection with the execution and filing, for and on behalf of the Company, under the Securities Exchange Act of 1934, of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.

I further certify that the foregoing resolution has not been modified, revoked or rescinded and is in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the corporate seal of THE WILLIAMS COMPANIES, INC. this 12th day of March, 2001.

/s/ Suzanne H. Costin

Suzanne H. Costin
Secretary

[CORPORATE SEAL]