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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2004

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	73-0569878
(State of Incorporation)	(IRS Employer Identification Number)
ONE WILLIAMS CENTER TULSA, OKLAHOMA	74172
(Address of principal executive office)	(Zip Code)

Registrant's telephone number: (918) 573-2000

NO CHANGE

Former name, former address and former fiscal year, if changed since last report.

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 whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes (X) No ( )

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class	Outstanding at June 30, 2004
Common Stock, $1 par value	522,373,283 Shares

The Williams Companies, Inc.
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Certain matters discussed in this report, excluding historical information, include forward-looking statements - statements that discuss our expected future results based on current and pending business operations. We make 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,” “could,” “continues,” “estimates,” “forecasts,” “might,” “potential,” “projects” or similar expressions. Although we believe 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 may cause future results to be materially different from the results stated or implied in this document. Additional information about issues that could cause actual results to differ materially from forward-looking statements is contained in our 2003 Form 10-K.

The Williams Companies, Inc.

Consolidated Statement of Operations
(Unaudited)

(Dollars in millions, except per-share amounts)	Three months ended June 30, 2004	Three months ended June 30, 2003*	Six months ended June 30, 2004	Six months ended June 30, 2003*
Revenues:				
Power	$ 2,333.2	$ 2,940.2	$ 4,629.6	$ 6,721.7
Gas Pipeline	331.0	330.7	690.0	670.3
Exploration & Production	189.0	200.2	354.2	444.1
Midstream Gas & Liquids	630.5	502.2	1,257.8	1,367.6
Other	7.0	20.1	19.6	48.1
Intercompany eliminations	(442.0)	(381.1)	(837.0)	(863.4)
Total revenues	3,048.7	3,612.3	6,114.2	8,388.4
Segment costs and expenses:				
Costs and operating expenses	2,658.3	3,024.8	5,348.2	7,448.4
Selling, general and administrative expenses	81.9	115.4	166.3	221.0
Other (income) expense - net	23.0	(225.3)	31.4	(224.6)
Total segment costs and expenses	2,763.2	2,914.9	5,545.9	7,444.8
General corporate expenses	28.3	21.8	60.3	44.7
Operating income (loss):				
Power	24.2	364.7	13.1	234.2
Gas Pipeline	128.3	113.4	272.2	261.9
Exploration & Production	40.1	176.2	88.7	287.9
Midstream Gas & Liquids	96.1	51.6	199.7	167.0
Other	(3.2)	(8.5)	(5.4)	(7.4)
General corporate expenses	(28.3)	(21.8)	(60.3)	(44.7)
Total operating income	257.2	675.6	508.0	898.9
Interest accrued	(222.3)	(405.9)	(465.6)	(758.7)
Interest capitalized	.7	11.3	4.7	23.2
Interest rate swap income (loss)	6.8	(6.1)	(1.3)	(8.9)
Investing income (loss)	11.7	(43.2)	22.0	3.1
Early debt retirement costs	(96.8)	—	(97.3)	—
Minority interest in income of consolidated subsidiaries	(6.0)	(6.0)	(10.8)	(9.5)
Other income (expense) - net	13.4	13.9	14.8	36.0
Income (loss) from continuing operations before income taxes and cumulative effect of change in accounting principles	(35.3)	239.6	(25.5)	184.1
Provision (benefit) for income taxes	(17.3)	125.9	(6.0)	113.5
Income (loss) from continuing operations	(18.0)	113.7	(19.5)	70.6
Income (loss) from discontinued operations	(.2)	156.0	11.2	145.9
Income (loss) before cumulative effect of change in accounting principles	(18.2)	269.7	(8.3)	216.5
Cumulative effect of change in accounting principles	—	—	—	(761.3)
Net income (loss)	(18.2)	269.7	(8.3)	(544.8)
Preferred stock dividends	—	22.7	—	29.5
Income (loss) applicable to common stock	$ (18.2)	$ 247.0	$ (8.3)	$ (574.3)
Basic earnings (loss) per common share:				
Income (loss) from continuing operations	$ (.03)	$ .18	$ (.04)	$ .08
Income (loss) from discontinued operations	—	.30	.02	.28
Income (loss) before cumulative effect of change in accounting principles	(.03)	.48	(.02)	.36
Cumulative effect of change in accounting principles	—	—	—	(1.47)
Net income (loss)	$ (.03)	$ .48	$ (.02)	$ (1.11)
Weighted-average shares (thousands)	521,698	518,090	520,592	517,872
Diluted earnings (loss) per common share:				
Income (loss) from continuing operations	$ (.03)	$ .17	$ (.04)	$ .07
Income (loss) from discontinued operations	—	.29	.02	.28
Income (loss) before cumulative effect of change in accounting principles	(.03)	.46	(.02)	.35
Cumulative effect of change in accounting principles	—	—	—	(1.45)
Net income (loss)	$ (.03)	$ .46	$ (.02)	$ (1.10)
Weighted-average shares (thousands)	521,698	534,839	520,592	523,553
Cash dividends per common share	$ .01	$ .01	$ .02	$ .02

* Certain amounts have been reclassified as described in Note 2 of Notes to Consolidated Financial Statements.

See accompanying notes.

The Williams Companies, Inc.

Consolidated Balance Sheet
(Unaudited)

(Dollars in millions, except per-share amounts)	June 30, 2004	December 31, 2003*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,030.3	$ 2,315.7
Restricted cash	45.2	47.1
Restricted investments	—	93.2
Accounts and notes receivable less allowance of $102.8 ($112.2 in 2003)	1,461.0	1,613.2
Inventories	255.3	242.9
Derivative assets	3,936.1	3,166.8
Margin deposits	423.7	553.9
Assets of discontinued operations	434.8	441.3
Deferred income taxes	68.2	106.6
Other current assets and deferred charges	107.4	214.3
Total current assets	7,762.0	8,795.0
Restricted cash	131.0	159.8
Restricted investments	—	288.1
Investments	1,363.0	1,463.6
Property, plant and equipment, at cost	16,043.4	15,752.3
Less accumulated depreciation and depletion	(4,273.3)	(4,018.3)
	11,770.1	11,734.0
Derivative assets	3,435.8	2,495.6
Goodwill	1,014.5	1,014.5
Assets of discontinued operations	—	345.1
Other assets and deferred charges	692.0	726.1
Total assets	$26,168.4	$27,021.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ —	$ 3.3
Accounts payable	1,044.8	1,228.0
Accrued liabilities	859.9	944.4
Liabilities of discontinued operations	24.3	95.7
Derivative liabilities	3,979.2	3,064.2
Long-term debt due within one year	276.6	935.2
Total current liabilities	6,184.8	6,270.8
Long-term debt	9,483.0	11,039.8
Deferred income taxes	2,326.3	2,453.4
Derivative liabilities	3,179.4	2,124.1
Other liabilities and deferred income	906.3	947.5
Contingent liabilities and commitments (Note 13)		
Minority interests in consolidated subsidiaries	89.7	84.1
Stockholders' equity:		
Common stock, $1 per share par value, 960 million shares authorized, 525.6 million issued in 2004, 521.4 million issued in 2003	525.6	521.4
Capital in excess of par value	5,217.0	5,195.1
Accumulated deficit	(1,445.5)	(1,426.8)
Accumulated other comprehensive loss	(235.5)	(121.0)
Other	(24.1)	(28.0)
	4,037.5	4,140.7
Less treasury stock (at cost), 3.2 million shares of common stock in 2004 and 2003	(38.6)	(38.6)
Total stockholders' equity	3,998.9	4,102.1
Total liabilities and stockholders' equity	$26,168.4	$27,021.8

* Certain amounts have been reclassified as described in Note 2 to Consolidated Financial Statements.

See accompanying notes.

The Williams Companies, Inc.

Consolidated Statement of Cash Flows
(Unaudited)

	Six months ended June 30,	
	2004	2003*
	(Millions)	
OPERATING ACTIVITIES:		
Income (loss) from continuing operations	$ (19.5)	$ 70.6
Adjustments to reconcile to cash provided (used) by operations:		
Depreciation, depletion and amortization	328.5	329.8
Provision (benefit) for deferred income taxes	(19.5)	79.6
Provision for loss on investments, property and other assets	30.0	120.8
Net gain on disposition of assets	(2.0)	(100.6)
Provision for uncollectible accounts	(4.8)	6.0
Minority interest in income of consolidated subsidiaries	10.8	9.5
Amortization of stock-based awards	7.5	21.4
Payment of deferred set-up fee and fixed rate interest on RMT note payable	—	(265.0)
Accrual for fixed rate interest included in the RMT note payable	—	99.3
Amortization of deferred set-up fee and fixed rate interest on RMT note payable	—	154.5
Cash provided (used) by changes in current assets and liabilities:		
Restricted cash	2.8	(.5)
Accounts and notes receivable	150.0	682.3
Inventories	(12.5)	42.0
Margin deposits	130.2	195.2
Other current assets and deferred charges	105.0	(61.0)
Accounts payable	(144.8)	(462.8)
Accrued liabilities	(142.7)	(205.7)
Changes in current and noncurrent derivative assets and liabilities	77.7	(356.8)
Changes in noncurrent restricted cash	11.0	(2.4)
Other, including changes in noncurrent assets and liabilities	95.9	47.9
Net cash provided by operating activities of continuing operations	603.6	404.1
Net cash provided by operating activities of discontinued operations	11.5	64.8
Net cash provided by operating activities	615.1	468.9
FINANCING ACTIVITIES:		
Payments of notes payable	(3.3)	(892.8)
Proceeds from long-term debt	—	1,776.5
Payments of long-term debt	(2,217.0)	(919.3)
Proceeds from issuance of common stock	11.9	.1
Dividends paid	(10.4)	(42.9)
Repurchase of preferred stock	—	(275.0)
Payments of debt issuance costs	(20.4)	(54.9)
Premiums paid on tender offer and early debt retirement	(79.5)	—
Payments/dividends to minority interests	(5.2)	(.7)
Changes in restricted cash	16.9	62.2
Changes in cash overdrafts	(27.4)	(25.9)
Other - net	(3.1)	(.1)
Net cash used by financing activities of continuing operations	(2,337.5)	(372.8)
Net cash used by financing activities of discontinued operations	(1.2)	(93.1)
Net cash used by financing activities	(2,338.7)	(465.9)
INVESTING ACTIVITIES:		
Property, plant and equipment:		
Capital expenditures	(329.0)	(449.8)
Proceeds from dispositions	3.0	467.9
Purchases of investments/advances to affiliates	(1.6)	(13.3)
Purchases of restricted investments	(471.8)	(463.3)
Proceeds from sales of businesses	306.0	1,943.6
Proceeds from sale of restricted investments	851.4	—
Proceeds from dispositions of investments and other assets	85.2	33.3
Other - net	(6.7)	(3.5)
Net cash provided by investing activities of continuing operations	436.5	1,514.9
Net cash used by investing activities of discontinued operations	(.8)	(24.2)
Net cash provided by investing activities	435.7	1,490.7
Increase (decrease) in cash and cash equivalents	(1,287.9)	1,493.7
Cash and cash equivalents at beginning of period**	2,318.2	1,736.0
Cash and cash equivalents at end of period**	$ 1,030.3	$3,229.7

* Certain amounts have been reclassified as described in Note 2 of Notes to Consolidated Financial Statements.

** Includes cash and cash equivalents of discontinued operations of $2.5 million, $2.6 million and $85.6 million at December 31, 2003, June 30, 2003 and December 31, 2002, respectively.

See accompanying notes

The Williams Companies, Inc.

Notes to Consolidated Financial Statements
(Unaudited)

1. General

Company overview and outlook

In February 2003, we outlined our planned business strategy in response to the events that significantly impacted the energy sector and our company during late 2001 and much of 2002, including the collapse of Enron and the severe decline of the telecommunications industry. The plan focused on migrating to an integrated natural gas business comprised of a strong, but smaller, portfolio of natural gas businesses; reducing debt; and increasing our liquidity through asset sales, strategic levels of financing and reductions in operating costs. The plan was designed to address near-term and medium-term debt and liquidity issues, to de-leverage the company with the objective of returning to investment grade status and to develop a balance sheet and cash flows capable of supporting and ultimately growing our remaining businesses.

As discussed in our Annual Report on Form 10-K for the year ended December 31, 2003, we successfully executed certain critical components of our plan during 2003. Key execution steps for 2004 and beyond included the completion of planned asset sales; additional reductions of our selling, general and administrative (SG&A) costs; the replacement of our cash-collateralized letter of credit and revolver facility with facilities that do not encumber cash; and continuation of efforts to exit from the Power business (see below).

Asset sales during 2004 were initially expected to generate proceeds of approximately $800 million. In first-quarter 2004, we completed the sale of our Alaska refinery and related assets for approximately $304 million. On July 28, 2004, we completed the sale of three straddle plants in western Canada for approximately $536 million (see Note 6). In addition to these transactions, we currently expect to generate additional proceeds from the sale of assets of approximately $50 to $100 million.

In April 2004, we entered into two new unsecured credit facilities totaling $500 million, which will be used primarily for issuing letters of credit. During April 2004, use of these new facilities released approximately $500 million of restricted cash, restricted investments and margin deposits (see Note 12). Also, on May 3, 2004, we entered into a new three-year $1 billion secured revolving credit facility. The revolving credit facility is secured by certain Midstream assets and a guarantee from Williams Gas Pipeline Company, LLC. (WGP) (see Note 12).

In May 2004, we made cash tender offers for approximately $1.34 billion aggregate principal amount of a specified series of our outstanding notes and debentures. As of the June 8, 2004, tender offer expiration date, we had accepted for purchase $1.17 billion of the notes for purchase (see Note 12). In May 2004, we also repurchased debt of approximately $255 million of various maturities on the open market. Our repurchase of these notes served to decrease debt and will result in reduced annual interest expense.

Power Business Status

Since mid-2002, we have been pursuing a strategy of exiting the Power business and have worked with financial advisors to assist with this effort. To date, several factors have contributed to the difficulty of achieving a complete exit from this business, including the following with respect to the wholesale power industry:

- oversupply position in most markets expected through the balance of the decade;
- slow North American gas supply response to high gas prices; and
- expectations of hybrid regulated/deregulated market structure for several years.

As a result of these factors and the size of our Power business, the number of financially viable parties expressing an interest in purchasing the entire business has been limited. Additionally, the current and near term view of the wholesale power market, which we interpret as depressed, has strongly influenced these parties' view of value and related risk associated with this business.

Notes (Continued)

Because market conditions may change, and we cannot determine the impact of this on a buyer's point of view, amounts ultimately received in any portfolio sale, contract liquidation or realization may be significantly different from the estimated economic value or carrying values reflected in the Consolidated Balance Sheet. In addition, our tolling agreements are not derivatives and thus have no carrying value in the Consolidated Balance Sheet pursuant to the application of Emerging Issues Task Force (EITF) Issue No. 02-3, "Issues Related to Accounting for Contracts Involved in Energy Trading and Risk Management Activities" (EITF 02-3). Based on current market conditions, certain of these agreements are forecasted to realize significant future losses. It is possible that we may sell contracts for less than their carrying value or enter into agreements to terminate certain obligations, either of which could result in significant future loss recognition or reductions of future cash flows.

We continue to evaluate alternatives and discuss our plans and operating strategy for the Power business with our Board of Directors. As an alternative to continuing a plan of pursuing a complete exit from the Power business, we are evaluating whether the benefits of realizing the positive cash flows expected to be generated by this business through continued ownership exceed the benefits of a sale at a depressed price. If we pursue this alternative, we expect to continue our current program of managing this business to minimize financial risk, generate cash and manage existing contractual commitments**.**

Other

Our accompanying interim consolidated financial statements do not include all the notes in our annual financial statements and, therefore, should be read in conjunction with the consolidated financial statements and notes thereto in our Annual Report on Form 10-K. The accompanying unaudited financial statements include all normal recurring adjustments and others, including asset impairments, loss accruals, and the change in accounting principles which, in the opinion of our management, are necessary to present fairly our financial position at June 30, 2004, and results of operations for the three and six months ended June 30, 2004 and 2003 and cash flows for the six months ended June 30, 2004 and 2003.

During the second quarter of 2003, we corrected the accounting treatment previously applied to certain third-party derivative contracts during 2002 and 2001. We previously disclosed this in our Form 10-Q for the second quarter of 2003 and in our Form 10-K for the year ended December 31, 2003. Results through June 30, 2003, include $106.8 million of revenue attributable to prior periods. Our management, after consultation with our independent auditor, concluded that the effect of the previous accounting treatment was not material to 2003 and earlier periods and the trend of earnings.

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.

Notes (Continued)

2. Basis of presentation

In accordance with the provisions related to discontinued operations within Statement of Financial Accounting Standards (SFAS) No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets,” the accompanying consolidated financial statements and notes reflect the results of operations, financial position and cash flows of certain components as discontinued operations (see Note 6).

During second-quarter 2004, our Board of Directors approved a plan authorizing management to negotiate and facilitate a sale of our straddle plants in western Canada, which were part of the Midstream segment. As a result, these assets and their related income and cash flows are now reported as discontinued operations. In addition, the following components are included as discontinued operations:

- retail travel centers concentrated in the Midsouth, part of the previously reported Petroleum Services segment;
- refining and marketing operations in the Midsouth, including the Midsouth refinery, part of the previously reported Petroleum Services segment;
- Texas Gas Transmission Corporation, previously one of Gas Pipeline’s segments;
- natural gas properties in the Hugoton and Raton basins, previously part of the Exploration & Production segment;
- bio-energy operations, part of the previously reported Petroleum Services segment;
- our general partnership interest and limited partner investment in Williams Energy Partners, previously the Williams Energy Partners segment;
- the Colorado soda ash mining operations, part of the previously reported International segment;
- certain gas processing, natural gas liquids fractionation, storage and distribution operations in western Canada and at a plant in Redwater, Alberta, previously part of the Midstream segment;
- refining, retail and pipeline operations in Alaska, part of the previously reported Petroleum Services segment; and
- Gulf Liquids New River Project LLC, previously part of the Midstream segment.

Since May 1995, an entity within our Midstream segment has operated production area facilities owned by entities within our Gas Pipeline segment. These regulated gas gathering assets have been operated pursuant to the terms of an operating agreement. Effective June 1, 2004, and due in part to FERC Order 2004, the operating agreement was terminated and management and decision-making control transferred to the Gas Pipeline segment. Consequently, the results of operations were similarly reclassified. All prior periods reflect these classifications.

Unless indicated otherwise, the information in the Notes to the Consolidated Financial Statements relates to our continuing operations. Other components of our business may be classified as discontinued operations in the future as those operations are sold or classified as held-for-sale.

We have restated all segment information in the Notes to Consolidated Financial Statements for the prior periods presented to reflect the discontinued operations noted above. Certain other statement of operations, balance sheet and cash flow amounts have been reclassified to conform to the current classifications.

Notes (Continued)

3. Cumulative effect of change in accounting principles

Energy commodity risk management and trading activities and revenues

Effective January 1, 2003, we adopted EITF 02-3. As a result of initial application of this Issue, we reduced net income by $762.5 million (net of a $471.4 million benefit for income taxes) in first-quarter 2003. Approximately $755 million of the reduction in net income relates to Power, with the remainder relating to Midstream. The reduction of net income is reported as a cumulative effect of a change in accounting principle. The change resulted primarily from power tolling, load serving, transportation and storage contracts not meeting the definition of a derivative and no longer being reported at fair value.

Asset retirement obligations

Effective January 1, 2003, we also adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." As required by the new standard, we recorded liabilities equal to the present value of expected future asset retirement obligations at January 1, 2003. As a result of the adoption of SFAS No. 143, we recorded a credit to earnings of $1.2 million (net of a $.1 million provision for income taxes) reflected as a cumulative effect of a change in accounting principle. In connection with adoption of SFAS No. 143, we changed our method of accounting to include salvage value of equipment related to producing wells in the calculation of depreciation. The impact of this change is included in the effect of adoption.

4. Asset sales, impairments and other accruals

Significant gains or losses from asset sales, impairments and other accruals included in other (income) expense - net within segment costs and expenses and investing income (loss) are included in the following tables.

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(Millions)		(Millions)	
Other (income) expense-net:				
Power				
Gain on sale of Jackson power contract	$ —	$(175.0)	$ —	$(175.0)
Commodity Futures Trading Commission settlement (see Note 13)	—	20.0	—	20.0
Gas Pipeline				
Write-off of software development costs due to cancelled implementation	—	25.5	—	25.5
Write-off of previously-capitalized costs	9.0	—	9.0	—
Exploration & Production				
Net gain on sale of natural gas properties	—	(91.5)	—	(91.5)
Loss provision related to an ownership dispute	11.3	—	11.3	—

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(Millions)		(Millions)	
Investing income (loss):				
Midstream Gas & Liquids				
Impairment of Aux Sable investment	$ —	$ (8.5)	$ —	$ (8.5)
Other				
Impairment of cost-based investment	—	(13.5)	—	(13.5)
Longhorn Partners Pipeline, L.P. :				
Impairment of investment	(10.8)	(42.4)	(10.8)	(42.4)
Net unreimbursed Longhorn recapitalization advisory fees	—	—	(6.5)	—
Impairment of Algar Telecom S.A. investment	(1.1)	—	(1.1)	(12.0)

Notes (Continued)

5. Provision (benefit) for income taxes

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

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(Millions)		(Millions)	
Current:				
Federal	$ .1	$ 6.2	$ 3.3	$ 12.5
State	2.6	8.5	4.4	13.2
Foreign	3.3	8.2	5.8	8.2
	6.0	22.9	13.5	33.9
Deferred:				
Federal	(13.0)	103.2	(13.6)	86.6
State	(12.6)	(2.1)	(10.5)	(5.1)
Foreign	2.3	1.9	4.6	(1.9)
	(23.3)	103.0	(19.5)	79.6
Total provision (benefit)	$(17.3)	$125.9	$ (6.0)	$113.5

The effective income tax rate benefit for the three months ended June 30, 2004, is greater than the federal statutory rate due primarily to the effect of state income taxes partially offset by net foreign operations and an accrual for income tax contingencies.

The effective income tax rate benefit for the six months ended June 30, 2004, is less than the federal statutory rate due primarily to net foreign operations and an accrual for income tax contingencies partially offset by the effect of state income taxes.

The effective income tax rate for the three and six months ended June 30, 2003, is greater than the federal statutory rate due primarily to the financial impairment of certain investments, capital losses generated for which valuation allowances were established, nondeductible expenses and an accrual for income tax contingencies.

Notes (Continued)

6. Discontinued operations

During 2002, we began the process of selling assets and/or businesses to address liquidity issues. The businesses discussed below represent components that have been sold or approved for sale by our Board of Directors as of June 30, 2004; therefore, their results of operations (including any impairments, gains or losses), financial position and cash flows have been reflected in the consolidated financial statements and notes as discontinued operations.

Summarized results of discontinued operations

The following table presents the summarized results of discontinued operations for the three and six months ended June 30, 2004 and June 30, 2003. Income from discontinued operations before income taxes for the six months ended June 30, 2004 includes a first-quarter charge of $17.4 million to increase our accrued liability associated with certain Quality Bank litigation matters (see Note 13).

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(Millions)		(Millions)	
Revenues	$45.3	$628.4	$339.6	$1,846.3
Income (loss) from discontinued operations before income taxes	(2.9)	22.6	8.2	119.4
(Impairments) and gain (loss) on sales - net	.1	232.9	7.0	115.6
Benefit (provision) for income taxes	2.6	(99.5)	(4.0)	(89.1)
Income (loss) from discontinued operations	$ (.2)	$156.0	$ 11.2	$ 145.9

Summarized assets and liabilities of discontinued operations

The following table presents the summarized assets and liabilities of discontinued operations as of June 30, 2004 and December 31, 2003. The December 31, 2003 balances include the assets and liabilities of the Canadian straddle plants, the Gulf Liquids New River Project LLC (Gulf Liquids) and the Alaska refining, retail and pipeline operations. The June 30, 2004 balances include the Canadian straddle plants, Gulf Liquids and certain remaining working capital amounts of the Alaska refining, retail and pipeline operations. The assets and liabilities from discontinued operations are reflected on the Consolidated Balance Sheet as current beginning in the period they are both approved for sale and expected to be sold within twelve months.

	June 30, 2004	December 31, 2003
	(Millions)	
Total current assets	$ 46.6	$175.4
Property, plant and equipment - net	386.6	609.0
Other non-current assets	1.6	2.0
Total non-current assets	388.2	611.0
Total assets	$434.8	$786.4
Long-term debt due within one year	—	1.2
Other current liabilities	23.4	81.5
Total current liabilities	$ 23.4	$ 82.7
Long-term debt	—	.3
Other non-current liabilities	.9	12.7
Total non-current liabilities	.9	13.0
Total liabilities	$ 24.3	$ 95.7

Notes (Continued)

Held for sale at June 30, 2004

Canadian straddle plants

During second-quarter 2004, our Board of Directors approved a plan to negotiate and facilitate the sale of our three natural gas liquid extraction plants (straddle plants) in western Canada. On July 28, 2004, we closed the sale of these facilities for approximately $536 million in U.S. funds. We expect to recognize a pre-tax gain of approximately $190 million on the sale in third-quarter 2004. These assets were previously written down to estimated fair value, resulting in a $36.8 million impairment in fourth-quarter 2002 and an additional $41.7 million impairment in fourth-quarter 2003. In 2004, the fair value of the assets increased substantially due primarily to renegotiation of certain customer contracts and a general improvement in the market for processing assets. These operations were part of the Midstream segment.

Gulf Liquids New River Project LLC

During second-quarter 2003, our Board of Directors approved a plan authorizing management to negotiate and facilitate a sale of the assets of Gulf Liquids. The Gulf Liquids assets were written down to their estimated fair value less cost to sell resulting in a second-quarter 2003 impairment charge of $92.6 million, which is included in (impairments) and gain (loss) on sales in the preceding table of summarized results of discontinued operations. We estimated fair value based on a probability-weighted analysis of various scenarios, including expected sales prices, discounted cash flows and salvage valuations. During first-quarter 2004, we initiated a second bid process and expect the sale of these operations to be completed in the second half of 2004. These operations were part of the Midstream segment.

Winterthur International Insurance Company (Winterthur) issued policies to Gulf Liquids providing financial assurance related to construction contracts among Gulf Liquids, Gulsby Engineering, Inc. and Gulsby-Bay. After disputes arose regarding obligations under the construction contracts, Winterthur disputed coverage resulting in arbitration between Winterthur and Gulf Liquids. In July 2004, the arbitration panel awarded Gulf Liquids $93.6 million, offset by $18 million previously paid to Gulf Liquids, plus interest of $7.7 million, for a total award to Gulf Liquids of approximately $83.3 million. Winterthur has filed a Petition to Vacate the Arbitration Award in the New York State court.

Because the final outcome of the arbitration is uncertain, we have not recognized the award in the consolidated financial statements.

2004 completed transactions

Alaska refining, retail and pipeline operations

On March 31, 2004, we completed the sale of our Alaska refinery, retail and pipeline and related assets for approximately $304 million, subject to closing adjustments for items such as the value of petroleum inventories. We received $279 million in cash at the time of sale and $25 million in cash during the second quarter of 2004. Throughout the sales negotiation process, we regularly reassessed the estimated fair value of these assets based on information obtained from the sales negotiations using a probability-weighted approach. We recognized a $3.6 million gain on the sale during first-quarter 2004. The gain and an $8 million first-quarter 2003 impairment charge are included in (impairments) and gain (loss) on sales in the preceding table of summarized results of discontinued operations. These operations were part of the previously reported Petroleum Services segment.

2003 Completed transactions

Canadian liquids operations

During the third quarter of 2003, we completed the sale of certain gas processing, natural gas liquids fractionation, storage and distribution operations in western Canada and at our Redwater, Alberta plant for total proceeds of $246 million in cash. These operations were part of the Midstream segment.

Soda ash operations

On September 9, 2003, we completed the sale of our soda ash mining facility located in Colorado. During 2003, ongoing sale negotiations continued to provide new information regarding estimated fair value, and, as a result, the carrying value of these assets was adjusted periodically as necessary. We recognized impairment charges of $5 million and $11.1 million during the first and second quarters of 2003, respectively. These impairments are included in (impairments) and gain (loss) on sales in the preceding table of summarized results of discontinued operations. The soda ash operations were part of the previously reported International segment.

Williams Energy Partners

On June 17, 2003, we completed the sale of our 100 percent general partnership interest and 54.6 percent limited partner investment in Williams Energy Partners for approximately $512 million in cash and assumption by the purchasers of $570 million in debt. In December 2003, we received additional cash proceeds of $20 million following the occurrence of a contingent event. In second-quarter 2003 we recognized a gain on sale of $275.6 million which is included in (impairments) and gain (loss) on sales in the preceding table of summarized results of discontinued operations and deferred an additional $113 million associated with certain environmental indemnifications we provided to the purchasers under the sales agreement. In second-quarter 2004, we settled these indemnifications with an agreement to pay $117.5 million over a four-year period (see Note 11).

Notes (Continued)

Bio-energy facilities

On May 30, 2003, we completed the sale of our bio-energy operations for approximately $59 million in cash. During second-quarter 2003, we recognized a loss on sale of $6.4 million, which is included in (impairments) and gain (loss) on sales in the preceding table of summarized results of discontinued operations. These operations were part of the previously reported Petroleum Services segment.

Natural gas properties

On May 30, 2003, we completed the sale of natural gas exploration and production properties in the Raton Basin in southern Colorado and the Hugoton Embayment in southwestern Kansas. This sale included all of our interests within these basins. During second-quarter 2003, we recognized a gain on sale of $39.9 million which is included in (impairments) and gain (loss) on sales in the preceding table of summarized results of discontinued operations. These properties were part of the Exploration & Production segment.

Texas Gas

On May 16, 2003, we completed the sale of Texas Gas Transmission Corporation for $795 million in cash and the assumption by the purchaser of $250 million in existing Texas Gas debt. There was no significant gain or loss recognized on the sale. We recorded a $109 million impairment charge in first-quarter 2003 reflecting the excess of the carrying cost of the long-lived assets over our estimate of fair value based on our assessment of the expected sales price pursuant to the purchase and sale agreement. The impairment charge is included in (impairments) and gain (loss) on sales in the preceding table of summarized results of discontinued operations. Texas Gas was a segment within Gas Pipeline.

Midsouth refinery and related assets

On March 4, 2003, we completed the sale of our refinery and other related operations located in Memphis, Tennessee for $455 million in cash. These assets were previously written down to their estimated fair value less cost to sell at December 31, 2002. We recognized a pre-tax gain on sale of $4.7 million in the first quarter of 2003. During the second quarter of 2003, we recognized a $24.7 million gain on the sale of an earn-out agreement we retained in the sale of the refinery. These gains are included in (impairments) and gain (loss) on sales in the preceding table of summarized results of discontinued operations. These operations were part of the previously reported Petroleum Services segment.

Williams travel centers

On February 27, 2003, we completed the sale of our travel centers for approximately $189 million in cash. We had previously written these assets down to their estimated fair value to sell at December 31, 2002, and did not recognize a significant gain or loss on the sale. These operations were part of the previously reported Petroleum Services segment.

Notes (Continued)

7. Earnings (loss) per share

Basic and diluted earnings (loss) per common share are computed as follows:

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(Dollars in millions, except per-share amounts; shares in thousands)		(Dollars in millions, except per-share amounts; shares in thousands)	
Income (loss) from continuing operations	$ (18.0)	$ 113.7	$ (19.5)	$ 70.6
Convertible preferred stock dividends	—	(22.7)	—	(29.5)
Income (loss) from continuing operations available to common stockholders for basic and diluted earnings per share	$ (18.0)	$ 91.0	$ (19.5)	$ 41.1
Basic weighted-average shares	521,698	518,090	520,592	517,872
Effect of dilutive securities:				
Stock options	—	3,889	—	2,814
Deferred shares unvested	—	2,567	—	2,867
Convertible debentures	—	10,293	—	—
Diluted weighted-average shares	521,698	534,839	520,592	523,553
Earnings (loss) per share from continuing operations:				
Basic	$ (.03)	$ .18	$ (.04)	$ .08
Diluted	$ (.03)	$ .17	$ (.04)	$ .07

For the three and six months ended June 30, 2004, approximately 3.5 million and 3.7 million weighted-average stock options, respectively, and approximately 2.8 million and 2.6 million weighted-average unvested deferred shares, respectively, that otherwise would have been included, have been excluded from the computation of diluted earnings per common share as their inclusion would be antidilutive. The unvested deferred shares will vest over the period from July 2004 to January 2008.

In addition, for the three and six months ended June 30, 2004, approximately 27.5 million weighted-average shares related to the assumed conversion of convertible debentures, as well as the related interest, have been excluded from the computation of diluted earnings per common share as their inclusion would be antidilutive. If no other components used to calculate diluted earnings per share (EPS) change, we estimate the assumed conversion of the convertible debentures would become dilutive and therefore be included in diluted EPS at an Income from continuing operations amount of $48.8 million and $97.4 million for the three and six months ended June 30, 2004, respectively.

Approximately 9.4 million options to purchase shares of common stock with a weighted-average exercise price of $27.43 were outstanding at June 30, 2004, 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 second-quarter weighted average market price of the common shares of $11.03 for the three months ended June 30, 2004.

For the three and six months ended June 30, 2003, approximately 11.3 million and 13 million weighted-average shares, respectively, related to the assumed conversion of 9 7/8 percent cumulative convertible preferred stock have been excluded from the computation of diluted earnings per common share as their inclusion would be antidilutive. The preferred stock was redeemed in June 2003.

For the six months ended June 30, 2003, approximately 5.2 million weighted-average shares related to the assumed conversion of convertible debentures, as well as the related interest, were excluded from the computation of diluted earnings per common share as their inclusion would be antidilutive. If no other components used to calculate diluted EPS change, we estimate the assumed conversion of the convertible debentures would become dilutive and therefore be included in diluted EPS at an Income from continuing operations amount of $148.4 million.

Notes (Continued)

8. Employee benefit plans

Net periodic pension and other postretirement benefit (income) expense for the three and six months ended June 30, 2004 and 2003 is as follows:

	Pension Benefits			
	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(Millions)		(Millions)	
Components of net periodic pension (income) expense:				
Service cost	$ 5.1	$ 6.4	$ 12.1	$ 12.9
Interest cost	10.7	13.2	25.2	26.6
Expected return on plan assets	(17.5)	(13.6)	(32.4)	(27.4)
Amortization of prior service credit	(.1)	(.6)	(.8)	(1.2)
Recognized net actuarial loss	.9	3.4	4.6	6.8
Regulatory asset amortization (deferral)	(.1)	.1	1.0	.2
Settlement/curtailment (income) expense	.1	(.9)	.1	.6
Net periodic pension (income) expense	$ (.9)	$ 8.0	$ 9.8	$ 18.5

	Other Postretirement Benefits			
	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(Millions)		(Millions)	
Components of net periodic postretirement benefit (income) expense:				
Service cost	$ .3	$ 1.5	$ 1.8	$ 3.2
Interest cost	5.1	6.3	10.8	12.7
Expected return on plan assets	(3.1)	(3.3)	(6.2)	(6.8)
Amortization of transition obligation	.7	.7	1.3	1.4
Amortization of prior service cost	.1	.1	.3	.3
Regulatory asset amortization	1.9	2.0	3.5	4.7
Settlement/curtailment (income) expense	—	(29.0)	—	(29.0)
Net periodic postretirement benefit (income) expense	$ 5.0	$(21.7)	$11.5	$(13.5)

The $29 million settlement/curtailment income included in net periodic postretirement (income) expense for the three and six months ended June 30, 2003, is included in income (loss) from discontinued operations in the Consolidated Statement of Operations due to the settlement/curtailment directly resulting from the sale of the operations included within discontinued operations.

As previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2003, we expected to contribute approximately $60 million to our pension plans and approximately $15 million to our other postretirement benefit plans in 2004. For the six months ended June 30, 2004, we contributed $16.5 million to our pension plans and $5.8 million to our other postretirement benefit plans. We presently anticipate contributing approximately an additional $44 million to fund our pension plans in 2004 for a total of approximately $61 million. We presently anticipate contributing approximately an additional $9 million to our other postretirement benefit plans in 2004 for a total of approximately $15 million.

Net periodic pension income for the three months ended June 30, 2004 includes a favorable adjustment to reflect revised 2004 actuarial information. The improvement results largely from a reduction in the number of employees and higher than expected asset performance.

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law. The Act introduces a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Our health care plan for retirees includes prescription drug coverage. In accordance with FASB Staff Position (FSP) No. FAS 106-1, “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003,” the provisions of the Act are not reflected in any measures of benefit obligations or other postretirement benefit expense in the financial statements or accompanying notes. In May 2004, the FASB issued FSP No. FAS 106-2, “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003.” This guidance is effective for us beginning in third quarter 2004 and supersedes FSP No. FAS 106-1. We are evaluating the impact of the Act on future obligations of the plan. If the plan is determined to be actuarially equivalent and eligible for the subsidy, the change in the obligation attributable to prior service will be deferred and recognized over future periods beginning in third quarter 2004.

Notes (Continued)

9. Stock-based compensation

Employee stock-based awards are accounted for under Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” (APB 25) 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. The following table illustrates the effect on net income (loss) and earnings (loss) per share if we had applied the fair value recognition provisions of SFAS No. 123 “Accounting for Stock-Based Compensation.”

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(Millions)		(Millions)	
Net income (loss), as reported	$(18.2)	$269.7	$ (8.3)	$(544.8)
Add: Stock-based employee compensation included in the Consolidated Statement of Operations, net of related tax effects	1.3	3.3	5.8	13.9
Deduct: Stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(3.2)	(6.3)	(10.7)	(21.0)
Pro forma net income (loss)	$(20.1)	$266.7	$(13.2)	$(551.9)
Earnings (loss) per share:				
Basic-as reported	$ (.03)	$ .48	$ (.02)	$ (1.11)
Basic-pro forma	$ (.04)	$ .47	$ (.03)	$ (1.12)
Diluted-as reported	$ (.03)	$ .46	$ (.02)	$ (1.10)
Diluted-pro forma	$ (.04)	$ .46	$ (.03)	$ (1.11)

Pro forma amounts for 2004 include compensation expense from awards of our company stock made in 2004, 2003, 2002 and 2001. Also included in pro forma expense for the three and six months ended June 30, 2004, is $700,000 and $1.7 million, respectively, of incremental expense associated with the stock option exchange program described below. Pro forma amounts for 2003 include compensation expense from awards made in 2003, 2002 and 2001.

Since compensation expense for stock options is recognized over the future years’ vesting period for pro forma disclosure purposes and additional awards are generally made each year, pro forma amounts may not be representative of future years’ amounts.

On May 15, 2003, our shareholders approved a stock option exchange program. Under this exchange program, eligible employees were given a one-time opportunity to exchange certain outstanding options for a proportionately lesser number of options at an exercise price to be determined at the grant date of the new options. Surrendered options were cancelled June 26, 2003, and replacement options were granted on December 29, 2003. We did not recognize any expense pursuant to the stock option exchange. However, for purposes of pro forma disclosures, we recognized additional expense related to these new options and will amortize the remaining expense on the cancelled options through year-end 2004.

Notes (Continued)

10. Inventories

Inventories at June 30, 2004 and December 31, 2003 are as follows:

	June 30, 2004	December 31, 2003
	(Millions)	
Finished goods:		
Refined products	$ 15.8	$ 8.0
Natural gas liquids	60.1	40.4
	75.9	48.4
Natural gas in underground storage	116.8	132.5
Materials, supplies and other	62.6	62.0
	$255.3	$242.9

11. Accrued liabilities and other liabilities and deferred income

On May 27, 2004, we were released from certain historical indemnities, primarily related to environmental remediation, for an agreement to pay $117.5 million (see Note 13). We had previously deferred $113 million of a gain on sale related to these indemnities. At the date of sale, the deferred revenue and identified obligations related to the indemnities totaled $102 million. At June 30, 2004, the net present value of this settlement is $107.5 million. Of this amount, $35 million is classified as current and was subsequently paid on July 1, 2004. The remaining amount will be paid in three installments of $27.5 million, $20 million, and $35 million in 2005, 2006, and 2007, respectively.

Notes (Continued)

12. Debt and banking arrangements

Notes payable and long-term debt

Notes payable and long-term debt at June 30, 2004 and December 31, 2003, are as follows:

	Weighted-Average Interest Rate (1)	June 30, 2004	December 31, 2003
		(Millions)	
Secured notes payable	—%	$ —	$ 3.3
Long-term debt:			
Secured long-term debt			
Notes, 6.62%-9.45%, payable through 2016	8.0%	$ 231.7	$ 243.7
Notes, adjustable rate, payable through 2016	3.4%	594.9	602.5
Unsecured long-term debt			
Debentures, 5.5%-10.25%, payable through 2033	7.1%	1,415.5	1,645.2
Notes, 6.125%-9.25%, payable through 2032 (2)	7.7%	7,517.1	9,404.3
Other, payable through 2007	6.0%	.4	79.3
		9,759.6	11,975.0
Long-term debt due within one year		(276.6)	(935.2)
Total long-term debt		$9,483.0	$11,039.8

(1) At June 30, 2004.

(2) Includes $1.1 billion of 6.5 percent notes payable 2007, subject to remarketing in November 2004, discussed below.

Long-term debt includes $1.1 billion of 6.5 percent notes, payable in 2007, which are subject to remarketing in November 2004. These FELINE PACS include equity forward contracts that require the holder to purchase shares of our common stock in February 2005. If a remarketing is unsuccessful in 2004 and a second remarketing in February 2005 is unsuccessful as defined in the offering document for the FELINE PACS, then we could exercise our right to foreclose on the notes in order to satisfy the obligation of the holders of the equity forward contracts requiring the holder to purchase our common stock. This would be a non-cash transaction. If either remarketing of the notes is successful, we will receive the proceeds from the remarketing in February 2005 and issue stock to the holders of the forward contracts.

On February 25, 2004, our Exploration & Production segment amended its $500 million secured variable rate note. The amendment reduced the floating interest rate from the London InterBank Offered Rate (LIBOR) plus 3.75 percent to LIBOR plus 2.5 percent. The amendment also extended the maturity date from May 30, 2007 to May 30, 2008. The amendment provides for an additional reduction in the interest rate by 25 basis points, or 0.25 percent, if we meet certain credit-rating requirements. The significant covenants were not altered by the amendment.

In May 2004, we made cash tender offers for approximately $1.34 billion aggregate principal amount of a specified series of our outstanding notes and debentures. As of the June 8, 2004, tender offer expiration date, we had accepted for purchase tenders of notes and debentures with an aggregate principal amount of approximately $1.17 billion. Holders of notes and debentures tendered by the early tender expiration date received an early tender payment premium of $30.00 per $1,000.00 principal amount of notes and debentures. In May 2004, we also repurchased approximately $255 million of various notes with maturity dates ranging from 2006 to 2011. In conjunction with these tendered notes and debentures and related consents, and early retirements, we paid premiums of approximately $79 million. The premiums, as well as related fees and expenses, together totaling approximately $96.8 million, were recorded in second-quarter 2004 as early debt retirement costs.

On July 20, 2004, Wilpro Energy Services (PIGAP II) Limited, one of our subsidiaries, received a notice of default from the Venezuelan state oil company, PDVSA, relating to certain operational issues alleging that our subsidiary is not in compliance under a services agreement. We do not believe a basis exists for such notice and are contesting the giving of this notice. Although this notice of default could result in an event of default with respect to project loans totaling approximately $219 million and could result in an adverse effect with respect to other of our debt instruments, we believe that we will be able to resolve any issues arising from the alleged notice of default without any such results occurring with respect to our other debt instruments. The lenders under the project loan agreement have confirmed to us in writing that based on the facts they currently know, they have no intention of exercising any rights or remedies under the project loan agreement until the issues raised in the notice and our response are clarified.

We are required by certain foreign lenders to ensure that the interest rates received by them under various loan agreements are not reduced by taxes by providing for the reimbursement of any domestic taxes required to be paid by the foreign lender. The maximum potential amount of future payments under these indemnifications is based on the related borrowings, generally continue indefinitely unless limited by the underlying tax regulations, and have no carrying value. We have never been called upon to perform under these indemnifications.

Notes (Continued)

Revolving credit and letter of credit facilities

In April 2004, we entered into two unsecured bank revolving credit facilities totaling $500 million. These facilities provide for both borrowings and issuing letters of credit, but are used primarily for issuing letters of credit. At June 30, 2004, letters of credit totaling $489 million have been issued by the participating financial institution under this facility and no revolving credit loans were outstanding. We are required to pay to the bank fixed fees at a weighted-average rate of 3.64 percent on the total committed amount of the facilities. In addition, we pay interest on any borrowings at a fluctuating rate comprised of either a base rate or LIBOR. We were able to obtain the unsecured credit facilities because the funding bank syndicated its associated credit risk into the institutional investor market via a 144A offering, which allows for the resale of certain restricted securities to qualified institutional buyers. Upon the occurrence of certain credit events, letters of credit outstanding under the agreement become cash collateralized creating a borrowing under the facilities. Concurrently the bank can deliver the facilities to the institutional investors, whereby the investors replace the bank as lender under the facilities. Upon such occurrence, we will pay:

- a fixed facility fee at a weighted average rate of 3.19 percent to the investors,
- interest on borrowings under the $400 million facility equal to a fixed rate of 3.57 percent, and
- interest on borrowings under the $100 million facility at a fluctuating LIBOR interest rate.

To facilitate the syndication of these facilities, the bank established trusts funded by the institutional investors. The assets of the trusts serve as collateral to reimburse the bank for our borrowings in the event the facilities are delivered to the investors. Thus, we have no asset securitization or collateral requirements under the new facilities. During second-quarter 2004, use of these new facilities replaced existing facilities and released approximately $500 million of restricted cash, restricted investments and margin deposits which secured our previous $800 million revolving and letter of credit facility. Significant covenants under these new facilities include the following:

- limitations on certain payments, including a limitation on the payment of quarterly dividends to no greater than $.05 per common share (however, we are limited to $.02 per common share under a more restrictive covenant contained in our $800 million 8.625 percent senior unsecured notes);
- limitations on asset sales;
- limitations on the use of proceeds from permitted asset sales;
- limitations on transactions with affiliates; and
- limitations on the incurrence of additional indebtedness and issuance of disqualified stock, unless the fixed charge coverage ratio for our most recently ended four full fiscal quarters is at least 2 to 1, determined on a proforma basis.

On May 3, 2004, we entered into a new three-year, $1 billion secured revolving credit facility which is available for borrowings and letters of credit. At June 30, 2004, letters of credit totaling $181 million have been issued by the participating institutions under this facility and no revolving credit loans were outstanding. We also have a commitment from our agent bank to expand our credit facility by an additional $275 million. Northwest Pipeline Corporation (Northwest) and Transcontinental Gas Pipeline Corporation (Transco) have access to $400 million each under the facility. The new facility is secured by certain Midstream assets, including substantially all of our southwest Wyoming, Wamsutter, San Juan Conventional, Manzanares and Torre Alta systems. Additionally, the facility is guaranteed by WGP. Interest is calculated based on a choice of two methods: a fluctuating rate equal to the facilitating bank’s base rate plus an applicable margin or a periodic fixed rate equal to LIBOR plus an applicable margin. We are also required to pay a commitment fee based on the unused portion of the facility, currently .375 percent. The applicable margins and commitment fee are based on the relevant borrower’s senior unsecured long-term debt ratings. Significant financial covenants under the credit agreement include:

- ratio of debt to capitalization no greater than (i) 75 percent for the period June 30, 2004 through December 31, 2004, (ii) 70 percent for the period after December 31, 2004 through December 31, 2005, and (iii) 65 percent for the remaining term of the agreement;
- ratio of debt to capitalization no greater than 55 percent for Northwest and Transco; and
- ratio of EBITDA to Interest, on a rolling four quarter basis (or, in the first year, building up to a rolling four quarter basis), no less than (i) 1.5 for the periods ending September 30, 2004 through March 31, 2005, (ii) 2.0 for any period after March 31, 2005 through December 31, 2005, and (iii) 2.5 for the remaining term of the agreement.

Notes (Continued)

Upon entering into the new $1 billion secured revolving credit facility on May 3, 2004, we terminated the $800 million revolving and letter of credit facility which we entered into in June 2003. Termination of the facility resulted in a $3.8 million charge which is recorded in Interest accrued in the Consolidated Statement of Operations.

Retirements

On March 15, 2004, we retired $679 million of senior, unsecured 9.25 percent notes. The amount represented the outstanding balance subsequent to the fourth-quarter 2003 tender which retired $721 million of the original $1.4 billion balance.

As previously discussed, in May 2004, we made cash tender offers for approximately $1.34 billion aggregate principal amount of our specified series of outstanding notes. We accepted for purchase tenders of notes and debentures with an aggregate principal amount of approximately $1.17 billion. In May 2004, we also repurchased approximately $255 million of various notes with maturity dates ranging from 2006 to 2011.

A summary of significant retirements, payments, prepayments and tenders of long-term debt for the six months ended June 30, 2004 is as follows:

Issue/Terms	Due Date	Principal Amount
		(Millions)
9.25% senior unsecured notes	2004	$678.5
6.75% PATS	2006	370.3
6.5% unsecured notes	2006	251.4
6.25% unsecured debentures	2006	231.0
6.5% unsecured notes	2008	221.9
7.55% unsecured notes	2007	118.8
6.625% unsecured notes	2004	101.6
7.25% unsecured notes	2009	85.0
Long-term debt collateralized by certain receivables	N/A	78.7
7.125% unsecured notes	2011	60.0
Various notes, 6.62% - 9.45%	2013-2016	12.0
Various notes, adjustable rate	2004-2016	7.6

Notes (Continued)

13. Contingent liabilities and commitments

Rate and regulatory matters and related litigation

Our 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 $7 million for potential refund as of June 30, 2004.

Issues resulting from California energy crisis

Power subsidiaries are engaged in power marketing in various geographic areas, including California. Prices charged for power by us and other traders and generators in California and other western states in 2000 and 2001 have been challenged in various proceedings including those before the Federal Energy Regulatory Commission (FERC). These challenges include refund proceedings, California Independent System Operator (ISO) fines, summer 2002 90-day contracts, investigations of alleged market manipulation including withholding, gas indices and other gaming of the market, new long-term power sales to the state of California that were subsequently challenged and civil litigation relating to certain of these issues. We have entered into a settlement with the State of California and others that has resolved each of these issues as to the State, and in February 2004 we announced a settlement with certain California utilities that resolves these issues as to such utilities. However, certain of these issues remain open as to the FERC and other non-settling parties.

Refund proceedings

We and other suppliers of electricity in the California market are the subject of refund proceedings before the FERC. In December 2000, the FERC issued an order initiating the proceeding, which ultimately (by order dated June 19, 2001) established a refund methodology and set a refund period of October 2, 2000 to June 19, 2001. As a result of a hearing to determine refund liability for the market participants, a FERC administrative law judge issued findings on December 12, 2002, that estimated our refund obligation to the ISO at $192 million, excluding emissions costs and interest. The judge estimated that our refund obligation to the California Power Exchange (PX) was $21.5 million, excluding interest. However, the judge estimated that the ISO owes us $246.8 million, excluding interest, and that the PX owes us $17.4 million, excluding interest, and $2.9 million in charge backs. The estimates did not include $17 million in emissions costs that the judge found we are entitled to use as an offset to the refund liability, and the judge's refund estimates are not based on final mitigated market clearing prices. On March 26, 2003, the FERC acted to largely adopt the judge's order with a change to the gas methodology used to set the clearing price. As a result, Power recorded a first-quarter 2003 charge for refund obligations of $37 million. Net interest income related to amounts due from the counterparties is approximately $31 million through June 30, 2004. On October 16, 2003, the FERC issued an additional refund order granting rehearing in part and denying rehearing in part. This order is not expected to have a material effect on the refund calculation for us. However, pursuant to the October 16 order, the ISO has been ordered to calculate refunds for the market. This study is expected to be complete in 2004.

On February 25, 2004, we announced a settlement agreement with California utilities, Southern California Edison and Pacific Gas & Electric (PG&E), to resolve our refund liability to the utilities as well as all other known disputes related to the California energy crisis of 2000 and 2001 (the "Utility Settlement"). We recorded a charge of approximately $33 million in the fourth quarter of 2003 associated with the terms of this settlement. San Diego Gas and Electric also joined in the settlement as a party. The Utility Settlement was filed with the FERC on April 27, 2004 and was approved by the FERC on July 2, 2004 to be effective on July 12, 2004. While only these three utilities were originally parties to the Utility Settlement with us, additional parties have now opted in and the Utility Settlement includes funding for refunds to all buyers in equal kind in the FERC refund period. Should any buyer not opt into the Utility Settlement, the refund amount in the Utility Settlement would be reduced and we would continue to litigate with that buyer regarding the refund issue and amount. Pursuant to this settlement our outstanding receivables for the period of approximately $261 million will be partially offset by our settlement obligation of approximately $136 million. We have received $2 million of our net receivable in the second quarter. During July, we received approximately $104 million of our remaining net $123 million receivable. Approximately the same amount of funds ($109 million) was used on June 24, 2004 to repurchase PG&E receivables previously sold to Bear Stearns. As for the $19 million receivable that remains at the end of July, $16 million is being held in escrow until released by the FERC and $3 million is being held by the PX. Approval by the FERC also resolved FERC investigations into physical and economic withholding. The Utility Settlement also resolved any claims by the settling parties regarding these issues.

In a separate but related proceeding, certain entities have also asked the FERC to revoke our authority to sell power from California-based generating units at market-based rates, to limit us to cost-based rates for future sales from such units and to order refunds of excessive rates, with interest, retroactive to May 1, 2000, and possibly earlier. As a result of the Utility Settlement, this issue is resolved and we will maintain all existing authorities.

Notes (Continued)

Although we have entered into a global settlement with the State of California, certain California utilities, and various other parties that resolve the refund issues among the settling parties, we have potential refund exposure to non-settling parties (e.g., various California end users that have not agreed to opt into the utility settlement). Therefore, we continue to participate in the FERC refund case and related proceedings. Challenges to virtually every aspect of the refund proceeding, including the refund period, are now pending at the Ninth Circuit Court of Appeals. No schedule has yet been established for hearing the appeals.

ISO fines

On July 3, 2002, the ISO announced fines against several energy producers including us, for failure to deliver electricity during the period December 2000 through May 2001. The ISO fined us $25.5 million during this period, which was offset against our claims for payment from the ISO. These amounts will be adjusted as part of the refund proceeding described above. As the result of a settlement reached with the ISO pursuant to a FERC-approved dispute resolution process contained in the ISO tariff, these fines will be significantly reduced through the re-run of the market that takes place in the refund proceeding.

Summer 2002 90-day contracts

On May 2, 2002, PacifiCorp filed a complaint with the FERC against Power seeking relief from rates contained in three separate confirmation agreements between PacifiCorp and Power (known as the Summer 2002 90-Day Contracts). PacifiCorp filed similar complaints against three other suppliers. PacifiCorp alleged that the rates contained in the contracts are unjust and unreasonable. On June 26, 2003, the FERC affirmed the administrative law judge's initial decision dismissing the complaints. PacifiCorp has appealed the FERC's order to the United States Court of Appeals for the DC Circuit after the FERC denied rehearing of its order on November 10, 2003.

Investigations of alleged market manipulation

As a result of various allegations and FERC Orders, in 2002 the FERC initiated investigations of manipulation of the California gas and power markets. As they related to us, these investigations included economic and physical withholding, so-called "Enron Gaming Practices" and gas index manipulation.

On February 13, 2002, the FERC issued an Order Directing Staff Investigation commencing a proceeding titled Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices prior to the California parties (who include the California Attorney General, the Electricity Oversight Board, the Public Utilities Commission and two investor-owned utilities) filing of their report. Through the investigation, the FERC intends to determine whether "any entity, including Enron Corporation (Enron) (through any of its affiliates or subsidiaries), manipulated short-term prices for electric energy or natural gas in the West or otherwise exercised undue influence over wholesale electric prices in the West since January 1, 2000, resulting in potentially unjust and unreasonable rates in long-term power sales contracts subsequently entered into by sellers in the West." On May 8, 2002, we received data requests from the FERC related to a disclosure by Enron of certain trading practices in which it may have been engaged in the California market. On May 21, and May 22, 2002, the FERC supplemented the request inquiring as to "wash" or "round-trip" transactions. We responded on May 22, 2002, May 31, 2002, and June 5, 2002, to the data requests. On June 4, 2002, the FERC issued an order to us to show cause why our market-based rate authority should not be revoked as the FERC found that certain of our responses related to the Enron trading practices constituted a failure to cooperate with the staff's investigation. We subsequently supplemented our responses to address the show cause order. On July 26, 2002, we received a letter from the FERC informing us that it had reviewed all of our supplemental responses and concluded that we responded to the initial May 8, 2002 request.

As also discussed below in ***Reporting of natural gas-related information to trade publications,*** on November 8, 2002, we received a subpoena from a federal grand jury in Northern California seeking documents related to our involvement in California markets. We have completed our response to the subpoena. This subpoena is a part of the broad United States Department of Justice (DOJ) investigation regarding gas and power trading.

Pursuant to an order from the Ninth Circuit, the FERC permitted certain California parties to conduct additional discovery into market manipulation by sellers in the California markets. The California parties sought this discovery in order to potentially expand the scope of the refunds. On March 3, 2003, the California parties submitted evidence from this discovery on market manipulation ("March 3rd Report"). We and other sellers submitted comments regarding the additional evidence on March 20, 2003.

On March 26, 2003, the FERC issued a Staff Report addressing: (1) Enron trading practices, (2) an allegation in a June 2, 2002 *New York Times* article that we had attempted to corner the gas market, and (3) the allegations of gas price index manipulation which are discussed in more detail below in ***Reporting of natural gas-related information to trade publications***. The Staff Report cleared us on the issue of cornering the market and contemplated or established further proceedings on the other two issues as to us and numerous other market participants. On June 25, 2003, the FERC issued a series of orders in response to the California parties' March

Notes (Continued)

3rd Report and the Staff Report. These orders resulted in further investigations regarding potential allegations of physical withholding, economic withholding, and a show cause order alleging that various companies engaged in Enron trading practices. On August 29, 2003, we entered into a settlement with the FERC trial staff of all Enron trading practices for approximately $45,000. The settlement was approved by the FERC on January 22, 2004. The investigations of physical and economic withholding are also continuing. Each of these FERC investigations of alleged market manipulation are resolved pursuant to the Utility Settlement that is discussed above in *Refund proceedings*.

Long-term contracts

In February 2001, during the height of the California energy crisis, we entered into a long-term power contract with the State of California to assist in stabilizing its market. This contract was later challenged by the State of California. This challenge resulted in settlement discussions being held between the State and us on the contract issue as well as other state initiated proceedings and allegations of market manipulation. A settlement was reached that resulted in us entering into a settlement agreement with the State of California and other non-Federal parties that includes renegotiated long-term energy contracts. These contracts are made up of block energy sales, dispatchable products and a gas contract. The settlement does not extend to criminal matters or matters of willful fraud, but also resolved civil complaints brought by the California Attorney General against us and the State of California's refund claims that are discussed above. In addition, the settlement resolved ongoing investigations by the States of California, Oregon and Washington. The settlement was reduced to writing and executed on November 11, 2002. The settlement closed on December 31, 2002, after FERC issued an order granting our motion for partial dismissal from the refund proceedings. The dismissal affects our refund obligations to the settling parties, but not to other parties, such as investor-owned utilities. Pursuant to the settlement, the California Public Utilities Commission (CPUC) and California Electricity Oversight Board (CEOB) filed a motion on January 13, 2003 to withdraw their complaints against us regarding the original block energy sales contract. On June 26, 2003, the FERC granted the CPUC and CEOB joint motion to withdraw their respective complaints against us. Certain private class action and other civil plaintiffs who have initiated class action litigation against us and others in California based on allegations against us with respect to the California energy crisis also executed the settlement. Final approval by the court is needed to make the settlement effective as to plaintiffs and to terminate the class actions as to us. The Court granted approval on June 29, 2004. Some litigation by non-California plaintiffs, or relating to reporting of natural gas information to trade publications, as discussed below, will continue. As of June 30, 2004, pursuant to the terms of the settlement, we have transferred ownership of six LM6000 gas powered electric turbines, have made two payments totaling $72 million to the California Attorney General, and have funded a $15 million fee and expense fund associated with civil actions that are subject to the settlement. An additional $75 million remains to be paid to the California Attorney General (or his designee) over the next six years, with the final payment of $15 million due on January 1, 2010.

Reporting of natural gas-related information to trade publications

We disclosed on October 25, 2002, that certain of our natural gas traders had reported inaccurate information to a trade publication that published gas price indices. As noted above, on November 8, 2002, we received a subpoena from a federal grand jury in Northern California seeking documents related to our involvement in California markets, including our reporting to trade publications for both gas and power transactions. We completed our response to the subpoena. The DOJ's investigation into this matter is continuing. In addition, the Commodity Futures Trading Commission (CFTC) has conducted an investigation of us regarding this issue. On July 29, 2003, we reached a settlement with the CFTC where in exchange for $20 million, the CFTC closed its investigation and we did not admit or deny allegations that we had engaged in false reporting or attempted manipulation. Civil suits based on allegations of manipulating the gas indices have been brought against us and others in Federal court in New York, Washington, Oregon and California and in state court in California.

Investigations related to natural gas storage inventory

We responded to a subpoena from the CFTC and inquiries from the FERC related to natural gas storage inventory issues. We believe that these inquiries are a part of an ongoing general industry-wide investigation. The inquiries relate to the formal reporting of inventory levels, the sharing of non-public data concerning inventory levels, and the potential uses of such data in natural gas trading. Through some of our subsidiaries, we own and operate natural gas storage facilities.

Notes (Continued)

Mobile Bay expansion

On December 3, 2002, an administrative law judge at the FERC issued an initial decision in Transco's general rate case which, among other things, rejected the recovery of the costs of Transco's Mobile Bay expansion project from its shippers on a "rolled-in" basis and found that incremental pricing for the Mobile Bay expansion project is just and reasonable. The administrative law judge's initial decision is subject to review by the FERC. On March 26, 2004, the FERC issued an Order on Initial Decision in which it reversed the administrative law judge's holding and accepted Transco's proposal for rolled in rates. Power holds long-term transportation capacity on the Mobile Bay expansion project. If the FERC had adopted the decision of the administrative law judge on the pricing of the Mobile Bay expansion project and also required that the decision be implemented effective September 1, 2001, Power could have been subject to surcharges of approximately $50 million, excluding interest, through June 30, 2004, in addition to increased costs going forward. On April 26, 2004, several parties, including Transco filed requests for rehearing of the FERC's March 26, 2004 order.

Enron bankruptcy

We have outstanding claims against Enron Corp. and various of its subsidiaries (collectively "Enron") related to Enron's bankruptcy filed in December 2001. In March 2002, we sold $100 million of our claims against Enron to a third party for $24.5 million. On December 23, 2003, Enron filed objections to these claims. Under the sales agreement, the purchaser of the claims may demand repayment of the purchase price, plus interest assessed at 7.5 percent per annum, for that portion of the claims still subject to objections 90 days following the initial objection. To date, the purchaser has not demanded repayment.

Environmental matters

Continuing operations

Since 1989, our Transco subsidiary has had studies under way to test certain of its facilities for the presence of toxic and hazardous substances to determine to what extent, if any, remediation may be necessary. Transco has responded to data requests regarding such potential contamination of certain of its sites. Transco has identified polychlorinated biphenyl (PCB) contamination in compressor systems, soils and related properties at certain compressor station sites. Transco has 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, Transco commenced negotiations with certain environmental authorities and other programs concerning investigative and remedial actions relative to potential mercury contamination at certain gas metering sites. The costs of any such remediation will depend upon the scope of the remediation. At June 30, 2004, Transco had accrued liabilities of $27 million related to PCB contamination, potential mercury contamination, and other toxic and hazardous substances.

We also accrued environmental remediation costs for our natural gas gathering and processing facilities, primarily related to soil and groundwater contamination. At June 30, 2004, we had accrued liabilities totaling approximately $8 million for these costs.

Actual costs incurred for these matters will depend on the actual number of contaminated sites identified, the amount and extent of contamination discovered, the final cleanup standards mandated by the EPA and other governmental authorities and other factors.

Former operations, including operations classified as discontinued

In connection with the sale of certain assets and businesses, we have retained responsibility, through indemnification of the purchasers, for environmental and other liabilities existing at the time the sale was consummated.

Agrico

In connection with the 1987 sale of the assets of Agrico Chemical Company, we 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 June 30, 2004, we had accrued liabilities of approximately $10 million for such excess costs.

We are also in discussions with defendants involved in two class action damages lawsuits involving this former chemical fertilizer business. We are not a named defendant in the lawsuits, but have contractual obligations to participate with the named defendants in the ongoing remediation. One named defendant has filed a motion to compel us to participate in arbitration over the contractual obligations.

Notes (Continued)

Williams Energy Partners

As part of our June 17, 2003 sale of Williams Energy Partners (see Note 6), we indemnified the purchaser for:

(1) environmental cleanup costs resulting from certain conditions, primarily soil and groundwater contamination, at specified locations, to the extent such costs exceed a specified amount and

(2) currently unidentified environmental contamination relating to operations prior to April 2002 and identified prior to April 2008.

On May 26, 2004, the parties reached an agreement for buyout of certain indemnities in the form of a structured cash settlement totaling $117.5 million. Yearly payments will be made through 2007. The agreement releases Williams from all environmental indemnity obligations under the June 2003 Sale of Williams Energy Partners and two related agreements. Williams is now indemnified by the purchaser for third party environmental claims made against Williams for claims covered under the June 2003 purchase and sale agreement (PSA) and related agreements as well as all environmental occurrences before the closing date of the PSA. The agreement also transferred most third party litigation matters related to Williams Energy Partners' assets to the purchaser.

On July 2, 2001, the EPA issued an information request asking for information on oil releases and discharges in any amount from our pipelines, pipeline systems, and pipeline facilities used in the movement of oil or petroleum products, during the period from July 1, 1998 through July 2, 2001. In November 2001, we furnished our response. This matter has not become an enforcement proceeding. On March 11, 2004, the Department of Justice (DOJ) invited the new owner of the Williams Pipe Line, Magellan Midstream Partners, L.P. (Magellan), to enter into negotiations regarding alleged violations of the Clean Water Act and to sign a tolling agreement. No penalty has been assessed by the EPA; however, the DOJ stated in its letter that the maximum possible penalties were approximately $22 million for the alleged violations. It is anticipated that by providing additional clarification and through negotiations with the EPA and DOJ, that any proposed penalty will be reduced. All environmental indemnity obligations to Magellan were released in the May 26, 2004 buyout agreement described above. Williams will participate in the EPA/DOJ negotiations and respond to requests for information related to three release events not related to Magellan-owned assets.

Other

At June 30, 2004, we had accrued environmental liabilities totaling approximately $16 million related primarily to our:

- potential indemnification obligations to purchasers of our former retail petroleum and refining operations;
- former propane marketing operations, petroleum products and natural gas pipelines;
- a discontinued petroleum refining facility; and
- exploration and production and mining operations.

These costs include (1) certain conditions at specified locations related primarily to soil and groundwater contamination and (2) any penalty assessed on Williams Refining & Marketing, LLC (Williams Refining) associated with noncompliance with EPA's benzene waste "NESHAP" regulations. In 2002, Williams Refining submitted to the EPA a self-disclosure letter indicating noncompliance with those regulations. This unintentional noncompliance had occurred due to a regulatory interpretation that resulted in under-counting the total annual benzene level at Williams Refining's Memphis refinery. Also in 2002, the EPA conducted an all-media audit of the Memphis refinery. The EPA anticipates releasing a report of its audit findings in 2004. The EPA will likely assess a penalty on Williams Refining due to the benzene waste NESHAP issue, but the amount of any such penalty is not known. In connection with the sale of the Memphis refinery in March 2003, we indemnified the purchaser for any such penalty.

We are a plaintiff in litigation involving the environmental investigation and subsequent cleanup of our former retail petroleum and refining operations. In April we received a court order to participate in mediation before the end of June with the defendant to attempt to reach a settlement prior to going to trial. Mediation occurred in June and discussions are ongoing.

Certain of our subsidiaries 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.

Notes (Continued)

Summary of environmental matters

Actual costs incurred for these matters could be substantially greater than amounts accrued depending 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.

Other legal matters

Royalty indemnifications

In connection with agreements to resolve take-or-pay and other contract claims and to amend gas purchase contracts, Transco 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. Transco, through its agent, Power, continues to purchase gas under contracts which extend, in some cases, through the life of the associated gas reserves. Certain of these contracts contain royalty indemnification provisions that have no carrying value. Producers have received and may receive other demands, which could result in claims pursuant to royalty indemnification provisions. Indemnification for royalties will depend on, among other things, the specific lease provisions between the producer and the lessor and the terms of the agreement between the producer and Transco. Consequently, the potential maximum future payments under such indemnification provisions cannot be determined.

As a result of these settlements, Transco has been sued by certain producers seeking indemnification from Transco. Transco is currently a defendant in one lawsuit in which a producer has asserted damages, including interest calculated through June 30, 2004, of approximately $10 million. On July 11, 2003, at the conclusion of the trial, the judge ruled in Transco's favor and subsequently entered a formal judgment. The plaintiff is seeking an appeal.

Will Price (formerly Quinque)

On June 8, 2001, fourteen of our entities were named as defendants in a nationwide class action lawsuit which had been pending against other defendants, generally pipeline and gathering companies, for more than one year. The plaintiffs allege that the defendants, including us, have engaged in mismeasurement techniques that distort the heating content of natural gas, resulting in an alleged underpayment of royalties to the class of producer plaintiffs. After the court denied class action certification and while motions to dismiss for lack of personal jurisdiction were pending, the court granted the plaintiffs' motion to amend their petition on July 29, 2003. The fourth amended petition, which was filed on July 29, 2003, deletes all of our defendants except two Midstream subsidiaries. All defendants intend to continue their opposition to class certification.

Grynberg

In 1998, the DOJ informed us that Jack Grynberg, an individual, had filed claims on behalf of himself and the federal government, in the United States District Court for the District of Colorado under the False Claims Act against us and certain of our wholly owned subsidiaries. The claims sought an unspecified amount of royalties allegedly not paid to the federal government, treble damages, a civil penalty, attorneys' fees, and costs. In connection with our sale of Kern River and Texas Gas, we agreed to indemnify the purchasers for any liability relating to this claim, including legal fees. The maximum amount of future payments that we could potentially be required to pay under these indemnifications depends upon the ultimate resolution of the claim and cannot currently be determined. The amounts accrued for these indemnifications are insignificant. Grynberg has also filed claims against approximately 300 other energy companies alleging that the defendants violated the False Claims Act in connection with the measurement, royalty valuation and purchase of hydrocarbons. On April 9, 1999, the DOJ announced that it was declining to intervene in any of the Grynberg *qui tam* cases, including the action filed in federal court in Colorado against us. On October 21, 1999, the Panel on Multi-District Litigation transferred all of the Grynberg *qui tam* cases, including those filed against us, to the federal court in Wyoming for pre-trial purposes. Grynberg's measurement claims remain pending against us and the other defendants; the court previously dismissed Grynberg's royalty valuation claims.

On August 6, 2002, Jack J. Grynberg, and Celeste C. Grynberg, Trustee on Behalf of the Rachel Susan Grynberg Trust, and the Stephen Mark Grynberg Trust, served us and Williams Production RMT Company with a complaint in the state court in Denver, Colorado. The complaint alleges that the defendants have used mismeasurement techniques that distort the BTU heating content of natural gas, resulting in the alleged underpayment of royalties to Grynberg and other independent natural gas producers. The complaint also alleges that defendants inappropriately took deductions from the gross value of their natural gas and made other royalty valuation errors. Theories for relief include breach of contract, breach of implied covenant of good faith and fair dealing, anticipatory repudiation, declaratory relief, equitable accounting, civil theft, deceptive trade practices, negligent misrepresentation, deceit based on fraud, conversion, breach of fiduciary duty, and violations of the state racketeering statute. Plaintiff is seeking actual damages of

Notes (Continued)

between $2 million and $20 million based on interest rate variations, and punitive damages in the amount of approximately $1.4 million dollars. Our motion to stay the proceedings in this case based on the pendency of the False Claims Act litigation discussed in the preceding paragraph was granted on January 15, 2003.

Securities class actions

Numerous shareholder class action suits have been filed against us in the United States District Court for the Northern District of Oklahoma. The majority of the suits allege that we and co-defendants, WilTel Communications (WilTel), previously an owned subsidiary known as Williams Communications, and certain corporate officers, have acted jointly and separately to inflate the stock price of both companies. Other suits allege similar causes of action related to a public offering in early January 2002, known as the FELINE PACS offering. These cases were filed against us, certain corporate officers, all members of our Board of Directors and all of the offerings' underwriters. These cases have all been consolidated and an order has been issued requiring separate amended consolidated complaints by our equity holders and WilTel equity holders. The underwriters of this offering have requested indemnification from these cases. If granted, costs incurred as a result of these indemnifications will not be covered by our insurance policies. The amended complaint of the WilTel securities holders was filed on September 27, 2002, and the amended complaint of our securities holders was filed on October 7, 2002. This amendment added numerous claims related to Power. On April 2, 2004, the purported class of our securities holders filed a partial motion for summary judgment with respect to certain disclosures made in connection with our public offerings during the class period.

In addition, four class action complaints have been filed against us, the members of our Board of Directors and members of our Benefits and Investment Committees under the Employee Retirement Income Security Act (ERISA) by participants in our 401(k) plan. A motion to consolidate these suits has been approved. On July 14, 2003, the Court dismissed us and our Board from the ERISA suits, but not the members of the Benefits and Investment Committees to whom we might have an indemnity obligation. If it is determined that we have an indemnity obligation, we expect that any costs incurred will be covered by our insurance policies. The Department of Labor is also independently investigating our employee benefit plans. On May 3, 2004, plaintiffs requested permission to amend their complaint to add additional Investment Committee members and to again name the Board of Directors. That permission was granted June 7, 2004, and a motion to dismiss was filed on behalf of the Board on July 15, 2004. Derivative shareholder suits have been filed in state court in Oklahoma, all based on similar allegations. On August 1, 2002, a motion to consolidate and a motion to stay these Oklahoma suits pending action by the federal court in the shareholder suits was approved.

Oklahoma securities investigation

On April 26, 2002, the Oklahoma Department of Securities issued an order initiating an investigation of us and WilTel regarding issues associated with the spin-off of WilTel and regarding the WilTel bankruptcy. We have no pending inquiries in this investigation, but are committed to cooperate fully in the investigation.

Shell offshore litigation

On November 30, 2001, Shell Offshore, Inc. filed a complaint at the FERC against Williams Gas Processing - Gulf Coast Company, L.P. (WGPGCC), Williams Gulf Coast Gathering Company (WGCGC), Williams Field Services Company (WFS) and Transco, alleging concerted actions by the affiliates frustrating the FERC's regulation of Transco. The alleged actions are related to offers of gathering service by WFS and its subsidiaries on the deregulated North Padre Island offshore gathering system. On September 5, 2002, the FERC issued an order reasserting jurisdiction over that portion of the North Padre Island facilities previously transferred to WFS. The FERC also determined an unbundled gathering rate for service on these facilities which is to be collected by Transco. Transco, WGPGCC, WGCGC and WFS believe their actions were reasonable and lawful and each has filed petitions for review of the FERC's orders with the U.S. Court of Appeals for the District of Columbia. On July 13, 2004, the Court of Appeals reversed the FERC's decision, ruling that FERC's attempt to impose regulated rates was without legal basis.

TAPS Quality Bank

Williams Alaska Petroleum, Inc. (WAPI) is actively engaged in administrative litigation being conducted jointly by the FERC and the Regulatory Commission of Alaska (RCA) concerning the Trans-Alaska Pipeline System (TAPS) Quality Bank. Primary issues being litigated include the appropriate valuation of the naphtha, heavy distillate, vacuum gas oil and residual product cuts within the TAPS Quality Bank as well as the appropriate retroactive effects of the determinations. WAPI's interest in these proceedings is material as the matter involves claims by crude producers and the State of Alaska for retroactive payments plus interest of up to $181 million. Due to the sale of WAPI's interests on March 31, 2004, no future Quality Bank liability will accrue but any liability that existed as of the date of the sale will remain a Williams liability. Because of the complexity of the issues involved, however, the outcome cannot be predicted with certainty nor can the likely result be quantified. Certain periodic discussions have been held and continue among some of the litigants. Because of the number of parties involved and the diversity of positions, no comprehensive

Notes (Continued)

terms have been identified that could be considered probable to achieve final settlement among all parties. The FERC and RCA presiding administrative law judges are expected to render their joint and/or individual initial decision(s) sometime during the third quarter of 2004. Although we sold WAPI, we retained potential liability for any retroactive payments that may be awarded in these proceedings for the period ending on March 31, 2004.

Deepwater Construction Litigation

On February 12, 2004, Technip Offshore Contractors, Inc. (TOCI) served WFS, as agent for Williams Fields Services Company - Gulf Coast Company, L.P. and Williams Oil Gathering, L.L.C., with a lawsuit brought in federal court in Houston, Texas. TOCI alleges breach of its contract with us for the construction of export pipelines connected to the Devils Tower SPAR in the Gulf of Mexico. TOCI seeks (1) acceleration of our obligation to pay amounts held as retention and (2) payment of almost $10 million for the value of disputed change orders. We have filed counterclaims seeking almost $7 million arising from damages suffered due to TOCI's breaches of the contract, including liquidated delay damages. The litigation is in the early stages of discovery.

Colorado Royalty Litigation

On June 27, 2002, a royalty owner in the Piceance basin of Colorado filed suit against Williams Production RMT Company alleging that we breached our lease agreements and violated the Colorado Deceptive Trade Practices Act by making various deductions from his royalty payments from 1996 to date. On August 2, 2004, the jury returned its verdict in the amount of $4.1 million for the plaintiff. The verdict included a finding of bad faith which could potentially triple the damage award. The verdict is not yet final pending post-trial motions, but we expect to appeal the verdict if it is not set aside by the court.

Other divestiture indemnifications

Pursuant to various purchase and sale agreements relating to divested businesses and assets, we have indemnified certain purchasers against liabilities that they may incur with respect to the businesses and assets acquired from us. The indemnities provided to the purchasers are customary in sale transactions and are contingent upon the purchasers incurring liabilities that are not otherwise recoverable from third parties. The indemnities generally relate to breach of warranties, tax, historic litigation, personal injury, environmental matters, right of way and other representations that we have provided. At June 30, 2004, we do not expect any of the indemnities provided pursuant to the sales agreements to have a material impact on our future financial position. However, if a claim for indemnity is brought against us in the future, it may have a material adverse effect on results of operations in the period in which the claim is made.

In addition to the foregoing, various other proceedings are pending against us which are incidental to our operations.

Summary

Litigation, arbitration, regulatory matters and environmental matters are subject to inherent uncertainties. Were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on the results of operations in the period in which the ruling occurs. Management, including internal counsel, currently believes 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 not have a materially adverse effect upon our future financial position.

Commitments

Power has entered into certain contracts giving it the right to receive fuel conversion services as well as certain other services associated with electric generation facilities that are currently in operation throughout the continental United States. At June 30, 2004, Power's estimated committed payments under these contracts are approximately $210 million for the remainder of 2004, range from approximately $397 million to $423 million annually through 2017 and decline over the remaining five years to $58 million in 2022. Total committed payments under these contracts over the next eighteen years are approximately $6.5 billion.

Notes (Continued)

Guarantees

In connection with the 1993 public offering of units in the Williams Coal Seam Gas Royalty Trust (Royalty Trust), our Exploration & Production segment entered into a gas purchase contract for the purchase of natural gas in which the Royalty Trust holds a net profits interest. Under this agreement, we guarantee a minimum purchase price that the Royalty Trust will realize in the calculation of its net profits interest. We have an annual option to discontinue this minimum purchase price guarantee and pay solely based on an index price. The maximum potential future exposure associated with this guarantee is not determinable because it is dependent upon natural gas prices and production volumes. No amounts have been accrued for this contingent obligation as the index price continues to exceed the minimum purchase price.

In connection with the construction of a joint venture pipeline project, we guaranteed, through a put agreement, certain portions of the joint venture's project financing in the event of nonpayment by the joint venture. Our potential liability under this guarantee ranges from zero percent to 100 percent of the outstanding project financing, depending on our ability and the other project member's ability to meet certain performance criteria. As of June 30, 2004, the total outstanding project financing is $32.8 million. While our maximum potential liability is the full amount of the financing, based on a recently executed Memorandum of Agreement (MOA), our exposure has been significantly reduced. On March 8, 2004, we entered into the MOA, in which the partner in the joint venture assumed 100 percent of project development costs to date as well as responsibility for any ongoing additional costs, pending a final determination of whether the project will go forward. Based on the MOA and the current status of the project, it is highly unlikely that any obligation would be incurred with respect to the project. The put agreement expires in March 2005. We have not accrued any amounts related to the guarantee at June 30, 2004.

We have guaranteed commercial letters of credit totaling $17 million on behalf of an equity method investee. These expire in January 2005, and have no carrying value.

We have provided guarantees in the event of nonpayment by our previously owned communications subsidiary, WilTel, on certain lease performance obligations that extend through 2042 and have a maximum potential exposure of approximately $50 million at June 30, 2004. Our exposure declines systematically throughout the remaining term of WilTel's obligations. The carrying value of these guarantees is approximately $45 million at June 30, 2004 and is recorded as a non-current liability.

We have provided guarantees on behalf of certain partnerships in which we have an equity ownership interest. These generally guarantee operating performance measures and the maximum potential future exposure cannot be determined. These guarantees continue until we withdraw from the partnerships. No amounts have been accrued at June 30, 2004.

Notes (Continued)

14. Comprehensive income (loss)

Comprehensive income (loss) from both continuing and discontinued operations is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(Millions)		(Millions)	
Net income (loss)	$(18.2)	$ 269.7	$ (8.3)	$(544.8)
Other comprehensive income (loss):				
Unrealized gains on securities	—	4.4	—	.2
Net realized losses on securities	—	—	3.0	—
Unrealized losses on derivative instruments	(83.8)	(266.1)	(268.4)	(450.2)
Net reclassification into earnings of derivative instrument losses	51.3	8.5	98.0	23.8
Foreign currency translation adjustments	(6.2)	28.9	(11.5)	53.6
Minimum pension liability adjustment	—	1.6	.7	1.6
Other comprehensive loss before taxes	(38.7)	(222.7)	(178.2)	(371.0)
Income tax benefit on other comprehensive loss	12.3	96.2	63.7	162.4
Other comprehensive loss	(26.4)	(126.5)	(114.5)	(208.6)
Comprehensive income (loss)	$(44.6)	$ 143.2	$(122.8)	$(753.4)

15. Segment disclosures

Segments and reclassification of operations

Our 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 primarily consists of corporate operations and certain continuing operations previously reported within the International and Petroleum Services segments.

Effective June 1, 2004, and due in part to FERC Order 2004, management and decision-making control of certain regulated gas gathering assets was transferred from our Midstream segment to our Gas Pipeline segment. Consequently, the results of operations were similarly reclassified. All prior periods reflect these classifications.

Segments - performance measurement

We currently evaluate performance based upon segment profit (loss) from operations which, includes revenues from external and internal customers, operating costs and expenses, depreciation, depletion and amortization, equity earnings (losses) and income (loss) from investments including gains/losses on impairments related to investments accounted for under the equity method. Intersegment sales are generally accounted for at current market prices as if the sales were to unaffiliated third parties.

Power has entered into intercompany interest rate swaps with the corporate parent, the effect of which is included in Power’s segment revenues and segment profit (loss) as shown in the reconciliation within the following tables. The results of interest rate swaps with external counterparties are shown as interest rate swap income (loss) in the Consolidated Statement of Operations below operating income.

The majority of energy commodity hedging by certain of our business units is done through intercompany derivatives with Power which, in turn, enters into offsetting derivative contracts with unrelated third parties. Power bears the counterparty performance risks associated with unrelated third parties.

Notes (Continued)

15. Segment disclosures (Continued)

The following tables reflect the reconciliation of revenues and operating income (loss) as reported in the Consolidated Statement of Operations to segment revenues and segment profit (loss).

	Power	Gas Pipeline	Exploration & Production	Midstream Gas & Liquids	Other	Eliminations	Total
				(Millions)			
Three months ended June 30, 2004							
Segment revenues:							
External	$2,118.7	$325.9	$(19.3)	$621.3	$ 2.1	$ —	$3,048.7
Internal	235.0	5.1	208.3	9.2	4.9	(462.5)	—
Total segment revenues	2,353.7	331.0	189.0	630.5	7.0	(462.5)	3,048.7
Less intercompany interest rate swap income (loss)	20.5	—	—	—	—	(20.5)	—
Total revenues	$2,333.2	$331.0	$189.0	$630.5	$ 7.0	$(442.0)	$3,048.7
Segment profit (loss)	$ 44.7	$132.8	$ 43.3	$ 98.6	$(14.3)	$ —	$ 305.1
Less:							
Equity earnings (losses)	—	5.2	3.2	2.6	(.3)	—	10.7
Loss from investments	—	(.7)	—	(.1)	(10.8)	—	(11.6)
Intercompany interest rate swap income (loss)	20.5	—	—	—	—	—	20.5
Segment operating income (loss)	$ 24.2	$128.3	$ 40.1	$ 96.1	$ (3.2)	$ —	285.5
General corporate expenses							(28.3)
Consolidated operating income							$ 257.2
Three months ended June 30, 2003							
Segment revenues:							
External	$2,797.8	$320.5	$ (5.8)	$488.2	$ 11.6	$ —	$3,612.3
Internal	125.7	10.2	206.0	14.0	8.5	(364.4)	—
Total segment revenues	2,923.5	330.7	200.2	502.2	20.1	(364.4)	3,612.3
Less intercompany interest rate swap loss	(16.7)	—	—	—	—	16.7	—
Total revenues	$2,940.2	$330.7	$200.2	$502.2	$ 20.1	$(381.1)	$3,612.3
Segment profit (loss)	$ 348.0	$115.5	$178.7	$ 45.1	$(51.7)	$ —	$ 635.6
Less:							
Equity earnings (losses)	—	2.0	2.5	(2.8)	(.7)	—	1.0
Income (loss) from investments	—	.1	—	(3.7)	(42.5)	—	(46.1)
Intercompany interest rate swap loss	(16.7)	—	—	—	—	—	(16.7)
Segment operating income (loss)	$ 364.7	$113.4	$176.2	$ 51.6	$ (8.5)	$ —	697.4
General corporate expenses							(21.8)
Consolidated operating income							$ 675.6

	Power	Gas Pipeline	Exploration & Production	Midstream Gas & Liquids	Other	Eliminations	Total
				(Millions)			
Six months ended June 30, 2004							
Segment revenues:							
External	$4,222.6	$681.2	$(34.1)	$1,239.6	$ 4.9	$ —	$6,114.2
Internal	405.9	8.8	388.3	18.2	14.7	(835.9)	—
Total segment revenues	4,628.5	690.0	354.2	1,257.8	19.6	(835.9)	6,114.2
Less intercompany interest rate swap loss	(1.1)	—	—	—	—	1.1	—
Total revenues	$4,629.6	$690.0	$354.2	$1,257.8	$ 19.6	$(837.0)	$6,114.2
Segment profit (loss)	$ 12.0	$280.2	$ 94.8	$ 206.9	$(23.0)	$ —	$ 570.9
Less:							
Equity earnings (losses)	—	9.0	6.1	7.5	(.3)	—	22.3
Loss from investments	—	(1.0)	—	(.3)	(17.3)	—	(18.6)
Intercompany interest rate swap loss	(1.1)	—	—	—	—	—	(1.1)
Segment operating income (loss)	$ 13.1	$272.2	$ 88.7	$ 199.7	$ (5.4)	$ —	568.3
General corporate expenses							(60.3)
Consolidated operating income							$ 508.0
Six months ended June 30, 2003							
Segment revenues:							
External	$6,385.8	$653.3	$(12.9)	$1,336.1	$ 26.1	$ —	$8,388.4
Internal	313.3	17.0	457.0	31.5	22.0	(840.8)	—
Total segment revenues	6,699.1	670.3	444.1	1,367.6	48.1	(840.8)	8,388.4
Less intercompany interest rate swap loss	(22.6)	—	—	—	—	22.6	—
Total revenues	$6,721.7	$670.3	$444.1	$1,367.6	$ 48.1	$(863.4)	$8,388.4
Segment profit (loss)	$ 211.6	$265.8	$292.5	$ 157.3	$(46.9)	$ —	$ 880.3
Less:							
Equity earnings (losses)	—	3.8	4.6	(6.0)	3.0	—	5.4
Income (loss) from investments	—	.1	—	(3.7)	(42.5)	—	(46.1)
Intercompany interest rate swap loss	(22.6)	—	—	—	—	—	(22.6)
Segment operating income (loss)	$ 234.2	$261.9	$287.9	$ 167.0	$ (7.4)	$ —	943.6
General corporate expenses							(44.7)

Consolidated operating income	$ 898.9

Notes (Continued)

15. Segment disclosures (Continued)

	Total Assets	
	June 30, 2004	December 31, 2003*
	(Millions)	
Power	$ 9,942.0	$ 8,690.1
Gas Pipeline	7,361.9	7,314.3
Exploration & Production	5,316.0	5,347.4
Midstream Gas & Liquids	4,063.1	4,033.1
Other	4,159.9	6,928.7
Eliminations	(5,109.3)	(6,078.2)
	25,733.6	26,235.4
Discontinued operations	434.8	786.4
Total	$26,168.4	$27,021.8

* Certain amounts have been reclassified as described in Note 2.

16. Recent accounting standards

As discussed in our Annual Report on Form 10-K for the year ended December 31, 2003, the SEC staff, in a letter to the EITF Chairman, questioned whether leased mineral rights should be presented as intangible assets rather than property, plant and equipment. In March 2004, the EITF reached a consensus that all mineral rights should be considered tangible assets for accounting purposes. Therefore, no reclassification will be required.

In May 2004, the FASB issued FSP No. FAS 106-2, “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003.” This guidance is effective for us beginning in third quarter 2004 and supersedes FSP No. FAS 106-1. We are evaluating the impact of the Act on future obligations of the plan. If the plan is determined to be actuarially equivalent and thus eligible for the subsidy, the change in the obligation attributable to prior service will be deferred and recognized over future periods beginning in third-quarter 2004 (see Note 8).

EITF Issue No. 03-1, “The Meaning of Other Than Temporary Impairment and Its Application to Certain Investments,” contains recognition and measurement guidance that must be applied to investment impairment evaluations in interim reporting periods beginning after June 15, 2004. This Issue is required to be adopted on a prospective basis. Specifically, the Issue provides guidance to determine whether an investment is impaired and whether that impairment is other than temporary. The Issue applies to debt and equity securities, except equity securities accounted for under the equity method. We are reviewing this Issue and have yet to determine the impact to our Consolidated Balance Sheet and Consolidated Statement of Operations.

17. Subsequent events

As disclosed in Note 1, on July 8, 2004, we signed a definitive agreement to sell three straddle plants in western Canada. On July 28, 2004, we closed the sale of these facilities for approximately $536 million in U.S. funds. We expect to recognize the $190 million pre-tax gain on the sale in third-quarter 2004.

ITEM 2

Management's Discussion and Analysis of Financial Condition and Results of Operation

Recent Events and Company Outlook

In February 2003, we outlined our planned business strategy in response to the events that significantly impacted the energy sector and our company during late 2001 and much of 2002, including the collapse of Enron and the severe decline of the telecommunications industry. The plan focused on migrating to an integrated natural gas business comprised of a strong, but smaller, portfolio of natural gas businesses; reducing debt; and increasing our liquidity through asset sales, strategic levels of financing and reductions in operating costs. The plan was designed to address near-term and medium-term debt and liquidity issues, to de-leverage the company with the objective of returning to investment grade status and to develop a balance sheet and cash flows capable of supporting and ultimately growing our remaining businesses.

As discussed in our Annual Report on Form 10-K for the year ended December 31, 2003, we successfully executed certain critical components of our plan during 2003. Key execution steps for 2004 and beyond included the completion of planned asset sales; additional reductions of our SG&A costs; the replacement of our cash-collateralized letter of credit and revolver facility with facilities that do not encumber cash; and continuation of our efforts to exit from the Power business.

Asset sales during 2004 were initially expected to generate proceeds of approximately $800 million. In first-quarter 2004, we completed the sale of our Alaska refinery and related assets for approximately $304 million. On July 28, 2004 we completed the sale of three straddle plants in western Canada for approximately $536 million. In addition to these transactions, we currently expect to generate additional proceeds from the sale of assets of approximately $50 to $100 million.

In April 2004, we entered into two new unsecured credit facilities totaling $500 million, primarily for issuing letters of credit. During April 2004, use of these facilities released approximately $500 million of restricted cash, restricted investments and margin deposits. Also, on May 3, 2004, we entered into a new three-year, $1 billion secured revolving credit facility. The revolving facility is secured by certain Midstream assets and a guarantee from WGP (see Note 12 of Notes to Consolidated Financial statements).

As part of our planned strategy, on February 25, 2004, our Exploration & Production segment amended its $500 million secured note facility, which was originally due May 30, 2007. The amendment provided more favorable terms including a lower interest rate and an extension of the maturity by one year (see Note 12 of Notes to Consolidated Financial Statements).

On March 15, 2004, we retired $679 million of senior unsecured 9.25 percent notes due March 15, 2004. The amount represented the outstanding balance subsequent to the fourth-quarter 2003 tender which retired $721 million of the original $1.4 billion balance.

In May 2004, we made cash tender offers for approximately $1.34 billion aggregate principal amount of a specified series of our outstanding notes and debentures. As of the June 8, 2004 tender offer expiration date, we accepted for purchase $1.17 billion of the notes for purchase. In May 2004, we also repurchased debt of approximately $255 million of various maturities on the open market (See Note 12 in Notes to Consolidated Financial Statements). Our repurchase of these notes served to decrease debt and will result in reduced annual interest expense and reduced administrative costs associated with the various debt issues.

Long-term debt, excluding the current portion, at June 30, 2004 was approximately $9.5 billion.

We are seriously considering the possibility of creating a public master limited partnership (MLP) that would own and operate certain Midstream assets. Initial operations would include various NGL storage, fractionation and transportation assets most of which we had previously considered selling due to the strong interest from existing MLP's in this sector.

Power Business Status

Since mid-2002, we have been pursuing a strategy of exiting the Power business and have worked with financial advisors to assist with this effort. To date, several factors have contributed to the difficulty of achieving a complete exit from this business, including the following with respect to the wholesale power industry:

- oversupply position in most markets expected through the balance of the decade,
- slow North American gas supply response to high gas prices, and
- expectations of hybrid regulated/deregulated market structure for several years.

As a result of these factors and the size of our Power business, the number of financially viable parties expressing an interest in purchasing the entire business has been limited. Additionally, the current and near term view of the wholesale power market, which we interpret as depressed, has strongly influenced these parties' view of value and related risk associated with this business.

Because market conditions may change, and we cannot determine the impact of this on a buyer's point of view, amounts ultimately received in any portfolio sale, contract liquidation or realization may be significantly different from the estimated economic value or carrying values reflected in the Consolidated Balance Sheet. In addition, our tolling agreements are not derivatives and thus have no carrying value in the Consolidated Balance Sheet pursuant to the application of EITF 02-3. Based on current market conditions, certain of these agreements are forecasted to realize significant future losses. It is possible that we may sell contracts for less than their carrying value or enter into agreements to terminate certain obligations, either of which could result in significant future loss recognition or reductions of future cash flows.

We continue to evaluate alternatives and discuss our plans and operating strategy for the Power business with our Board of Directors. As an alternative to continuing a plan of pursuing a complete exit from the Power business, we are evaluating whether the benefits of realizing the positive cash flows expected to be generated by this business through continued ownership exceed the benefits of a sale at a depressed price. If we pursue this alternative, we expect to continue our current program of managing this business to minimize financial risk, generate cash and manage existing contractual commitments.

Management's Discussion and Analysis (Continued)

General

In accordance with the provisions related to discontinued operations within Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the consolidated financial statements and notes in Item 1 reflect the results of operations, financial position and cash flows through the date of sale, as applicable, of the following components as discontinued operations (see Note 6 of Notes to Consolidated Financial Statements).

During second-quarter 2004, our Board of Directors approved a plan authorizing management to negotiate and facilitate a sale of the straddle plants in western Canada, which were part of the Midstream segments. As a result, these assets and their related income and cash flows are now reported as discontinued operations. In addition, the following components are included as discontinued operations:

- retail travel centers concentrated in the Midsouth, part of the previously reported Petroleum Services segment;
- refining and marketing operations in the Midsouth, including the Midsouth refinery, part of the previously reported Petroleum Services segment;
- Texas Gas Transmission Corporation, previously one of Gas Pipeline's segments;
- natural gas properties in the Hugoton and Raton basins, previously part of the Exploration & Production segment;
- bio-energy operations, part of the previously reported Petroleum Services segment;
- our general partnership interest and limited partner investment in Williams Energy Partners, previously the Williams Energy Partners segment;
- the Colorado soda ash mining operations, part of the previously reported International segment;
- certain gas processing, natural gas liquids fractionation, storage and distribution operations in western Canada and at a plant in Redwater, Alberta, previously part of the Midstream segment;
- refining, retail and pipeline operations in Alaska, part of the previously reported Petroleum Services segment;
- Gulf Liquids New River Project LLC, previously part of the Midstream segment.

Effective June 1, 2004, and due in part to FERC Order 2004, management and decision-making control of certain regulated gas gathering assets was transferred from our Midstream segment to our Gas Pipeline segment. Consequently, the results of operations were similarly reclassified. All prior periods reflect these classifications.

Unless indicated otherwise, the following discussion and analysis of results of operations, financial condition and liquidity relates to our current continuing operations and should be read in conjunction with the consolidated financial statements and notes thereto included in Item 1 of this document and our 2003 Annual Report on Form 10-K.

Management's Discussion and Analysis (Continued)

Results of operations

Consolidated overview

The following table and discussion is a summary of our consolidated results of operations for the three and six months ended June 30, 2004. The results of operations by segment are discussed in further detail following this consolidated overview discussion.

	Three months ended June 30,			Six months ended June 30,		
	2004	2003	% Change from 2003 (1)	2004	2003	% Change From 2003
	(Millions)			(Millions)		
Revenues	$3,048.7	$3,612.3	-16%	$6,114.2	$8,388.4	-27%
Costs and expenses:						
Costs and operating expenses	2,658.3	3,024.8	+12%	5,348.2	7,448.4	+28%
Selling, general and administrative expenses	81.9	115.4	+29%	166.3	221.0	+25%
Other (income) expense - net	23.0	(225.3)	NM	31.4	(224.6)	NM
General corporate expenses	28.3	21.8	-30%	60.3	44.7	-35%
Total costs and expenses	2,791.5	2,936.7	+5%	5,606.2	7,489.5	+25%
Operating income	257.2	675.6	-62%	508.0	898.9	-43%
Interest accrued - net	(221.6)	(394.6)	+44%	(460.9)	(735.5)	+37%
Interest rate swap income (loss)	6.8	(6.1)	NM	(1.3)	(8.9)	+85%
Investing income (loss)	11.7	(43.2)	NM	22.0	3.1	NM
Early debt retirement costs	(96.8)	—	NM	(97.3)	—	NM
Minority interest in income of consolidated subsidiaries	(6.0)	(6.0)	—	(10.8)	(9.5)	-14%
Other income (expense) - net	13.4	13.9	-4%	14.8	36.0	-59%
Income (loss) from continuing operations before income taxes and cumulative effect of change in accounting principles	(35.3)	239.6	NM	(25.5)	184.1	NM
Provision (benefit) for income taxes	(17.3)	125.9	NM	(6.0)	113.5	NM
Income (loss) from continuing operations	(18.0)	113.7	NM	(19.5)	70.6	NM
Income (loss) from discontinued operations	(.2)	156.0	NM	11.2	145.9	-92%
Income (loss) before cumulative effect of change in accounting principles	(18.2)	269.7	NM	(8.3)	216.5	NM
Cumulative effect of change in accounting principles	—	—	—	—	(761.3)	+100%
Net income (loss)	(18.2)	269.7	NM	(8.3)	(544.8)	+98%
Preferred stock dividends	—	22.7	+100%	—	29.5	+100%
Income (loss) applicable to common stock	$ (18.2)	$ 247.0	NM	$ (8.3)	$ (574.3)	+99%

(1) + = Favorable Change; - = Unfavorable Change; NM = A percentage calculation is not meaningful due to change in signs, a zero-value denominator or a percentage change greater than 200.

Management's Discussion and Analysis (Continued)

Three Months Ended June 30, 2004 vs. Three Months Ended June 30, 2003

Our revenues decreased $563.6 million due primarily to decreased revenues at our Power segment, slightly offset by increased revenues at our Midstream segment. Power revenues decreased approximately $569.8 million due primarily to lower power sales volumes and decreased net unrealized gains on power and natural gas derivative contracts due primarily to the impact of a lesser increase in forward natural gas prices in second-quarter 2004. Partially offsetting these decreases were increased crude and refined product revenues resulting from increased sales to optimize pipeline and storage capacity as well as increased realized interest rate revenues due to higher interest rates in 2004. Midstream's revenues increased $128.3 million due primarily to higher product sales for natural gas liquids (NGLs) and olefins resulting from increased production volumes and higher market prices, and increased fee revenue from deepwater assets. The increases at Midstream were partially offset by the sale of our wholesale propane business in fourth-quarter 2003.

Costs and operating expenses decreased $366.5 million due primarily to decreased costs and operating expenses at Power, slightly offset by increased costs at Midstream. The decrease at Power is due primarily to lower power purchase volumes, partially offset by increased crude and refined product costs. The increase at Midstream is due primarily to higher natural gas and ethane purchases required to produce NGL and olefins. The increases were offset by lower natural gas liquids trading purchases due to the 2003 sale of our wholesale propane business.

Selling, general and administrative expenses decreased $33.5 million. This cost reduction is due primarily to reduced staffing levels at Power reflective of our strategy to exit this business.

Other (income) expense - net in 2004 includes an $11.3 million loss provision related to an ownership dispute on prior period production included in the Exploration & Production segment and a $9 million write-off of previously-capitalized costs on an idled segment of Northwest's system. Other (income) expense - net in 2003 includes a $175 million gain from the sale of a Power contract and $91.5 million in net gains from the sale of Exploration & Production's interests in natural gas properties. Partially offsetting these gains in 2003 was a $25.5 million charge at Northwest to write off capitalized software development costs and a $20 million charge related to a settlement by Power with the CFTC (see Note 13 of Notes to Consolidated Financial Statements).

General corporate expenses increased $6.5 million due primarily to increased third-party costs associated with compliance activities and with efforts to evaluate and implement certain cost reduction strategies through internal initiatives and outsourcing of certain services.

Interest accrued - net decreased $173 million due primarily to:

- $117 million lower interest expense and fees at Exploration & Production, due primarily to the May 2003 prepayment of the RMT note payable;
- $24 million lower amortization expense related to deferred debt issuance costs, due primarily to the reduction of debt; and
- a $24 million decrease reflecting lower average borrowing levels.

We entered into interest rate swaps with external counterparties primarily in support of the energy-trading portfolio (see Note 15 of Notes to Consolidated Financial Statements). The change in fair market value of these swaps was $12.9 million more favorable in 2004 than 2003. The total notional amount of these swaps was approximately $300 million at June 30, 2004 and June 30, 2003.

Investing income (loss) increased $54.9 million due primarily to the absence in 2004 of the following 2003 charges, partially offset by a $10.8 million impairment of our investment in equity securities of Longhorn Partners Pipeline LP (Longhorn):

- a $42.4 million 2003 impairment of our investment in equity and debt securities of Longhorn;
- a $13.5 million impairment of a cost-based investment in a company holding phosphate reserves; and
- an $8.5 million impairment of our investment in Aux Sable.

Early debt retirement costs for 2004 includes premiums, fees and expenses related to the debt repurchase and the debt tender offer and consent solicitations that we completed in the second quarter.

Other income (expense) - net, below operating income in 2004, includes a $4.1 million net gain in 2004 and a $7.9 million net gain in 2003 related to a foreign currency transaction gain or loss on a Canadian dollar denominated note receivable and an offsetting derivative gain or loss on a forward contract to fix the U.S. dollar principal cash flows from the note receivable. The note receivable was repaid in July 2004 with proceeds from the sale of the Canadian straddle plants and the related forward contract was terminated.

Management's Discussion and Analysis (Continued)

The provision (benefit) for income taxes was favorable by $143.2 million due primarily to a pre-tax loss in 2004 as compared to a pre-tax income for 2003. The effective income tax rate for 2004 is greater than the federal statutory rate due primarily to the effect of state income taxes, partially offset by net foreign operations and an accrual for income tax contingencies. The effective income tax rate for 2003 is greater than the federal statutory rate due primarily to the financial impairment of certain investments, capital losses generated for which valuation allowances were established, nondeductible expenses and an accrual for income tax contingencies.

Income (loss) from discontinued operations decreased $156.2 million from an income position in 2003 of $156 million to a loss position in 2004 of $.2 million (see Note 6 of Notes to Consolidated Financial Statements). The decrease in the operating results from discontinued operations activities from an income position in 2003 to a loss position in 2004 is reflective of income (loss) from discontinued operations for the following operations:

- the absence of $9.3 million income from discontinued operations at Texas Gas;
- the absence of $8.3 million income from discontinued operations at Williams Energy Partners as well as a $5.1 million loss from discontinued operations in 2004 which includes the settlement related to the environmental indemnifications;
- the absence of $7.9 million income from discontinued operations from Raton Basin and Hugoton Embayment natural gas exploration and production properties; and
- a $9.6 million decrease in loss from discontinued operations for Gulf Liquids New River Project LLC (Gulf Liquids).

The 2003 gain on sale of discontinued operations of $232.9 million includes:

- a $11.1 million impairment of the soda ash mining facility located in Colorado;
- a $24.7 million gain on the sale of an earn-out agreement that we retained following the first quarter 2003 sale of a refinery located in Memphis, Tennessee;
- a $39.9 million gain on sale of natural gas exploration and production properties;
- a $275.6 million gain on the sale of our 100 percent general partnership interest and 54.6 percent limited partner investment in Williams Energy Partners; and
- a $92.6 million impairment of Gulf Liquids New River Project LLC.

In June 2003, we redeemed all of our outstanding 9.875 percent cumulative-convertible preferred shares. Thus, no preferred dividends were paid in 2004.

Six Months Ended June 30, 2004 vs. Six Months Ended June 30, 2003

Our revenues decreased approximately $2.3 billion due primarily to decreased revenues at our Power, Midstream and Exploration & Production segments. Power revenues decreased approximately $2.1 billion due primarily to lower power and crude and refined products sales volumes and decreased net unrealized gains on natural gas derivative contracts due primarily to the impact of forward natural gas prices. Midstream's revenues decreased $109.8 million due primarily to the sale of our wholesale propane business in the fourth quarter of 2003. Largely offsetting this decrease at Midstream were higher product sales for NGLs and olefins resulting from higher production volumes and higher market prices. In addition, Exploration & Production's revenues decreased $89.9 million due primarily to lower domestic production revenues from lower net realized average prices and lower production volumes as a result of 2003 property sales, lower gas management revenues, lower income from the utilization of excess transportation capacity and lower income on derivative instruments that did not qualify for hedge accounting.

Costs and operating expenses decreased $2.1 billion due primarily to decreased costs and operating expenses at Power and Midstream. The decrease at Power is due primarily to lower power purchase volumes and lower crude and refined products costs. In addition, costs at Midstream were impacted by the sale of our wholesale propane business offset by higher NGL and olefins production costs.

Management's Discussion and Analysis (Continued)

Selling, general and administrative expenses decreased $54.7 million, due primarily to reduced staffing levels at Power reflective of our strategy to exit this business. Also contributing to the decrease at Power was the absence of $12.6 million of expense related to the accelerated recognition of deferred compensation during 2003.

Other (income) expense - net, within operating income, in 2004 includes an $11.3 million loss provision related to an ownership dispute on prior period production included in the Exploration & Production segment; a $9 million write-off of previously-capitalized costs on an idled segment of Northwest's system; and $6.1 million in fees related to the sale of certain receivables to a third party. Other expense - net in 2003 includes a $175 million gain from the sale of a Power contract and $91.5 million in net gains from the sale of Exploration & Production's interests in certain natural gas properties. Partially offsetting these gains in 2003 was a $25.5 million charge at Northwest to write-off capitalized software development costs for a service delivery system and a $20 million charge related to a settlement by Power with the CFTC (see Note 13 of Notes to Consolidated Financial Statements).

General corporate expenses increased $15.6 million due primarily to increased third-party costs associated with compliance activities and with efforts to evaluate and implement certain cost reduction strategies through internal initiatives and outsourcing of certain services.

Interest accrued - net decreased $274.6 million due primarily to:

- $203 million lower interest expense and fees at Exploration & Production due primarily to the May 2003 prepayment of the RMT note payable;
- $34 million lower amortization expense related to deferred debt issuance costs, primarily due to the reduction of debt;
- a $28 million decrease reflecting lower average borrowing levels;
- a $10 million decrease reflecting lower average interest rates on long-term debt;
- the absence in 2004 of $12 million of interest expense within Power related to a FERC ruling in 2003; and
- an $18.5 million decrease in capitalized interest, which offsets interest accrued, due primarily to completion of certain Midstream projects in the Gulf Coast Region.

We entered into interest rate swaps with external counterparties primarily in support of the energy-trading portfolio (see Note 15 of Notes to Consolidated Financial Statements). The change in fair market value of these swaps was $7.6 million more favorable in 2004 than 2003. The total notional amount of these swaps was approximately $300 million at June 30, 2004 and June 30, 2003.

Investing income increased $18.9 million due primarily to:

- the absence in 2004 of a $42.4 million impairment of our investment in equity and debt securities of Longhorn in 2003, partially offset by $6.5 million net unreimbursed Longhorn recapitalization advisory fees in 2004;
- the absence in 2004 of a $12 million impairment of our cost-based investments in Algar Telecom S.A. and a $13.5 million impairment of a cost-based investment in a company holding phosphate reserves;
- $13.9 million higher equity earnings from Discovery due primarily to the absence of unfavorable accounting adjustments recorded at the partnership in 2003;
- the absence in 2004 of a $8.5 million impairment of our investment in Aux Sable;
- $41 million lower interest income at Power due primarily to a favorable adjustment in 2003 resulting from certain 2003 FERC proceedings;
- $10 million lower interest income on advances to Longhorn that were subsequently exchanged for preferred stock; and
- a $10.8 million impairment of our investment in equity securities of Longhorn in 2004.

Early debt retirement costs for 2004 include premiums, fees and expenses related to the May 2004 debt repurchase and the debt tender offer and consent solicitations that we completed in the second quarter.

Management's Discussion and Analysis (Continued)

Other income (expense) - net, below operating income includes a $6.7 million net gain in 2004 and a $20.4 million net gain in 2003 related to a foreign currency transaction gain or loss on a Canadian dollar denominated note receivable and an offsetting derivative gain or loss on a forward contract to fix the U.S. dollar principal cash flows from the note receivable. The note receivable was repaid in July 2004 with proceeds from the sale of the Canadian straddle plants and the related forward contract was terminated.

The provision (benefit) for income taxes was favorable by $119.5 million due primarily to a pre-tax loss in 2004 as compared to a pre-tax income for 2003. The effective income tax rate for 2004 is less than the federal statutory rate due primarily to net foreign operations and an accrual for income tax contingencies, partially offset by the effect of state income taxes. The effective income tax rate for 2003 is greater than the federal statutory rate due primarily to the financial impairment of certain investments, capital losses generated for which valuation allowances were established, nondeductible expenses and an accrual for income tax contingencies.

Income (loss) from discontinued operations decreased $134.7 million (see Note 6 of Notes to Consolidated Financial Statements). The decrease in the operating results from discontinued operations activities is reflective of income (loss) from discontinued operations for the following operations:

- the absence of $58.5 million income from discontinued operations at Texas Gas;
- the absence of $28.5 million income from discontinued operations at Alaska refining, retail and pipeline;
- the absence of $22.1 million of income from discontinued operations at Williams Energy Partners which was sold in 2003;
- a $5.6 million loss from discontinued operations at Williams Energy Partners which includes the settlement related to the environmental indemnifications;
- the absence of $20.1 million income from discontinued operations from Raton Basin and Hugoton Embayment natural gas exploration and production properties;
- a $26.8 million decrease in loss from discontinued operations for Gulf Liquids; and
- an $8.8 million increase in income from discontinued operations for Canadian straddle plants.

The 2003 gain on sale of discontinued operations of $115.6 million includes:

- a $109 million impairment of Texas Gas Transmission;
- an $8 million impairment of the Alaska refinery, retail and pipeline assets;
- a $16.1 million impairment of the soda ash mining facility located in Colorado;
- a $29.4 million gain on the sale of a refinery and other related operations located in Memphis, Tennessee, of which $24.7 million relates to the sale of an earn-out agreement that we retained following the sale of the assets;
- a $39.9 million gain on sale of certain natural gas exploration & production properties;
- a $6.4 million loss on sale of our Bio-energy operations;
- a $275.6 million gain on the sale of Williams Energy Partners; and
- a $92.6 million impairment of Gulf Liquids.

The cumulative effect of change in accounting principles reduced net income for 2003 by $761.3 million due to a $762.5 million charge related to the adoption of EITF 02-3, slightly offset by $1.2 million related to the adoption of SFAS No. 143, "Accounting for Asset Retirement Obligations" (see Note 3 of Notes to Consolidated Financial Statements).

In June 2003, we redeemed all of our outstanding 9.875 percent cumulative-convertible preferred shares. Thus, no preferred dividends were paid in 2004.

Management's Discussion and Analysis (Continued)

Results of operations - segments

We are currently organized into the following segments: Power, Gas Pipeline, Exploration & Production, Midstream and Other. Other primarily consists of corporate operations and certain continuing operations previously reported within the International and Petroleum Services segments. Our management currently evaluates performance based on segment profit (loss) from operations (see Note 15 of Notes to Consolidated Financial Statements).

Prior period amounts have been restated to reflect these segment changes. The following discussions relate to the results of operations of our segments.

Power

Overview of six months ended June 30, 2004

As described below, the continued effort to exit from the Power business, combined with liquidity constraints, and the effect of price changes on derivative contracts significantly influenced Power's operating results for the first half of 2004.

In the first half of 2004, Power continued to focus on 1) terminating or selling all or portions of the portfolio, 2) maximizing cash flow, 3) reducing risk, and 4) managing existing contractual commitments. These efforts are consistent with our 2002 decision to sell all or portions of Power's portfolios. The decrease in revenues, costs and selling, general and administrative expenses reflect our efforts to exit the Power business.

Key factors that influence Power's financial condition and operating performance include the following:

- prices of power and natural gas, including changes in the margin between power and natural gas prices;
- changes in market liquidity, including changes in the ability to economically hedge the portfolio;
- changes in power and natural gas price volatility;
- changes in interest rates
- changes in the regulatory environment; and
- changes in power and natural gas supply and demand.

Outlook for the remainder of 2004

In the remainder of 2004, we anticipate further variability in Power's earnings due in part to the difference in accounting treatment of derivative contracts at fair value and the underlying non-derivative contracts on an accrual basis. This difference in accounting treatment combined with the volatile nature of energy commodity markets could result in future operating gains or losses. Some of Power's tolling contracts have a negative fair value, which is not reflected in the financial statements since these contracts are not derivatives. The negative fair value of these tolling contracts may result in future accrual losses. Continued efforts to sell all or a portion of these contracts may also have a significant impact on future earnings as proceeds may differ significantly from carrying values. The inability of counterparties to perform under contractual obligations due to their own credit constraints could also affect future operations.

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(Millions)		(Millions)	
Segment revenues	$2,353.7	$2,923.5	$4,628.5	$6,699.1
Segment profit	$ 44.7	$ 348.0	$ 12.0	$ 211.6

Management's Discussion and Analysis (Continued)

Three months ended June 30, 2004 vs. three months ended June 30, 2003

The $569.8 million decrease in revenues includes a $407.4 million decrease in realized revenues and a $162.4 million decrease in net unrealized gains.

Realized revenues represent 1) revenue from sale of commodities or completion of energy-related services and 2) gains and losses from the net financial settlement of derivative contracts. The $407.4 million decrease in realized revenues is primarily due to a decrease in power and natural gas realized revenues of $536.3 million, partially offset by a $58.9 million increase in crude and refined products realized revenues and a $70 million increase in interest rate portfolio realized revenues.

Power and natural gas revenues decreased primarily due to a 42 percent decrease in power sales volumes. Sales volumes decreased because Power did not replace certain long-term physical contracts that expired or were terminated in 2003, primarily due to a lack of market liquidity and efforts to reduce our commitment to the Power business. Also, during the second quarter of 2003, Power corrected the accounting treatment previously applied to certain third party derivative contracts during 2002 and 2001, resulting in the recognition of $93 million in revenue that was attributable to prior periods. Refer to Note 1 of Notes to Consolidated Financial Statements for further information. The general decrease in power and natural gas realized revenues is partially offset by increased intercompany revenue from Midstream. Sales to Midstream have increased from the prior period as a result of higher processing margins, reflecting increased demand for natural gas used at its gas processing plants.

Crude and refined products realized revenues increased primarily as a result of increased refined products sales made in order to optimize pipeline and storage capacity that Power expects to sell in 2004.

The increase in realized revenues from Power's interest rate portfolio reflects the impact of a second-quarter 2004 rise in interest rates in contrast to a second quarter 2003 decline in rates.

Unrealized gains and losses represent changes in the fair value of derivative contracts with a future settlement or delivery date. The $162.4 million decrease in net unrealized gains is primarily due to a $183.8 million decrease in net unrealized gains on power and natural gas derivative contracts, partially offset by an $18.9 million increase in unrealized gains on interest rate derivatives.

The decrease in power and natural gas net unrealized gains is largely due to a lesser increase in forward natural gas prices in second-quarter 2004 compared to the same period in 2003. Interest rate unrealized gains (losses) increased due to an increase in forward interest rates in 2004 compared to a decrease in forward interest rates in 2003.

Power's costs represent purchases of commodities and fees paid for energy related services. Costs decreased $413.9 million primarily due to a $457.4 million decrease in power and natural gas costs offset by a $43.5 million increase in crude and refined products costs. Power and natural gas costs decreased largely due to a 44 percent decrease in power purchase volumes due largely to the expiration or termination of certain long-term physical contracts in 2003. This decrease was partially offset by the effect of an approximate 17 percent increase in the average price for natural gas purchases. Second-quarter 2004 reductions to liabilities associated with power marketing activities in California during 2000 and 2001 primarily resulting from recent contract agreements resulted in gains of $10.4 million, which contributed to the decrease in costs discussed above. Crude and refined products costs increased due to increased refined products purchases made in order to optimize pipeline and storage capacity that Power expects to sell in 2004.

Selling, general and administrative expenses decreased $24 million. Compensation expense declined in 2004 as a result of staff reductions in prior years combined with the accelerated recognition in 2003 of certain deferred compensation arrangements. Power employed approximately 235 employees at June 30, 2004 compared to 265 employees at June 30, 2003. Additionally, a $6.5 million increase in bad debt reserves associated with a contract termination settlement in 2003 also contributed to the decrease.

Other (income) expense - net in 2003 includes a $175 million gain from the sale of an energy-trading contract partially offset by a $20 million charge for a settlement with the CFTC in 2003.

Management's Discussion and Analysis (Continued)

Six months ended June 30, 2004 vs. six months ended June 30, 2003

The $2.1 billion decrease in revenues includes a $2.0 billion decrease in realized revenues and a $98.4 million decrease in unrealized gains (losses).

The $2 billion decrease in realized revenues is primarily due to a $1.5 billion decrease in power and natural gas realized revenues and a $524 million decrease in crude and refined products realized revenues, partially offset by a $55.5 million increase in interest rate portfolio realized revenues.

Power and natural gas realized revenues decreased primarily due to a 45 percent decrease in power sales volumes. Also, during the second quarter of 2003, Power corrected the accounting treatment previously given to certain third party derivative contracts during 2002 and 2001, resulting in the recognition of approximately $107 million in revenues in the second quarter of 2003 attributable to prior periods. Refer to Note 1 of Notes to Consolidated Financial Statements for further information. Power and natural gas revenues in 2003 include a $37 million loss for increased power rate refunds owed to the state of California as the result of FERC rulings, which partially offsets the general decrease discussed above.

Crude and refined products revenues decreased primarily due to the sale of the crude gathering business in 2003 and the continued efforts to exit this line of business.

The increase in realized revenues from Power's interest rate portfolio reflects the impact of a rise in interest rates during the first six months of 2004 in contrast to a decline in rates over the same period during 2003.

Unrealized revenues decreased primarily as a result of a decrease in natural gas unrealized revenues of $106.7 million, largely due to changes in the forward prices of natural gas. Because Power holds fixed price forward purchase contracts for natural gas, an increase in the forward natural gas price results in unrealized gains. However, the increase in the forward price of natural gas for the first six months of 2004 was not as significant as the increase in the same period in 2003. Thus, total unrealized gains related to natural gas derivatives decreased. Offsetting the decrease was the absence of unrealized losses of approximately $70 million recorded in first-quarter 2003 on contracts for which we elected the normal purchases and sales exception in second-quarter 2003.

Power's costs decreased $2 billion due to a decrease in power and natural gas costs of $1.5 billion and a decrease in crude and refined products costs of $536.4 million. Power and natural gas costs decreased largely due to a 45 percent decrease in power purchase volumes. Second-quarter 2004 reductions to liabilities associated with power marketing activities in California during 2000 and 2001 resulted in gains of $10.4 million, which contributed to the decrease in costs discussed above. Costs in 2004 also reflect a $13 million payment made to terminate a non-derivative power sales contract, which partially offsets the decrease in power and natural gas costs. Crude and refined products costs decreased largely due to the sale of the crude gathering business in 2003 and the continued efforts to exit this line of business.

Selling, general and administrative expenses decreased $44.3 million. Compensation expense declined in 2004 as a result of staff reductions in prior years combined with the accelerated recognition in 2003 of certain deferred compensation arrangements. A $6.3 million reversal of bad debt reserve resulting from the first-quarter 2004 settlement with certain California utilities and the absence of a $6.5 million increase to bad debt reserves associated with a termination settlement in second-quarter 2003 also contributed to the decrease.

Other (income) expense - net in 2003 includes a $175 million gain from the sale of an energy-trading contract partially offset by a $20 million charge for a settlement with the CFTC. Other (income) expense - net in 2004 includes $6.1 million in fees related to the sale of certain receivables to a third party.

Management's Discussion and Analysis (Continued)

Gas Pipeline

Overview of six months ended June 30, 2004

In February 2004, Transco placed an expansion into service increasing capacity on its natural gas system by 54,000 Dth/d. As discussed below, Northwest made additional progress towards repairing and restoring a segment of its natural gas pipeline system in western Washington.

Effective June 1, 2004, and due in part to FERC Order 2004, management and decision-making control of certain regulated gas gathering assets was transferred from our Midstream segment to our Gas Pipeline segment. Consequently, the results of operations were similarly reclassified. All prior periods reflect these classifications.

Outlook for the remainder of 2004

In December 2003, we received an Amended Corrective Action Order (ACAO) from the U.S. Department of Transportation's Office of Pipeline Safety (OPS) regarding a segment of one of our natural gas pipelines in western Washington. The pipeline experienced two breaks in 2003 and we subsequently idled the pipeline segment until its integrity could be assured. The decision to idle the pipeline has not had a significant impact on our ability to meet market demand to date. Primarily because of customer market profiles prior to the summer months, we have been able to meet firm service requirements through our parallel pipeline in the same corridor.

We have successfully hydrotested and returned to service 111 miles of the 268 miles of pipe affected by the ACAO. That effort has restored 131 MDth/day of the 360 MDth/day of idled capacity and is anticipated to be adequate to meet most market conditions. The restored facilities will be monitored and tested as necessary until they are ultimately replaced. Total estimated testing and remediation costs are between $40 and $50 million, including approximately $9 million related to one segment of pipe that we recently determined not to return to service and is thus being expensed in the second quarter.

As currently required by OPS, we plan to replace the pipeline's entire capacity by November 2006 to meet long-term demands. We conducted a reverse open season to determine whether any existing customers were willing to relinquish or reduce their capacity commitments to allow us to reduce the scope of pipeline replacement facilities. That resulted in 13 MDth/day of capacity being relinquished and incorporated into the replacement project. The total costs of the capacity replacement project are expected to be in the range of approximately $310 million to $360 million. The majority of these costs will be spent in 2005 and 2006. We anticipate filing a rate case to recover the capitalized costs relating to restoration and replacement of facilities following the in-service date of the replacement facilities.

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(Millions)		(Millions)	
Segment revenues	$331.0	$330.7	$690.0	$670.3
Segment profit	$132.8	$115.5	$280.2	$265.8

Management's Discussion and Analysis (Continued)

Three months ended June 30, 2004 vs. three months ended June 30, 2003

The $300,000 increase in Gas Pipeline revenues is due primarily to $14 million of higher transportation revenues associated with expansion projects. The $14 million consists of $10 million at Northwest from an expansion project that became operational in October 2003 (Evergreen) and $4 million higher demand revenues on the Transco system resulting primarily from new expansion projects that became operational in May 2003 (Momentum Phase I), November 2003 (Trenton-Woodbury) and February 2004 (Momentum Phase II). Partially offsetting these increases were $7 million lower revenues from the sale of environmental mitigation credits and $5 million lower transportation revenues ($3 million due to lower short-term firm on Northwest and $2 million due to lower gathering revenue on Transco).

Costs and operating expenses increased $2 million, or one percent, due primarily to a $4 million increase in non-income related taxes, $2 million higher fuel expense at Transco, reflecting a reduction in pricing differentials on the volumes of gas used in operations as compared to 2003. These increases were partially offset by $4 million reduction of depreciation, depletion and amortization expense related to environmental mitigation credits.

Other (income) expense - net in 2004 includes a $9 million charge for the write-off of previously-capitalized costs incurred on an idled segment of Northwest's system that we recently determined will not be returned to service. Other (income) expense - net in 2003 includes a $25.5 million charge at Northwest to write off capitalized software development costs for a service delivery system following a decision not to implement.

The $17.3 million, or 15 percent, increase in Gas Pipeline segment profit is due primarily to the absence of the $25.5 million charge in 2003 discussed above and $3.2 million higher equity earnings (included in Investing income (loss)). These items were partially offset by the $9 million charge discussed above and the $2 million increase in costs and operating expenses. The increase in equity earnings includes a $3 million increase in earnings from our investment in Gulfstream Natural Gas System (Gulfstream).

Six months ended June 30, 2004 vs. six months ended June 30, 2003

The $19.7 million, or three percent, increase in Gas Pipeline revenues is due primarily to $32 million higher transportation revenues associated with expansion projects. The $32 million consists primarily of $20 million at Northwest from an expansion project that became operational in October 2003 (Evergreen) and $12 million higher demand revenues on the Transco system resulting from new expansion projects that became operational in May 2003 (Momentum Phase I), November 2003 (Trenton-Woodbury) and February 2004 (Momentum Phase II). Revenues also increased due to $17 million higher gas exchange imbalance settlements (offset in costs and operating expenses). Partially offsetting these increases were $9 million lower revenues associated with tracked costs, which are passed through to customers (substantially offset in costs and operating expenses), $8 million lower revenues from the sale of environmental mitigation credits and $8 million lower transportation revenues ($5 million due to lower short-term firm on Northwest and $3 million due to lower gathering revenues on Transco).

Costs and operating expenses increased $26 million, or eight percent, due primarily to $17 million higher gas exchange imbalance settlements (offset in revenues), $11 million higher fuel expense at Transco, reflecting a reduction in pricing differentials on the volumes of gas used in operations as compared to 2003 and $7 million higher expenses related to operations and maintenance expenses. These increases were partially offset by $8 million lower recovery of tracked costs which are passed through to customers (offset in revenues), a $5 million reduction of depreciation, depletion and amortization expense related to environmental mitigation credits and a $4 million reduction of expense in first-quarter 2004 related to an adjustment to depreciation recognized in a prior period.

Other (income) expense - net in 2004 includes a $9 million charge for the write-off of previously-capitalized costs incurred on an idled segment of Northwest's system that we recently determined will not be returned to service. Other (income) expense - net in 2003 includes a $25.5 million charge at Northwest to write off capitalized software development costs for a service delivery system following a decision not to implement.

The $14.4 million, or five percent, increase in Gas Pipeline segment profit is primarily due to the absence of the $25.5 million charge in 2003 discussed above, $19.7 million higher revenues and $5.2 million higher equity earnings (included in Investment income (loss)). These increases were partially offset by the $26 million higher costs and operating expenses and the $9 million charge discussed above. The increase in equity earnings is primarily due to a $5.4 million increase in earnings from our investment in Gulfstream.

Management's Discussion and Analysis (Continued)

Exploration & Production

Overview of the six months ended June 30, 2004

Domestic average daily production volumes increased 14 percent from the beginning of the year. Domestic average daily production was approximately 511 million cubic feet of gas equivalent at June 30, 2004, compared to 450 million cubic feet at the beginning of the year, and has surpassed production levels reached prior to the asset sales of 2003. The increase is a result of the company successfully contracting additional drilling rigs, particularly in the Piceance basin, to increase our development drilling. Additionally, the Piceance drilling program has improved the efficiency time to drill a well and start another one, increasing the number of wells drilled in a particular period of time and bringing new production on line more quickly. Additional rigs were also added to the other core areas of San Juan, Arkoma and Powder River basins. The benefit of these higher volumes was offset by hedge losses and increasing costs, including a loss provision related to an ownership dispute on prior period production.

Outlook for the remainder of 2004

Our expectations for the remainder of the year include:

- A continuing development drilling program in our key basins with an increase in activity in the Piceance basin.
- Increasing our beginning of the year production level 15 percent by the end of 2004. Approximately 78 percent of our forecasted production for the remainder of 2004 is hedged at prices that average $3.69 per mcfe at a basin level.

The following discussions of the quarter-over-quarter and year-to-date comparative results primarily relate to our continuing operations. However, the results for 2003 include those operations that were sold during 2003 that did not qualify for discontinued operations reporting. Those properties consist of the Uinta and Denver Julesberg basins and certain additional properties in the Green River and San Juan basins. The operations classified as discontinued operations are the properties in the Hugoton and Raton basins.

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(Millions)		(Millions)	
Segment revenues	$189.0	$200.2	$354.2	$444.1
Segment profit (loss)	$ 43.3	$178.7	$ 94.8	$292.5

Three months ended June 30, 2004 vs. three months ended June 30, 2003

The $11.2 million, or six percent, decrease in Exploration & Production revenues is due primarily to lower income on derivative instruments that did not qualify for hedge accounting, and lower income from the utilization of excess transportation capacity. These decreases are partially offset by an increase in revenues from gas management activities.

Domestic production revenues increased slightly from the prior period. Net realized average prices include the effect of hedge positions. Production volumes increased slightly from period to period while net realized prices were lower than the prior period. We expect volumes to continue to increase during the remainder of the year as our drilling program continues.

To minimize the risk and volatility associated with the ownership of producing gas properties, we enter into derivative forward sales contracts which economically lock in a price for a portion of our future production. Approximately 76 percent of domestic production in the second quarter of 2004 was hedged. These hedging decisions are made considering our overall commodity risk exposure.

Costs and expenses, including selling, general and administrative expenses, increased $19 million, primarily reflecting the following:

- $7 million higher lease operating expense associated with the increase of well maintenance activities, higher labor and fuel costs and an increase in overhead payments to another operator;
- $6 million higher gas management expenses associated with the higher revenues from gas management activities;
- $2 million higher depreciation, depletion, and amortization expense primarily as a result of higher production volumes; and
- a $2 million increase in operating taxes primarily as a result of higher production volumes.

The $135.4 million decrease in segment profit is due primarily to the gain on the sale of properties of $91.5 million in the second quarter of 2003. Additionally, there were lower revenues related to excess transportation capacity and non-hedge derivative income in 2004. In addition, a loss provision of $11.3 million was recorded to Other (income) expense - net during the second quarter of 2004 related to an ownership dispute on prior period production.

Six months ended June 30, 2004 vs. six months ended June 30, 2003

The $89.9 million, or 20 percent, decrease in Exploration & Production's revenues, is primarily due to the $45 million lower domestic production revenues reflecting lower net realized average prices and lower production volumes. The remainder of the decrease reflects a reduction in revenues from gas management activities, lower income from the utilization of excess transportation capacity, and lower income on derivative instruments that did not qualify for hedge accounting.

The decrease in domestic production revenues reflects $35 million lower revenues associated with a three percent decrease in net domestic production volumes and $10 million lower revenues associated with a 12 percent decrease in net realized average prices for production sold. The decrease in production volumes primarily results from the sales of properties in 2003, partially offset by increased production volumes for properties retained.

Costs and expenses, including selling, general and administrative expenses, decreased $1 million primarily reflecting the following:

- $7 million lower gas management expenses associated with the lower revenues from gas management activities;
- $3 million lower selling, general and administrative expenses as a result of assets sold in 2003;
- $2 million lower depreciation, depletion, and amortization expense as a result of decreased volumes; and
- $8 million higher lease operating expense.

Other (income) expense - net includes $91.5 million in net gains on the sale of assets during 2003.

The $197.7 million decrease in segment profit is due primarily to the absence of $92 million in net gains on the sales of assets in 2003, a decrease in net domestic production volumes resulting from the assets sold in 2003, and lower net realized average prices. Additionally, a loss provision of $11.3 million was recorded to Other (income) expense - net during the second quarter of 2004 related to an ownership dispute on prior period production.

Management's Discussion and Analysis (Continued)

Midstream Gas & Liquids

Overview of six months ended June 30, 2004

Consistent with our strategy to invest in growth areas where we have large scale assets and divest non-core assets, we placed into service additional infrastructure in the deepwater offshore area of the Gulf of Mexico and expanded the Opal gas processing facility in Wyoming. In the deepwater Gulf of Mexico, the Devils Tower production handling facility, the Canyon Chief gas pipeline, and the Mountaineer oil pipeline began flowing product in May 2004, while the Gunnison oil pipeline volumes have been increasing since the first of the year. These deepwater assets contributed approximately $13 million to segment profit in the second quarter. Additionally, the Opal expansion began operating in the first quarter of 2004.

We have made significant progress on our asset sale program. We recently announced the execution of purchase and sale agreements for the sale of our western Canadian Straddle Plants and certain South Texas gas pipelines (owned by Transco Gas Pipeline). These transactions are expected to yield approximately $565 million in U.S. funds. The Canadian sale closed in July 2004 and the South Texas sale is pending FERC approval and is expected to close in the fourth-quarter of 2004. We continue to negotiate with counterparties for the sale of Gulf Liquids and the ethylene distribution business in Louisiana.

Outlook for the remainder of 2004

The following factors could impact our business in the remaining quarters of 2004 and beyond:

- Continued growth in the deepwater areas of the Gulf of Mexico is expected to contribute to, and become a larger component of our future segment revenues and segment profit. We expect these additional fee-based revenues to lower our overall exposure to commodity price risks. Revenues related to the Gunnison and Devils Tower deepwater projects are expected to continue growing throughout 2004 and make a contribution to annual segment profit in 2004.

- Our domestic gas processing margins benefited from strong crude oil prices in the first six months of 2004 and achieved five-year annual average. Since natural gas and crude oil markets are highly volatile, our processing margins in the first half of 2004 are not necessarily indicative of levels expected for the remainder of 2004.

- Beginning in the second quarter of 2003, our Gulf Coast gas processing plants earned additional fee revenues from short-term processing agreements contracted in response to gas merchantability orders from pipeline operators requiring producers' gas to be processed to achieve pipeline quality standards. These contracts could be terminated as a result of a shift in regulatory policy or a sustained, long-term period of favorable gas processing margins. The termination of these short-term contracts could result in lower Gulf Coast processing revenues.

- We have requested a waiver from the FERC regarding compliance with FERC Order 2004 for the management of Discovery Gas Transmission and Black Marlin assets. In July, the FERC granted a partial waiver allowing our Midstream segment to continue to manage these assets subject to the remaining procedural requirements of the FERC order. We continue to evaluate the details of the partial waiver and our compliance with the remaining requirements. We also continue to evaluate the management of our equity investment in the Aux Sable processing plant in order to comply with FERC Order 2004. Transfer of management of these assets would result in lower segment profit for Midstream, but Williams consolidated operating profit would remain unchanged

- Our Venezuelan assets were constructed and are currently operated for the exclusive benefit of Petroleos de Venezuela S.A. (PDVSA), the state owned Petroleum Corporation of Venezuela. The Venezuelan economic and political environment can be volatile, but has not significantly impacted the cash flows of our facilities to date. However, the upcoming referendum on the Presidency of Hugo Chavez may create a higher degree of risk than we have experienced to date. PDVSA is applying increased pressure on the terms of operating contracts with vendors like and including ourselves.

Management's Discussion and Analysis (Continued)

During second-quarter 2004, we reclassified the operations of the Canadian Straddle Plants to discontinued operations. In July 2004, we completed the sale of these assets for approximately $536 million in U.S. funds. The estimated pre-tax gain on sale of approximately $190 million will be recorded in the third quarter of 2004. Additionally, the Canadian liquids system and Gulf Liquids continue to be classified as discontinued operations. Effective June 1, 2004, and due in part to FERC Order 2004, management and decision-making control of certain regulated gas gathering assets was transferred from our Midstream segment to our Gas Pipeline segment. Consequently, the results of operations were similarly reclassified. All prior periods reflect these classifications.

On July 20, 2004, Wilpro Energy Services (PIGAP II) Limited, one of our subsidiaries, received a notice of default from the Venezuelan state oil company, PDVSA, relating to certain operational issues alleging that our subsidiary is not in compliance under a services agreement. We do not believe a basis exists for such notice and are contesting the giving of this notice. Although this notice of default could result in an event of default with respect to project loans totaling approximately $219 million and could result in an adverse effect with respect to other of our debt instruments, we believe that we will be able to resolve any issues arising from the alleged notice of default without any such results occurring with respect to our other debt instruments. The lenders under the project loan agreement have confirmed to us in writing that based on the facts they currently know, they have no intention of exercising any rights or remedies under the project loan agreement until the issues raised in the notice and our response are clarified.

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(Millions)		(Millions)	
Segment revenues	$630.5	$502.2	$1,257.8	$1,367.6
Segment profit (loss)				
Domestic Gathering & Processing	$ 76.7	59.1	154.9	159.7
Venezuela	19.4	20.0	40.9	33.5
Other	2.5	(34.0)	11.1	(35.9)
Total	$ 98.6	$ 45.1	$ 206.9	$ 157.3

Three months ended June 30, 2004 vs. three months ended June 30, 2003

The $128.3 million increase in Midstream's revenues is primarily the result of favorable gas processing and olefins production economics. Revenues associated with natural gas liquids (NGLs) and olefins products increased $123 million due to significantly higher production volumes and slightly higher market prices. Included within the $123 million increase are revenues associated with our deepwater assets, including our recently completed infrastructure, which generated $18 million in higher fee revenue. In addition, revenues increased $81 million as the result of marketing natural gas liquids (NGLs) on behalf of our customers. Before 2004, our purchases of customers' NGLs were netted within revenues. In 2004, these purchases of customers' NGLs are reported in costs and operating expenses which substantially offsets the change in revenues. These revenue increases are largely offset by lower trading revenues resulting from the fourth-quarter 2003 sale of our wholesale propane business.

Costs and operating expenses increased $101 million primarily due to the higher cost of natural gas and ethene required to produce NGL and olefins. Natural gas purchases used to replace the heating value of NGLs extracted at our gas processing facilities increased $78 million while feedstock for olefins production increased $12 million. Higher NGL production volumes also resulted in $9 million in higher transportation and fractionation expenses. Maintenance costs, additional depreciation expense, and other product purchases increased approximately $22 million. With a similar impact to sales, total costs and operating expenses increased $81 million due to the marketing of NGLs on behalf of customers. These higher costs and operating expenses are largely offset by lower trading purchases due to the sale of our wholesale propane business noted above.

The $53.5 million increase in Midstream segment profit for the second quarter of 2004 is primarily the result of improved results at our domestic gathering and processing business and at our olefins facilities as well as the absence of higher earnings from our partly-owned domestic assets. A more detailed analysis of segment profit of Midstream's various operations is presented below.

Domestic Gathering & Processing: The $17.6 million increase in domestic gathering and processing segment profit includes an increase of $13.6 million in the Gulf Coast region's segment profit and a $4.0 million increase in the West region.

Segment profit for our Gulf Coast region increased $13.6 million as a result of incremental profits from newly constructed assets in the deepwater area of the Gulf of Mexico. The Devils Tower production handling facility, the Canyon Chief gas pipeline, and the Mountaineer oil were all placed into service at the end of the first quarter of 2004.

Our West Region's segment profit increased $4 million reflecting improved gas processing margins offset by lower fee revenues and higher operating expenses. Following are certain material components of the increase:

- Our gas processing margins increased $12 million due to higher NGL volumes and higher NGL prices supported by significantly higher crude prices. The increase in NGL revenues was partially offset by higher natural gas purchases caused by higher volumes and market prices.
- Fee revenues for gathering and processing services declined $5 million as a result of slightly lower rates and volumes in the Four Corners area.
- Maintenance expenses increased $5 million primarily due to additional scheduled maintenance projects at the San Juan and Wyoming facilities.

Venezuela: Segment profit for our Venezuelan assets in the second quarter of 2004 remained consistent with the second quarter of 2003.

Other: With improved olefins fractionation margins and the absence of an impairment charge recorded in the second quarter of 2003, results from our NGL trading, fractionation, and storage business, olefins businesses, and partnership investments increased $36.5 million. Primary drivers of these results are as follows:

- Segment profit for our NGL trading, fractionation, and storage business increased $10 million primarily due to $7 million higher net trading revenues. The improvement in net trading revenues is largely due to the absence of charges totaling $5 million recognized in 2003 for inventory hedge losses and adjustments. Our trading revenues also reflect a $2 million gain generated by rising NGL market prices while our production barrels are being transported to market. Selling, general and administrative expense was $2 million lower in the second-quarter 2004, primarily as a result of the fourth-quarter 2003 sale of our wholesale propane business.
- Segment profit for our olefins businesses increased $17 million. Domestic olefins fractionation margins improved $8 million reflecting the significant strengthening of the ethylene market in 2004 resulting from lower ethylene inventories and higher demand for olefins products. As a result, our domestic olefins business increased its volume of spot sales significantly. In addition, margins were improved by a new higher fixed margin contract. The $9 million improvement from our Canadian Olefins group is largely attributable to $6 million in higher olefins fractionation margins.
- Our earnings from partially owned domestic assets accounted for using the equity method increased $10 million largely due to the absence of items impacting earnings of partnerships in the second quarter of 2003. These include a $4 million charge associated with an accounting adjustment recorded by the Discovery partnership, a $9 million impairment charge on our investment in the Aux Sable partnership, a $5 million gain on the sale of our investment in the Rio Grande Pipeline partnership, and the absence of approximately $2 million in equity earnings generated in 2003 from investments that were sold after the second quarter of 2003.

Six months ended June 30, 2004 vs. six months ended June 30, 2003

The $109.8 million decrease in Midstream's revenue is primarily the result of lower trading revenues primarily due to the fourth-quarter 2003 sale of our wholesale propane business. This decline was largely offset by higher revenues from all of Midstream's current businesses. Revenue from the sale of NGLs and olefins products increased $177 million due to significantly higher production volumes and slightly higher market prices as a result of improving market conditions in 2004. Included within the $177 million increase are revenues associated with our deepwater assets, including our recently completed infrastructure, which generated $21 million in higher fee revenue. Additionally, sales of NGLs increased $128 million as a result of marketing of NGLs on behalf of our customers. Before 2004, our purchases of customers' NGLs were netted within revenues. In 2004, these purchases of customers' NGLs are reported in costs and operating expenses, which substantially offsets the change in revenues.

Cost and operating expenses declined $120.9 million primarily as a result of lower trading costs due to the sale of our wholesale propane business. This decline was partially offset by higher costs relating to the increase in NGL and olefins production noted above. Natural gas purchases used to replace the heating value of NGLs extracted at our gas processing facilities increased $117 million and feedstock for olefins production increased $39 million. Higher NGL production volumes also resulted in $8 million in

higher transportation and fractionation expenses. Maintenance costs, additional depreciation expense, and other product purchases increased approximately $25 million. With a similar impact to sales, total costs and operating expenses increased $128 million due to the marketing of NGLs on behalf of customers.

The $49.6 million increase in Midstream segment profit for the first six months of 2004 is due primarily to improved olefins production margins, higher deepwater profits, and the absence of certain impairments on equity investments recorded in the first half of 2003. These increases are partially offset by lower gas processing margins and lower gathering and processing fee income. A more detailed analysis of segment profit of Midstream's various operations is presented below.

Domestic Gathering & Processing: The $4.8 million decrease in our domestic gathering and processing segment profit includes a $20.1 million decline in the West region partially offset by a $15.3 million increase in our Gulf Coast region.

Our West region's segment profit declined $20.1 million primarily due to lower gas processing margins, lower gathering and processing fee revenues, and higher operating expenses. Following are certain material components of the decrease.

- Although still above 5-year averages, gas processing margins in the first six months of 2004 declined $9 million from the level recorded in the same period in 2003. Higher market prices for natural gas used to replace the heating value of NGLs extracted at our processing plants negatively impacted our processing margins. This increase in natural gas prices is largely due to the absence of depressed Wyoming natural gas prices caused by regional transportation constraints in the first quarter of 2003. This impact of higher natural gas prices is partially offset by significantly higher NGL prices in 2004 supported by strong crude prices.

- Gathering and processing fee revenues declined $12 million primarily due to fewer customers electing the fee-based billing option of processing contracts and slightly lower rates and volumes in the Four Corners area.

- Maintenance expenses increased $8 million primarily due to additional scheduled maintenance projects at the San Juan and Wyoming facilities.

- Other revenues increased $4 million primarily due to higher gas treating fees on our southwest Wyoming facilities.

Segment profit for our Gulf Coast Region increased $15.3 million primarily as a result of newly constructed assets in the deepwater area of the Gulf of Mexico. The Devils Tower production handling facility, the Canyon Chief gas pipeline, and the Mountaineer oil were all placed into service at the end of the first quarter of 2004. In addition, gas processing margins increased as a result of new processing agreements created to allow producers' gas to be processed to achieve pipeline quality standards.

Venezuela: The $7.4 million increase in segment profit for our Venezuelan assets is primarily due to the absence of a fire at the El Furrial facility that reduced revenues by $10 million in the first quarter of 2003. In addition, lower equity earnings from our investment in the Accroven partnership and higher currency revaluation expenses negatively impacted segment profit.

Other: As a result of improved olefins fractionation margins and the absence of 2003 charges associated with certain partly-owned domestic assets, results from our NGL trading, fractionation, and storage business; olefins businesses; and partnership investments increased $47 million, as follows:

- Segment profit for our NGL trading, fractionation, and storage business increased $4 million primarily due to $4 million in lower selling, general and administrative expense resulting from the fourth-quarter 2003 sale of our wholesale propane business.

- Segment profit for the olefins businesses increased $24 million. Domestic olefins fractionation margins improved $12 million reflecting the significant strengthening of the ethylene market in 2004 created as a result of lower ethylene inventories and higher demand for olefins products. As a result, our domestic olefins business increased its volume of spot sales significantly. In addition, margins were improved by a new higher fixed margin contract. Segment profit from our Canadian olefins business increased $12 million largely due to $6 million in higher olefins fractionation margins. Currency translation adjustments were $4 million favorable as a result of a strengthening Canadian dollar.

Management's Discussion and Analysis (Continued)

- Our earnings from partially owned domestic assets accounted for using the equity method increased $19 million largely due to the absence of items impacting earnings of partnerships in 2003. This 2003 activity includes $12 million in charges associated with accounting adjustments recorded at the Discovery partnership, a $9 million impairment charge to our investment in the Aux Sable partnership, a $5 million gain on the sale of our investment in Rio Grande Pipeline partnership, and the absence of approximately $4 million in earnings generated from investments that were sold after the second quarter of 2003.

Other

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(Millions)		(Millions)	
Segment revenues	$ 7.0	$ 20.1	$ 19.6	$ 48.1
Segment loss	$(14.3)	$(51.7)	$(23.0)	$(46.9)

Other segment revenues for the three and six months ended June 30, 2003 includes approximately $8 million and $22 million, respectively, of revenues related to certain butane blending assets, which were sold during third-quarter 2003.

Other segment loss for the three and six months ended June 30, 2004 includes a $10.8 million impairment of our investment in Longhorn. The charge reflects management's belief that there was an other than temporary decline in the fair value of this investment following a determination that additional funding would be required to commission the pipeline into service. The project incurred cost overruns in preparation for commissioning, including higher priced line fill costs and is expected to become operational before the end of 2004. Other segment loss for the six months ended June 30, 2004 includes $6.5 million net unreimbursed advisory fees related to the recapitalization of Longhorn in February 2004. If the project achieves certain future performance measures, the unreimbursed fees may be recovered. As a result of this recapitalization, we sold a portion of our equity investment in Longhorn for $11.4 million, received $58 million in repayment of a portion of our advances to Longhorn and converted the remaining advances, including accrued interest, into preferred equity interests in Longhorn. These preferred equity interests are subordinate to the preferred interests held by the new investors. Other than the unreimbursed fees, no gain or loss was recognized on this transaction.

Other segment loss for the three and six months ended June 30, 2003 includes a $42.4 million impairment related to the investment in equity and debt securities of Longhorn.

Management's Discussion and Analysis (Continued)

Fair value of trading derivatives

The chart below reflects the fair value of derivatives held for trading purposes as of June 30, 2004. We have presented the fair value of assets and liabilities by the period in which we expect them to be realized.

Assets (Liabilities)				
To be Realized in 1-12 Months (Year 1)	To be Realized in 13-36 Months (Years 2-3)	To be Realized in 36-60 Months (Years 4-5)	To be Realized in 61-120 Months (Years 6-10)	Total Fair Value
		(Millions)		
$(31)	$17	$(8)	$1	$(21)

As the table above illustrates, we are not materially engaged in trading activities. However, we hold a substantial portfolio of non-trading derivative contracts. Non-trading derivative contracts are those that hedge or could possibly hedge Power's long-term structured contract position and the activities of our other segments on an economic basis. Certain of these economic hedges have not been designated as or do not qualify as SFAS No. 133 hedges. As such, changes in the fair value of these derivative contracts are reflected in earnings. We also hold certain derivative contracts, which do qualify as SFAS No. 133 cash flow hedges, which primarily hedge Exploration & Production's forecasted natural gas sales. As of June 30, 2004, the fair value of these non-trading derivative contracts was a net asset of $234 million.

Counterparty credit considerations

We include an assessment of the risk of counterparty non-performance in our estimate of fair value for all contracts. Such assessment considers 1) the credit rating of each counterparty as represented by public rating agencies such as Standard & Poor's and Moody's Investors Service, 2) the inherent default probabilities within these ratings, 3) the regulatory environment that the contract is subject to and 4) the terms of each individual contract.

Risks surrounding counterparty performance and credit could ultimately impact the amount and timing of expected cash flows. We continually assess this risk. We have credit protection within various agreements to call on additional collateral support if necessary. At June 30, 2004, we held collateral support of $338 million.

We also enter into netting agreements to mitigate counterparty performance and credit risk. During second-quarter 2004, we did not incur any significant losses due to recent counterparty bankruptcy filings.

The gross credit exposure from our derivative contracts as of June 30, 2004 is summarized below.

Counterparty Type	Investment Grade[a]	Total
	(Millions)	
Gas and electric utilities	$ 667.9	$ 780.5
Energy marketers and traders	2,446.9	4,843.7
Financial institutions	1,343.4	1,343.4
Other	434.2	438.5
	$4,892.4	7,406.1
Credit reserves		(34.2)
Gross credit exposure from derivatives[b]		$7,371.9

Management's Discussion and Analysis (Continued)

We assess our credit exposure on a net basis. The net credit exposure from our derivatives as of June 30, 2004 is summarized below.

Counterparty Type	Investment Grade[a]	Total
	(Millions)	
Gas and electric utilities	$130.2	$ 145.5
Energy marketers and traders	527.8	792.3
Financial institutions	191.5	191.5
Other	2.9	3.9
	$852.4	1,133.2
Credit reserves		(34.1)
Net credit exposure from derivatives[b]		$1,099.1

(a) We determine investment grade primarily using publicly available credit ratings. We included counterparties with a minimum Standard & Poor's rating of BBB- or Moody's Investors Service rating of Baa3 in investment grade. We also classify counterparties that have provided sufficient collateral, such as cash, standby letters of credit, adequate parent company guarantees, and property interests, as investment grade.

(b) One counterparty within the California power market represents more than ten percent of the derivative assets and is included in investment grade. Standard & Poor's and Moody's Investors Service do not currently rate this counterparty. We included this counterparty in the investment grade column based upon contractual credit requirements in the event of assignment or substitution of a new obligation for the existing one.

Management's Discussion and Analysis (Continued)

Financial condition and liquidity

Liquidity

Overview

As discussed in our Annual Report on Form 10-K for the year ended December 31, 2003, we successfully executed certain critical components of our plan during 2003. Key execution steps for 2004 and beyond, and our progress to date, include the following:

1) Completion of planned asset sales, which we estimated would generate proceeds of approximately $800 million in 2004.

   - On March 31, 2004, we completed the sale of our Alaska refinery and related assets for approximately $304 million.
   - On July 28, 2004, we completed the sale of three straddle plants in western Canada for approximately $536 million.
   - In addition to these transactions, we expect to generate additional proceeds from the sale of assets of approximately $50 to $100 million.

2) Additional reduction of our selling, general and administrative costs.

   - On June 1, 2004, we announced an agreement with IBM Business Consulting Services (IBM) to aid us in transforming and managing certain areas of our accounting, finance and human resources processes. In addition, IBM will manage key aspects of our information technology, including enterprise wide infrastructure and application development. The 7 1/2 year agreement began July 1, 2004 and is expected to reduce costs in these areas while maintaining a high quality of service.

3) The replacement of our cash-collateralized letter of credit and revolver facility with facilities that do not encumber cash.

   - In April 2004, we entered into two unsecured bank revolving credit facilities totaling $500 million. These facilities provide for both borrowings and letters of credit, but are used primarily for issuing letters of credit. Use of these new facilities released approximately $500 million of restricted cash, restricted investments and margin deposits in the second quarter. Also, on May 3, 2004 we entered into a new three-year, $1 billion secured revolving credit facility which is available for borrowings and letters of credit. Northwest and Transco have access to $400 million each under the facility, which is secured by certain Midstream assets and a guarantee from WGP (see Note 12 of Notes to the Consolidated Financial Statements).

4) Continuation of our efforts to exit from the Power business.

   - We continue to evaluate alternatives and discuss our plans and operating strategy for the Power business with our Board of Directors. As an alternative to continuing a plan of pursuing a complete exit from the Power business, we are evaluating whether the benefits of realizing the positive cash flow expected to be generated by this business through continued ownership exceed the benefits of a sale at a depressed price. If we pursue this alternative, we expect to continue our current program of managing this business to minimize financial risk, generate cash and manage existing contractual commitments.

Sources of liquidity

Our liquidity is derived from both internal and external sources. Certain of those sources are available to us (at the parent level) and others are available to certain of our subsidiaries.

At June 30, 2004, we have the following sources of liquidity from cash and cash equivalents:

- Cash-equivalent investments at the corporate level of $794 million as compared to $2.2 billion at December 31, 2003.
- Cash and cash-equivalent investments of various international and domestic entities of $236 million, as compared to $91 million at December 31, 2003.

At December 31, 2003, we had capacity of $447 million available under the $800 million revolving and letter of credit facility. This facility was terminated on May 3, 2004. At June 30, 2004, we have capacity of $11 million available under the two unsecured revolving credit facilities totaling $500 million and $819 million available under our $1 billion secured revolving facility. We also have a commitment from our agent bank to expand our credit facility by an additional $275 million.

We have an effective shelf registration statement with the Securities and Exchange Commission that authorizes us to issue an additional $2.2 billion of a variety of debt and equity securities. However, the ability to utilize this shelf registration for debt securities is restricted by certain covenants of our debt agreements.

Management's Discussion and Analysis (Continued)

In addition, our wholly owned subsidiaries Northwest and Transco have outstanding registration statements filed with the Securities and Exchange Commission. As of June 30, 2004, approximately $350 million of shelf availability remains under these registration statements. However, the ability to utilize these registration statements is restricted by certain covenants associated with our $800 million 8.625 percent senior unsecured notes. Interest rates, market conditions, and industry conditions will affect amounts raised, if any, in the capital markets.

During the first six months of 2004, we satisfied liquidity needs with:

- $304 million in cash generated from the sale of the Alaska refinery and related assets, and
- $603.6 million in cash generated from operating activities of continuing operations, including the release of approximately $500 million of restricted cash, restricted investments and margin deposits previously used to collateralize certain credit facilities.

Credit ratings

As part of executing the business plan announced in February, 2003, we established a goal of returning to investment grade status. While reduction of debt is viewed as a key contributor towards this goal, certain of the key credit rating agencies have imputed the financial commitments associated with our long-term tolling agreements within the Power business as debt. If we are unable to achieve our goal of exiting the Power business or otherwise eliminating these commitments, obtaining an investment grade rating may be further delayed. See Note 1 of Notes to Consolidated Financial Statements for a further discussion on the status of the Power business.

On July 30, 2004, Standard & Poor's raised our debt ratings outlook to stable from negative citing our debt reductions efforts. If we continue to reduce debt in line with forecasts, our rating could improve over the three-year horizon of the outlook. An improved rating could result in lower borrowing costs. However, if financial ratios fall considerably below expectations, the outlook and the rating could decline.

Off-balance sheet financing arrangements and guarantees of debt or other commitments to third parties

As discussed previously, in April 2004, we entered into two unsecured bank revolving credit facilities totaling $500 million. We were able to obtain the unsecured credit facilities because the funding bank syndicated its associated credit risk into the institutional investor market via a Rule 144A offering, which allows for the sale of certain restricted securities only to qualified institutional buyers. Upon the occurrence of certain credit events, letters of credit outstanding under the agreement become cash collateralized, creating a borrowing under the facilities. Concurrently the bank can deliver the facilities to the institutional investors, whereby the investors replace the bank as lender under the facilities.

To facilitate the syndication of the facilities, the bank established trusts funded by the institutional investors. The assets of the trusts serve as collateral to reimburse the bank for our borrowings in the event the facilities are delivered to the investors. We have no asset securitization or collateral requirements under the new facilities. During the second quarter, use of these new facilities released approximately $500 million of restricted cash, restricted investments and margin deposits (see Note 12 of Notes to the Consolidated Financial Statements).

Operating activities

For the six months ended June 30, 2004, we recorded approximately $30 million in Provision for loss on investments, property and other assets consisting primarily of a $10.8 million impairment of our investment in Longhorn and a $9 million write off of previously-capitalized costs incurred on an idled segment of Northwest's system.

For the six months ended June 30, 2003, we recorded approximately $121 million in Provision for loss on investments, property and other assets consisting primarily of a $42.4 million impairment of our investment in Longhorn, a $25.5 million write-off of software development costs at Northwest, a $13.5 million impairment of an investment in a company holding phosphate reserves and a $12 million impairment of Algar Telecom S.A.

The net gain on disposition of assets in second quarter 2003 primarily consists of the gains on the sales of natural gas properties.

In 2003, we recorded an accrual for fixed rate interest included in the RMT Note on the Consolidated Statement of Cash Flows representing the quarterly non-cash reclassification of the deferred fixed rate interest from an accrued liability to the RMT Note. The amortization of deferred set-up fee and fixed rate interest on the RMT Note relates to amounts recognized in the income statement as interest expense, which were not payable until maturity. The RMT Note was repaid in May 2003.

Management's Discussion and Analysis (Continued)

In the first quarter of 2004, we recognized net cash used by operating activities of discontinued operations in the Consolidated Statement of Cash Flow of $47.1 million. Included in this amount was approximately $70 million in use of funds related to the timing of settling working capital issues of the Alaska refinery and related assets. In the second quarter of 2004, we received the proceeds from the collection of approximately $58 million in trade receivables related to the Alaska refinery and related assets.

Financing activities

On March 15, 2004, we retired the remaining $679 million obligation pertaining to the outstanding balance of the 9.25 percent senior unsecured Notes due March 15, 2004. The $679 million represented the remaining amount of the Notes subsequent to the fourth-quarter 2003 tender which retired $721 million of the original $1.4 billion balance.

In May 2004, we made cash tender offers for approximately $1.34 billion aggregate principal amount of a specified series of our outstanding notes and debentures. As of the June 8, 2004, tender offer expiration date, we accepted for purchase tenders of notes and debentures with an aggregate principal amount of approximately $1.17 billion. The payment of these notes and debentures in second-quarter 2004 is recorded as Payments of long term debt on the Consolidated Statement of Cash Flows. In May 2004, we also repurchased on the open market debt of approximately $255 million of various notes with maturity dates ranging from 2006 to 2011. In conjunction with the tendered notes, related consents, and the debt repurchase, we paid premiums of approximately $79 million. The premiums, as well as related fees and expenses, together totaling $96.8 million, were recorded in Early debt retirement costs.

In June 2004, we made a payment of approximately $109 million for accrued interest, short-term payables, and long-term debt to repurchase certain receivables from the California Power Exchange that were previously sold to a third party. Approximately $79 million of the payment is included in payments of long-term debt on the Consolidated Statement of Cash Flows. In July 2004, we received payment of approximately $104 million from the California Power Exchange which will be reported in cash flows from operations in the third quarter.

For a discussion of other borrowings and repayments in 2004, see Note 12 of Notes to Consolidated Financial Statements.

Dividends paid on common stock are currently $.01 per common share on a quarterly basis and totaled $10.4 million for the six months ended June 30, 2004. One of the covenants under the indenture for the $800 million senior unsecured notes due 2010 currently limits our quarterly common stock dividends to not more than $.02 per common share. This restriction will be removed in the future if certain requirements in the covenants are met.

Investing activities

During the first four months of 2004, we purchased $471.8 million of restricted investments comprised of U.S. Treasury notes and received proceeds on maturity of $851.4 million of such investments on their scheduled maturity date. We made these purchases to satisfy the 105 percent cash collateralization requirement in the $800 million revolving credit facility. This facility was terminated May 3, 2004, subsequent to us entering into the $1 billion secured revolving credit facility (see Note 12 of Notes to Consolidated Financial Statements).

During February 2004, we participated in a recapitalization plan completed by Longhorn. As a result of this plan, we received $58 million in repayment of a portion of our advances to Longhorn and converted the remaining advances, including accrued interest, into preferred equity interests in Longhorn. The $58 million received is included in Proceeds from dispositions of investments and other assets.

The following sales in the first half of 2004 and in 2003 provided significant proceeds and may include various adjustments subsequent to the actual date of sale.

In 2004:

- $304 million related to the sale of Alaska refinery, retail and pipeline and related assets.

In 2003:

- $793 million related to the sale of Texas Gas Transmission Corporation,
- $431 million (net of cash held by Williams Energy Partners) related to the sale of our general partnership interest and limited partner investment in Williams Energy Partners,
- $452 million related to the sale of the Midsouth refinery,
- $417 million related to certain natural gas exploration and production properties in Kansas, Colorado and New Mexico,
- $188 million related to the sale of the Williams travel centers,
- $60 million related to the sale of our equity interest in Williams Bio-Energy L.L.C., and
- $40 million related to the sale of the Worthington facility.

Contractual obligations

As discussed in our Annual Report on Form 10-K for the year ended December 31, 2003, we had certain contractual obligations at December 31, 2003, with various maturity dates, related to the following:

- notes payable,
- long-term debt,
- capital and operating leases,
- purchase obligations, and
- other long-term liabilities, including physical and financial derivatives.

During the first six months of 2004, the amount of our contractual obligations changed significantly due to the following:

- On March 15, 2004, we retired the remaining $679 million outstanding balance of the 9.25 percent senior unsecured notes due March 15, 2004.
- In May 2004, we made cash tender offers for approximately $1.34 billion aggregate principal amount of our specified series of outstanding notes and debentures. As of the June 8, 2004, tender offer expiration date, we had accepted for purchase tenders of notes and debentures with an aggregate principal amount of approximately $1.17 billion.
- In May 2004, we repurchased debt of approximately $255 million of various notes with maturity dates ranging from 2006 to 2011.
- On May 27, 2004, we were released from certain historical indemnities, primarily related to environmental remediation, for an agreement to pay $117.5 million (see Note 13 of Notes to Consolidated Financial Statements). We had previously deferred $113 million of a gain on sale in anticipation of costs related to these indemnities. At June 30, 2004, the net present value of this settlement is $107.5 million. Of this amount, $35 million is classified as current and was subsequently paid on July 1, 2004. The remaining amount will be paid in three installments of $27.5 million, $20 million, and $35 million in 2005, 2006, and 2007, respectively.

Management's Discussion and Analysis (Continued)

- Power's physical and financial derivative obligations decreased by approximately $1.2 billion. The decrease is due to normal trading and market activity and the expiration of certain long-term power contracts in the first six months of 2004.

- As part of the sale of the Alaska refinery, we terminated a $385 million crude purchase contract with the state of Alaska.

Outlook for the remainder of 2004

We estimate capital and investment expenditures will be approximately $775 million to $875 million for 2004. During the remainder of 2004, we expect to fund capital and investment expenditures, debt payments and working-capital requirements through (1) cash and cash equivalent investments on hand, (2) cash generated from operations, and (3) cash generated from the sale of assets. In first-quarter 2004, we completed the sale of our Alaska refinery and related assets for approximately $304 million. On July 28, 2004, we completed the sale of three straddle plants in western Canada for approximately $536 million. In addition to these transactions, we currently expect to generate additional proceeds from the sale of assets of approximately $50 to $100 million. We also expect to generate $1 to $1.3 billion in cash flow from continuing operations.

In the remainder of 2004, we expect to make additional progress towards debt reduction while maintaining management's estimate of appropriate levels of cash and other forms of liquidity. To manage our operations and meet unforeseen or extraordinary calls on cash, we expect to maintain liquidity levels of at least $1 billion. Through debt tenders, open market repurchases and scheduled maturities, we have reduced our debt to $9.8 billion at June 30, 2004, a reduction of over $2.2 billion for the year-to-date. Primarily through additional debt tenders, we expect to further reduce debt to a level of approximately $9 billion by the end of 2004. While our access to the capital markets continues to improve, one of our indentures, and our two unsecured revolving credit facilities, have covenants that restrict our ability to issue new debt, with minimal exceptions, until a certain fixed charge coverage ratio is achieved. We expect to satisfy this requirement by the end of 2005. Our secured revolving credit facility has a covenant restricting our ability to issue new debt if, after giving effect to the issuance, we were to fail to meet the associated consolidated debt to consolidated net worth ratio.

Item 3

Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our interest rate risk exposure associated with the debt portfolio was impacted primarily by debt payments during the first and second quarters of 2004. On March 15, 2004, we retired the remaining $679 million balance of the 9.25 percent senior unsecured Notes due March 15, 2004. In May 2004, we made cash tender offers for approximately $1.34 billion aggregate principal amount of a specified series of our outstanding notes and debentures. As of the June 8, 2003, tender offer expiration date, we had accepted for purchase tenders of notes and debentures with an aggregate principle amount of approximately $1.17 billion. In May 2004, we also repurchased approximately $255 million of various notes with maturity dates ranging from 2006 to 2011. (See Note 12 of the Notes to Consolidated Financial Statements.)

In addition, on February 25, 2004, our Exploration & Production segment amended its $500 million secured note facility, reducing the floating interest rate from the London InterBank Offered Rate (LIBOR) plus 3.75 percent to LIBOR plus 2.5 percent. (See Note 12 of the Notes to Consolidated Financial Statements.)

Commodity Price Risk

We are exposed to the impact of market fluctuations in the price of natural gas, power, crude oil, refined products and natural gas liquids. We are exposed to these risks in connection with our owned energy-related assets, our long-term energy-related contracts and our proprietary trading activities. We manage the risks associated with these market fluctuations using various derivatives. The fair value of derivative contracts is subject to changes in energy-commodity market prices, the liquidity and volatility of the markets in which the contracts are transacted, and changes in interest rates. We measure the risk in our portfolios using a value-at-risk methodology to estimate the potential one-day loss from adverse changes in the fair value of the portfolios.

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 portfolios. The value-at-risk model assumes that, as a result of changes in commodity prices, there is a 95 percent probability that the one-day loss in fair value of the portfolios will not exceed the value at risk. The value-at-risk model uses historical simulations to estimate hypothetical movements in future market prices. In these simulations, we assume normal market conditions and historical market prices. In applying the value-at-risk methodology, we do not consider that changing the portfolio in response to market conditions could affect market prices and could take longer than a one-day holding period to execute. While a one-day holding period has historically been the industry standard, a longer holding period could more accurately represent the true market risk given market liquidity and our own credit and liquidity constraints.

We segregate our derivative contracts into trading and non-trading contracts, as defined in the following paragraphs. We calculate value at risk separately for these two categories. Derivative contracts designated as normal purchases or sales under SFAS No. 133 and non-derivative energy contracts have been excluded from our estimation of value at risk.

Trading

Our trading portfolio consists of derivative contracts entered into to provide price risk management services to third-party customers. Only contracts that meet the definition of a derivative are carried at fair value on the balance sheet. The value at risk for contracts held for trading purposes was $2 million and $5 million at June 30, 2004 and December 31, 2003, respectively.

Non-trading

Our non-trading portfolio consists of contracts that hedge or could potentially hedge the price risk exposure from the following activities:

Segment	Commodity Price Risk Exposure
Exploration & Production	• Natural gas sales
Midstream	• Natural gas purchases • Natural gas liquids purchases • Natural gas liquids sales
Power	• Natural gas purchases • Electricity purchases • Electricity sales

The value at risk for contracts held for non-trading purposes was $19 million at June 30, 2004 and $18 million at December 31, 2003. Certain of the contracts held for non-trading purposes were accounted for as cash flow hedges under SFAS No. 133. We did not consider the underlying commodity positions to which the cash flow hedges relate in our value-at-risk model. Therefore, value at risk does not represent economic losses that could occur on a total non-trading portfolio that includes the underlying commodity positions.

Item 4

Controls and Procedures

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d) - (e) of the Securities Exchange Act) (Disclosure Controls) was performed as of the end of the period covered by this report. This evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, subject to the limitations noted below, these Disclosure Controls are effective.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our Disclosure Controls or its internal controls over financial reporting (Internal Controls) will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. We monitor our Disclosure Controls and Internal Controls and make modifications as necessary; our intent in this regard is that the Disclosure Controls and the Internal Controls will be modified as systems change and conditions warrant.

As stated in our year-end and first quarter reports we have identified certain portions of our account reconciliation process whereby the controls and policies are in the process of being enhanced across all business segments. As of the second quarter certain planned enhancements have been implemented with substantially all others scheduled to be implemented by year-end.

Notwithstanding the above, management believes that its current controls are effective. In addition, there has been no material change in our Internal Controls that occurred during the registrant’s second fiscal quarter.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information called for by this item is provided in Note 13 Contingent liabilities and commitments included in the Notes to Consolidated Financial Statements included under Part I, Item 1. Financial Statements of this report, which information is incorporated by reference into this item.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

(a) Effective as of May 20, 2004, Williams Production RMT Company, a Delaware corporation and subsidiary of Williams ("RMT"), executed a Third Supplemental Indenture with Deutsche Bank Trust Company Americas, as trustee, regarding the 7.55 percent Senior Notes due 2007 issued under a base Indenture dated as of February 1, 1997 ("Base Indenture"). The Third Supplemental Indenture was entered into as part of a tender offer pursuant to which a substantial majority of the 7.55 percent Senior Notes were repurchased. For those noteholders who elected not to tender their notes, the Third Supplemental Indenture eliminated certain covenants in the Base Indenture that, among other things, limited RMT's ability to create or incur liens or enter into sale and leaseback transactions, and amended certain provisions regarding RMT's ability to engage in mergers, consolidations or sales of assets. In addition, the Third Supplemental Indenture eliminated certain bankruptcy-related events of default by RMT or its subsidiaries.

(b) On April 14, 2004, and on April 26, 2004, Williams, as borrower, entered into Credit Agreements for, respectively, $400 million and $100 million with Citibank N.A. Each Credit Agreement limits the payment of quarterly dividends to no greater than $.05 per common share. This restriction will be removed if certain conditions, including Williams attaining an investment grade rating from both Moody's Investors Service and Standard & Poor's, are met.

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Stockholders of the Company was held on May 20, 2004. At the Annual Meeting, three individuals were elected as directors of the Company and seven individuals continue to serve as directors pursuant to their prior elections. Those directors continuing in office are Hugh M. Chapman, William E. Green, W.R. Howell, George A. Lorch, Frank T. MacInnis, Steven J. Malcolm, and Janice D. Stoney. The appointment of Ernst & Young LLP as the independent auditor of the Company for 2004 was ratified and a stockholder proposal regarding performance and time-based restricted shares was not approved.

A tabulation of the voting at the Annual Meeting with respect to the matters indicated is as follows:

Election of Directors

Name	For	Withheld
Charles M. Lillis	440,662,188	25,038,640
William G. Lowrie	447,012,222	18,688,606
Joseph H. Williams	445,853,822	19,847,006

Ratification of Appointment of Independent Auditors

For	Against	Abstain
448,520,077	13,462,765	3,717,986

Approval of a Policy on Performance and Time-Based Restricted Shares

For	Against	Abstain
66,497,096	227,010,166	14,479,759

Item 6. Exhibits and Reports on Form 8-K

(a) The exhibits listed below are filed as part of this report:

Exhibit 4.1* – Third Supplemental Indenture dated as of May 20, 2004 with respect to the Indenture dated as of February 1, 1997 between Barrett Resources Corporation (predecessor-in-interest to Williams Production RMT Company) and Deutsche Bank Trust Company Americas (formerly known as Bankers Trust Company), as trustee (filed as Exhibit 99.2 to Form 8-K filed May 20, 2004).

Exhibit 10.1 - The Williams Companies, Inc. 2002 Incentive Plan as amended and restated effective as of January 23, 2004.

Exhibit 10.2 - Master Professional Services Agreement dated as of June 1, 2004, by and between The Williams Companies, Inc. and International Business Machines Corporation.

Exhibit 10.3 - Amendment No. 1 to the Master Professional Services Agreement dated June 1, 2004 by and between The Williams Companies, Inc. and International Business Machines Corporation made as of June 1, 2004.

Exhibit 10.4 - Amendment No. 2 to the Purchase Agreement dated as of April 18, 2003 by and among Williams Energy Services, LLC, Williams Natural Gas Liquids, Inc. and Williams GP LLC collectively, as Selling Parties, and Magellan Midstream Holdings, L.P. (formerly WEG Acquisitions, L.P.) as Buyer for the purchase and sale of all the membership interests of WEG GP LLC, all the Common Units and Subordinated Units of Williams Energy Partners, L.P. owned by Williams Energy Services, LLC and Williams Natural Gas Liquids, Inc. and all of the Class B Common Units of Williams Energy Partners, L.P. dated as of January 6, 2004.

Exhibit 10.5 - Amendment No. 3 to the Purchase Agreement dated as of April 18, 2003 by and among Williams Energy Services, LLC, Williams Natural Gas Liquids, Inc. and Williams GP LLC collectively, as Selling Parties, and Magellan Midstream Holdings, L.P. (formerly WEG Acquisitions, L.P.) as Buyer for the purchase and sale of all the membership interests of WEG GP LLC, all the Common Units and Subordinated Units of Williams Energy Partners, L.P. owned by Williams Energy Services, LLC and Williams Natural Gas Liquids, Inc. and all of the Class B Common Units of Williams Energy Partners, L.P. dated as of May 26, 2004.

Exhibit 10.6 - Agreement for the Release of Certain Indemnification Obligations dated as of May 26, 2004 by and among Magellan Midstream Holdings, L.P., Magellan G.P. LLC and Magellan Midstream Partners, L.P., on the one hand, and The Williams Companies, Inc., Williams Energy Services, LLC, Williams Natural Gas Liquids, Inc. and Williams GP LLC, on the other hand.

Exhibit 10.7 - Sale Agreement Relating to the Sale of the Interest of Williams Energy (Canada), Inc. in the Cochrane, Empress II and Empress V Straddle Plants dated as of July 8, 2004 between Williams Energy (Canada), Inc. and 1024234 Alberta Ltd.

Exhibit 12 - Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements.

Exhibit 31.1 - Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 - Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended, and Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32 - Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Such exhibit has heretofore been filed with the SEC as part of the filing indicated and is incorporated herein by reference.

(b) During second-quarter 2004, we filed a Form 8-K on the following dates reporting events under the specified items: June 17, 2004 Items 7 and 9; June 9, 2004 Items 7 and 9; June 2, 2004 Items 7 and 9; June 1, 2004 Items 7 and 9; May 27, 2004 Item 5; May 20, 2004 Items 7 and 9; May 10, 2004 Items 7 and 9; May 6, 2004 Items 7, 9 and 12; May 4, 2004 Items 7 and 9; April 27, 2004 Item 9; April 16, 2004 Items 7 and 9; and April 2, 2004 Items 7 and 9.

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SIGNATURE

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

THE WILLIAMS COMPANIES, INC.

(Registrant)

/s/ Gary R. Belitz

Gary R. Belitz
Controller
(Duly Authorized Officer and Principal Accounting Officer)

August 5, 2004

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Index to Exhibits

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Exhibit 10.1

The Williams Companies, Inc.

2002 Incentive Plan

(As Amended and Restated Effective as of January 23, 2004)

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THE WILLIAMS COMPANIES, INC.
2002 INCENTIVE PLAN

(As Amended and Restated Effective as of January 23, 2004)

ARTICLE 1.

EFFECTIVE DATE, HISTORY, OBJECTIVES, AND DURATION

1.1 Effective Date and History of the Plan. The Williams Companies, Inc., a Delaware corporation (the "Company"), established a stock plan known as The Williams Companies, Inc. 1996 Stock Plan, which was duly approved by the Company's stockholders. The Company amended and restated such plan and renamed it The Williams Companies, Inc. 2002 Incentive Plan effective March 1, 2002 ("Effective Date"). As so renamed and as amended herein and from time to time in the future, the plan is referred to as the "Plan." The Plan was subsequently amended from time to time. The plan is further amended and restated in this document, effective January 23, 2004.

1.2 Objectives of the Plan. The Plan is intended (a) to allow selected employees and officers of the Company and its Affiliates to acquire or increase equity ownership in the Company, thereby strengthening their commitment to the success of the Company and stimulating their efforts on behalf of the Company, and to assist the Company and its Affiliates in attracting new employees and officers and retaining existing employees and officers, (b) to provide annual cash incentive compensation opportunities that are competitive with those of other major corporations, (c) to optimize the profitability and growth of the Company and its Affiliates through incentives which are consistent with the Company's goals, (d) to provide Grantees with an incentive for excellence in individual performance, (e) to promote teamwork among employees, officers, and Non-Employee Directors, and (f) to attract and retain highly qualified persons to serve as Non-Employee Directors and to promote ownership by such Non-Employee Directors of a greater proprietary interest in the Company, thereby aligning such Non-Employee Directors' interests more closely with the interests of the Company's stockholders.

1.3 Duration of the Plan. The Plan shall commence on the Effective Date and shall remain in effect, subject to the right of the Board of Directors of the Company ("Board") to amend or terminate the Plan at any time pursuant to Article 14 hereof, until all Shares subject to it shall have been purchased or acquired according to the Plan's provisions. Notwithstanding the foregoing, (1) Shares withheld in order to satisfy tax withholding requirements from Restricted Shares that have become vested, and (2) Mature Shares used by a Grantee to exercise an Option or pay for another Award or to satisfy tax withholding requirements shall not be available under the Plan to the extent such Shares become Returned Shares on or after May 15, 2012.

1.4 2003 Exchange Program. Notwithstanding any contrary provision in the Plan, the Board shall have the authority to authorize a one-time option exchange program ("Exchange Program") to be implemented by the Board or its delegate, pursuant to which employees of the Company or an Affiliate who hold certain options to purchase Common Stock (the "Eligible Options") shall be offered the opportunity to elect to cancel such Eligible Options, whether or

not the Eligible Options were granted under the Plan, in exchange for the grant by the Compensation Committee of replacement options under the Plan ("Replacement Options") to purchase the number of shares of Common Stock determined in accordance with the exchange ratio tables below (the "Exchange Ratio Tables"). Eligible Options shall be those with an exercise price equal to or in excess of $10.00 per share and a remaining term of at least two years on the date of cancellation of such Eligible Options under the Exchange Program.

The exchange ratios set forth in the Exchange Ratio Table will vary depending on the average of the closing price of the Common Stock for the 20 business days ending ("Offer Commencement Date Price") on a date prior to the commencement of the Exchange Program, which date shall be determined by the Company. Because the Offer Commencement Date Price cannot be determined until such date, the Company can only calculate the exchange ratios prior to such date using estimated stock prices. The table below illustrates the exchange ratios that will apply at different Offer Commencement Date Prices.

	EXCHANGE RATIOS FOR OFFER COMMENCEMENT DATE PRICES				
ORIGINAL GRANT DATE	$3.00/SHARE	$4.00/SHARE	$5.00/SHARE	$6.00/SHARE	$7.00/SHARE
1995	12:1	6:1	3.75:1	2.5:1	2:1
1996	12.5:1	7:1	4.75:1	3.5:1	2.5:1
1997-2000	13:1	8:1	5.75:1	4.5:1	3.75:1
2001	7:1	5:1	3.75:1	3.25:1	2.75:1
2002	2.5:1	2:1	1.75:1	1.5:1	1.5:1

If the Offer Commencement Date Price is something other than the current stock prices shown in the above table, including if the Offer Commencement Date Price is below $3.00 per share or above $7.00 per share, the exchange ratios will be adjusted appropriately using the same valuation methodology used to determine the ratios shown above. The Exchange Program will be cancelled if the Offer Commencement Date Price exceeds $10.00.

Replacement Options shall be granted no less than six months and one day following the cancellation of the Eligible Options, at a price equal to the Fair Market Value of the Common Stock on the date of grant of the Replacement Options. Each Replacement Option shall have a term equal to the remaining term of the corresponding cancelled Eligible Option, determined on the date of cancellation of such Eligible Option pursuant to the Exchange Program.

Each Replacement Option will vest the later of one year from the date of grant of the Replacement Option or the date the Eligible Option it replaces would have vested if not tendered for exchange; provided, however, that the Award Agreement for the Replacement Option may provide for accelerated vesting in the event the Grantee's employment is terminated by death, Disability, or retirement (as defined in the Company's pension plan).

To participate in the Exchange Offer Program, an employee must surrender all of the Eligible Options granted to him or her prior to November 27, 2002 (other than those which have already been exercised). The following individuals shall not participate in the Exchange

Program: executive officers of the Company, members of the Board, former employees or retirees, and non-U.S. citizens employed outside the United States. Furthermore, persons who participated in the Exchange Program but are not, at the time the Replacement Options are granted, employed by the Company or an Affiliate, shall not receive any Replacement Options.

All other terms and conditions of the Exchange Offer shall be determined in the sole discretion of the Board or the Compensation Committee.

ARTICLE 2.
DEFINITIONS

Whenever used in the Plan, the following terms shall have the meanings set forth below:

2.1 "Affiliate" means any Person that directly or indirectly, through one or more intermediaries, controls, or is controlled by or is under common control with the Company.

2.2 "Annual Meeting of Company Stockholders" has the meaning set forth in Section 13.2.

2.3 "Award" means Options (including non-qualified options, Incentive Stock Options and Director Options), Restricted Shares, Performance Units (which may be paid in cash), Performance Shares, Deferred Stock, Dividend Equivalents, Other Stock-Based Awards, or Director Stock Grants granted under the Plan.

2.4 "Award Agreement" means the written agreement by which an Award shall be evidenced.

2.5 "Board" has the meaning set forth in Section 1.3.

2.6 "CEO" means the Chief Executive Officer of the Company.

2.7 "Code" means the Internal Revenue Code of 1986, as amended from time to time. References to a particular section of the Code include references to regulations and rulings thereunder and to successor provisions.

2.8 "Committee" and "Management Committee" have the respective meanings set forth in Article 3.

2.9 "Common Stock" means the common stock, $1.00 par value, of the Company.

2.10 "Covered Employee" means a Grantee who, as of the date that the value of an Award is recognizable as income, is one of the group of "covered employees," within the meaning of Code Section 162(m), with respect to the Company.

2.11 "Deferred Stock" means a right, granted under Section 9.1 or Article 13, to receive Shares at the end of a specified deferral period.

2.12 "Director Option" means a non-qualified Option granted to a Non-Employee Director under Article 13.

2.13 "Director Stock Grant" means Shares granted to a Non-Employee Director under Article 13.

2.14 "Disability" means, unless otherwise defined in an Award Agreement, or as otherwise determined under procedures established by the Committee for purposes of the Plan, for purposes of the exercise of an Incentive Stock Option, a disability within the meaning of Section 22(e)(3) of the Code, and for all other purposes, disability as defined in the Company's long-term disability plan in which the Grantee participates or is eligible to participate, as determined by the Committee.

2.15 "Dividend Equivalent" means a right to receive payments equal to interest or dividends or property, if and when paid or distributed, on a specified number of Shares.

2.16 "Director Fees" has the meaning set forth in Section 13.5.

2.17 "Eligible Person" means any employee (including any officer) of or potential employee (including a potential officer) of the Company or an Affiliate.

2.18 "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time. References to a particular section of the Exchange Act include references to successor provisions.

2.19 "Fair Market Value" means (a) with respect to any property other than Shares, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee, and (b) with respect to Shares, unless otherwise determined in the good faith discretion of the Committee, as of any date, (i) the closing price on the date of determination reported in the table entitled "New York Stock Exchange Composite Transactions" contained in The Wall Street Journal (or an equivalent successor table) (or, if no sale of Shares was reported for such date, on the most recent trading day prior to such date on which a sale of Shares was reported); (ii) if the Shares are not listed on the New York Stock Exchange, the closing price of the Shares on such other national exchange on which the Shares are principally traded or as reported by the National Market System, or similar organization, or if 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 organizations; or (iii) in the event that there shall be no public market for the Shares, the fair market value of the Shares as determined (which determination shall be conclusive) in good faith by the Committee.

2.20 "Grant Date" means the date on which an Award is granted or, in the case of a grant to an Eligible Person, such later date as specified in advance by the Committee.

2.21 "Grantee" means a person who has been granted an Award.

2.22 "Incentive Stock Option" means an Option that is intended to meet the requirements of Section 422 of the Code.

2.23 "including" or "includes" means "including, without limitation," or "includes, without limitation," respectively.

2.24 "Mature Shares" means Shares for which the holder thereof has good title, free and clear of all liens and encumbrances, and which such holder either (i) has held for at least six months or (ii) has purchased on the open market.

2.25 "Non-Employee Director" means a member of the Board who is not an employee of the Company or any Affiliate.

2.26 "Other Stock-Based Award" means a right, granted under Article 11 hereof, that relates to or is valued by reference to Shares or other Awards relating to Shares.

2.27 "Option" means an option granted under Article 6 or Article 13 of the Plan.

2.28 "Option Price" means the price at which a Share may be purchased by a Grantee pursuant to an Option.

2.29 "Option Term" means the period beginning on the Grant Date of an Option and ending on the date such Option expires, terminates or is cancelled.

2.30 "Performance-Based Exception" means the performance-based exception from the tax deductibility limitations of Code Section 162(m) contained in Code Section 162(m)(4)(C) (including the special provisions for options thereunder).

2.31 "Performance Measures" has the meaning set forth in Section 4.4.

2.32 "Performance Period" means the time period during which performance goals must be met.

2.33 "Performance Share" and "Performance Unit" have the respective meanings set forth in Article 8.

2.34 "Period of Restriction" means the period during which Restricted Shares are subject to forfeiture if the conditions specified in the Award Agreement are not satisfied.

2.35 "Person" means any individual, sole proprietorship, partnership, joint venture, limited liability company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or government instrumentality, division, agency, body or department.

2.36 "Restricted Shares" means Shares that are subject to forfeiture if the Grantee does not satisfy the conditions specified in the Award Agreement applicable to such Shares.

2.37 "Returned Shares" has the meaning set forth in Section 4.1.

2.38 "Rule 16b-3" means Rule 16b-3 promulgated by the SEC under the Exchange Act, as amended from time to time, together with any successor rule.

2.39 "SEC" means the United States Securities and Exchange Commission, or any successor thereto.

2.40 "Section 16 Non-Employee Director" means a Non-Employee Director who satisfies the requirements to qualify as a "non-employee director" under Rule 16b-3.

2.41 "Section 16 Person" means a person who is subject to potential liability under Section 16(b) of the 1934 Act with respect to transactions involving equity securities of the Company.

2.42 "Share" means a share of Common Stock, and such other securities of the Company as may be substituted or resubstituted for Shares pursuant to Section 4.2 hereof.

2.43 "Share Election" has the meaning set forth in Section 13.5.

2.44 "Termination of Affiliation" occurs on the first day on which an individual is for any reason no longer providing services to the Company or an Affiliate in the capacity of an employee or officer, or with respect to an individual who is an employee or officer of an Affiliate, the first day on which such entity ceases to be an Affiliate of the Company.

ARTICLE 3.
ADMINISTRATION

3.1 Committee.

(a) Subject to Articles 13 and 14, and to Section 3.2, the Plan shall be administered by a committee ("Committee"). Except to the extent the Board reserves administrative powers to itself or appoints a different committee to administer the Plan, the Committee shall be (i) the Board, with respect to all Non-Employee Directors, (ii) the Compensation Committee of the Board, with respect to all executive officers of the Company and any other Eligible Person with respect to whom it elects to act as the Committee, and (iii) a committee of directors of the Board consisting of the CEO, with respect to any Eligible Person other than an executive officer of the Company, provided that if the CEO is not a member of the Board, the Compensation Committee of the Board shall act in lieu of the CEO. To the extent the Board considers it desirable to comply with Rule 16b-3 or meet the Performance-Based Exception, the Committee shall consist of two or more directors of the Company, all of whom qualify as "outside directors" within the meaning of Code Section 162(m) and Section 16 Non-Employee Directors. The number of members of the Committee shall from time to time be increased or decreased, and shall be subject to such conditions, in each case as the Board deems appropriate to permit transactions in Shares pursuant to the Plan to satisfy such conditions of Rule 16b-3 and the Performance-Based Exception as then in effect.

(b) The Board or the Compensation Committee may appoint and delegate to another committee ("Management Committee") or to the CEO any or all of the authority of the Board or the Committee, as applicable, with respect to Awards to Grantees other than Grantees who are executive officers, Non-Employee Directors, or are (or are expected to be) Covered Employees and/or are Section 16 Persons at the time any such delegated authority is exercised.

(c) Unless the context requires otherwise, any references herein to "Committee" include references to the Board, the Management Committee or the CEO, as applicable.

3.2 Powers of Committee. Subject to and consistent with the provisions of the Plan (including Article 13), the Committee has full and final authority and sole discretion as follows; provided that any such authority or discretion exercised with respect to a specific Non-Employee Director shall be approved by the affirmative vote of a majority of the members of the Board, even if not a quorum, but excluding the Non-Employee Director with respect to whom such authority or discretion is exercised:

(a) to determine when, to whom and in what types and amounts Awards should be granted; provided that grants to Non-Employee Directors shall be made solely pursuant to Article 13;

(b) to grant Awards to Eligible Persons in any number, and to determine the terms and conditions applicable to each Award (including the number of shares or the amount of cash or other property to which an Award will relate, any exercise price, grant price or purchase price, any limitation or restriction, any schedule for or performance conditions relating to the earning of the Award or the lapse of limitations, forfeiture restrictions, restrictions on exercisability or transferability, any performance goals including those relating to the Company and/or an Affiliate and/or any division thereof and/or an individual, and/or vesting based on the passage of time, based in each case on such considerations as the Committee shall determine);

(c) to determine the benefit payable under any Performance Unit, Performance Share, Dividend Equivalent, or Other Stock-Based Award and to determine whether any performance or vesting conditions have been satisfied;

(d) to determine whether or not specific Awards shall be granted in connection with other specific Awards, and if so, whether they shall be exercisable cumulatively with, or alternatively to, such other specific Awards and all other matters to be determined in connection with an Award;

(e) to determine the Option Term;

(f) to determine the amount, if any, that a Grantee shall pay for Restricted Shares, whether to permit or require the payment of cash dividends thereon to be deferred and the terms related thereto, when Restricted Shares (including Restricted Shares acquired upon the exercise of an Option) shall be forfeited and whether such shares shall be held in escrow;

(g) to determine whether, to what extent and under what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Shares, other Awards or other property, or an Award may be accelerated, vested, canceled, forfeited or surrendered or any terms of the Award may be waived, and to accelerate the exercisability of, and to accelerate or waive any or all of the terms and conditions applicable to, any Award or any group of Awards for any reason and at any time;

(h) to determine with respect to Awards granted to Eligible Persons whether, to what extent and under what circumstances cash, Shares, other Awards, other property and other

amounts payable with respect to an Award will be deferred either automatically (whether to limit loss of deductions pursuant to Code Section 162(m) or otherwise), at the election of the Committee or at the election of the Grantee;

(i) to offer to exchange or buy out any previously granted Award for a payment in cash, Shares or other Award;

(j) to construe and interpret the Plan and to make all determinations, including factual determinations, necessary or advisable for the administration of the Plan;

(k) to make, amend, suspend, waive and rescind rules and regulations relating to the Plan;

(l) to appoint such agents as the Committee may deem necessary or advisable to administer the Plan;

(m) to determine the terms and conditions of all Award Agreements applicable to Eligible Persons (which need not be identical) and, with the consent of the Grantee, to amend any such Award Agreement at any time, among other things, to permit transfers of such Awards to the extent permitted by the Plan; provided that the consent of the Grantee shall not be required for any amendment (i) which does not adversely affect the rights of the Grantee, or (ii) which is necessary or advisable (as determined by the Committee) to carry out the purpose of the Award as a result of any new applicable law or change in an existing applicable law, or (iii) to the extent the Award Agreement specifically permits amendment without consent;

(n) to cancel, with the consent of the Grantee, outstanding Awards and to grant new Awards in substitution therefor;

(o) to make such adjustments or modifications to Awards or to adopt such sub-plans for Grantees working outside the United States as are advisable to fulfill the purposes of the Plan;

(p) to impose such additional terms and conditions upon the grant, exercise or retention of Awards as the Committee may, before or concurrently with the grant thereof, deem appropriate, including limiting the percentage of Awards which may from time to time be exercised by a Grantee;

(q) to make adjustments in the terms and conditions of, and the criteria in, Awards in recognition of unusual or nonrecurring events (including events described in Section 4.2) affecting the Company or an Affiliate or the financial statements of the Company or an Affiliate, or, subject to Article 13 for Awards granted pursuant to Article 13, in response to changes in applicable laws, regulations or accounting principles; provided, however, that in no event shall such adjustment increase the value of an Award for a person expected to be a Covered Employee for whom the Committee desires to have the Performance-Based Exception apply;

(r) to correct any defect or supply any omission or reconcile any inconsistency, and to construe and interpret the Plan, the rules and regulations, and Award Agreement or any other instrument entered into or relating to an Award under the Plan; and

(s) to take any other action with respect to any matters relating to the Plan for which it is responsible and to make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan.

Any action of the Committee with respect to the Plan shall be final, conclusive and binding on all persons, including the Company, its Affiliates, any Grantee, any person claiming any rights under the plan from or through any Grantee, and stockholders, except to the extent the Committee may subsequently modify, or take further action not consistent with, its prior action. If not specified in the Plan, the time at which the Committee must or may make any determination shall be determined by the Committee, and any such determination may thereafter be modified by the Committee. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The Committee may delegate to officers or managers of the Company or any Affiliate the authority, subject to such terms as the Committee shall determine, to perform specified functions under the Plan (subject to Sections 4.3 and 5.7(c)).

ARTICLE 4.
SHARES SUBJECT TO THE PLAN, MAXIMUM AWARDS, AND 162(m) COMPLIANCE

4.1 Number of Shares Available for Grants. Subject to adjustment as provided in Section 4.2, the number of Shares hereby reserved for delivery under the Plan shall be the sum of fourteen million (14,000,000) plus (a) the number of Shares under The Williams Companies, Inc. Stock Plan for Nonofficer Employees which are available (not subject to outstanding Awards granted thereunder and not delivered out of the Shares reserved thereunder) as of the date of stockholder approval of this Plan ("Unused Shares") plus the number of Shares which become available under such plan after the date of stockholder approval of this Plan pursuant to forfeiture, termination, application as payment for an Award or to satisfy tax withholding, lapse or satisfaction of an Award in cash or property other than Shares ("Returned Shares"), (b) the number of Unused Shares plus the number of Returned Shares under The Williams International Stock Plan, (c) the number of Unused Shares plus the number of Returned Shares under The Williams Companies, Inc. 1996 Stock Plan for Non-Employee Directors, and (d) the number of Unused Shares plus the number of Returned Shares under The Williams Companies, Inc. 1996 Stock Plan as in effect immediately prior to its amendment to become the Plan. In addition, (a) the number of Returned Shares under any of The Williams Companies, Inc. stock plans shall be reserved for delivery under the Plan, and (b) the number of shares underlying options cancelled pursuant to the Exchange Program described in Section 1.4, whether or not such options were granted under the Plan, shall be reserved for delivery under the Plan; provided that the additional number of shares so reserved shall not exceed two million five hundred thousand (2,500,000). The number of Shares available for delivery pursuant to stock-based Awards other than Options shall not exceed twenty-five percent (25%) of the total number of Shares deliverable under the Plan. The number of Shares available for delivery pursuant to Incentive Stock Options shall be

the number determined under the first sentence of this Section 4.1, reduced by the aggregate number of Returned Shares.

The Committee shall from time to time determine the appropriate methodology for calculating the number of Shares to which an Award relates pursuant to the Plan.

If any Shares subject to an Award granted hereunder are forfeited or such Award otherwise terminates without the delivery of such Shares, the Shares subject to such Award, to the extent of any such forfeiture or termination, shall again be available for grant under the Plan. If any Shares subject to an Award granted hereunder are withheld, applied as payment, or sold and the proceeds thereof applied as payment in connection with the exercise of an Award or the withholding or payment of taxes related thereto, such Shares, to the extent of any such withholding or payment, shall again be available for grant under the Plan. Shares delivered pursuant to the Plan may be, in whole or in part, authorized and unissued Shares, or treasury Shares, including Shares repurchased by the Company for purposes of the Plan.

4.2 Adjustments in Authorized Shares and Awards. In the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, or other property), recapitalization, forward or reverse stock split, subdivision, consolidation or reduction of capital, reorganization, merger, consolidation, scheme of arrangement, split-up, spin-off or combination involving the Company or repurchase or exchange of Shares or other securities of the Company or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that any adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (a) the number and type of Shares (or other securities or property) with respect to which Awards may be granted, (b) the number and type of Shares (or other securities or property) subject to outstanding Awards, (c) the grant or exercise price with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award, (d) the number and kind of Shares of outstanding Restricted Shares or relating to any other outstanding Award in connection with which Shares are subject, and (e) the number of Shares with respect to which Awards may be granted to a Grantee, as set forth in Section 4.3; provided, in each case, that with respect to Awards of Incentive Stock Options intended to continue to qualify as Incentive Stock Options after such adjustment, no such adjustment shall be authorized to the extent that such adjustment would cause the Plan to violate Section 422(b)(1) of the Code; and provided further that the number of Shares subject to any Award denominated in Shares shall always be a whole number.

4.3 Compliance with Section 162(m) of the Code. To the extent the Committee determines that compliance with the Performance-Based Exception is desirable, the following shall apply:

(a) Section 162(m) Compliance. All Awards granted to persons the Committee believes likely to be Covered Employees shall comply with the requirements of the Performance-Based Exception; provided, however, that to the extent Code Section 162(m) requires periodic shareholder approval of performance measures, such approval shall not be required for the continuation of the Plan or as a condition to grant any Award hereunder after such approval is

required. In addition, in the event that changes are made to Code Section 162(m) to permit flexibility with respect to the Award or Awards available under the Plan, the Committee may, subject to this Section 4.3, make any adjustments to such Awards as it deems appropriate.

(b) Annual Individual Limitations. During any calendar year, no Grantee may be granted Awards (other than Awards that cannot be satisfied in Shares) with respect to more than two million (2,000,000) Shares, subject to adjustment as provided in Section 4.2. The maximum potential value of Awards to be settled in cash or property (other than Shares) that may be granted with respect to any calendar year (or the Company's fiscal year, if the Company's fiscal year is not the calendar year) to any Grantee expected to be a Covered Employee (regardless of when such Award is settled) shall not exceed $10,000,000. (Thus, Awards that accrue over more than one calendar year (or fiscal year) may exceed the one-year grant limit in the prior sentence at the time of payment or settlement.)

4.4 Performance-Based Exception Under Section 162(m). Unless and until the Committee proposes for stockholder vote and stockholders approve a change in the general performance measures set forth in this Section 4.4, for Awards (other than Options) designed to qualify for the Performance-Based Exception, the objective Performance Measure(s) shall be chosen from among the following:

(a) Earnings (either in the aggregate or on a per-share basis);

(b) Net income;

(c) Operating income;

(d) Operating profit;

(e) Cash flow;

(f) Stockholder returns (including return on assets, investments, equity, or gross sales) (including income applicable to common stockholders or other class of stockholders);

(g) Return measures (including return on assets, equity, or sales);

(h) Earnings before or after either, or any combination of, interest, taxes, depreciation or amortization (EBITDA);

(i) Gross revenues;

(j) Share price (including growth measures and total stockholder return or attainment by the Shares of a specified value for a specified period of time);

(k) Reductions in expense levels in each case, where applicable, determined either on a Company-wide basis or in respect of any one or more business units;

(l) Net economic value;

(m) Market share;

(n) Annual net income to common stock;

(o) Earnings per share;

(p) Annual cash flow provided by operations;

(q) Changes in annual revenues;

(r) Strategic business criteria, consisting of one or more objectives based on meeting specified revenue, market penetration, geographic business expansion goals, objectively identified project milestones, production volume levels, cost targets, and goals relating to acquisitions or divestitures;

(s) Economic value added;

(t) Sales;

(u) Costs;

(v) Results of customer satisfaction surveys;

(w) Aggregate product price and other product price measures;

(x) Safety record;

(y) Service reliability;

(z) Operating and maintenance cost management;

(aa) Energy production availability performance measures;

(bb) Debt rating; and/or

(cc) Achievement of business or operational goals such as market share and/or business development;

provided that subsections (a) through (g) may be measured on a pre- or post-tax basis; and provided further that the Committee may, on the Grant Date of an Award intended to comply with the Performance-Based Exception, and in the case of other grants, at any time, provide that the formula for such Award may include or exclude items to measure specific objectives, such as losses from discontinued operations, extraordinary gains or losses, the cumulative effect of accounting changes, acquisitions or divestitures, foreign exchange impacts and any unusual, nonrecurring gain or loss. For Awards intended to comply with the Performance-Based Exception, the Committee shall set the Performance Measures within the time period prescribed by Section 162(m) of the Code. The levels of performance required with respect to Performance Measures may be expressed in absolute or relative levels and may be based upon a set increase, set positive result, maintenance of the status quo, set decrease or set negative result. Perform-

ance Measures may differ for Awards to different Grantees. The Committee shall specify the weighting (which may be the same or different for multiple objectives) to be given to each performance objective for purposes of determining the final amount payable with respect to any such Award. Any one or more of the Performance Measures may apply to the Grantee, a department, unit, division or function within the Company or any one or more Affiliates; and may apply either alone or relative to the performance of other businesses or individuals (including industry or general market indices).

The Committee shall have the discretion to adjust the determinations of the degree of attainment of the pre-established performance goals; provided, however, that Awards which are designed to qualify for the Performance-Based Exception may not be adjusted upward (the Committee shall retain the discretion to adjust such Awards downward). The Committee may not delegate any responsibility with respect to Awards intended to qualify for the Performance-Based Exception. All determinations by the Committee as to the achievement of the Performance Measure(s) shall be in writing prior to payment of the Award.

In the event that applicable laws change to permit Committee discretion to alter the governing performance measures without obtaining stockholder approval of such changes, and still qualify for the Performance-Based Exception, the Committee shall have sole discretion to make such changes without obtaining stockholder approval.

ARTICLE 5.
ELIGIBILITY AND GENERAL CONDITIONS OF AWARDS

5.1 Eligibility. The Committee may in its discretion grant Awards to any Eligible Person, whether or not he or she has previously received an Award. Each Person who, on any date on which an Award is to be granted pursuant to Article 13, is a Non-Employee Director automatically shall be granted an Award pursuant to Article 13 on such date.

5.2 Award Agreement. To the extent not set forth in the Plan, the terms and conditions of each Award shall be set forth in an Award Agreement.

5.3 General Terms and Termination of Affiliation. The Committee may impose on any Award or the exercise or settlement thereof, at the date of grant or, subject to the provisions of Section 14.2, thereafter, such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine, including terms requiring forfeiture, acceleration or pro-rata acceleration of Awards in the event of a Termination of Affiliation by the Grantee. Except as may be required under the Delaware General Corporation Law, Awards may be granted for no consideration other than prior and future services. Except as otherwise determined by the Committee pursuant to this Section 5.3, all Awards that have not been exercised subject to a risk of forfeiture, subject to deferral by the Committee (and not voluntary deferral by the Grantee), subject to vesting, or have outstanding Performance Periods at the time of a Termination of Affiliation shall be forfeited to the Company.

5.4 Nontransferability of Awards.

(a) Each Award and each right under any Award shall be exercisable only by the Grantee during the Grantee's lifetime, or, if permissible under applicable law, by the Grantee's

guardian or legal representative or by a transferee receiving such Award pursuant to a qualified domestic relations order (a "QDRO") as defined in the Code or Title I of the Employee Retirement Income Security Act of 1974 as amended, or the rules thereunder.

(b) No Award (prior to the time, if applicable, Shares are delivered in respect of such Award), and no right under any Award, may be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Grantee otherwise than by will or by the laws of descent and distribution (or in the case of Restricted Shares, to the Company) or pursuant to a QDRO, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

(c) Notwithstanding subsections (a) and (b) above, to the extent provided in the Award Agreement, Director Options, Deferred Stock, and Awards other than Incentive Stock Options, may be transferred to one or more trusts or persons during the lifetime of the Grantee in connection with the Grantee's estate planning, and may be exercised by such transferee in accordance with the terms of such Award. If so determined by the Committee, a Grantee may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Grantee, and to receive any distribution with respect to any Award upon the death of the Grantee. A transferee, beneficiary, guardian, legal representative or other person claiming any rights under the Plan from or through any Grantee shall be subject to and consistent with the provisions of the Plan and any applicable Award Agreement, except to the extent the Plan and Award Agreement otherwise provide with respect to such persons, and to any additional restrictions or limitations deemed necessary or appropriate by the Committee.

(d) Nothing herein shall be construed as requiring the Committee to honor a QDRO except to the extent required under applicable law.

5.5 Cancellation and Rescission of Awards. Unless the Award Agreement specifies otherwise, the Committee may cancel, rescind, suspend, withhold, or otherwise limit or restrict any unexercised Award at any time if the Grantee is not in compliance with all applicable provisions of the Award Agreement and the Plan or if the Grantee has a Termination of Affiliation.

5.6 Stand-Alone, Tandem and Substitute Awards.

(a) Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution for, any other Award granted under the Plan or any award granted under The Williams Companies, Inc. Stock Plan for Nonofficer Employees or The Williams International Stock Plan, or any other plan of the Company or any Affiliate; provided that if the stand-alone, tandem or substitute Award is intended to qualify for the Performance-Based Exception, it must separately satisfy the requirements of the Performance-Based Exception. In connection with the Company's acquisition, however effected, of another corporation or entity (the "Acquired Entity") or the assets thereof, the Committee may, at its discretion, grant Awards ("Substitute Awards") associated with the stock or other equity interest in such Acquired Entity ("Acquired Entity Award") held by a Grantee immediately prior to such Acquisition in order to preserve for Grantee the economic

value of all or a portion of such Acquired Entity Award at such price as the Committee determines necessary to achieve preservation of economic value. If an Award is granted in substitution for another Award or any non-Plan award or benefit, the Committee shall require the surrender of such other Award or non-Plan award or benefit in consideration for the grant of the new Award. Awards granted in addition to or in tandem with other Awards or non-Plan awards or benefits may be granted either at the same time as or at a different time from the grant of such other Awards or non-Plan awards or benefits. The Option Price of any Option or the purchase price of any other Award conferring a right to purchase Shares:

(i) If granted in substitution for an outstanding Award or non-Plan award or benefit, shall be either not less than the Fair Market Value of Shares at the date such substitute Award is granted or not less than such Fair Market Value at that date reduced to reflect the Fair Market Value of the Award or award required to be surrendered by the Grantee as a condition to receipt of a substitute Award; or

(ii) If granted retroactively in tandem with an outstanding Award or an award granted under another plan, shall be either not less than the Fair Market Value of Shares at the date of grant of the later Award or the Fair Market Value of Shares at the date of grant of the earlier Award or award granted under such other plan.

(b) The Committee may, in its discretion and on such terms and conditions as the Committee considers appropriate in the circumstances, grant Awards under the Plan in substitution for stock and stock-based Awards held by employees of another corporation who become employees of the Company or an Affiliate as the result of a merger or consolidation of the employing corporation with the Company or an Affiliate or the acquisition by the Company or an Affiliate of property or stock of the employing corporation.

5.7 Compliance with Rule 16b-3.

(a) Six-Month Holding Period Advice. Unless a Grantee could otherwise dispose of or exercise a derivative security or dispose of Shares delivered under the Plan without incurring liability under Section 16(b) of the Exchange Act, the Committee may advise or require a Grantee to comply with the following in order to avoid incurring liability under Section 16(b): (i) at least six months must elapse from the date of acquisition of a derivative security under the Plan to the date of disposition of the derivative security (other than upon exercise or conversion) or its underlying equity security, and (ii) Shares granted or awarded under the Plan other than upon exercise or conversion of a derivative security must be held for at least six months from the date of grant of an Award.

(b) Reformation to Comply with Exchange Act Rules. To the extent the Committee determines that a grant or other transaction by a Section 16 Person should comply with applicable provisions of Rule 16b-3 (except for transactions exempted under alternative Exchange Act rules), the Committee shall take such actions as necessary to make such grant or other transaction so comply, and if any provision of this Plan or any Award Agreement relating to a given Award does not comply with the requirements of Rule 16b-3 as then applicable to any such grant or transaction, such provision will be construed or deemed amended, if the Committee

so determines, to the extent necessary to conform to the then applicable requirements of Rule 16b-3.

(c) Rule 16b-3 Administration. Any function relating to a Section 16 Person shall be performed solely by the Committee or the Board if necessary to ensure compliance with applicable requirements of Rule 16b-3, to the extent the Committee determines that such compliance is desired. Each member of the Committee or person acting on behalf of the Committee shall be entitled to, in good faith, rely or act upon any report or other information furnished to him by any officer, manager or other employee of the Company or any Affiliate, the Company's independent certified public accountants or any executive compensation consultant or attorney or other professional retained by the Company to assist in the administration of the Plan.

5.8 Deferral of Award Payouts. The Committee may permit or require a Grantee to defer receipt of the payment of cash or the delivery of Shares that would otherwise be due by virtue of the exercise of an Option, the lapse or waiver of restrictions with respect to Restricted Shares, the satisfaction of any requirements or goals with respect to Performance Units or Performance Shares, the lapse or waiver of the deferral period for Deferred Stock, or the lapse or waiver of restrictions with respect to Other Stock-Based Awards. If any such deferral is required or permitted, the Committee shall, in its sole discretion, establish rules and procedures for such payment deferrals. Except as otherwise provided in an Award Agreement, any payment or any Shares that are subject to such deferral shall be made or delivered to the Grantee upon the Grantee's Termination of Affiliation.

ARTICLE 6.
STOCK OPTIONS

6.1 Grant of Options. Subject to and consistent with the provisions of the Plan, Options may be granted to any Eligible Person in such number, and upon such terms, and at any time and from time to time as shall be determined by the Committee.

6.2 Award Agreement. Each Option grant shall be evidenced by an Award Agreement that shall specify the Option Price, the Option Term, the number of Shares to which the Option pertains, the time or times at which such Option shall be exercisable and such other provisions as the Committee shall determine.

6.3 Option Price. The Option Price of an Option under this Plan shall be determined in the sole discretion of the Committee, and shall be at least equal to 100% of the Fair Market Value of a Share on the Grant Date. Subject to the adjustment allowed under Section 4.2, neither the Committee nor the Board shall have the authority or discretion to change the Option Price of any outstanding Option.

6.4 Grant of Incentive Stock Options. At the time of the grant of any Option, the Committee may in its discretion designate that such Option shall be made subject to additional restrictions to permit it to qualify as an Incentive Stock Option. Any Option designated as an Incentive Stock Option:

(a) shall be granted only to an employee of the Company or a Subsidiary Corporation (as defined below);

(b) shall have an Option Price of not less than 100% of the Fair Market Value of a Share on the Grant Date, and, if granted to a person who owns capital stock (including stock treated as owned under Section 424(d) of the Code) possessing more than 10% of the total combined voting power of all classes of capital stock of the Company or any Subsidiary Corporation (a "10% Owner"), have an Option Price not less than 110% of the Fair Market Value of a Share on its Grant Date;

(c) shall be for a period of not more than 10 years (five years if the Grantee is a 10% Owner) from its Grant Date, and shall be subject to earlier termination as provided herein or in the applicable Award Agreement;

(d) shall not have an aggregate Fair Market Value (as of the Grant Date) of the Shares with respect to which Incentive Stock Options (whether granted under the Plan or any other stock option plan of the Grantee's employer or any parent or Subsidiary Corporation ("Other Plans")) are exercisable for the first time by such Grantee during any calendar year ("Current Grant"), determined in accordance with the provisions of Section 422 of the Code, which exceeds $100,000 (the "$100,000 Limit");

(e) shall, if the aggregate Fair Market Value of the Shares (determined on the Grant Date) with respect to the Current Grant and all Incentive Stock Options previously granted under the Plan and any Other Plans which are exercisable for the first time during a calendar year ("Prior Grants") would exceed the $100,000 Limit, be exercisable as follows:

(i) the portion of the Current Grant which would, when added to any Prior Grants, be exercisable with respect to Shares which would have an aggregate Fair Market Value (determined as of the respective Grant Date for such options) in excess of the $100,000 Limit shall, notwithstanding the terms of the Current Grant, be exercisable for the first time by the Grantee in the first subsequent calendar year or years in which it could be exercisable for the first time by the Grantee when added to all Prior Grants without exceeding the $100,000 Limit; and

(ii) if, viewed as of the date of the Current Grant, any portion of a Current Grant could not be exercised under the preceding provisions of this Section during any calendar year commencing with the calendar year in which it is first exercisable through and including the last calendar year in which it may by its terms be exercised, such portion of the Current Grant shall not be an Incentive Stock Option, but shall be exercisable as a separate option at such date or dates as are provided in the Current Grant;

(f) shall be granted within 10 years from the earlier of the date this amendment and restatement is adopted by the Board or the date the Plan is approved by the stockholders of the Company;

(g) shall require the Grantee to notify the Committee of any disposition of any Shares delivered pursuant to the exercise of the Incentive Stock Option under the circumstances

described in Section 421(b) of the Code (relating to holding periods and certain disqualifying dispositions) ("Disqualifying Disposition"), within 10 days of such a Disqualifying Disposition; and

(h) shall by its terms not be assignable or transferable other than by will or the laws of descent and distribution and may be exercised, during the Grantee's lifetime, only by the Grantee; provided, however, that the Grantee may, to the extent provided in the Plan in any manner specified by the Committee, designate in writing a beneficiary to exercise his or her Incentive Stock Option after the Grantee's death.

For purposes of this Section 6.4, "Subsidiary Corporation" means a corporation other than the Company in an unbroken chain of corporations beginning with the Company if, at the time of granting the Option, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain. Notwithstanding the foregoing and Section 3.2, the Committee may, without the consent of the Grantee, at any time before the exercise of an Option (whether or not an Incentive Stock Option), take any action necessary to prevent such Option from being treated as an Incentive Stock Option.

6.5 Payment. Except as otherwise provided by the Committee in an Award Agreement, Options shall be exercised by the delivery of a written notice of exercise to the Company, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares made by any one or more of the following means, subject to the approval of the Committee:

(a) cash, personal check or wire transfer;

(b) Mature Shares, valued at their Fair Market Value on the date of exercise;

(c) with the approval of the Committee, Restricted Shares held by the Grantee for at least six months prior to the exercise of the Option, each such share valued at the Fair Market Value of a Share on the date of exercise; or

(d) subject to applicable law, pursuant to procedures previously approved by the Company, through the sale of the Shares acquired on exercise of the Option through a broker-dealer to whom the Grantee has submitted an irrevocable notice of exercise and irrevocable instructions to deliver promptly to the Company the amount of sale or loan proceeds sufficient to pay for such Shares, together with, if requested by the Company, the amount of federal, state, local or foreign withholding taxes payable by Grantee by reason of such exercise.

The Committee may in its discretion specify that, if any Restricted Shares ("Tendered Restricted Shares") are used to pay the Option Price, (x) all the Shares acquired on exercise of the Option shall be subject to the same restrictions as the Tendered Restricted Shares, determined as of the date of exercise of the Option, or (y) a number of Shares acquired on exercise of the Option equal to the number of Tendered Restricted Shares shall be subject to the same restrictions as the Tendered Restricted Shares, determined as of the date of exercise of the Option.

ARTICLE 7.
RESTRICTED SHARES

7.1 Grant of Restricted Shares. Subject to and consistent with the provisions of the Plan, the Committee, at any time and from time to time, may grant Restricted Shares to any Eligible Person in such amounts as the Committee shall determine.

7.2 Award Agreement. Each grant of Restricted Shares shall be evidenced by an Award Agreement that shall specify the Period(s) of Restriction, the number of Restricted Shares granted, and such other provisions as the Committee shall determine. The Committee may impose such conditions and/or restrictions on any Restricted Shares granted pursuant to the Plan as it may deem advisable, including restrictions based upon the achievement of specific performance goals, time-based restrictions on vesting following the attainment of the performance goals, and/or restrictions under applicable securities laws; provided that such conditions and/or restrictions may lapse, if so determined by the Committee, in the event of the Grantee's Termination of Affiliation due to death, disability, normal or approved early retirement, or involuntary termination by the Company or an Affiliate without "cause".

7.3 Consideration for Restricted Shares. The Committee shall determine the amount, if any, that a Grantee shall pay for Restricted Shares, subject to the following sentence. Except with respect to Restricted Shares that are treasury shares, for which no payment need be required, the Committee shall require the Grantee to pay at least the par value of a Share for each Restricted Share. Such payment shall be made in full by the Grantee before the delivery of the Shares and in any event no later than 10 business days after the Grant Date for such Shares.

7.4 Effect of Forfeiture. If Restricted Shares are forfeited, and if the Grantee was required to pay for such shares or acquired such Restricted Shares upon the exercise of an Option, the Grantee shall be deemed to have resold such Restricted Shares to the Company at a price equal to the lesser of (x) the amount paid by the Grantee for such Restricted Shares, or (y) the Fair Market Value of a Share on the date of such forfeiture. The Company shall pay to the Grantee the deemed sale price as soon as is administratively practical. Such Restricted Shares shall cease to be outstanding, and shall no longer confer on the Grantee thereof any rights as a stockholder of the Company, from and after the date of the event causing the forfeiture, whether or not the Grantee accepts the Company's tender of payment for such Restricted Shares.

7.5 Escrow; Legends. The Committee may provide that the certificates for any Restricted Shares (x) shall be held (together with a stock power executed in blank by the Grantee) in escrow by the Secretary of the Company until such Restricted Shares become nonforfeitable or are forfeited or (y) shall bear an appropriate legend restricting the transfer of such Restricted Shares. If any Restricted Shares become nonforfeitable, the Company shall cause certificates for such shares to be delivered without such legend.

ARTICLE 8.
PERFORMANCE UNITS AND PERFORMANCE SHARES

8.1 Grant of Performance Units and Performance Shares. Subject to and consistent with the provisions of the Plan, Performance Units or Performance Shares may be granted to any

Eligible Person in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee.

8.2 Value/Performance Goals. The Committee shall set performance goals in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units or Performance Shares that will be paid to the Grantee. With respect to Covered Employees and to the extent the Committee deems it appropriate to comply with Section 162(m) of the Code, all performance goals shall be objective Performance Measures satisfying the requirements for the Performance-Based Exception, and shall be set by the Committee within the time period prescribed by Section 162(m) of the Code and related regulations.

(a) Performance Unit. Each Performance Unit shall have an initial value that is established by the Committee at the time of grant.

(b) Performance Share. Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the date of grant.

8.3 Earning of Performance Units and Performance Shares. After the applicable Performance Period has ended, the holder of Performance Units or Performance Shares shall be entitled to payment based on the level of achievement of performance goals set by the Committee. If a Performance Unit or Performance Share Award is intended to comply with the Performance-Based Exception, the Committee shall certify the level of achievement of the performance goals in writing before the Award is settled.

At the discretion of the Committee, the settlement of Performance Units or Performance Shares may be in cash, Shares of equivalent value, or in some combination thereof, as set forth in the Award Agreement.

If a Grantee is promoted, demoted or transferred to a different business unit of the Company during a Performance Period, then, to the extent the Committee determines the performance goals or Performance Period are no longer appropriate, the Committee may adjust, change, eliminate or cancel the performance goals or the applicable Performance Period as it deems appropriate in order to make them appropriate and comparable to the initial performance goals or Performance Period.

At the discretion of the Committee, a Grantee may be entitled to receive any dividends or Dividend Equivalents declared with respect to Shares deliverable in connection with grants of Performance Units or Performance Shares which have been earned, but not yet delivered to the Grantee. In addition, a Grantee may, at the discretion of the Committee, be entitled to exercise his or her voting rights with respect to such Shares.

ARTICLE 9.
DEFERRED STOCK

9.1 Grant of Deferred Stock. Subject to and consistent with the provisions of the Plan, the Committee, at any time and from time to time, may grant Deferred Stock to any Eligible Person, in such amount and upon such terms as the Committee shall determine.

9.2 Delivery and Limitations. Delivery of Shares will occur upon expiration of the deferral period specified for the Award of Deferred Stock by the Committee. In addition, an Award of Deferred Stock shall be subject to such limitations as the Committee may impose, which limitations may lapse at the expiration of the deferral period or at other specified times, separately or in combination, in installments or otherwise, as the Committee shall determine at the time of grant or thereafter. A Grantee awarded Deferred Stock will have no voting rights and will have no rights to receive dividends in respect of Deferred Stock, unless and only to the extent that the Committee shall award Dividend Equivalents in respect of such Deferred Stock.

9.3 Forfeiture. Except as otherwise determined by the Committee, upon Termination of Affiliation during the applicable deferral period, Deferred Stock that is at that time subject to deferral (other than a deferral at the election of the Grantee) shall be forfeited.

ARTICLE 10.
DIVIDEND EQUIVALENTS

The Committee is authorized to grant Awards of Dividend Equivalents alone or in conjunction with other Awards. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or shall be deemed to have been reinvested in additional Shares or additional Awards or otherwise reinvested.

ARTICLE 11.
OTHER STOCK-BASED AWARDS

The Committee is authorized, subject to limitations under applicable law, to grant such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Shares, as deemed by the Committee to be consistent with the purposes of the Plan including Shares awarded which are not subject to any restrictions or conditions, convertible or exchangeable debt securities or other rights convertible or exchangeable into Shares, Awards valued by reference to the value of securities of or the performance of specified Affiliates, and Awards payable in securities of Affiliates. Subject to and consistent with the provisions of the Plan, the Committee shall determine the terms and conditions of such Awards. Except as provided by the Committee, Shares delivered pursuant to a purchase right granted under this Article 11 shall be purchased for such consideration, paid for by such methods and in such forms, including cash, Shares, outstanding Awards or other property, as the Committee shall determine.

ARTICLE 12.
CHANGE IN CONTROL

12.1 Acceleration of Exercisability and Lapse of Restrictions. If, within two (2) years following a Change in Control, but not during a Merger of Equals Period, a Grantee has a Termination of Affiliation with the Company and the Company's Affiliates (excluding any transfer to the Company or its Affiliates) voluntarily for Good Reason, or involuntarily (other than due to Cause, death, Disability, or Retirement) the following acceleration provisions shall apply to Awards other than Awards granted under Article 13:

(a) All outstanding Awards pursuant to which the Grantee may have rights the exercise of which is restricted or limited shall become fully exercisable, except to the extent otherwise provided in Section 5.7(a); unless the right to lapse restrictions or limitations is waived or deferred by a Grantee prior to such lapse, all restrictions or limitations (including risks of forfeiture) on outstanding Awards subject to restrictions or limitations under the Plan shall lapse; and all performance criteria and other conditions to payment of Awards under which payments of cash, Shares or other property are subject to conditions shall be deemed to be achieved or fulfilled and shall be waived by the Company, except to the extent otherwise provided in Section 5.7(a); and

(b) In the event that any Award is subject to limitations under Section 5.7(a) at the time of a Change in Control, then, solely for the purpose of determining the rights of the Grantee with respect to such Award, a Change in Control will be deemed to occur at the close of business on the first business day following the date on which the limitations on such Award under Section 5.7(a) have expired. In addition, notwithstanding any other provision of the Plan or any outstanding Award Agreement, Awards in the form of nonqualified stock options which are accelerated under this Section 12.1 shall be exercisable after a Grantee's Termination of Affiliation for a period equal to the lesser of (i) the remaining term of each nonqualified option; or (ii) eighteen (18) months.

12.2 Definitions. For purposes of this Article 12, the following terms shall have the meanings set forth below:

(a) "Cause" means, from and after the occurrence of a Change in Control, unless otherwise defined in an Award Agreement or individual Change in Control severance agreement, the occurrence of any one or more of the following, as determined in the good faith and reasonable judgment of the Committee:

(i) willful failure by a Grantee to substantially perform his or her duties (as they existed immediately prior to a Change in Control), other than any such failure resulting from a Disability; or

(ii) Grantee's conviction of or plea of nolo contendere to a crime involving fraud, dishonesty or any other act constituting a felony involving moral turpitude or causing material harm, financial or otherwise, to the Company or an Affiliate; or

(iii) Grantee's willful or reckless material misconduct in the performance of his duties which results in an adverse effect on the Company, the Subsidiary or an Affiliate; or

(iv) Grantee's willful or reckless violation or disregard of the code of business conduct or other published policy of the Company or an Affiliate; or

(v) Grantee's habitual or gross neglect of duties.

(b) "Change Date" means, with respect to an Award, the date on which a Change in Control first occurs while the Award is outstanding.

(c) "Change in Control" means, unless otherwise defined in an Award Agreement or individual Change in Control severance agreement, the occurrence of any one or more of the following:

(i) any person (as such term is used in Rule 13d-5 of the SEC under the Exchange Act) or group (as such term is defined in Sections 3(a)(9) and 13(d)(3) of the Exchange Act), other than an Affiliate or any employee benefit plan (or any related trust) sponsored or maintained by the Company or any of its Affiliates (a "Related Party"), becomes the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of 20% or more of the common stock of the Company or of Voting Securities representing 20% or more of the combined voting power of all Voting Securities of the Company, except that no Change in Control shall be deemed to have occurred solely by reason of such beneficial ownership by a Person (a "Similarly Owned Company") with respect to which both more than 75% of the common stock of such Person and Voting Securities representing more than 75% of the combined voting power of the Voting Securities of such Person are then owned, directly or indirectly, by the persons who were the direct or indirect owners of the common stock and Voting Securities of the Company immediately before such acquisition, in substantially the same proportions as their ownership, immediately before such acquisition, of the common stock and Voting Securities of the Company, as the case may be; or

(ii) the Company's Incumbent Directors (determined using the date of the Award as the baseline date) cease for any reason to constitute at least a majority of the directors of the Company then serving; or

(iii) consummation of a merger, reorganization, recapitalization, consolidation, or similar transaction (any of the foregoing, a "Reorganization Transaction"), other than a Reorganization Transaction that results in the Persons who were the direct or indirect owners of the outstanding common stock and Voting Securities of the Company immediately before such Reorganization Transaction becoming, immediately after the consummation of such Reorganization Transaction, the direct or indirect owners, of both at least 65% of the then-outstanding common stock of the Surviving Corporation and Voting Securities representing at least 65% of the combined voting power of the then-outstanding Voting Securities of the Surviving Corporation, in substantially the same respective proportions as such Persons' ownership of the common stock and Voting Securities of the Company immediately before such Reorganization Transaction; or

(iv) approval by the stockholders of the Company of a plan or agreement for the sale or other disposition of all or substantially all of the consolidated assets of the Company or a plan of complete liquidation of the Company, other than any such transaction that would result in (i) a Related Party owning or acquiring more than 50% of the assets owned by the Company immediately prior to the transaction or (ii) the Persons who were the direct or indirect owners of the outstanding common stock and Voting Securities of the Company immediately before such transaction becoming, immediately after the consummation of such transaction,

the direct or indirect owners, of more than 50% of the assets owned by the Company immediately prior to the transaction.

Notwithstanding the occurrence of any of the foregoing events, a Change in Control shall not occur with respect to a Grantee if, in advance of such event, the Grantee agrees in writing that such event shall not constitute a Change in Control.

(d) "Good Reason" means, unless otherwise defined in an Award Agreement or individual Change in Control severance agreement, the occurrence, within two years following a Change in Control (other than during a Merger of Equals Period) and without a Grantee's prior written consent, of any one or more of the following:

(i) a material adverse reduction in the nature or scope of the Grantee's duties from the most significant of those assigned at any time in the 90-day period prior to a Change in Control; or

(ii) a significant reduction in the authority and responsibility assigned to the Grantee; or

(iii) any reduction in or failure to pay Grantee's base salary; or

(iv) a material reduction of Grantee's aggregate compensation and/or aggregate benefits from the amounts and/or levels in effect on the Change Date, unless such reduction is part of a policy applicable to peer employees of the Employer and of any successor entity; or

(v) a requirement by the Company or an Affiliate that the Grantee's principal duties be performed at a location more than fifty (50) miles from the location where the Grantee was employed immediately preceding the Change in Control, without the Grantee's consent (except for travel reasonably required in the performance of the Grantee's duties); provided such new location is farther from Grantee's residence than the prior location.

Notwithstanding anything in this Article 12 to the contrary, no act or omission shall constitute grounds for "Good Reason":

(i) Unless, at least 30 days prior to his termination, Grantee gives a written notice to the Company or the Affiliate that employs Grantee of his intent to terminate his employment for Good Reason which describes the alleged act or omission giving rise to Good Reason; and

(ii) Unless such notice is given within 90 days of Grantee's first actual knowledge of such act or omission, or if such act or omission would not constitute Good Reason during a Merger of Equals Period, unless Grantee's termination date is within 90 days after the first date on which he first obtained actual knowledge of the fact that the Merger of Equals Period has ended; and

(iii) Unless the Company or the Affiliate that employs Grantee fails to cure such act or omission within the 30 day period after receiving such notice.

Further, no act or omission shall be "Good Reason" if Grantee has consented in writing to such act or omission.

(e) "Incumbent Directors" means, determined as of any date by reference to any baseline date:

(i) the members of the Board on the date of such determination who have been members of the Board since such baseline date; and

(ii) the members of the Board on the date of such determination who were appointed or elected after such baseline date and whose election, or nomination for election by stockholders of the Company or the Surviving Corporation, as applicable, was approved by a vote or written consent of two-thirds (or by a simple majority for purposes of subsection (b) of the definition of "Merger of Equals") of the directors comprising the Company's Incumbent Directors on the date of such vote or written consent, but excluding each such member whose initial assumption of office was in connection with (i) an actual or threatened election contest, including a consent solicitation, relating to the election or removal of one or more members of the Board, (ii) a "tender offer" (as such term is used in Section 14(d) of the Exchange Act), (iii) a proposed Reorganization Transaction, or (iv) a request, nomination or suggestion of any beneficial owner of Voting Securities representing 20% or more of the aggregate voting power of the Voting Securities of the Company or the Surviving Corporation, as applicable.

(f) "Merger of Equals" means, as of any date, a Reorganization Transaction that, notwithstanding the fact that such transaction may also qualify as a Change in Control, satisfies all of the conditions set forth in subsections (i), (ii) and (iii) below:

(i) less than 65%, but not less than 50%, of the common stock of the Surviving Corporation outstanding immediately after the consummation of the Reorganization Transaction, together with Voting Securities representing less than 65%, but not less than 50%, of the combined voting power of all Voting Securities of the Surviving Corporation outstanding immediately after such consummation are owned, directly or indirectly, by the persons who were the owners directly or indirectly of the common stock and Voting Securities of the Company immediately before such consummation in substantially the same proportions as their respective direct or indirect ownership, immediately before such consummation, of the common stock and Voting Securities of the Company, respectively; and

(ii) the Company's Incumbent Directors (determined using the date immediately preceding the consummation date of the Reorganization Transaction as the baseline date) shall, throughout the period beginning on the date of such con-

summation and ending on the second anniversary of such consummation date, continue to constitute not less than 50% of the members of the Board; and

(iii) the person who was the CEO immediately prior to the consummation of the Reorganization Transaction shall serve as the Chief Executive Officer of the Surviving Corporation at all times during the period commencing on such consummation, and ending on the first anniversary of the date of such consummation;

provided, however, that a Reorganization Transaction that qualifies as a Change in Control and a Merger of Equals shall cease to qualify as a Merger of Equals and shall instead qualify as a Change in Control that is not a Merger of Equals from and after the first date within the two-year period following the Change in Control (such date, the "Merger of Equals Cessation Date") as of which any one or more of the following shall occur for any reason:

(i) any condition of subsection (i) of this Section shall for any reason not be satisfied immediately after the consummation of the Reorganization Transaction; or

(ii) as of the close of business on any date on or after the consummation of the Reorganization Transaction and before the second anniversary of the Change Date, any condition of subsections (i) and/or (ii) of this Section shall not be satisfied; or

(iii) on any date prior to the first anniversary of the consummation of the Reorganization Transaction, the Company shall make a filing with the SEC, issue a press release, or make a public announcement to the effect that the CEO has resigned or will resign or be terminated, other than on account of a scheduled retirement, or the Company is seeking or intends to seek a replacement for the then-CEO, whether such resignation, termination or replacement is to become effective before or after such first anniversary of the consummation of the Reorganization Transaction.

(g) "Merger of Equals Period" means the period commencing on the date of a Merger of Equals and ending the earlier of the Merger of Equals Cessation Date (as defined in Section 12.2(f)) or two years following the Change Date.

(h) "Retirement" shall have the meaning ascribed to such term in the Company's governing tax-qualified retirement plan applicable, or if no such plan is applicable to the Grantee, at the discretion of the Committee.

(i) "Surviving Corporation" means the corporation resulting from a Reorganization Transaction or, if securities representing at least 50% of the aggregate voting power of all Voting Securities of such resulting corporation are directly or indirectly owned by another corporation, such other corporation.

(j) "Voting Securities" of a corporation means securities of such corporation that are entitled to vote generally in the election of directors of such corporation.

12.3 Flexibility to Amend. The provisions of this Article 12 and any Award Agreement may be modified at any time prior to a Change in Control, without the consent of the Grantee or the Company's stockholders in order to cause the Change in Control provisions applicable to Awards to conform with the Company's policies regarding treatment of compensation upon a Change in Control.

ARTICLE 13.
NON-EMPLOYEE DIRECTOR AWARDS

13.1 Exclusive Means for Non-Employee Director Awards. Awards to Non-Employee Directors shall be made solely pursuant to this Article 13.

13.2 Director Option Grant.

(a) Automatic Grant of Director Option. Subject to adjustment as provided in Section 4.2, each Non-Employee Director shall be granted annually a non-qualified Option ("Director Option") for 6,000 Shares. The Grant Date for such Director Option shall be the date of the annual meeting of company stockholders ("Annual Meeting of Company Stockholders") commencing with the Annual Meeting of Company Stockholders in 2004. If no Annual Meeting of Company Stockholders is held prior to June 1 of any calendar year, the Grant Date for the Director Option shall be May 31. Notwithstanding the foregoing, effective January 1, 2003, the Board may, in its discretion exercised at any time prior to the date a Director Option is granted for a year, provide that the Director Option for such year shall be granted in installments, so that only a portion (which portion shall be the same for each Non-Employee Director) of the Director Option shall be granted on the date of the Annual Meeting of Company Stockholders (or May 31, as applicable) of such year, and the remaining portion or portions shall be granted at such time or times in such year as the Board may specify at the time it determines to grant the Director Option in installments. In lieu of receiving Director Options at the 2003 Annual Meeting of Company Stockholders, each Non-Employee Director shall be granted a Director Option for 6,000 Shares on November 27, 2002. Commencing January 1, 2004, a person who first becomes a Non-Employee Director after the conclusion of the Annual Meeting of Company Stockholders and prior to August 1 of any year shall be granted the full Director Option for such year as of December 15. A person who first becomes a Non-Employee Director after November 27, 2002 and prior to August 1, 2003 shall be granted a Director Option for 6,000 Shares on December 15, 2003.

(b) Prorated Director Option Grant.

(i) Subject to adjustment as provided in Section 4.2, a person who first becomes a Non-Employee Director on or after August 1 of any year and prior to the Annual Meeting of Company Stockholders following the date the person becomes a Non-Employee Director shall be granted a prorated Director Option for such first year with a Grant Date following the date such person becomes a Non-Employee Director determined as follows:

(A) The Grant Date shall be December 15 if the person first becomes a Non-Employee Director on or before December 15 of the year.

(B) The Grant Date shall be the date of the next Annual Meeting of Company Stockholders if the person first becomes a Non-Employee Director on or after December 16 of the year. If no Annual Meeting of Company Stockholders is held prior to the next following June 1, the Grant Date shall be May 31 of the year following the date the person becomes a Non-Employee Director.

(ii) The number of Shares subject to such prorated Director Option shall be 6,000 multiplied by a fraction, the numerator of which is the number of full and fractional calendar months elapsing between the date such person first becomes a Non-Employee Director and the date of the Annual Meeting of Company Stockholders following the date the person becomes a Non-Employee Director and the denominator of which is twelve. If no Annual Meeting of Company Stockholders is scheduled as of a December 15 Grant Date or held as of a May 31 Grant Date, the number of Shares subject to such prorated Director Option shall be 6,000 multiplied by a fraction, the numerator of which is the number of full and fractional calendar months elapsing between the date such person first becomes a Non-Employee Director and May 31 of the year following the date such person becomes a Non-Employee Director and the denominator of which is twelve.

(iii) A prorated Director Option shall be for a whole number of Shares determined by rounding up to the next higher whole number of Shares any fractional portion of a Share equal to or in excess of one-half Share (and otherwise rounding down to the next lower whole number of Shares).

(iv) In the event the Board has determined that the Director Option for a year shall be granted in installments, the Board shall make appropriate provisions for prorating installments with respect to Non-Employee Directors entitled to a prorated Director Option, consistent with the preceding provisions of this Section 13.2.

(c) Non-Employee Director Status. A person must be a Non-Employee Director on the Grant Date of a Director Option (or any installment thereof) in order to be granted such Director Option (or installment thereof). For a Director Option granted on the date of the Annual Meeting of Company Stockholders, other than a prorated Director Option, the person must be a Non-Employee Director at the conclusion of the Annual Meeting of Company Stockholders.

(d) Option Price. The Option Price for each Director Option shall be 100 percent of the Fair Market Value of a Share on the Grant Date. Subject to the adjustment allowed under Section 4.2, the Board shall not have the authority or discretion to change the Option Price of any outstanding Director Option.

(e) Director Option Term. The Option Term of each Director Option shall expire the earlier of (i) the tenth anniversary of the Grant Date or (ii) the fifth anniversary of the date the Grantee ceases to serve as a Non-Employee Director.

(f) Vesting and Exercisability. Each Director Option shall be fully vested and exercisable at any time, or from time to time, throughout the Option Term.

(g) Method of Exercise. A Grantee may exercise a Director Option, in whole or in part, during the Option Term, by giving written notice of exercise to the Human Resources Department of the Company, specifying the Director Option to be exercised and the number of Shares to be purchased, and paying in full the exercise price by any one or any combination of the following means:

(i) in cash, personal check or wire transfer;

(ii) by surrendering Mature Shares having a Fair Market Value at the time of exercise equal to the Option Price for Shares being acquired; or

(iii) subject to applicable law, pursuant to procedures previously approved by the Company, through the sale of the Shares acquired on exercise of the Option through a broker-dealer to whom the Grantee has submitted an irrevocable notice of exercise and irrevocable instructions to deliver promptly to the Company the amount of sale or loan proceeds sufficient to pay for such Shares.

(h) Exercise of Director Option for Deferred Stock. A Non-Employee Director who makes a Deferral Election in accordance with Section 13.6 and who pays the Option Price with Mature Shares may exercise his or her option for an equal number of shares of Deferred Stock in lieu of Shares.

13.3 Director Stock Grants.

(a) Automatic Director Stock Grant. Whenever the Board determines that all or any portion of the annual retainer or other compensation payable to Non-Employee Directors shall be paid in Shares, then, subject to adjustment as provided in Section 4.2, each Non-Employee Director shall be granted Shares (a "Director Stock Grant") with an aggregate value of Shares equal to such portion of the annual retainer or other compensation payable to Non-Employee Directors as the Board determines for such year. With respect to the portion of the annual retainer to be paid in Shares, the Grant Date for such Director Stock Grant shall be the date of the Annual Meeting of Company Stockholders. If no Annual Meeting of Company Stockholders is held prior to June 1 of any calendar year, the Grant Date for the Director Stock Grant shall be May 31. With respect to other compensation to be paid in Shares, the Grant Date shall be determined by the Board and the amount may be prorated as determined by the Board. The number of Shares subject to a Director Stock Grant shall be determined by dividing the dollar value of the portion of the annual retainer or other compensation to be paid in Shares by the Fair Market Value of a Share at the close of business on the Grant Date. With respect to the portion of the annual retainer to be paid in Shares, a person who first becomes a Non-Employee Director after the conclusion of the Annual Meeting of Company Stockholders and prior to August 1 of any year shall be granted the full Director Stock Grant for such year as of December 15.

(b) Prorated Annual Retainer Director Stock Grant.

(i) Subject to adjustment as provided in Section 4.2, with respect to the portion of the annual retainer to be paid in Shares, a person who first becomes a Non-Employee Director on or after August 1 of any year and prior to the Annual Meeting of Company Stockholders following the date the person becomes a Non-Employee Director shall be granted a prorated Director Stock Grant for such first year with a Grant Date following the date such person becomes a Non-Employee Director determined as follows:

(A) The Grant Date shall be December 15 if the person first becomes a Non-Employee Director on or before December 15 of the year.

(B) The Grant Date shall be the date of the next Annual Meeting of Company Stockholders if the person first becomes a Non-Employee Director on or after December 16 of the year. If no Annual Meeting of Company Stockholders is held prior to the next following June 1, the Grant Date shall be May 31 of the year following the date the person becomes a Non-Employee Director.

(ii) The number of Shares subject to such prorated Director Stock Grant shall be determined by dividing the prorated amount s (determined as described below) by the Fair Market Value of a Share at the close of business on the Grant Date. The prorated amount shall be the dollar value of the portion of the annual retainer to be paid in Shares multiplied by a fraction, the numerator of which is the number of full and fractional calendar months elapsing between the date such person first becomes a Non-Employee Director and the date of the Annual Meeting of Company Stockholders following the date the person becomes a Non-Employee Director and the denominator of which is twelve. If no Annual Meeting of Company Stockholders is scheduled as of a December 15 Grant Date or held as of a May 31 Grant Date, the prorated amount shall be determined by multiplying the dollar value of the portion of the annual retainer to be paid in Shares by a fraction, the numerator of which is the number of full and fractional calendar months elapsing between the date such person first becomes a Non-Employee Director and May 31 of the year following the date the person becomes a Non-Employee Director and the denominator of which is twelve.

(c) Whole Number of Shares. Any Director Stock Grant or prorated Director Stock Grant shall be for a whole number of Shares determined by rounding up to the next higher whole number of Shares any fractional portion of a Share equal to or in excess of one-half Share (and otherwise rounding down to the next lower whole number of Shares).

(d) Vesting. Each Director Stock Grant shall be fully vested upon grant, unless the Board provides otherwise.

(e) Non-Employee Director Status. A person must be a Non-Employee Director on the Grant Date of a Director Stock Grant in order to be granted such Director Stock Grant. For Director Stock Grants granted on the date of the Annual Meeting of Company Stockholders, other than a prorated annual retainer Director Stock Grant, the person must be a Non-Employee Director at the conclusion of the Annual Meeting of Company Stockholders.

(f) Election to Defer Shares Under Director Stock Grant. A Non-Employee Director who makes a Deferral Election in accordance with Section 13.6 shall receive all or part (as he or she elects) of the Shares to be delivered pursuant to a Director Stock Grant in the form of an equal number of shares of Deferred Stock in lieu of delivery of Shares under Section 13.3(a) or 13.3(b), as applicable.

13.4 Discretionary Grants and Awards. The Board may, in its discretion, grant additional options or make additional Director Stock Grants to one or more Non-Employee Directors, on such terms and conditions as the Board shall deem appropriate, whenever, on the basis of independent advice, the Board shall determine that, as a result of new, unforeseen, extraordinary or unusual circumstances, the automatic grants provided in Sections 13.2 and 13.3 would not adequately compensate such Non-Employee Director.

13.5 Election to Receive Director Fees in Shares or Deferred Stock in Lieu of Cash.

(a) Payment of Director Fees in Shares. A Non-Employee Director may elect ("Share Election") to be paid all or a portion of the cash fees earned in his or her capacity as a Non-Employee Director (including annual retainer fees, fees for service as chairman of a Board committee, and any other fees paid to directors) ("Director Fees") in the form of Shares in lieu of cash. A Share Election may be made at any time prior to the date Director Fees would otherwise have been paid in cash, subject to such restrictions and advance filing requirements as the Company may impose. Share Elections made pursuant to The Williams Companies, Inc. 1996 Stock Plan for Non-Employee Directors that were in effect on the date stockholders approve this Plan shall remain in effect under this Plan, subject to the remainder of this Section 13.5(a). Each Share Election shall be irrevocable, shall specify the portion of the Director Fees to be paid in the form of Shares and shall remain in effect with respect to future Director Fees until the Non-Employee Director revokes or changes such Share Election. Any such revocation or change shall have prospective application only. Shares delivered pursuant to a Share Election shall be the whole number of Shares determined by dividing the amount of Director Fees to be paid in Shares by the Fair Market Value of a Share on the date such Director Fees would otherwise be paid (rounding up to the next higher whole number of Shares any fractional portion of a Share equal to or in excess of one-half Share, and otherwise rounding down to the next lower whole number of Shares).

(b) Payment of Director Fees in Deferred Stock. A Non-Employee Director who makes a Deferral Election in accordance with Section 13.6 shall receive all or part (as he or she elects) of his or her Director Fees in the form of a number of shares of Deferred Stock equal to the quotient (rounding up to the next higher whole number of shares, any fractional portion of a Share equal to or in excess of one-half Share, and otherwise rounding down to the next lower whole number of Shares) of the amount of Director Fees to be paid in the form of Deferred Stock divided by the Fair Market Value of a Share on the date such Director Fees would otherwise be paid in cash.

13.6 Deferral Elections. Each member of the Board who is a Non-Employee Director may make an election ("Deferral Election") to be paid any or all of the following ("Deferrable Amounts") in the form of Deferred Stock in lieu of cash or Shares, as applicable: (i) shares to be delivered on exercise of a Director Option as provided in Section 13.2(e); (ii) Director Stock

Grants as provided in Section 13.3; (iii) Director Fees as provided in 13.5(a); or (iv) Dividend Equivalents on Deferred Stock, as provided in Section 13.6(d).

(a) Timing of Deferral Elections. An initial Deferral Election must be filed with the Human Resources Department of the Company no later than December 31 of the year preceding the calendar year in which the Deferrable Amounts to which the Deferral Election applies would otherwise be paid or delivered, subject to such restrictions and advance filing requirements as the Company may impose; provided that any newly elected or appointed Non-Employee Director may file a Deferral Election not later than 30 days after the date such person first becomes a Non-Employee Director (or at such later time in the year of such election or appointment as the Company shall permit). A Deferral Election shall be irrevocable as of the filing deadline and shall only apply with respect to Deferrable Amounts otherwise payable after the filing of such election. Each Deferral Election (including a deferral election filed under The Williams Companies, Inc. 1996 Stock Plan for Non-Employee Directors that was in effect with respect to 2002 Deferrable Amounts on the date stockholders approved this Plan) shall remain in effect with respect to subsequently earned Deferrable Amounts unless the Non-Employee Director revokes or changes such Deferral Election. Any such revocation or change shall have prospective application only.

(b) Content of Deferral Elections. A Deferral Election must specify the following:

(i) The number of Shares acquired on exercise of a Director Option or under a Director Stock Grant to be paid in Deferred Stock, or the dollar amount or percentage of Director Fees to be paid in Deferred Stock;

(ii) the date such Deferred Stock shall be paid (subject to such limitations as may be specified by counsel to the Company); and

(iii) whether Dividend Equivalents on Deferred Stock are to be paid in cash or deposited in the form of Deferred Stock to the Non-Employee Director's Deferral Account (as defined in Section 13.6(c)), to be paid at the time the Deferred Stock to which they relate are paid.

(c) Deferral Account. The Company shall establish an account ("Deferral Account") on its books for each Non-Employee Director who makes a Deferral Election. A number of shares of Deferred Stock (determined in the case of a Deferrable Amount otherwise payable in cash, by dividing the amount of cash to be deferred by the Fair Market Value of a Share on the date such cash would otherwise be paid, and rounding up to the next higher whole number of Shares any fractional portion of a Share equal to or in excess of one-half Share, and otherwise rounding down to the next lower whole number of Shares) shall be credited to the Non-Employee Director's Deferral Account as of each date a Deferrable Amount subject to a Deferral Election would otherwise be paid. Deferral Accounts shall be maintained for recordkeeping purposes only and the Company shall not be obligated to segregate or set aside assets representing securities or other amounts credited to Deferral Accounts. The obligation to make distributions of securities or other amounts credited to Deferral Accounts shall be an unfunded unsecured obligation of the Company.

(d) Crediting of Dividend Equivalents. Whenever dividends are paid or distributions made with respect to Shares, Dividend Equivalents shall be credited to Deferral Accounts on all Deferred Stock credited thereto as of the record date for such dividend or distribution. If the Non-Employee Director has elected cash payment of Dividend Equivalents pursuant to Section 13.6(b), such Dividend Equivalents shall be paid in cash on the payment date of the dividend or distribution. Otherwise, such Dividend Equivalents shall be credited to the Deferral Account in the form of additional Deferred Stock in a number determined by dividing the aggregate value of such Dividend Equivalents by the Fair Market Value of a Share at the payment date of the dividend or distribution (rounding up to the next higher whole number of Shares any fractional portion of a Share equal to or in excess of one-half Share, and otherwise rounding down to the next lower whole number of Shares).

(e) Settlement of Deferral Accounts. The Company shall settle a Non-Employee Director's Deferral Account by delivering to the holder thereof (which may be the Non-Employee Director or his or her beneficiary) a number of Shares equal to the whole number of Deferred Stock then credited to such Deferral Account (or a specified portion in the event of any partial settlement); provided that if less than the value of a whole Share remains in the Deferral Account at the time of any such distribution, the number of Shares distributed shall be rounded up to the next higher whole number of Shares if the fractional portion of a Share remaining is equal to or in excess of one-half Share, and otherwise shall be rounded down to the next lower whole number of Shares. Such settlement shall be made at the time or times specified in the applicable Deferral Election; provided that a Non-Employee Director may further defer settlement of the Deferral Account by filing a new Deferral Election if counsel to the Company determines that such further deferral likely would not trigger immediate taxation of amounts otherwise distributable from such Deferral Account under applicable federal income tax laws and regulations.

13.7 Insufficient Number of Shares. If at any date insufficient Shares are available under the Plan for the automatic grant of Director Options or Director Stock Grants, or the delivery of Shares in lieu of cash payment of Director Fees, or crediting Deferred Stock pursuant to a Deferral Election, (a) Director Options under Section 13.2 and Director Stock Grants under Section 13.3 automatically shall be granted proportionately to each Non-Employee Director eligible for such a grant to the extent Shares are then available (provided that no Director Option shall be granted with respect to a fractional number of Shares), and (b) then, if any Shares remain available, Director Fees elected to be received in Shares shall be paid in the form of Shares or deferred in the form of Deferred Stock proportionately among Non-Employee Directors then eligible to participate to the extent Shares are then available.

13.8 Non-Forfeitability. The interest of each Non-Employee Director in Director Options, Director Stock Grants or Deferred Stock (and any Deferral Account relating thereto) granted or delivered under the Plan at all times shall be non-forfeitable; except, with respect to Director Stock Grants, to the extent the Board provides otherwise.

13.9 No Duplicate Payments. No payments or Awards shall be made or granted under this Plan with respect to any services as a Non-Employee Director if a payment or award has been or will be made for the same services under The Williams Companies, Inc. 1996 Stock Plan for Non-Employee Directors.

ARTICLE 14.
AMENDMENT, MODIFICATION, AND TERMINATION

14.1 Amendment, Modification, and Termination. Subject to Section 14.2, the Board may, at any time and from time to time, alter, amend, suspend, discontinue or terminate the Plan in whole or in part without the approval of the Company's stockholders, except that (a) any amendment or alteration shall be subject to the approval of the Company's stockholders if such stockholder approval is required by any federal or state law or regulation or the rules of any stock exchange or automated quotation system on which the Shares may then be listed or quoted, and (b) the Board may otherwise, in its discretion, determine to submit other such amendments or alterations to stockholders for approval.

14.2 Awards Previously Granted. Except as otherwise specifically permitted in the Plan or an Award Agreement, no termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Grantee of such Award; provided that Article 12 may be removed, amended or modified at any time prior to a Change in Control without the consent of any Grantee.

ARTICLE 15.
WITHHOLDING

15.1 Required Withholding

(a) Mandatory Tax Withholding.

(i) Whenever, under the Plan, Shares are to be delivered upon exercise or payment of an Award, upon Restricted Shares becoming nonforfeitable, upon payment of cash, or any other event with respect to rights and benefits hereunder, the Company or any Affiliate shall be entitled to require (A) that the Grantee remit an amount in cash, or in the Company's discretion, in Mature Shares, sufficient to satisfy all of the employer's federal, state, and local tax withholding requirements related thereto but no more than the minimum amount necessary to satisfy such amounts ("Required Withholding"), (B) the withholding of such Required Withholding from compensation otherwise due to the Grantee or from any Shares due to the Grantee under the Plan or (C) any combination of the foregoing.

(ii) Any Grantee who makes a Disqualifying Disposition (as defined in Section 6.4(g)) or an election under Section 83(b) of the Code shall remit to the Company an amount sufficient to satisfy all resulting Required Withholding; provided that, in lieu of or in addition to the foregoing, the Company and/or an Affiliate shall have the right to withhold such Required Withholding from compensation otherwise due to the Grantee or from any Shares or other payment due to the Grantee under the Plan.

(b) Elective Excess Withholding.

(i) Subject to the following subsection and with the Committee's prior approval, a Grantee (other than a Non-Employee Director) may elect to remit (or attest to the ownership of) Mature Shares upon the exercise or settlement of an Award or upon Restricted Shares becoming non-forfeitable (each, a "Taxable Event") having a Fair Market Value equal to an amount greater than the Required Withholding for the Taxable Event but not to exceed the estimated total amount of such Grantee's tax liability ("Excess Withholding") with respect to the Taxable Event.

(ii) Each Excess Withholding election shall be subject to the following conditions:

(A) any Grantee's election shall be subject to the Committee's discretion to revoke the Grantee's right to elect Excess Withholding at any time before the Grantee's election if the Committee has reserved the right to do so in the Award Agreement;

(B) the Grantee's election must be made before the date (the "Tax Date") on which the amount of tax to be withheld is determined; and

(C) the Grantee's election shall be irrevocable.

15.2 Notification under Code Section 83(b). If the Grantee, in connection with the exercise of any Option, or the grant of Restricted Shares, makes the election permitted under Section 83(b) of the Code to include in such Grantee's gross income in the year of transfer the amounts specified in Section 83(b) of the Code, then such Grantee shall notify the Company of such election within 10 days of filing the notice of the election with the Internal Revenue Service, in addition to any filing and notification required pursuant to regulations issued under Section 83(b) of the Code. The Committee may, in connection with the grant of an Award or at any time thereafter, prohibit a Grantee from making the election described above.

ARTICLE 16.
ADDITIONAL PROVISIONS

16.1 Successors. All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise of all or substantially all of the business and/or assets of the Company.

16.2 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular and the singular shall include the plural.

16.3 Severability. If any part of the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any other part of the Plan. Any Section or part of a Section so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

16.4 Requirements of Law. The granting of Awards and the delivery of Shares under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. Notwithstanding any provision of the Plan or any Award, Grantees shall not be entitled to exercise, or receive benefits under, any Award, and the Company (and any Affiliate) shall not be obligated to deliver any Shares or deliver benefits to a Grantee, if such exercise or delivery would constitute a violation by the Grantee or the Company of any applicable law or regulation.

16.5 Securities Law Compliance.

(a) If the Committee deems it necessary to comply with any applicable securities law, or the requirements of any stock exchange upon which Shares may be listed, the Committee may impose any restriction on Shares acquired pursuant to Awards under the Plan as it may deem advisable. All certificates for Shares delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the SEC, any stock exchange upon which Shares are then listed, any applicable securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions. If so requested by the Company, the Grantee shall make a written representation to the Company that he or she will not sell or offer to sell any Shares unless a registration statement shall be in effect with respect to such Shares under the Securities Act of 1993, as amended, and any applicable state securities law or unless he or she shall have furnished to the Company, in form and substance satisfactory to the Company, that such registration is not required.

(b) If the Committee determines that the exercise or nonforfeitability of, or delivery of benefits pursuant to, any Award would violate any applicable provision of securities laws or the listing requirements of any national securities exchange or national market system on which are listed any of the Company's equity securities, then the Committee may postpone any such exercise, nonforfeitability or delivery, as applicable, but the Company shall use all reasonable efforts to cause such exercise, nonforfeitability or delivery to comply with all such provisions at the earliest practicable date.

16.6 No Rights as a Stockholder. No Grantee (except as expressly provided in Article 13) shall have any rights as a stockholder of the Company with respect to the Shares (other than Restricted Shares) which may be deliverable upon exercise or payment of such Award until such Shares have been delivered to him or her. Restricted Shares, whether held by a Grantee or in escrow by the Secretary of the Company, shall confer on the Grantee all rights of a stockholder of the Company, except as otherwise provided in the Plan or Award Agreement. At the time of a grant of Restricted Shares, the Committee may require the payment of cash dividends thereon to be deferred and, if the Committee so determines, reinvested in additional Restricted Shares. Stock dividends and deferred cash dividends issued with respect to Restricted Shares shall be subject to the same restrictions and other terms as apply to the Restricted Shares with respect to which such dividends are issued. The Committee may in its discretion provide for payment of interest on deferred cash dividends.

16.7 Nature of Payments. Unless otherwise specified in the Award Agreement, Awards shall be special incentive payments to the Grantee and shall not be taken into account in computing the amount of salary or compensation of the Grantee for purposes of determining any pension, retirement, death or other benefit under (a) any pension, retirement, profit-sharing, bonus, insurance or other employee benefit plan of the Company or any Affiliate, except as such plan shall otherwise expressly provide, or (b) any agreement between (i) the Company or any Affiliate and (ii) the Grantee, except as such agreement shall otherwise expressly provide.

16.8 Non-Exclusivity of Plan. Neither the adoption of the Plan by the Board nor its submission to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other compensatory arrangements for employees or Non-Employee Directors as it may deem desirable.

16.9 Governing Law. The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Delaware, other than its laws respecting choice of law.

16.10 Share Certificates. All certificates for Shares delivered under the terms of the Plan shall be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under federal or state securities laws, rules and regulations thereunder, and the rules of any national securities laws, rules and regulations thereunder, and the rules of any national securities exchange or automated quotation system on which Shares are listed or quoted. The Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions or any other restrictions or limitations that may be applicable to Shares. In addition, during any period in which Awards or Shares are subject to restrictions or limitations under the terms of the Plan or any Award Agreement, or during any period during which delivery or receipt of an Award or Shares has been deferred by the Committee or a Grantee, the Committee may require any Grantee to enter into an agreement providing that certificates representing Shares deliverable or delivered pursuant to an Award shall remain in the physical custody of the Company or such other person as the Committee may designate.

16.11 Unfunded Status of Awards; Creation of Trusts. The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Grantee pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give any such Grantee any rights that are greater than those of a general creditor of the Company; provided, however, that the Committee may authorize the creation of trusts or make other arrangements to meet the Company's obligations under the Plan to deliver cash, Shares or other property pursuant to any Award which trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines.

16.12 Employment. Nothing in the Plan or an Award Agreement shall interfere with or limit in any way the right of the Company or any Affiliate to terminate any Grantee's employment at any time, nor confer upon any Grantee the right to continue in the employ or as an officer of the Company or any Affiliate.

16.13 Participation. No employee or officer shall have the right to be selected to receive an Award under this Plan or, having been so selected, to be selected to receive a future Award.

16.14 Military Service. Awards shall be administered in accordance with Section 414(u) of the Code and the Uniformed Services Employment and Reemployment Rights Act of 1994.

16.15 Construction. The following rules of construction will apply to the Plan: (a) the word "or" is disjunctive but not necessarily exclusive, and (b) words in the singular include the plural, words in the plural include the singular, and words in the neuter gender include the masculine and feminine genders and words in the masculine or feminine gender include the other neuter genders.

16.16 Headings. The headings of articles and sections are included solely for convenience of reference, and if there is any conflict between such headings and the text of this Plan, the text shall control.

16.17 Obligations. Unless otherwise specified in the Award Agreement, the obligation to deliver, pay or transfer any amount of money or other property pursuant to Awards under this Plan shall be the sole obligation of a Grantee's employer; provided that the obligation to deliver or transfer any Shares pursuant to Awards under this Plan shall be the sole obligation of the Company.

16.18 No Right to Continue as Director. Nothing in the Plan or any Award Agreement shall confer upon any Non-Employee Director the right to continue to serve as a director of the Company.

16.19 Stockholder Approval. No Awards payable in Shares shall be granted prior to the date the Company's stockholders approve the amended and restated Plan.

EXHIBIT 10.2

MASTER PROFESSIONAL SERVICES AGREEMENT

BY AND BETWEEN:

THE WILLIAMS COMPANIES, INC.

AND

INTERNATIONAL BUSINESS MACHINES CORPORATION

JUNE 1, 2004

MASTER PROFESSIONAL SERVICES AGREEMENT

This Master Professional Services Agreement (this "AGREEMENT") is entered into effective June 1, 2004 (the "EFFECTIVE DATE") by and between The Williams Companies, Inc., a Delaware corporation having a principal place of business at One Williams Center, Tulsa, Oklahoma 74101-3102 ("WILLIAMS"), and International Business Machines Corporation, a New York corporation having a principal place of business at Route 100, Somers, New York 10589 ("PROVIDER").

WHEREAS, Williams and Provider have engaged in extensive negotiations, discussions and due diligence that have culminated in the formation of the contractual relationship described in this Agreement;

WHEREAS, Williams desires to procure from Provider, and Provider desires to provide to Williams, for the benefit of itself and the other Eligible Recipients, the finance and accounting business processes, human resources business processes and information technology products and services described in this Agreement, on the terms and conditions specified herein;

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein, and of other good and valid consideration, the receipt and sufficiency of which is hereby acknowledged, Williams and Provider (collectively, the "PARTIES" and each, a "PARTY") hereby agree as follows:

1. BACKGROUND AND OBJECTIVES

1.1 PERFORMANCE AND MANAGEMENT BY PROVIDER.

Williams desires that certain finance and accounting business processes, human resources business processes and information technology services presently performed and/or managed by or for Williams and the Eligible Recipients, as each is described in this Agreement, be performed and managed by Provider. Provider has carefully reviewed Williams's requirements, has performed all due diligence it deems necessary, and desires to perform and to manage such finance and accounting business processes, human resources business processes and information technology services for Williams, for the benefit of Williams and the other Eligible Recipients.

1.2 GOALS AND OBJECTIVES.

The Parties acknowledge and agree that the specific goals and objectives of the Parties in entering into this Agreement are to:

(1) Provide Williams with the flexibility for Williams to restructure its business without retaining certain fixed finance and accounting business process, human resources business process and information technology costs;

(2) Utilize enabling technologies to add value to Williams's business processes;

(3) Implement common processes across Williams;

(4) Eliminate duplication across Williams;

(5) Allow Williams to focus on its core competencies and allow Williams management to focus on business relationships and requirements;

(6) Provide the Williams finance and accounting business process, human resources business process and information technology function with the flexibility to adapt rapidly to Williams changing requirements and changes in the Williams business environment; and

(7) Reduce Williams infrastructure capital and operating expenses.

1.3 INTERPRETATION.

The provisions of this ARTICLE 1 are intended to be a general introduction to this Agreement and are not intended to expand the scope of the Parties' obligations or alter the plain meaning of this Agreement's terms and conditions, as set forth hereinafter. However, to the extent the terms and conditions of this Agreement are unclear or ambiguous, such terms and conditions are to be construed so as to be consistent with the background and objectives set forth in this ARTICLE 1.

2. DEFINITIONS AND DOCUMENTS

2.1 DEFINITIONS.

As used in this Agreement:

(1) "ACCEPTANCE" shall mean the determination, in Williams's reasonable discretion, following implementation, installation, testing and execution in the production environment for an agreed upon number of business cycles that Software, Equipment, Systems and/or other contract deliverables are in Compliance in all material respects with the Specifications.

(2) "ACQUIRED ASSETS" shall mean the Equipment, Software and other assets owned or controlled by Williams or the Eligible Recipients and listed on SCHEDULE F.1 that Provider will acquire as of the Commencement Date.

(3) "ACQUIRED ASSETS CREDIT" shall mean the amount set forth on SCHEDULE J that Provider will pay to Williams as consideration for the Acquired Assets.

(4) "ADDITIONAL RESOURCE CHARGE" or "ARC" is the charge per Resource Unit that is applicable whenever the actual consumption of a defined Resource Unit by the Eligible Recipients exceeds the Resource Baseline for such Resource Unit set forth in SCHEDULE J. The total additional charges will be calculated by multiplying the Additional Resource Charge by the number of Resource Units in excess of the Resource Baseline actually consumed by the Eligible Recipients.

(5) "AFFILIATE" shall mean, generally, with respect to any Entity, any other Entity Controlling, Controlled by or under common Control with such Entity at the time in question.

(6) "AGREEMENT" shall have the meaning given in the preamble to this Agreement.

(7) "APPLICABLE REGULATORY AUTHORITY" shall mean, in the United States, the Federal Communications Commission (the "FCC"), the Federal Energy Regulatory Commission (the "FERC"), or other national, territorial, regional, state, provincial or local regulatory bodies of competent jurisdictions and in geographic regions other than the United States from, to or in which the Services are provided, the national, territorial, regional, state, provincial or local regulatory authorities.

(8) "APPLICATIONS SOFTWARE" or "APPLICATIONS" shall mean those software application programs and programming (and all modifications, replacements, Upgrades, enhancements, documentation, materials and media related thereto) used to support day-to-day business operations and accomplish specific business objectives to the extent a Party has financial or operational responsibility for such programs or programming under SCHEDULE E or U. Applications Software shall mean all such programs or programming in use as of the Effective Date, including

those set forth in SCHEDULE A, those as to which the license, maintenance or support costs are included in the Williams Base Case, and those as to which Provider received reasonable notice prior to the Effective Date. Applications Software also shall include all such programs or programming developed and/or introduced by or for Williams or the Eligible Recipients on or after the Effective Date to the extent a Party has financial or operational responsibility for such programs or programming under SCHEDULE E or U.

(9) "BASELINE FTES" shall have the meaning given in SECTION 11.8(a).

(10) "BENCHMARK STANDARD" shall have the meaning given in SECTION 11.11(C).

(11) "BENCHMARKER" shall have the meaning given in SECTION 11.11(a).

(12) "BENCHMARKING" shall have the meaning given in SECTION 11.11(a).

(13) "BEST PRACTICES" (whether or not capitalized) means established procedures or processes used by businesses in a particular industry that are widely accepted as being effective or efficient (whether in cost or performance).

(14) "BUSINESS PROCESSES" shall mean the processes described in this Agreement, the Statements of Work and/or the Policy and Procedures Manual for conducting, performing, executing or completing the various tasks and activities that comprise the Services.

(15) "BUSINESS PROCESS CHANGE" shall mean any change to the Business Processes.

(16) "CABLING" shall mean the electric connection between the Equipment and jack, including physical cabling media, peripheral cabling used to interconnect electronic equipment, all terminating hardware and cross connect fields, but not including conduits and pathways.

(17) "CHARGES" shall mean the amounts set forth in ARTICLE 11 and SCHEDULE J (or otherwise set forth in the Agreement) as charges for the Services.

(18) "COMMENCEMENT DATE" shall mean July 1, 2004, or such other date as the Parties may agree upon in writing as the date on which Provider will assume full responsibility for the Services (except for the Transition Services, which shall commence on the Effective Date).

(19) COMPLIANCE" and "COMPLY" shall mean, with respect to Software, Equipment, Systems, Developed Materials or other contract deliverables to be implemented, designed, developed, delivered, integrated, installed and/or tested by Provider, conformance in all material respects with the Specifications.

(20) "CONTRACT YEAR" shall mean the period ending on December 31, 2004 and on each December 31 thereafter during the Term. If any Contract Year is more or less than twelve (12) months, the rights and obligations under this Agreement that are calculated on a Contract Year basis will be proportionately adjusted for such longer or shorter period. For the avoidance of doubt, the first Contract Year hereunder begins on the Commencement Date and ends on December 31, 2004.

(21) "CONTROL" and its derivatives shall mean: (a) the legal, beneficial, or equitable ownership, directly or indirectly, of (i) at least fifty percent (50%) of the aggregate of all voting equity interests in an Entity, or (ii) equity interests having the right to at least fifty percent (50%) of the profits of an Entity or, in the event of dissolution, to at least fifty percent (50%) of the assets of an Entity; (b) the right to appoint, directly or indirectly, a majority of the board of directors; (c) the right to control, directly or indirectly, the management or direction of the Entity by contract or corporate governance document; or (d) in the case of a partnership, the holding by an Entity (or one of its Affiliates) of the position of sole general partner.

(22) "CRITICAL SUPPORT PERSONNEL" shall mean those individuals identified in SCHEDULE C as critical to the ongoing success of Provider's delivery of information technology services to Williams and the Eligible Recipients.

(23) "DATA CENTER" shall mean any controlled, consolidated and specialized location where computing equipment (e.g., mainframe, midrange, telecommunications or server hardware) resides for the delivery of computing services to Williams.

(24) "DERIVATIVE WORK" shall mean a work based on one or more preexisting works, including a condensation, transformation, translation, modification, expansion, or adaptation, that, if prepared without authorization of the owner of the copyright of such preexisting work, would constitute a copyright infringement under applicable Law, but excluding the preexisting work.

(25) "DEVELOPED MATERIALS" shall mean any Materials (including Software), or any modifications, enhancements or Derivative Works thereof, developed by or on

behalf of Provider for Williams or Eligible Recipients in connection with or as part of the Services.

(26) "DIRECT WILLIAMS COMPETITOR" shall mean the Entities identified in SCHEDULE P, as well as their Affiliates, successors and assigns, as such list of Entities may be modified by Williams from time to time.

(27) "EFFECTIVE DATE" shall have the meaning given in the preamble to this Agreement.

(28) "ELIGIBLE RECIPIENTS" shall mean, collectively, and to the extent such Entity is receiving Services under this Agreement, the following:

(a) Williams;

(b) any Entity that is an Affiliate of Williams on the Commencement Date, or thereafter becomes an Affiliate of Williams;

(c) any Entity that purchases after the Commencement Date from Williams or any Affiliate of Williams, all or substantially all of the assets of Williams or such Affiliate, or of any division, marketing unit, business unit, or manufacturing, research or development facility thereof, provided that such Entity agrees in writing to be bound by the terms and conditions of this Agreement;

(d) any Entity that after the Effective Date is created using assets of Williams or any Affiliate of Williams, provided that such Entity agrees in writing to be bound by the terms and conditions of this Agreement;

(e) any Entity into which Williams or any Affiliate of Williams merges or consolidates, provided that such Entity has assumed Williams's obligations under this Agreement, and provided further that such Entity agrees in writing to be bound by the terms and conditions of this Agreement;

(f) any Entity which merges into or consolidates with Williams or any Affiliate of Williams;

(g) any Entity or facility, including any corporation, joint venture, partnership or manufacturing, research or development facility, in which on or after the Commencement Date, Williams or any Affiliate of Williams has an

ownership interest of at least 50% and/or as to which Williams or such Affiliate has management or operational responsibility by law or contract;

(h) any customer of an Eligible Recipient identified in clauses (a) through (g) above, or an Entity to which such an Eligible Recipient is a subcontractor, but only in connection with the provision of products or services by such Eligible Recipient to such customer;

(i) any person or Entity engaged in the provision of products or services to Williams or an Eligible Recipient identified in clauses (a) through (g) of this definition, but only in connection with the provision of such products or services to Williams or such Eligible Recipient;

(j) any Entity to which Williams or an Affiliate of Williams outsources any of its existing functions to the extent needed for such Entity to continue performing such function for Williams or its Affiliates, or any other customer of such Entity, but only in connection with the provision of such outsourced functions and provided such Entity agrees in writing to be bound by the terms and conditions of this Agreement; and

(k) other entities to which the Parties agree.

Except as used in SECTIONS 17.1, 17.3, 17.4, 17.5 and 17.6, Eligible Recipients shall include the employees, contractors, subcontractors, agents and representatives of the Entities identified as Eligible Recipients in clauses (a) through (i) above.

(29) "EMPLOYMENT EFFECTIVE DATE" shall mean, with respect to each Transitioned Employee, the date that such Transitioned Employee begins employment with Provider, in accordance with applicable Laws.

(30) "END USER" shall mean, collectively all Eligible Recipients (and their respective employees, contractors, subcontractors, agents and representatives, other than Provider and its Subcontractors) designated by Williams to receive or use the Systems or Services provided by Provider.

(31) "ENTITY" shall mean a corporation, partnership, joint venture, trust, limited liability company, limited liability partnership, association or other organization or entity.

(32) "EQUIPMENT" shall mean all computing, networking, communications, and related computing equipment (hardware and firmware) procured, provided, operated, supported, or used by Provider in connection with the Services, including (i) mainframe, midrange, server and distributed computing equipment and associated attachments, features, accessories, peripheral devices, and Cabling, (ii) personal computers, laptop computers, workstations and personal data devices and associated attachments, features, accessories, printers, multi-functional printers, peripheral or network devices, and Cabling, and (iii) voice, data, video and wireless telecommunications and network and monitoring equipment and associated attachments, features, accessories, cell phones, peripheral devices, and Cabling.

(33) "EQUIPMENT LEASES" shall mean all leasing arrangements whereby Williams, the Eligible Recipients or a Williams Third Party Contractor leases Equipment as of the Commencement Date which will be used by Provider to perform the Services after such Commencement Date. Equipment Leases shall include those leases identified on SCHEDULE F.2, those as to which the lease, maintenance and support costs are included in the Williams Base Case, and all other leases as to which Provider received reasonable notice prior to the Effective Date.

(34) "EXTRAORDINARY EVENT" shall have the meaning given in SECTION 11.6(a).

(35) "F&A TOWER" means the finance and accounting Services as further described in SCHEDULE E.2.

(36) "FULL TIME EQUIVALENT" or "FTE" shall mean a level of effort, excluding vacation, holidays, training, administrative and other non-productive time (but including a reasonable amount of additional work outside normal business hours), equivalent to that which would be provided by one person working full time for one year. Unless otherwise agreed, one FTE is assumed to be at least (i) for the IT Tower, 1820 productive hours per Contract Year and 2000 hours per Contract Year, (ii) for the F&A Tower, 1700 productive hours per Contract Year and 2000 hours per Contract Year, and (iii) for the HR Tower, 1700 productive hours per Contract Year and 2000 hours per Contract Year. Without Williams's prior written approval, one (1) dedicated individual's total work effort cannot amount to more than one FTE.

(37) "FUNCTIONAL SERVICE AREA" shall mean each of the finance and accounting business process, human resources business process and information technology service areas defined in SCHEDULE E in which Provider will provide Services, (i.e.,

(i) Mainframe, Servers, (ii) Storage, (iii) Desktop Support, (iv) Help Desk, (v) Network - Data, (vi) Network - Voice, (vii) Application Development and Maintenance, (viii) IT Ad Hoc Services, (ix) Accounts Payable, (x) Fixed Assets, (xi) General Accounting, (xii) HR / Payroll, (xiii) ERP Support, (xiv) F&A Ad Hoc Services, (xv) Compensation, (xvi) Benefits, (xvii) Performance Management, (xviii) Training Administration, (xix) Employee Records & Data Management, (xx) Recruiting / Staffing, (xxi) Expatriate Administration / Relocation, (xxii) Severance & Outplacement, (xxiii) Employee Services, and (xxiv) HR Ad Hoc Services service areas).

(38) "HR TOWER" means the human resources Services as further described in SCHEDULE E.3.

(39) "INCOME TAX" shall mean any tax on or measured by the net income of a Party (including taxes on capital or net worth that are imposed as an alternative to a tax based on net or gross income), or taxes which are of the nature of excess profits tax, minimum tax on tax preferences, alternative minimum tax, accumulated earnings tax, personal holding company tax, capital gains tax or franchise tax for the privilege of doing business.

(40) "IT TOWER" means the information technology Services as further described in SCHEDULE E.1.

(41) "KEY PROVIDER PERSONNEL" shall mean the Provider Personnel filling the positions designated in SCHEDULE C as Key Provider Personnel.

(42) "LAWS" shall mean all federal, state, provincial, regional, territorial and local laws, statutes, ordinances, regulations, rules, executive orders, supervisory requirements, directives, circulars, opinions, interpretive letters and other official releases of or by any government, or any authority, department or agency thereof, including the United States Securities and Exchange Commission and the Public Accounting Oversight Board. The definition of Laws shall include Laws relating to data privacy, trans-border data flow or data protection, such as the implementing legislation and regulations of the European Union member states under the European Union Directive 95/46/EC and any and all of Canada's privacy laws ("PRIVACY LAWS").

(43) "LOSSES" shall mean all losses, liabilities, damages (however characterized), fines, penalties and claims (including taxes), and all related costs and expenses

(including reasonable legal fees and disbursements and costs of investigation, litigation, settlement, judgment, interest and penalties).

(44) "MAJOR RELEASE" shall mean a new version of Software that includes changes to the architecture and/or adds new features and functionality in addition to the original functional characteristics of the preceding software release. These releases are usually identified by full integer changes in the numbering, such as from "7.0" to "8.0," but may be identified by the industry as a major release without the accompanying integer change.

(45) "MALICIOUS CODE" shall mean (i) any code, program, or sub-program whose knowing or intended purpose is to damage or maliciously interfere with the operation of the computer system containing the code, program or sub-program, or to halt, disable or maliciously interfere with the operation of the Software, code, program, or sub-program, itself, or (ii) any device, method, or token that permits any person to circumvent without authorization the normal security of the Software or the system containing the code.

(46) MANAGED THIRD PARTIES" shall mean the Williams Third Party Contractors, listed on SCHEDULE X, as such Schedule may be amended from time to time.

(47) "MANAGED THIRD PARTY AGREEMENTS" shall mean the applicable Third Party Contract(s) of a Managed Third Party.

(48) "MATERIALS" shall mean, collectively, Software, literary works, other works of authorship, specifications, designs, analyses, patentable processes, methodologies, inventions, programs, program listings, programming tools, documentation, reports, drawings, databases and work product, whether tangible or intangible.

(49) "MINOR RELEASE" shall mean a scheduled release containing small functionality updates and/or accumulated resolutions to defects or non-conformances made available since the immediately preceding release (whether Major Release or Minor Release). Minor Releases shall include "Maintenance Releases" which are supplemental to and made available between Major Releases and other Minor Releases, issued and provided under specific vendor service level or maintenance obligations and contain only accumulated resolutions or mandated changes. These releases are usually identified by a change in the decimal numbering of a release, such as "7.12" to "7.13."

(50) "MONTHLY BASE CHARGE" shall mean the total Provider Charges, excluding ARCs and RRCs, set forth in SCHEDULE J associated with the performance of the

Services in a given month in accordance with the Resource Baselines, Service Levels and Provider responsibilities under this Agreement.

(51) "NEW ADVANCES" shall have the meaning given in SECTION 11.7(d).

(52) "NEW SERVICES" shall mean new services or significant changes to existing Services requested by Williams, (i) that are materially different from the Services, (ii) that require materially different levels or types of effort, resources or expense from Provider, and(iii) for which there is no current Resource Baseline or charging methodology that is applicable to the effort to be provided.

(53) "OPERATING SYSTEM SOFTWARE" shall mean all software programs and programming (and all modifications, replacements, Upgrades, enhancements, documentation, materials and media related thereto) that are used to deliver and manage Services on a particular hardware platform including operating systems (e.g., UNIX, Windows, VM and MVS) and network operating systems (e.g., NT Server, Windows, and Novell), to the extent a Party has financial or operational responsibility for such programs or programming under SCHEDULE E or U. Operating System Software shall include all such programs or programming in use as of the Effective Date, including those set forth in SCHEDULE A, those as to which the license, maintenance or support costs are included in the Williams Base Case, and those as to which Provider received reasonable notice prior to the Effective Date. Operating System Software also shall include all such programs or programming developed and/or introduced by or for Williams or the Eligible Recipients after the Effective Date to the extent a Party has financial or operational responsibility for such programs or programming under SCHEDULE E or U.

(54) "OUT-OF-POCKET EXPENSES" shall mean reasonable, demonstrable and actual out-of-pocket expenses due and payable to a third party by Provider in accordance with the Policy and Procedures Manual or that are approved in advance by Williams and for which Provider is entitled to be reimbursed by Williams under this Agreement. Out-of-Pocket Expenses shall not include Provider's overhead costs (or allocations thereof), general and/or administrative expenses or other mark-ups. Out-of-Pocket Expenses shall be calculated at Provider's actual incremental expense and shall be net of all rebates and allowances.

(55) "PASS-THROUGH EXPENSES" shall mean the expenses so identified in SCHEDULE J or otherwise agreed by the Parties, as such list may be amended from time to time. Unless otherwise agreed, Provider shall not charge any handling or

administrative charge in connection with its processing or review of such invoices.

(56) "POLICY AND PROCEDURES MANUAL" shall have the meaning given in SECTION 9.1(a).

(57) "PROJECTS" shall have the meaning given in SECTION 11.8(a).

(58) "PROPRIETARY INFORMATION" shall have the meaning given in SECTION 13.3(a).

(59) "PROVIDER PROJECT EXECUTIVE" shall have the meaning given in SECTION 8.5 and shall describe the Provider representative responsible for both the day to day relationship with Williams as well as the delivery of all Services to Williams.

(60) "PROVIDER BUSINESS LAWS" shall have the meaning given in SCHEDULE S.

(61) "PROVIDER FACILITIES" shall mean the facilities owned or leased by Provider, its Affiliates or Subcontractors and from which Provider, its Affiliates or Subcontractors provides any Services. Provider Facilities are listed on SCHEDULE O.2.

(62) "PROVIDER LAWS" means Provider Business Laws and Provider Services Laws.

(63) "PROVIDER OWNED MATERIALS" shall have the meaning given in SECTION 14.3(a).

(64) "PROVIDER OWNED SOFTWARE" shall mean any Software owned by Provider and used to provide the Services.

(65) "PROVIDER PERSONNEL" shall mean those employees, representatives, contractors, subcontractors and agents of Provider, Subcontractors and Provider Affiliates who perform any Services under this Agreement.

(66) "PROVIDER SERVICES LAWS" shall have the meaning given in SCHEDULE S.

(67) "QUALITY ASSURANCE" means the actions, planned and performed, to provide confidence that all Business Processes, Systems, Equipment, Software and components that influence the quality of the Services are working as expected individually and collectively.

(68) "REDUCED RESOURCE CREDIT" or "RRC" shall mean the credit per Resource Unit that is applicable whenever the actual consumption of a defined Resource Unit by

the Eligible Recipients falls below the Resource Baseline for utilization of such Resource Unit set forth in SCHEDULE J.

(69) "REPORTS" shall have the meaning set forth in SECTION 9.2(a).

(70) "REQUIRED CONSENTS" shall mean the consents (if any) required to be obtained: (i) to assign or transfer to Provider of Williams licensed Third Party Software, Third Party Contracts, Equipment Leases or Acquired Assets (including related warranties); (ii) to grant Provider the right to use and/or access the Williams licensed Third Party Software in connection with providing the Services; (iii) to grant Williams and the Eligible Recipients the right to use and/or access the Provider Owned Software, Third Party Software and Equipment acquired, operated, supported or used by Provider in connection with providing the Services; (iv) to assign or transfer to Williams, the Eligible Recipients or their designee(s) any Developed Materials, (v) to assign or transfer to Williams or its designee Provider Owned Software, Third Party Software, Third Party Contracts, Equipment Leases or other rights following the Term to the extent provided in this Agreement; and (vi) all other consents required from third parties in connection with Provider's provision of the Services.

(71) "RESOURCE BASELINES" shall mean the estimated number of Resource Units to be required and/or consumed by Williams and the Eligible Recipients during a defined period of time and included in the Monthly Base Charges. The Resource Baselines as of the Effective Date are set forth in SCHEDULE J. The Resource Baselines will be revised from time to time by agreement of the Parties based on the usage, demand and business requirements of Williams and the Eligible Recipients and the Monthly Base Charges will be adjusted accordingly.

(72) "RESOURCE UNIT" ("RU") shall mean a particular unit of resource, as described in SCHEDULE J, which is measured to determine Williams's and the Eligible Recipients actual utilization of such resource compared to the applicable Resource Baseline for purposes of calculating Additional Resource Charges and Reduced Resource Credits as described in SCHEDULE J.

(73) "RETAINED SYSTEMS AND BUSINESS PROCESSES" means those systems and business processes of Williams or an Eligible Recipient for which Provider has not assumed responsibility under this Agreement (including those provided, managed, operated, supported and/or used on their behalf by Williams Third Party Contractors). Retained Systems and Business Processes include equipment and software associated with such systems and business processes.

(74) "ROOT CAUSE ANALYSIS" shall mean the formal process, specified in the Policy and Procedures Manual, to be used by Provider to diagnose the underlying cause of problems at the lowest reasonable level so that corrective action can be taken that will eliminate repeat failures. Provider shall implement a Root Cause Analysis as specified in SECTION 7.3 or as requested by Williams.

(75) "SERVICE LEVEL CREDITS" shall have the meaning given in SECTION 7.2 and SCHEDULE G.

(76) "SERVICE LEVELS" shall mean, individually and collectively, the performance standards for the Services set forth in SCHEDULE G.

(77) "SERVICE TAXES" shall mean all sales, use, VAT, GST, excise and other similar taxes that are assessed against either Party on the provision of the Services as a whole, or on any particular Service received by Williams or an Eligible Recipient from Provider, excluding Income Taxes.

(78) "SERVICES" shall mean, collectively: (i) the services, functions and responsibilities described in ARTICLE 4 and elsewhere in this Agreement as they may be supplemented, enhanced, modified or replaced during the Term in accordance with this Agreement; and (ii) any New Services, upon Williams's acceptance of Provider's proposal for such New Services in accordance with SECTION 11.5 and the other provisions of this Agreement.

(79) "SOFTWARE" shall mean all software programs and programming for which a Party is financially or operationally responsible under SCHEDULE E or U (and all modifications, replacements, Upgrades, enhancements, documentation, materials and media related thereto), including antivirus software, Applications, asset management software, compilers, database software, development tools, management tools, monitoring software, local area and wide area network software, office images, Operating System Software, problem management software, remote management software, Systems Software, Third Party Software, and utilities, unless a more specific reference is required by the context.

(80) "SPECIALIZED SERVICES" shall have the meaning given in SECTION 9.8.

(81) "SPECIFICATIONS" shall mean, with respect to Software, Equipment, Systems, Developed Materials or other contract deliverables to be designed, developed, delivered, integrated, installed and/or tested by Provider, the technical, design and/or functional specifications set forth in SCHEDULE E or H, in third party

vendor documentation, in a New Services or Project description requested and/or approved by Williams, or otherwise agreed upon in writing by the Parties.

(82) "SUBCONTRACTORS" shall mean subcontractors (of any tier) of Provider, including Shared Subcontractors (as defined in SECTION 9.11(b)). The initial list of Subcontractors is set forth on SCHEDULE D, each of which has been approved by Williams to the extent such approval is required and described thereon. SCHEDULE D may be amended during the Term in accordance with SECTION 9.11.

(83) "SYSTEM" shall mean an interconnected grouping of Equipment, Software and associated attachments, features, accessories, peripherals and cabling, and all additions, modifications, substitutions, Upgrades or enhancements to such System, to the extent a Party has financial or operational responsibility for such System or System components under SCHEDULE E. System shall include all Systems in use as of the Effective Date, all additions, modifications, substitutions, upgrades or enhancements to such Systems and all Systems installed or developed by or for Williams, the Eligible Recipients or Provider following the Effective Date.

(84) "SYSTEM CHANGE" shall mean any change to the, Software, Equipment, System or operating environment including without limitation changes to programs, manual procedures, job control language statements, distribution parameters, or schedules.

(85) "SYSTEMS SOFTWARE" shall mean all software programs and programming (and all modifications, replacements, Upgrades, enhancements, documentation, materials and media related thereto) that perform tasks basic to the functioning of the Equipment and are required to operate the Applications Software or otherwise support the provision of Services by Provider. For purposes of this Agreement, Systems Software shall include antivirus software, asset management software, local area and wide area network software, monitoring software, Operating System Software, problem management software, remote management software, system utilities, and System testing tools, to the extent a Party has financial or operational responsibility for such programs or programming under SCHEDULE E or U. Systems Software shall include all such programs or programming in use as of the Effective Date, including those set forth in SCHEDULE A, those as to which the license, maintenance or support costs are included in the Williams Base Case, and those as to which Provider received reasonable notice prior to the Effective Date. Systems Software also shall include all such programs or programming developed and/or introduced by or for Williams, the Eligible Recipients or

Provider after the Effective Date to the extent a Party has financial or operational responsibility for such programs or programming under SCHEDULE E or U.

(86) "TAX AUTHORITY" shall mean any federal, state, provincial, regional, territorial, local or other fiscal, revenue, customs or excise authority, body or official competent to impose, collect or asses tax.

(87) "TECHNOLOGY AND BUSINESS PROCESS EVOLUTION" means any improvement, upgrade, addition, modification, replacement, or enhancement to the standards, policies, practices, processes, procedures, methods, controls, scripts, product information, technologies, architectures, standards, Applications, Equipment, Software, Systems, tools, products, transport systems, interfaces and personnel skills associated with the performance of finance and accounting business processes and related functions in line with the best practices of leading providers of such services. Provider's obligations with respect to Technology and Business Process Evolution apply not only to the Services performed by Provider, but also to its support of the finance and accounting business processes and related functions performed by or for Williams and the Eligible Recipients at or from Williams Facilities. Technology and Business Process Evolution includes: (i) higher capacity, further scaling and commercializing of business processes, more efficient and scalable business processes, new versions and types of applications and systems/network software, new business or IT processes, and new types of hardware and communications equipment that will enable Provider to perform the Services more efficiently and effectively as well as support Williams and the Eligible Recipients in their efforts to meet and support their business requirements and strategies and (ii) any change to the Equipment, Software or methodologies used to provide the Services that is necessary to bring that function, Equipment or Software or those methodologies into line with the Williams Standards and/or current industry standards. For the avoidance of doubt, Technology and Business Process Evolution shall not constitute New Services or Projects.

(88) "TECHNOLOGY AND BUSINESS PROCESS PLAN" shall have the meaning given in SECTION 9.5(e).

(89) "TERM" shall have the meaning given in ARTICLE 3.

(90) "TERMINATION ASSISTANCE SERVICES" shall mean the termination/expiration assistance requested by Williams to allow the Services to continue without interruption or adverse effect and to facilitate the orderly transfer of the Services

to Williams or its designee, as such assistance is further described in SECTION 4.4 and SCHEDULE I.

(91) "TERMINATION CHARGE" shall mean the termination charges payable by Williams upon termination pursuant to SECTION 20.2 as set forth in SCHEDULE N.

(92) "THIRD PARTY CONTRACTS" shall mean all agreements between third parties and Williams or Provider that have been or will be used to provide the Services to the extent a Party has financial or operational responsibility for such contracts under SCHEDULE E or U. Third Party Contracts shall include all such agreements in effect as of the Effective Date, including those contracts identified in SCHEDULE F.3, those as to which the costs are included in the Williams Base Case, and those as to which Provider received reasonable notice prior to the Effective Date. Third Party Contracts also shall include those third party agreements entered into by Provider following the Effective Date

(93) "THIRD PARTY SOFTWARE" shall mean all Software products (and all modifications, replacements, Upgrades, enhancements, documentation, materials and media related thereto) that are provided under license or lease to Provider or Williams that have been or will be used to provide the Services to the extent a Party has financial or operational responsibility for such Software products under SCHEDULE E or U. Third Party Software shall include all such programs or programming in use as of the Effective Date, including those set forth in SCHEDULE A, those as to which the license, maintenance or support costs are included in the Williams Base Case, and those as to which Provider received reasonable notice prior to the Effective Date. Third Party Software also shall include all such programs or programming licensed and/or leased after the Effective Date.

(94) "TOWER" means as applicable, the IT Tower, the F&A Tower and/or the HR Tower.

(95) "TRANSFORMATION MILESTONE" shall have the meaning given in SECTION 4.3(c).

(96) "TRANSFORMATION PLAN" means the plan set forth in SCHEDULE H.2 and further developed pursuant to SECTION 4.3 hereof, which identifies the principal changes in technology and deliverables to be undertaken by Provider in connection with the transformation activities to be completed during and after the Transition Period, and the dates by which each will be completed by Provider.

(97) "TRANSFORMATION SERVICES" shall mean the services, functions and responsibilities described in SECTION 4.3 and the Transformation Plan to be performed by Provider.

(98) "TRANSITIONED EMPLOYEES" shall mean the employees of Williams or its Affiliates who accept Provider's offer of employment and become employed by Provider pursuant to ARTICLE 8. Upon being employed by Provider, such Transitioned Employees shall be deemed to be Provider Personnel as defined herein.

(99) "TRANSITION MILESTONE" shall mean each date identified in the Transition Plan and SCHEDULE H.1 as a milestone by which Provider shall have completed a key task or set of tasks in accordance with the Transition Plan in a manner acceptable to Williams.

(100) "TRANSITION PERIOD" shall mean the period that commences on the Effective Date and expires 11:59:59 p.m., Central Time, on the date specified for the completion of the Transition Services as specified in the Transition Plan, unless expressly extended in writing by Williams.

(101) "TRANSITION PLAN" shall mean the plan set forth in SCHEDULE H and developed pursuant to SECTION 4.2 hereof, which identifies all material transition tasks, Projects and deliverables to be completed by Provider in connection with the transition of all Services to Provider, and the dates by which each is to be completed by Provider.

(102) "TRANSITION SERVICES" shall mean the services, functions and responsibilities described in SECTION 4.2 and the Transition Plan to be performed by Provider during the Transition Period.

(103) "UNANTICIPATED CHANGE" shall have the meaning set forth in SECTION 11.7(i).

(104) "UPGRADE" and its derivatives shall mean the updates, renovations, enhancements, additions and/or new versions or releases of Software or Equipment by Provider. Unless otherwise agreed, financial responsibility for the costs, fees and expenses associated with an Upgrade of Software or Equipment shall be allocated between the Parties in accordance with SECTIONS 6.4 and SCHEDULE J.

(105) "WILLIAMS BASE CASE" shall mean the summary financial base case attached hereto as SCHEDULE K, as well as the detailed financial and budget information

underlying such summary base case, including records of actual and planned expenditures.

(106) "WILLIAMS DATA" shall mean any data or information of Williams or any Eligible Recipient that is provided to or obtained by Provider in connection with the negotiation and execution of this Agreement or the performance of its obligations under this Agreement, including data and information with respect to the businesses, customer, operations, facilities, products, rates, regulatory compliance, competitors, consumer markets, assets, expenditures, mergers, acquisitions, divestitures, billings, collections, revenues and finances of Williams or any Eligible Recipient. Williams Data also shall mean any data or information pertaining to Williams or an Eligible Recipient that is created, generated, collected or processed by Provider in the performance of its obligations under this Agreement, including data processing input and output, service level measurements, asset information, Reports, third party service and product agreements, and retained and Pass-Through Expenses. Williams Data shall also include contract charges, but notwithstanding anything to the contrary (i) contract charges shall be proprietary property of both Williams and Provider, and (ii) are subject to disclosure to third parties in accordance with ARTICLE 13 and service level measurements are subject to the restrictions on use set forth in SECTION 13.1.

(107) "WILLIAMS FACILITIES" shall mean the facilities listed in SCHEDULE O.1 provided by Williams or the Eligible Recipient for the use of Provider to the extent necessary to provide the Services.

(108) "WILLIAMS LAWS" shall have the meaning given in SCHEDULE S.

(109) "WILLIAMS OWNED SOFTWARE" shall mean Software owned by Williams, a Williams Affiliate or an Eligible Recipient and used, operated, maintained or supported by or on behalf of Provider under or in connection with this Agreement.

(110) "WILLIAMS OWNED MATERIALS" shall have the meaning given in SECTION 14.1(a).

(111) "WILLIAMS PERSONAL DATA" shall mean that portion of Williams Data that is subject to any Privacy Laws.

(112) "WILLIAMS PERSONNEL" shall mean the employees, agents, contractors or representatives of Williams or its Affiliates or Eligible Recipients who performed any of the services to be provided by Provider during the twelve (12) months preceding the Commencement Date.

(113) "WILLIAMS PROJECT EXECUTIVE" shall have the meaning given in SECTION 10.1.

(114) "WILLIAMS RULES" shall have the meaning given in SECTION 6.3(a).

(115) "WILLIAMS SITES" or "SITES" shall mean the offices or other facilities listed on SCHEDULE W at or to which Provider is to provide the Services.

(116) "WILLIAMS STANDARDS" shall have the meaning given in SECTION 9.5(A).

(117) "WILLIAMS THIRD PARTY CONTRACTORS" shall have the meaning given in SECTION 4.5.

(118) "WIND DOWN CHARGES" shall have the meaning given in SCHEDULE N.

2.2 OTHER TERMS

The terms defined in this Article include the plural as well as the singular and the derivatives of such terms. Unless otherwise expressly stated, the words "herein," "hereof," and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, Subsection or other subdivision. Article, Section, Subsection and Attachment references refer to articles, sections and subsections of, and attachments to, this Agreement. The words "include" and "including" shall not be construed as terms of limitation. The words "day," "month," and "year" mean, respectively, calendar day, calendar month and calendar year. As stated in SECTION 21.3, the word "notice" and "notification" and their derivatives shall mean notice or notification in writing. Other terms used in this Agreement are defined in the context in which they are used and shall have the meanings there indicated.

2.3 ASSOCIATED CONTRACT DOCUMENTS.

This Agreement includes each of the following schedules and their attached exhibits, all of which are attached to this Agreement and incorporated into this Agreement by this reference:

A Software

B Approved Benchmarkers

C Key Provider Personnel and Critical Support Personnel

D Subcontractors

E Statement of Work

E.1 Information Technology Statement of Work

E.2 Finance & Accounting Statement of Work

E.3 Human Resources Statement of Work

F.1 Acquired Assets

F.2 Equipment Leases

F.3 Third Party Contracts

F.4 Third Party Software

G Service Levels and Service Level Credits

G.1 Critical Service Levels

G.2 Key Performance Measurements

G.3 General Service Levels

H Transition Plan

H.1 Transition Milestones, Acceptance Criteria and Credits

H.2 Transformation Plan

I Termination Assistance Services

J Provider Charges

J-1 Annual Services Charges

J-2 Resource Baselines, Deadband Percentages and Definitions

J-3 ARC/RRC Rates

J-4 FTE Rates for Projects

J-5 ERP Project Statement of Understanding (SOU)

J-6 Incremental Projects

J-7 Travel Expense Responsibility Matrix

J-8 Assumed Efficiencies

J-9 Reserved

J-10 Refresh Commitments

J-11 ECA Provisions

J-12 Provider Value Adds

K Williams Base Case

L In-Flight and Planned Projects

M Affected Employees

M.1 Employee Benefit Plans

N Termination Charges

O.1 Williams Facilities

O.2 Provider Facilities

O.3 Williams Provided Equipment

P Direct Williams Competitors

Q Satisfaction Survey

R Reports

S Additional Matters

T Governance Model

U Responsibility Matrix

V Williams Rules

W Williams Sites

X Managed Third Parties

Exhibit 1: Form of Non-Disclosure Agreement

Exhibit 2: Form of Invoice

Exhibit 3: Form of Bill of Sale

3. TERM

3.1 INITIAL TERM.

The initial Term of this Agreement shall commence as of 12:00:01 a.m., Central Time on the Effective Date and continue until 11:59:59 p.m., Central Time, on December 31, 2011, unless this Agreement is terminated as provided herein or extended as provided in SECTION 3.2 or 4.4(a)(2), in which case the Term shall end at 11:59:59 p.m., Central Time, on the effective date of such termination or the date to which this Agreement is extended. The Parties shall mutually agree in writing the date as of which Provider has successfully completed the Transition Services.

3.2 EXTENSION.

By giving notice to Provider no less than ninety (90) days prior to the expiration date of the initial Term or any extension, Williams shall have the right to extend the Term for up to three (3) extension periods of up to one (1) year, each on the same rates, charges and terms and conditions set forth in this Agreement. No Termination Charges shall be applicable to any termination on or after the expiration of the initial Term.

4. SERVICES

4.1 OVERVIEW.

(a) SERVICES. Commencing on the Commencement Date or such other date as expressly provided herein, Provider shall provide the Services to Williams, and, upon Williams's request, to Eligible Recipients and End Users designated by Williams. The Services shall consist of the following, as they may evolve during the Term of this Agreement or be supplemented, enhanced, modified or replaced:

(i) The services, functions and responsibilities described in this Agreement and its Schedules and attachments, which include the following:

(1) the Transition Services, as described in SECTION 4.2 and SCHEDULE H; and

(2) the Termination Assistance Services, as described in SECTION 4.4 and SCHEDULE I.

(ii) The finance and accounting, human resources and information technology related services, functions and responsibilities (A) performed during the twelve (12) months preceding the Commencement Date or (B) of a recurring nature performed in the normal course of Williams's business but not during the twelve (12) months preceding the Commencement Date, in either case by Williams Personnel who were displaced or whose functions were displaced as a result of this Agreement, even if the service, function, or responsibility is not specifically described in this Agreement; provided, however, such services, functions or responsibilities shall not include services, functions or responsibilities for which both the financial and labor resources were eliminated by Williams prior to the Commencement Date such as through reorganizations; and provided further that, in the event of a direct conflict between SCHEDULE E and the scope of services as described in this SECTION 4.1(a)(ii), this SECTION 4.1(a)(ii) shall not be construed as altering and/or superseding SCHEDULE E); and

(iii) The finance and accounting, human resources and information technology services, functions and responsibilities reflected in those categories of the Williams Base Case which Provider is assuming pursuant to this Agreement (provided, however, in the event of a direct conflict between SCHEDULE E and the scope of services as described in this SECTION 4.1(a)(iii), this SECTION 4.1(a)(iii) shall not be construed as altering and/or superseding SCHEDULE E).

(b) INCLUDED SERVICES. If any services, functions or responsibilities not specifically described in this Agreement are an inherent, necessary or customary part of the Services or are required for proper performance or provision of the Services in accordance with this Agreement, they shall be deemed to be included within the scope of the Services to be delivered for the Charges, as if such services, functions or responsibilities were specifically described in this Agreement, except that for the first 12 months after the Commencement Date, services, functions or responsibilities that would be a customary part of the Services but which were not performed by Williams during the 12 months before the Effective Date are not

within the Scope of Services delivered for the Charges for the first 12 months after the Commencement Date.

(c) REQUIRED RESOURCES. Except as otherwise expressly provided in this Agreement, Provider shall be responsible for providing the facilities, personnel, Equipment, Software, Materials technical knowledge, expertise and other resources necessary to provide the Services.

(d) PROVIDER RESPONSIBILITY. Provider shall be responsible for the provision of the Services in accordance with this Agreement even if, by agreement of the Parties, such Services are actually performed by non-Provider Personnel acting under the project-management direction of Provider (as opposed to acting as the employer), including Williams employees.

4.2 TRANSITION SERVICES.

(a) TRANSITION. During the Transition Period, Provider shall perform the Transition Services and provide the deliverables described in the Transition Plan, which is attached to this Agreement as SCHEDULE H. If any services, functions or responsibilities not specifically described in the Transition Plan are an inherent, necessary or customary part of the Transition Services or are required for the proper performance of the Transition Services in accordance with this Agreement, they shall be deemed to be included within the scope of the Transition Services to be delivered for the transition charges, as if such services, functions or responsibilities were specifically described in the Transition Plan. During the Transition Period, Williams will perform those tasks which are designated to be Williams's responsibility in the Transition Plan, provided that, Williams shall not be obligated to perform any tasks during the Transition Period that are not set forth in such Transition Plan. Unless otherwise agreed, Williams shall not incur any charges, fees or expenses payable to Provider or third parties in connection with the Transition Services, other than those charges, fees and expenses specified in SCHEDULE J and those incurred by Williams in connection with its performance of tasks designated in the Transition Plan as Williams's responsibility.

(b) TRANSITION PLAN. The initial Transition Plan, is attached to this Agreement as SCHEDULE H. During the thirty (30) days immediately following the Effective Date, Provider shall prepare and deliver to Williams a detailed Transition Plan for Williams's review, comment and approval. The proposed detailed Transition Plan shall describe in greater detail the specific transition activities to be performed by Provider, but, unless otherwise agreed by Williams, shall be consistent in all

respects with the initial Transition Plan, including the activities, deliverables, Transition Milestones and Deliverable Credits described therein. Provider shall address and resolve any questions or concerns Williams may have as to any aspect of the proposed detailed Transition Plan and incorporate any modifications, additions or deletions to such Transition Plan requested by Williams. If approved by Williams, the detailed Transition Plan shall be appended to and incorporated in this Agreement as SCHEDULE H and shall supersede and replace the initial Transition Plan.

(c) CONTENT OF TRANSITION PLAN. The Transition Plan shall identify, among other things, (i) the transition activities to be performed by Provider and the significant components and subcomponents of each such activity, (ii) the portions of such transition activities, if any, to be performed by Provider's Subcontractors and the identity of such Subcontractors; (iii) the deliverables to be completed by Provider, (iv) the date(s) by which each such activity or deliverable is to be completed (the "TRANSITION MILESTONES"), (v) a process and set of standards acceptable to Williams to which Provider will adhere in the performance of the Transition Services and that will enable Williams to determine whether Provider has successfully completed the transition and the activities and deliverables associated with each Transition Milestone, including measurable success criteria by Functional Service Area that Provider must meet before transitioning the work any further, (vi) a process for Williams to delay Provider from proceeding with any part of the transition, either current or future plans, or altering the timing for implementation of parts of the Services if Williams determines that any part of the transition poses a risk or hazard to Williams's or an Eligible Recipient's business interests, (vii) the contingency or risk mitigation strategies to be employed by Provider in the event of disruption or delay, (viii) any transition responsibilities to be performed or transition resources to be provided by Williams or the Eligible Recipients and (ix) a detailed work plan identifying the specific transition activities to be performed by individual Provider Personnel on a daily basis during the Transition Period.

(d) PERFORMANCE. Provider shall perform the Transition Services described in the Transition Plan in accordance with the Transition Milestones set forth in the Transition Plan. Provider shall provide all cooperation and assistance reasonably required or requested by Williams in connection with Williams's evaluation or testing of the deliverables set forth in the Transition Plan. Provider shall perform the Transition Services so as to avoid or minimize to the extent possible (i) any material disruption to or material adverse impact on the business or operations of Williams or the Eligible Recipients, (ii) any degradation of the Services then

being received by Williams or the Eligible Recipients, or (iii) any disruption or interference with the ability of Williams or the Eligible Recipients to obtain the full benefit of the Services, except as may be otherwise provided in the Transition Plan. Prior to undertaking any transition activity, Provider shall discuss with Williams all known Williams-specific material risks and shall not proceed with such activity until Williams is reasonably satisfied with the plans with regard to such risks (provided that, neither Provider's disclosure of any such risks to Williams, nor Williams's acquiescence in Provider's plans, shall operate or be construed as limiting Provider' responsibilities under this Agreement). Provider shall identify and resolve, with Williams's reasonable assistance, any problems that may impede or delay the timely completion of each task in the Transition Plan that is Provider's responsibility and shall use all commercially reasonable efforts to assist Williams with the resolution of any problems that may impede or delay the timely completion of each task in the Transition Plan that is Williams's responsibility.

(e) REPORTS. Provider shall meet at least weekly with Williams to report on its progress in performing its responsibilities and meeting the timetable set forth in the Transition Plan. Provider also shall provide written reports to Williams at least weekly regarding such matters, and shall provide oral reports more frequently if reasonably requested by Williams. Promptly upon receiving any information indicating that Provider may not perform its responsibilities or meet the timetable set forth in the Transition Plan, Provider shall notify Williams in writing of material delays and shall identify for Williams's consideration and approval specific measures to address such delay and mitigate the risks associated therewith.

(f) FAILURE TO MEET TRANSITION MILESTONES. The Parties acknowledge and agree that the Transition Plan specifies various Transition Milestones by which transition activities and/or deliverables are to be completed. Provider recognizes that its failure to meet the Transition Milestones may have a material adverse impact on the business and operations of Williams and the Eligible Recipients and that the damages resulting from Provider's failure to meet such Transition Milestones are not capable of precise determination. Accordingly, if Provider fails to meet a Transition Milestone, then, in addition to any other remedies available to Williams under this Agreement, at law, or in equity, Provider shall be subject to the imposition of the Deliverable Credits specified in SCHEDULE H.1 for such Transition Milestone, as compensation to Williams and the Eligible Recipients for their damages and not as a penalty. If Williams recovers other monetary damages from Provider as a result of Provider's failure to meet one or more Transition

Milestones, Provider shall be entitled to set-off against such damages any Deliverable Credits paid for the failure(s) giving rise to such recovery. Neither the transition nor the activities and deliverables associated with individual Transition Milestones shall be deemed complete until Williams has determined that Provider has successfully completed them in accordance with the process and standards identified in the Transition Plan.

(g) TERMINATION FOR CAUSE. Notwithstanding the foregoing, Williams may terminate this Agreement for cause if (i) Provider fails to comply with its obligations with respect to the provision of Transition Services and such failure causes or will cause a material disruption to or otherwise has or will have a material adverse impact on the operations or businesses of Williams or the Eligible Recipients, (ii) Provider materially breaches its obligations with respect to the provision of Transition Services and fails to cure such breach within fifteen (15) days after its receipt of notice, (iii) Provider fails to meet a Transition Milestone and such failure constitutes a material breach of this Agreement and Provider fails to cure such breach within fifteen (15) days after its receipt of notice, or (iv) Provider fails to meet Service Levels applicable during the Transition Period. In addition, unless otherwise agreed, if Provider fails to meet the Transition Milestone for the completion of the transition of all Services to Provider by more than thirty (30) days, Williams may terminate this Agreement for cause by giving Provider notice of such fact, such termination immediately effective as of the termination date set forth in such notice. In all such events, subject to SECTION 18.3, Williams may recover the damages suffered by Williams or the Eligible Recipients in connection with such a termination, provided that, if such termination is based on Provider's failure to meet a Transition Milestone, Provider shall be entitled to set-off against such damages any liquidated damages Provider has paid for the failure to meet such Transition Milestone.

4.3 TRANSFORMATION SERVICES.

(a) TRANSFORMATION ACTIVITIES. Without limiting any of Provider's other obligations hereunder with respect to technology and business process evolution, Provider shall perform the Transformation Services and implement the technology and other changes described in the Transformation Plan attached to this Agreement as SCHEDULE H.2. If any services, functions or responsibilities not specifically described in the Transformation Plan are an inherent, necessary or customary part of the Transformation Services or are required for proper performance or provision of the Transformation Services or the completion of the changes described in the Transformation Plan in

accordance with this Agreement, they shall be deemed to be included within the scope of the Transformation Services to be delivered without additional charge, as if such services, functions or responsibilities were specifically described in the Transformation Plan. Unless otherwise agreed in writing, Williams shall not incur any charges, fees or expenses payable to Provider in connection with the Transformation Services, other than those charges, fees and expenses specified in SCHEDULE J and those incurred by Williams. At Provider's request or as specified in the Transformation Plan. Williams shall provide reasonable cooperation to Provider in connection with its performance of the Transformation Services.

(b) TRANSFORMATION PLAN. The initial Transformation Plan, is attached to this Agreement as SCHEDULE H.2. Within forty-five (45) days after the Effective Date, Provider shall prepare and deliver to Williams a detailed Transformation Plan for Williams's review, comment and approval. The proposed detailed Transformation Plan shall describe in greater detail the specific transformational activities to be performed by Provider, but, unless otherwise agreed by Williams, shall be consistent in all respects with the initial Transformation Plan, including the activities, deliverables, Transformation Milestones and Deliverable Credits described therein. Provider shall address and resolve any questions or concerns Williams may have as to any aspect of the proposed detailed Transformation Plan and incorporate any modifications, additions or deletions to such Transformation Plan requested by Williams. If approved by Williams, in its reasonable discretion, the detailed Transformation Plan shall be appended to and incorporated in this Agreement as SCHEDULE H.2 and shall supersede and replace the initial Transformation Plan.

(c) CONTENTS OF TRANSFORMATION PLAN. The Transformation Plan shall identify, among other things, (i) the transformational activities to be performed by the Provider and the changes in technology and business processes to be implemented by Provider, (ii) the date(s) by which each such activity or implementation is to be completed ("TRANSFORMATION MILESTONES"), (iii) a process and set of standards acceptable to Williams to which Provider will adhere in the performance of the Transformation Services and that will enable Williams to determine whether Provider has successfully completed the Transformation Services and the activities and deliverables associated with each Transformation Milestone, including measurable success criteria by Functional Service Area that Provider must meet before transforming the work any further; (iv) providing a process for Williams to delay Provider from proceeding with any part of the Transformation Plan, either current or future

plans, or altering the timing for implementation of parts of the Transformation Plan, if Williams determines that any part of the Transformation Plan poses a material risk or hazard to Williams's or an Eligible Recipient's business interests; (v) the contingency or risk mitigation strategies to be employed by Provider in the event of disruption or delay, and (vi) any transformational activities to be performed by Williams or the Eligible Recipients (provided that, Williams and the Eligible Recipients shall not be obligated to perform any transformational activities that are not specifically contemplated by this Agreement and expressly set forth in the Transformation Plan). If Williams elects to delay any part of the Transformation Plan pursuant to clause (iv) above, and such delay results in increased Charges or increased costs for Provider, then Williams shall pay such increased Charges or increased costs to Provider; provided, however, that (a) Provider has used commercially reasonable efforts to mitigate such increased Charges or costs, (b) Provider has notified Williams in advance of such fact and the need for such increased Charges or costs, and (c) Williams has approved in writing of such increased Charges or costs. In addition, Williams shall not incur any increase in Provider's Charges or costs in such circumstances to the extent that Williams's determination is based on Provider's failure to perform its transformation obligations or other material obligations under this Agreement.

(d) IMPLEMENTATION PLAN. At least thirty (30) days before the end of each calendar year, Provider shall deliver to Williams for Williams's review, comment and approval a detailed plan for the implementation of Transformation Services for the succeeding calendar year. Such implementation plan shall be based on and consistent with SCHEDULE H.2, and shall identify each Transformation Plan activity to be performed by Provider Personnel, and the acceptance testing and review process for the system changes being implemented. If approved by Williams, in its sole discretion, each such plan for each calendar year shall become a part of the Transformation Plan and be incorporated in SCHEDULE H.2. Notwithstanding the foregoing, following the completion by Provider of all Transformation Services contemplated by SCHEDULE H.2, Provider shall no longer be required to prepare and submit such a plan.

(e) PERFORMANCE. Provider shall perform the Transformation Services and implement the Transformation Plan in accordance with the timetable and Transformation Milestones set forth in the Transformation Plan, and Williams shall reasonably cooperate with Provider to assist Provider in implementing the Transformation Plan. Provider shall provide all cooperation and assistance

reasonably required or requested by Williams in connection with Williams's evaluation or testing of the deliverables resulting from implementation of the Transformation Plan. Provider shall implement the Transformation Plan in a manner that will not (i) materially disrupt or have a material adverse impact on the business or operations of Williams or the Eligible Recipients, (ii) degrade the Services then being received by them, or (iii) interfere with their ability to obtain the full benefit of the Services, except as may be otherwise provided in the Transformation Plan. Prior to undertaking any transformation activity, Provider shall discuss with Williams all known Williams-specific material risks and shall not proceed with such activity until Williams is reasonably satisfied with the plans with regard to such risks (provided that, neither Provider's disclosure of any such risks to Williams nor Williams's acquiescence in Provider's plans shall operate or be construed as limiting Provider's responsibilities under this Agreement). Provider shall identify and resolve, with Williams's reasonable assistance, any problems that may impede or delay the timely completion of any phase of the Transformation Plan.

(f) FAILURE TO MEET TRANSFORMATION MILESTONES.

(i) The Parties acknowledge and agree that the Transformation Plan specifies various Transformation Milestones by which transformational activities and/or deliverables are to be completed. Provider recognizes that its failure to meet the Transformation Milestones may have a material adverse impact on the business and operations of Williams and the Eligible Recipients and that the damages resulting from Provider's failure to meet such Transformation Milestones are not capable of precise determination. Accordingly, if Provider fails to meet a Transformation Milestone, then, in addition to any other remedies available to Williams under this Agreement, at law, or in equity, Provider shall be subject to the imposition of Deliverable Credits specified in SCHEDULE H.2 for such Transformation Milestone, as compensation for Williams's damages and not as a penalty. If Williams recovers other monetary damages from Provider as a result of Provider's failure to meet one or more Transformation Milestones, Provider shall be entitled to set-off against such damages any Deliverable Credits paid for the failures giving rise to such recovery.

(ii) Neither the Transformation Services nor the activities and deliverables associated with individual Transformation Milestones shall be deemed complete until Williams has determined that Provider has successfully

completed them in accordance with the processes and standards identified in the Transformation Plan.

4.4 TERMINATION ASSISTANCE SERVICES.

(a) AVAILABILITY. As part of the Services, and for the Charges set forth in SECTION 4.4(b)(8) and 4.4(b)(10) and SCHEDULE J, Provider shall provide to Williams, the Eligible Recipients or their designee(s) the Termination Assistance Services described in SECTION 4.4(b) and SCHEDULE I.

(1) PERIOD OF PROVISION. Provider shall provide such Termination Assistance Services to Williams and any Eligible Recipients, or their designee(s) (i) commencing upon notice from Williams up to six (6) months prior to the expiration of the Term or on such earlier date as Williams may request and continuing for up to twelve (12) months following the effective date of the expiration of the Term (as such Term may be extended pursuant to SECTION 3.2), (ii) commencing upon any notice of termination (including notice based upon breach or default by Williams, breach or default by Provider or termination for convenience by Williams) of the Term with respect to all or any part of the Services, and continuing for up to twelve (12) months following the effective date of such termination of all or part of the Services, or (iii) commencing upon notice of termination of all or part of the Services to an Eligible Recipient no longer Controlled by Williams and continuing for up to twelve (12) months following the effective date of such termination; provided however, that if the Agreement is terminated by Provider for Williams' failure to pay undisputed charges, or Williams' failure to escrow amounts in accordance with SECTION 12.4, Williams will be required to pay for Termination Assistance Services in advance.

(2) EXTENSION OF SERVICES. Williams may elect, upon sixty (60) days prior notice, to extend the effective date of any expiration/termination of all or part of the Services, in its sole discretion, provided that the total of all such extensions will not exceed one hundred and eighty (180) days following the originally specified effective date without Provider's prior written consent. Williams also may elect, upon sixty (60) days prior notice, to extend the period following the effective date of any expiration/termination for the performance of Termination Assistance Services, provided that the period between the effective date and the completion of all Termination Assistance Services is not greater than

eighteen (18) months. In each case, if Williams provides less than sixty (60) days prior notice of an extension, Provider shall nonetheless use commercially reasonable efforts to comply with Williams's request and provide the requested Services and/or Termination Assistance Services.

(3) FIRM COMMITMENT. Provider shall provide Termination Assistance Services to Williams and any Eligible Recipients, or their designee(s), regardless of the reason for the expiration or termination of the Term; provided, if this Agreement is terminated by Provider under SECTION 20.1(b) for failure to pay undisputed amounts or for failure to escrow amounts in accordance with SECTION 12.4, Provider may require payment by Williams in advance for Termination Assistance Services to be provided or performed under this SECTION 4.4. At Williams's request, Provider shall provide Termination Assistance Services directly to an Eligible Recipient or an Entity acquiring Control of an Eligible Recipient; provided that, unless otherwise agreed by the Parties, all such Termination Assistance Services shall be performed subject to and in accordance with the terms and conditions of this Agreement.

(4) PERFORMANCE. To the extent Williams requests Termination Assistance Services, such Termination Assistance Services shall be provided subject to and in accordance with the terms and conditions of this Agreement. Provider shall perform the Termination Assistance Services with at least the same degree of accuracy, quality, completeness, timeliness, responsiveness and resource efficiency as it provided and was required to provide the same or similar Services during the Term. The quality and level of performance of the Termination Assistance Services provided by Provider following the expiration or termination of the Term as to all or part of the Services or Provider's receipt of a notice of termination or non-renewal shall continue to meet or exceed the Service Levels and shall not be degraded or deficient in any respect. Accordingly, Service Level Credits may still be earned for failure to meet Service Levels during the period Termination Assistance Services are provided. Provider Personnel (including all Key Provider Personnel) reasonably considered by Williams to be critical to the performance of the Services and Termination Assistance Services shall be retained on the Williams account through the completion of all relevant Termination Assistance Services. Provider shall use commercially reasonable efforts perform the Termination Assistance Services using personnel dedicated to Williams's account, at no additional charge to Williams and without impacting the provision of or the cost to

render the Services. To the extent that Provider is not able to perform Termination Assistance using personnel dedicated to the account without impacting the provision of or the cost to render the Services, Williams shall pay Provider for the additional Provider resources required to perform such Termination Assistance Services using rates that are comparable to the rates for the Services provided under this Agreement; provided, however, that (a) Provider has used commercially reasonable efforts to mitigate such increased costs, (b) Provider has notified Williams in advance of such fact and the need for such additional costs, and (c) Williams has approved in writing of such additional costs.

(b) SCOPE OF TERMINATION ASSISTANCE SERVICE. As part of the Termination Assistance Services, Provider will timely transfer the control and responsibility for all Services previously performed by or for Provider to Williams, the Eligible Recipients and/or their designee(s) by the execution of any documents reasonably necessary to effect such transfers. Additionally, Provider shall provide any and all reasonable assistance requested by Williams to allow, among other things:

- the Systems and processes associated with the Services to operate efficiently;

- the Services to continue without interruption or adverse effect; and

- the orderly transfer of the Services to Williams, the Eligible Recipients and/or their designee(s).

The Termination Assistance Services shall include, as requested by Williams, the Services, functions and responsibilities set forth on SCHEDULE I. In addition, in connection with such termination or expiration, Provider will provide the following assistance and Services at Williams's direction:

(1) GENERAL SUPPORT. Provider shall (i) assist Williams, an Eligible Recipient, or their designee(s) in developing a written transition plan for the transition of the Services to Williams, an Eligible Recipient, or their designee(s), which plan shall include (as requested by Williams) capacity planning, facilities planning, systems planning, human resources planning, telecommunications planning and other planning necessary to effect the transition, (ii) perform programming and consulting services as requested to assist in implementing the transition plan, (iii) train personnel designated by Williams, an Eligible Recipient, or their designee(s) in the

use of any business processes or associated Equipment, Software, Systems, Materials or tools used in connection with the provision of the Services, (iv) catalog all business processes, Software, Williams Data, Equipment, Materials, Third Party Contracts and tools used to provide the Services, (v) provide machine readable and printed listings and associated documentation for source code for Software owned by Williams and source code to which Williams is entitled under this Agreement and assist in its re-configuration, (vi) analyze and report on the space required for the Williams Data and the Software needed to provide the Services, (vii) assist in the execution of a parallel operation, data migration and testing process until the successful completion of the transition to Williams, an Eligible Recipient, or their designee(s), (viii) create and provide copies of the Williams Data in the format and on the media reasonably requested by Williams, (ix) provide a complete and up-to-date, electronic copy of the Policy and Procedures Manual in the format and on the media reasonably requested by Williams, and (x) provide other technical assistance as requested by Williams, an Eligible Recipient or their designee(s).

(2) HIRING.

(i) Williams, the Eligible Recipients and/or their designee(s) shall be permitted to undertake, without interference from Provider, Provider Subcontractors (subject to SECTION 4.4(b)(2)(ii) below) or Provider Affiliates (including counter-offers), to hire, effective after the later of the expiration or termination of the Term or completion of any Termination Assistance Services requested under SECTION 4.4(b)(8), any Provider Personnel primarily assigned to the performance of Services within the 12-month period prior to the expiration or termination date. Provider shall waive, and shall cause its Subcontractors (as contemplated in SECTION 4.4(b)(2)(ii) below) and Affiliates to waive, their rights, if any, under contracts with such personnel restricting the ability of such personnel to be recruited or hired by Williams, the Eligible Recipients and/or their designee(s). Williams, the Eligible Recipients and/or their designee(s) shall have reasonable access to such Provider Personnel for interviews, evaluations and recruitment. Williams shall endeavor to conduct the above-described hiring activity in a manner that is not unnecessarily disruptive of the performance by Provider of its obligations under this Agreement.

(ii) With respect to Subcontractors, Provider shall use all commercially reasonable efforts to (A) obtain for Williams, the Eligible Recipients and their designee(s) the rights specified in this SECTION 4.4(b)(2)(ii), and (B) ensure that the such rights are not subject to subsequent Subcontractor approval or the payment by Williams, an Eligible Recipient or their designee(s) of any fees. If Provider is unable to obtain any such rights with respect to a Subcontractor, it shall notify Williams in advance and shall not use such Subcontractor without Williams's approval (and absent such approval, Provider's use of any such Subcontractor shall obligate Provider to obtain or arrange, at no additional cost to Williams, the rights specified in this SECTION 4.4(b)(2)(i), for Williams, the Eligible Recipients and their designee(s) upon expiration or termination).

(3) SOFTWARE. As provided in SECTION 14.6, and subject to SECTION 6.4(c), Provider shall provide, and hereby grants to Williams (with a right to sublicense to the Eligible Recipients and/or Williams's designee), license, sublicense and/or other rights to certain Software and other Materials used by Provider, Provider Affiliates or Subcontractors in performing the Services to the extent Williams is entitled to such license, sublicense and/or other rights under SECTION 14.6, including, where expressly provided, a copy of all source code, object code and documentation related to such Software or other Materials in Provider's possession or control in a form reasonably requested by Williams.

(4) EQUIPMENT. Subject to SECTION 6.4(c), Williams, the Eligible Recipients and/or their designee(s) shall have the right (but not the obligation) to purchase, or assume the lease for, any Equipment (including the Acquired Assets) owned or leased by Provider that is primarily used by Provider, Provider Subcontractors or Provider Affiliates to perform the Services. Such Equipment shall be transferred in good working condition, reasonable wear and tear excepted, as of the expiration or termination date or the completion of any Services requiring such Equipment requested by Williams under SECTION 4.4(b)(8), whichever is later. Provider shall maintain such Equipment through the date of transfer so as to be eligible for the applicable manufacturer's maintenance program at no additional charge to Williams. In the case of Provider-owned equipment, Provider shall grant to Williams, the Eligible Recipients and/or their designee(s) a warranty of title and a warranty that such Equipment is free and clear of

all liens and encumbrances. Such conveyance by Provider to Williams, the Eligible Recipients and/or their designee(s) shall be at fair market value. At Williams's request, the Parties shall negotiate in good faith and agree upon the form and structure of the purchase. In the case of leased Equipment, Provider shall (i) represent and warrant that the lease is not in default, (ii) represent and warrant that all payments thereunder have been made through the date of transfer, and (iii) notify Williams of any lessor defaults of which it is aware at the time.

(5) WILLIAMS FACILITIES, EQUIPMENT AND SOFTWARE. Provider shall vacate the Williams Facilities and return to Williams, if not previously returned, any Williams owned or leased Equipment, Williams Owned Software and Williams licensed Software, in condition at least as good as the condition when made available to Provider, ordinary wear and tear excepted. Such Williams Facilities, Equipment and Software shall be vacated and returned at the expiration or termination date or the completion of any Services requiring such Williams Facilities, Equipment and Software requested by Williams under SECTION 4.4(b)(8), whichever is later.

(6) PROVIDER SUBCONTRACTS AND THIRD PARTY CONTRACTS. Provider shall inform Williams of all subcontracts (except Shared Subcontractors) or Third Party Contracts primarily used by Provider or Provider Subcontractors to perform the Services. Subject to SECTIONS 6.4(c), Provider shall, at Williams's request, cause any such Subcontractors or third party contractors to either (as mutually agreed by the Parties) (i) permit Williams, the Eligible Recipients and/or their designee(s) to assume prospectively any or all such contracts or (ii) use commercially reasonable efforts to cause such third party contractors to enter into new contracts with Williams or its designees on substantially the same terms and conditions, including price. In the event of assignment to Williams or its designee, Provider shall so assign the designated subcontracts and Third Party Contracts to Williams, the Eligible Recipients and/or their designee(s) as of the expiration or termination date or the completion of any Termination Assistance Services requiring such subcontracts or Third Party Contracts requested by Williams under SECTION 4.4(b)(8), whichever is later. There shall be no charge or fee imposed on Williams, the Eligible Recipients and/or their designee(s) by Provider or its Subcontractors or third party contractors for such assignment. Provider shall (i) represent and warrant that it is not in default under such subcontracts and Third Party Contracts, (ii) represent and warrant that all payments thereunder

through the date of assignment are current, and (iii) notify Williams of any Subcontractor's or third party contractor's default with respect to such subcontracts and Third Party Contracts of which it is aware at the time. Provider shall retain the right to utilize any such Subcontractor or third party services in connection with the performance of services for other Provider customers.

(7) OTHER SUBCONTRACTS AND THIRD PARTY CONTRACTS. In addition to its obligations under SECTION 4.4(b)(6), Provider shall use commercially reasonable efforts to make available to Williams, the Eligible Recipients and/or their designee(s), pursuant to reasonable terms and conditions, any Subcontractor or third party services then being utilized by Provider in the performance of the Services. Provider shall retain the right to utilize any such Subcontractor or third party services in connection with the performance of services for any other Provider customer. Williams and the Eligible Recipients shall retain the right to contract directly with any Subcontractor or third party previously utilized by Provider to perform any Services or to assume Provider's contract with such Subcontractor or third party to the extent provided in SECTION 4.4(b)(6).

(8) EXTENSION OF SERVICES. As part of the Termination Assistance Services, for a period of twelve (12) months following the expiration or termination date, Provider shall provide to the Eligible Recipient(s), under the terms and conditions of this Agreement, at Williams's request, any or all of the Services being performed by Provider prior to the expiration or termination date, including those Services described in SECTION 4.1 and SCHEDULE E; provided that Williams may extend the period for the provision of such Services for up to six (6) additional months in accordance with SECTION 4.4(a)(2). To the extent Williams requests such Services, Williams will pay Provider the Charges specified in SCHEDULE J that Williams would have been obligated to pay Provider for such Services if this Agreement had not yet expired or been terminated. To the extent Williams requests a portion (but not all) of the Services included in a particular Charge, the amount to be paid by Williams will be equitably adjusted in proportion to the portion of the Services included in the applicable Charge that Provider will not be providing or performing.

(9) RATES AND CHARGES. Except as provided in SECTION 4.4(b)(8) and (10), if Williams requests that Provider provide or perform Termination Assistance Services in accordance with this Agreement, Williams shall

pay Provider the rates and charges specified in SCHEDULE J for the additional Provider Personnel or resources required to perform such Termination Assistance Services. To the extent rates and charges for such Provider Personnel or resources are not specified in SCHEDULE J, Williams shall pay Provider a negotiated fee which shall be no less favorable to Williams than the rates provided in SCHEDULE J or Provider's then commercially available rates. To the extent the Termination Assistance Services requested by Williams can be provided by Provider using personnel and resources already assigned to Williams, there will be no additional charge to Williams for such Termination Assistance Services. If the Termination Assistance Services requested by Williams cannot be provided by Provider using personnel and resources then assigned to Williams, Williams, in its sole discretion, may forego or delay any work activities or temporarily or permanently adjust the work to be performed by Provider, the schedules associated therewith or the Service Levels to permit the performance of such Termination Assistance Services using such personnel or resources.

(10) PROPRIETARY COMMUNICATIONS NETWORK. If Provider uses a proprietary communications network to provide Services to Williams or the Eligible Recipients, then for a period of no more than eighteen (18) months following the expiration or termination date, Williams may request that Provider continue to provide such proprietary communications network and other Network Services at the rates, and subject to the terms and conditions, set forth in this Agreement.

(c) RESOURCES. Provider shall ensure that, at all times during the Term, on thirty (30) days notice, it is able to deploy all necessary resources to perform Termination Assistance in accordance with this SECTION 4.4.

(d) SURVIVAL OF TERMS. This SECTION 4.4 shall survive termination/expiration of the Term.

(e) FAILURE TO PROVIDE TERMINATION ASSISTANCE SERVICES. This provision shall be as set forth in SECTION 4.4(e) of SCHEDULE S.

4.5 USE OF THIRD PARTIES.

(a) RIGHT OF USE. Nothing in this Agreement shall prevent Williams or any Eligible Recipient from obtaining from third parties (each, a "WILLIAMS THIRD PARTY

CONTRACTOR"), or providing to itself, any or all of the Services or any other services. Nor shall anything in this Agreement be construed or interpreted as limiting Williams's right or ability during the Term to add or delete Eligible Recipients or to increase or decrease its demand for Services. To the extent Williams or an Eligible Recipient obtains from Williams Third Party Contractors, or provides to itself, any of the Services, the amount to be paid to Provider by Williams will be equitably adjusted downward in accordance with SCHEDULE J and, subject to the minimum revenue commitments set forth in SCHEDULE J, in proportion to the portion of the Services that Provider will not be providing or performing. Similarly, to the extent Williams adds or deletes Eligible Recipients or increases or decreases its demand for Services, the amount to be paid to Provider by Williams will be adjusted in accordance with SCHEDULE J and the rates specified therein. Nothing in this SECTION 4.5(A) shall be construed to limit or change any minimum revenue commitment set forth in SCHEDULE J.

(b) PROVIDER COOPERATION.

(i) Provider shall fully cooperate with and work in good faith with Williams or Williams Third Party Contractors as described in SCHEDULE E or requested by Williams and at no additional charge to Williams. Such cooperation may include: (A) timely providing access to any facilities being used to provide the Services, as necessary for Williams personnel or Williams Third Party Contractors to perform the work assigned to them (including, installation, maintenance or management of third party software and equipment to provide the services to Williams or the Eligible Recipients); (B) timely providing reasonable electronic and physical access to the business processes and associated Equipment, Materials and/or Systems to the extent necessary and appropriate for Williams personnel or Williams Third Party Contractors to perform the work assigned to them; (C) timely providing written requirements, standards, policies or other documentation for the business processes and associated Equipment, Software, Materials or Systems procured, operated, supported or used by Provider in connection with the Services; (D) ensuring that there is no degradation in the provision of the Services caused by the adjustments made by Provider in transferring Services to a third party, Williams or an Eligible Recipient; or (E) any other cooperation or assistance reasonably necessary for Williams personnel or Williams Third Party Contractors to perform the work in question. Williams personnel and Williams Third Party Contractors shall comply with Provider's reasonable security and confidentiality requirements, and shall, to the

extent performing work on Software, Equipment or Systems for which Provider has operational responsibility, comply with Provider's reasonable standards, methodologies, and procedures.

(c) NOTICE BY PROVIDER. Provider shall immediately notify Williams when it becomes aware that an act or omission of a Williams Third Party Contractor will cause, or has caused, a problem or delay in providing the Services, and shall use commercially reasonable efforts to work with Williams, the Eligible Recipients and the Williams Third Party Contractor to prevent or circumvent such problem or delay. Provider shall cooperate with Williams, the Eligible Recipients and Williams Third Party Contractors to resolve differences and conflicts arising between the Services and other activities undertaken by Williams, the Eligible Recipients or Williams Third Party Contractors. Any notification provided by Provider in accordance with this SECTION 4.5(C) shall not excuse Provider from the performance of any of its obligations under this Agreement.

4.6 ACQUISITION AND DIVESTITURE SERVICES. Provider shall provide the following Services (which, if applicable, may in part include New Services if the required services satisfy such definition) related to Entities acquired or divested by Williams.

(a) ACQUISITION SUPPORT. With respect to a potential acquisition by Williams, upon Williams's request, Provider will provide acquisition support (including assessments of the current technology environments to be acquired, potential integration approaches, and the potential net economic impact of the acquisition in connection with the Services) as reasonably necessary to assist Williams's assessment of the portion of the acquisition to which the Services will relate. Such support will be provided within the timeframe reasonably requested by Williams or as required by the timing of the transaction.

(b) MIGRATION OF SYSTEMS AND BUSINESS PROCESSES. As requested by Williams and as they relate to the Services, Provider will migrate the business processes, systems, applications and data of the acquired Entity to the Williams environment.

(c) ON-SITE SUPPORT. As requested by Williams, Provider will provide personnel to staff vacancies and to provide management for the information technology functions needed to support an acquisition, including on-site support at the location of the acquired Entity.

(d) DIVESTITURES. From time to time, Williams may divest business units. In such cases, Provider will provide transition support services to Williams, the divested business unit or the acquiring Entity. Provider shall provide the services described in SECTION 11.1(E) with respect to such divestitures. Any revenues, resources or other similar usage measures in connection with services that are the same as, or similar to, the Services and that are obtained by any divested Williams business unit under a separate agreement between such business unit and Provider, shall count toward the satisfaction of any revenue, resource or other similar usage requirements under this Agreement.

5. REQUIRED CONSENTS

5.1 PROVIDER RESPONSIBILITY.

At no additional cost to Williams, Provider shall undertake all administrative activities necessary to obtain all Required Consents. At Provider's request, Williams will cooperate with Provider in obtaining the Required Consents by executing appropriate Williams approved written communications and other documents prepared or provided by Provider. With Williams's approval, Provider shall exercise for the benefit of Williams and the Eligible Recipients any rights Provider has to utilize or transfer license rights or other applicable rights under Provider's existing third party licenses, leases or contracts, and the Parties shall cooperate in minimizing or eliminating any costs associated therewith.

5.2 FINANCIAL RESPONSIBILITY.

Provider shall pay all transfer, re-licensing or termination fees or expenses associated with obtaining any of the Required Consents described in clauses (iii), (iv) and (v) (collectively, the "PROVIDER REQUIRED CONSENTS") of the definition of Required Consents set forth in SECTION 2.1. For all other Required Consents that are not Provider Required Consents, Provider shall pay up to two hundred fifty thousand dollars ($250,000) of such transfer, re-licensing or termination fees or expenses associated with such Required Consents. For any amounts payable in excess of such $250,000 for Required Consents that are not Provider Required Consents, the Parties shall equally share the financial responsibility for any transfer, re-licensing or termination fees or expenses associated with obtaining any such Required Consents or terminating any licenses or agreements as to which Provider is unable to obtain such Required Consents; provided, however, notwithstanding the foregoing, Williams shall be responsible for any fees or expenses for Required Consents for Williams Facilities.

5.3 CONTINGENT ARRANGEMENTS.

If, despite using all commercially reasonable efforts, Provider is unable to obtain a Required Consent, then, unless and until such Required Consent is obtained, Provider shall use commercially reasonable efforts to determine and adopt, subject to Williams's prior approval, such alternative approaches as are necessary and sufficient to provide the Services without such Required Consent. If such alternative approaches are required for a period longer than ninety (90) days following the Commencement Date, the Parties will equitably adjust the terms and reduce the prices specified in this Agreement to reflect any additional costs being incurred by Williams and any Services not being received by Williams and the Eligible Recipients. In addition, if Provider fails to obtain Required Consent within ninety (90) days of the Commencement Date and such failure has a material adverse impact on the use or enjoyment of the Services by Williams or the Eligible Recipients, Williams may terminate this Agreement or any affected portions thereof without any Termination Charges. Wind Down Charges shall be payable if and only if and only to the extent indicated as payable in SCHEDULE N. Except as otherwise expressly provided herein, the failure to obtain any Required Consent shall not relieve Provider of its obligations under this Agreement and Provider shall not be entitled to any additional compensation or reimbursement amounts in connection with obtaining or failing to obtain any Required Consent or implementing any alternative approach.

6. FACILITIES, SOFTWARE, EQUIPMENT, CONTRACTS AND ASSETS ASSOCIATED WITH THE PROVISION OF SERVICES

6.1 SERVICE FACILITIES.

(a) SERVICE FACILITIES. The Services shall be provided at or from (i) the Williams Facilities described on SCHEDULE O.1, (ii) the Provider Facilities described on SCHEDULE O.2, or (iii) any other service location approved by Provider and Williams, in each case, for the particular Services to be performed at the particular facilities, as described in SCHEDULES O.1 and O.2. Provider shall obtain Williams's prior approval for any proposed relocation by Provider, its Affiliates or Subcontractors of the provision of a Service to a new or different Provider Facility. Williams acknowledges and has approved the Provider Facilities set forth on SCHEDULE O.2 as of the Effective Date for the provision of the Services and scope thereof described therein. Provider shall be financially responsible for all additional costs, taxes or expenses related to or resulting from any Provider-initiated relocation to a new or different Provider Facility, including any costs or expenses incurred or experienced by Williams or any Eligible Recipient as a result of such relocation. If (y) events or circumstances affecting a Provider-

provided location may have a negative impact on Provider's ability to provide the Services, or Williams's ability to provide the Services for itself or through any Williams Third Party Contractor (including Williams's ability to exercise all of its rights in connection with Termination Assistance Services or termination of this Agreement, or any portion thereof), or (z) with respect to a Provider-provided location, Williams has a substantial business or economic justification for requiring that Services be moved from that Provider-provided location, then, in each case, upon written request by Williams, Provider shall transition provision of the Services from the affected location to another Provider-provided location, as approved by Williams. If Williams requires Provider to relocate from a Provider-provided location, Provider shall do so; provided, that Williams shall pay Provider for its reasonable costs and expenses in relocation and Provider's Charges for the affected Services may be equitably adjusted (up or down) to reflect the fact that the Services are provided from a new service location, but only to the extent that there is a demonstrable and material affect on Provider's costs and expenses to provide the affected Services from the new location versus the prior location. In addition, Provider must us commercially reasonable efforts to minimize, and where possible avoid, any increased costs or expenses to Williams pursuant to this SECTION 6.1(A), including choosing an alternative location that does not result in increased costs and expenses.

(b) WILLIAMS FACILITIES. Williams shall provide Provider with the use of and access to the Williams Facilities (or equivalent space) described in SCHEDULE O.1 (for the periods specified in a space plan to be developed and mutually agreed to by the Parties during the Transition Period) solely as necessary for Provider to perform its obligations under this Agreement at no cost to Provider. Except as set forth in a SCHEDULE O.1 or as otherwise agreed to by the Parties, all Williams owned or leased assets provided for the use of Provider under this Agreement shall remain in Williams Facilities. In addition, all improvements or modifications to Williams Facilities requested by Provider shall be (i) subject to review and approval in advance by Williams, (ii) in strict compliance with Williams's then-current policies, standards, rules and procedures, and (iii) performed by and through Williams at Provider's expense. Williams shall own all improvements or modifications to Williams Facilities. Provider acknowledges and agrees that the facilities to be provided by Williams are sufficient for performing the Services and for satisfying Provider's responsibilities under this Agreement. THE Williams FACILITIES ARE PROVIDED BY Williams TO Provider ON AN AS-IS, WHERE-IS BASIS. Williams EXPRESSLY DISCLAIMS ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO THE Williams FACILITIES, OR THEIR CONDITION OR SUITABILITY FOR USE BY

PROVIDER.

(c) FURNITURE, FIXTURES AND EQUIPMENT. Williams shall provide office space and office furniture at the Williams Facilities specified in SCHEDULE O.1 for the number of Provider Personnel and for such periods specified in a space plan to be developed and mutually agreed to by the Parties during the Transition Period. The office space and office furniture provided by Williams for the use of Provider Personnel will be generally comparable in quality to the office space and office furniture provided to the then-standard office space and office furniture provided to similarly situated Williams employees. Provider shall be financially responsible for providing all other office space, office furniture and fixtures needed by Provider or Provider Personnel (including Transitioned Employees) to provide the Services, and for all upgrades, replacements and additions to such office furniture or fixtures; provided that such office furniture and fixtures must be approved in advance by Williams and meet Williams's then-current standards; and provided further that Provider shall use commercially reasonable efforts to purchase and use surplus Williams furniture and fixtures to the extent available. Provider Personnel using the office facilities provided by Williams will be accorded reasonable access to the communications wiring in such facilities (including fiber, copper and wall jacks, subject to SECTION 6.1(d)) and the use of certain shared office equipment and services, such as photocopiers, local and long distance telephone service for Williams-related calls, telephone handsets, mail service, office support service (e.g., janitorial), heat, light, and air conditioning; provided that such access and usage shall be solely for and in connection with the provision of Services by such Provider Personnel; and provided further that Provider shall reimburse Williams for the additional incremental costs incurred by Williams or the Eligible Recipients if and to the extent Provider's technology solution, service delivery model and/or inefficiency cause its usage or consumption of such resources to exceed historical levels. Provider shall be responsible for providing all other office related equipment and services needed by Provider or Provider Personnel at such Williams Facilities to provide the Services, and for upgrades, improvements, replacements and additions to such equipment or services.

(d) PROVIDER'S RESPONSIBILITIES REGARDING WILLIAMS'S NETWORK. To the extent any Equipment provided or used by Provider or Provider Personnel is connected directly to the network(s) of Williams or any Eligible Recipient, such Equipment shall be (i) subject to review and approval in advance by Williams, (ii) in strict compliance with Williams's

then-current security policies, architectures, standards, rules and procedures, and (iii) in strict compliance with Williams's then-current hardware and software specifications, provided, in the cases of clauses (ii) and (iii) as such policies, standards, rules, procedures and specifications are communicated to Provider in writing (through the Williams Virtual Policy Center website or otherwise) and documented or referenced in the Policies and Procedures Manual. Provider shall not install or permit the installation of any other software on such Equipment without Williams's prior approval.

(e) PROVIDER'S RESPONSIBILITIES. Except as provided in SECTIONS 6.1(a), (b) and (c) and SECTION 6.4, Provider shall be responsible for providing all furniture, fixtures, Equipment, space and other facilities required to perform the Services and all upgrades, improvements, replacements and additions to such furniture, fixtures, Equipment, space and facilities. Without limiting the foregoing, Provider shall (i) provide all maintenance, site management, site administration and similar services for the Provider Facilities, and (ii) provide uninterrupted power supply services for the Provider Facilities.

(f) PHYSICAL SECURITY AT WILLIAMS FACILITIES. Williams is responsible for the physical security of the Williams Facilities; provided, that Provider shall be responsible for the safety and physical access and control of the areas that Provider is using in performing the Services and Provider shall not permit any person to have access to, or control of, any such area unless such access or control is permitted in accordance with control procedures approved by Williams or any higher standard agreed to by Williams and Provider. Provider shall be solely responsible for compliance by Provider Personnel with such control procedures, including obtaining advance approval to the extent required.

(g) STANDARDS, REQUIREMENTS AND PROCEDURES AT WILLIAMS FACILITIES. Except as provided in SECTION 6.1(f), Provider shall adhere to and enforce, and cause Provider Personnel to adhere to and enforce, the operational, safety and security standards, requirements and procedures described in the applicable lease and/or then in effect at the Williams Facilities, as such standards, requirements and procedures may be modified by Williams from time to time. Provider shall regularly advise Williams of other operational, safety and security practices, procedures and safeguards in effect at the facilities of other Provider customers, where those practices, procedures and safeguards are of a higher standard than those contemplated in this Agreement.

(h) EMPLOYEE SERVICES. Subject to applicable security requirements, Williams will permit Provider Personnel to use certain employee facilities (e.g., designated

parking facilities, cafeteria, and common facilities) at the Williams Facilities that are generally made available to the employees and contractors of Williams or the Eligible Recipients. The employee facilities in question and the extent of Provider Personnel's permitted use shall be specified in writing by Williams and shall be subject to modification without advance notice in Williams's sole discretion. Provider Personnel will not be permitted to use employee facilities designated by Williams for the exclusive use of certain Williams or Eligible Recipient employees and will not be entitled to the provision or reimbursement of paid parking.

(i) USE OF WILLIAMS FACILITIES.

(i) Unless Provider obtains Williams's prior written agreement, which Williams may withhold in its sole discretion, Provider shall use the Williams Facilities, and the Equipment and Software located therein, only to provide the Services to Williams and the Eligible Recipients.

(ii) Williams reserves the right to relocate any Williams Facility from which the Services are then being provided by Provider to another geographic location; provided that, in such event, Williams will provide Provider with comparable office space in the new geographic location. In such event, Williams shall pay the applicable labor rate(s) for additional personnel, reasonably required by Provider and for the incremental Out-of-Pocket Expenses reasonably incurred by Provider in physically relocating to such new geographic location; provided that such relocation is not expressly contemplated in this Agreement, and that Provider notifies Williams of such additional required personnel and incremental Out-of-Pocket Expenses, obtains Williams's approval prior to using such personnel or incurring such expenses, and uses commercially reasonable efforts to minimize such personnel and expenses. In addition, if the space provided in the new geographic location is more than fifty (50) miles from the Williams Facility previously occupied, Williams shall reimburse Provider for (A) the relocation payments made to Key Provider Personnel selected and approved for relocation, and (B) the severance benefits provided to impacted Provider Personnel who are not relocated and cannot be redeployed within a reasonable period of time; provided that the Key Provider Personnel, if any, to be offered relocation are approved in advance by Williams, such relocation payments and severance benefits are made in accordance with Provider's then current relocation and severance policies, Provider notifies Williams in advance of such payment and

benefits and obtains Williams's approval prior to incurring such expenses, and Provider uses commercially reasonable efforts to redeploy impacted Provider Personnel and otherwise minimize the expenses to be reimbursed by Williams.

(iii) Williams also reserves the right to direct Provider to cease using all or part of the space in any Williams Facility from which the Services are then being provided by Provider and to thereafter use such space for its own purposes. In such event, Williams shall pay the incremental Out-of-Pocket Expenses reasonably incurred by Provider in leasing required substitute new space; provided that such relocation direction is not expressly contemplated in this Agreement and that Provider notifies Williams of such additional required incremental Out-of-Pocket Expenses, obtains Williams's approval prior to or incurring such expenses; and uses commercially reasonable efforts to minimize such expenses.

(j) CONDITIONS FOR RETURN. When the Williams Facilities are no longer to be used by Provider as contemplated by SECTION 6.1 or are otherwise no longer required for performance of the Services, Provider shall notify Williams as soon as practicable and shall vacate and return such Williams Facilities (including any improvements to such facilities made by or at the request of Provider) to Williams in substantially the same condition as when such facilities were first provided to Provider, subject to reasonable wear and tear.

(k) NO VIOLATION OF LAWS. Provider shall (i) treat and use the Williams Facilities in a reasonable manner, and (ii) ensure that neither Provider nor any of its Subcontractors commits, and use all commercially reasonable efforts to ensure that none of their business visitors or invitees commits, any act in violation of any Laws in such Provider occupied Williams Facility or any act in violation of Williams's insurance policies or in breach of Williams's obligations under the applicable real estate leases in such Provider occupied Williams Facilities (in each case, to the extent Provider has received notice of such insurance policies or real estate leases or should reasonably be expected to know of such obligations or limitations).

(l) COST OF EMPLOYEE MOVES. Prior to the Commencement Date, Williams shall determine whether and to what extent to relocate Williams employees and prospective Provider Personnel within Williams Facilities or to different Williams locations to facilitate the co-location of Williams employees and Provider Personnel or achieve more effective and efficient usage of available space. Each

Party shall be responsible for and pay the cost of moves of personnel related to moves initiated by such Party. For the avoidance of doubt, Provider shall pay for the cost of all moves of Williams Personnel identified on SCHEDULE M who become employees of Provider and who are required to be moved to a different location in accordance with Provider's plans for Services delivery.

6.2 USE OF PROVIDER FACILITIES.

During the Term, Provider will provide to Williams during periodic visits at no charge (i) reasonable access to and use of Provider facilities where the Services are being performed, and (ii) access to reasonable work/conference space at Provider facilities where the Services are being performed, for the conduct of Williams's business. At Williams's request, Provider shall provide reasonable access to and use of such Provider facilities by Williams or Williams Third Party Contractors to install and manage third party software and equipment to provide services to Williams or Eligible Recipients.

6.3 WILLIAMS RULES/EMPLOYEE SAFETY.

(a) WILLIAMS RULES AND COMPLIANCE. In performing the Services and using the Williams Facilities, Provider shall observe and comply with all Williams policies, rules, and regulations applicable to Williams Facilities or the provision of the Services which have been communicated to Provider or Provider Personnel in advance by such means as are generally used by Williams to disseminate such information to its employees or contractors, including those set forth on SCHEDULE V and those applicable to specific Williams sites (collectively, "WILLIAMS RULES"). Provider acknowledges that it is fully informed as to the Williams Rules, both through due diligence and its hiring of the Transitioned Employees. Provider shall be responsible for the promulgation and distribution of Williams Rules to Provider Personnel as and to the extent necessary and appropriate. Additions or modifications to the Williams Rules will be communicated by Williams to Provider or Provider Personnel by such means generally used by Williams to disseminate such information to its employees or contractors. Provider and Provider Personnel shall observe and comply with such additional or modified Williams Rules.

(b) SAFETY AND HEALTH COMPLIANCE. Provider and Provider Personnel shall familiarize themselves with the premises and operations at each Williams Site or Williams Facility at or from which Services are rendered and the Williams Rules applicable to each such Site or Facility. Provider shall, and shall cause Provider Personnel to, observe and comply with all Laws applicable to the use of each

Williams Facility or Site in its provision of the Services, including environmental Laws and Laws regarding occupational health and safety. Provider shall be responsible for the compliance of Equipment, Software, Systems and Services for which it is operationally responsible with such Laws; provided, however, that Provider shall not be responsible for non-compliance with such Laws existing as of the Effective Date during the first six (6) months following the Commencement Date (subject to Provider's obligations to correct, at Williams's expense, any such non-compliance(s)). Provider and Provider Personnel also shall observe and comply with all Williams Rules with respect to safety, health, security and the environment and shall take all commercially reasonable precautions to avoid injury, property damage, spills or emissions of hazardous substances, materials or waste, and other dangers to persons, property or the environment. To the extent required by Williams, Provider Personnel shall receive prescribed training prior to entering certain Williams Sites or Facilities.

6.4 SOFTWARE, EQUIPMENT AND THIRD PARTY CONTRACTS.

(a) FINANCIAL RESPONSIBILITY. Provider shall be responsible for any third party fees or expenses on or after the Commencement Date associated with Software, Equipment, Equipment Leases and related Third Party Contracts for which Provider is financially responsible under SCHEDULE E or U and any other Third Party Contracts (excluding Third Party Contracts administered by Provider on a pass-through basis, which are addressed in SECTION 11.2) used by Provider to provide the Services. Provider shall not be responsible for such fees or expenses owed by Williams prior to the Commencement Date. Williams shall be responsible for third party fees or expenses incurred on or after the Commencement Date associated with Software, Equipment, Equipment Leases and Third Party Contracts for which Williams is financially responsible under SCHEDULE E or U. Unless otherwise expressly provided, each Party also shall be responsible for any third party fees or expenses on or after the Commencement Date associated with new, substitute or replacement Software, Equipment, Equipment Leases or Third Party Contracts (including Upgrades, enhancements, new versions or new releases of such Software or Equipment) for which such Party is financially responsible under SCHEDULE E or U.

(b) OPERATIONAL RESPONSIBILITY. With respect to Software, Equipment, Equipment leases and related Third Party Contracts for which Provider is operationally responsible under SCHEDULE E or U and any other Third Party Contracts (excluding Third Party Contracts administered by Provider on a pass-through basis, which are addressed in SECTION 11.2) used by Provider to provide the

Services, Provider shall be responsible for (i) the evaluation, procurement, testing, installation, rollout, use, support, management, administration, operation and maintenance of such Software, Equipment, Equipment leases and Third Party Contracts; (ii) the evaluation, procurement, testing, installation, rollout, use, support, management, administration, operation and maintenance of new, substitute or replacement Software, Equipment, Equipment leases and Third Party Contracts (including Upgrades, enhancements, new versions or new releases of such Software); (iii) the performance, availability, reliability, compatibility and interoperability of such Software, Equipment and Third Party Contracts each in accordance with this Agreement, including the Service Levels and change management procedures; (iv) the compliance with and performance of all operational, administrative and contractual obligations specified in such licenses, leases and contracts; (v) the administration and exercise as appropriate of all rights available under such licenses, leases and contracts; and (vi) the payment of any fees, penalties, charges, interest or other expenses due and owing under or with respect to such Software Licenses, Equipment, Equipment leases and Third Party Contracts that are incurred, caused by or result from Provider's failure to comply with or perform its obligations under this SECTION 6.4(b) (except to the extent that such failure directly results from the acts or omissions of Williams, the Eligible Recipients or Williams's Third Party Contractors in contravention of its obligations under this Agreement).

(c) RIGHTS UPON EXPIRATION/TERMINATION.

(i) SOFTWARE. With respect to all Provider licensed Third Party Software and related Third Party Contracts, Provider shall use all commercially reasonable efforts to (A) obtain for Williams, the Eligible Recipients and Williams's designees the license, sublicense, assignment and other rights specified in SECTIONS 4.4(b)(3), (B) ensure that the granting of such license, sublicense, assignment and other rights is not subject to subsequent third party approval or the payment by Williams, an Eligible Recipient or Williams's designee of license or transfer fees other than fees for periods after the date of transfer or pursuant to SECTION 14.6(c), the license fees relating to the period following expiration or termination, (C) ensure that the terms, conditions and prices applicable to Williams, the Eligible Recipients and/or Williams's designees following expiration or termination are no less favorable than those otherwise applicable to Provider (unless and to the extent more favorable pricing is based upon volume), and at least sufficient for the continuation of the activities comprising the Services, and (D) ensure that Williams and Williams's

designee(s) shall have the right to review and disclose the terms and conditions of all such licenses and related Third Party Contracts to third party provider(s) in connection with the procurement of services. If Provider is unable to obtain any such rights and assurances, it shall notify Williams in advance and shall not use such Software or Third Party Contracts without Williams's approval (and absent such approval, Provider's use of any such Software or Third Party Contract shall obligate Provider to obtain or arrange, at no additional cost to Williams, for such license, sublicense, assignment or other right for Williams, the Eligible Recipients and Williams's designees upon expiration or termination). If Williams consents to Provider's use of specific Software or Third Party Contracts under the foregoing circumstances, such consent shall be deemed to be conditioned on Provider's commitment to use all commercially reasonable efforts to cause such third party to agree at expiration or termination of this Agreement or the completion of Termination Assistance Services to permit Williams or its designee to assume prospectively the license or contract in question or to enter into a new license or contract with Williams or its designee on substantially the same terms and conditions, including price. Williams may, in its sole discretion, withhold its consent to any such Software or Third Party Contract if, following expiration or termination (i) Williams, the Eligible Recipients and Williams's designees would not be entitled to the license, sublicense, assignment or other rights specified in SECTION 4.4(B), (ii) the granting of such license, sublicense, assignment and other rights would be subject to subsequent third party approval or the payment by Williams, an Eligible Recipient or Williams's designee of license or transfer fees, or (iii) Williams would be obligated to reimburse Provider for any termination or cancellation fees, non-cancelable charges or other amounts under SCHEDULE N.

(ii) EQUIPMENT. With respect to all Provider-owned or leased Equipment, Equipment Leases and related Third Party Contracts to be used primarily to provide the Services, Provider shall use all commercially reasonable efforts to (A) obtain for Williams, the Eligible Recipients and Williams's designees the rights specified in SECTION 4.4(b)(4), (B) ensure that the granting of such rights is not subject to subsequent third party approval or the payment by Williams, an Eligible Recipient or Williams's designee of transfer or other fees, (C) ensure that the terms, conditions and prices applicable to Williams, the Eligible Recipients and/or Williams's designees following expiration or termination are no less favorable than

those otherwise applicable to Provider and at least sufficient for the continuation of the activities comprising the Services, (D) ensure that neither the expiration/termination of this Agreement nor the assignment of the lease or contract will trigger less favorable terms, conditions or pricing, and (E) ensure that Williams, the Eligible Recipients and Williams's designee(s) shall have the right to review and disclose the terms and conditions of all such leases and related Third Party Contracts to third party provider(s) in connection with the procurement of services.

(iii) THIRD PARTY CONTRACTS. With respect to all other Provider Third Party Contracts to be used primarily to provide the Services, Provider shall use all commercially reasonable efforts to (A) obtain for Williams, the Eligible Recipients and Williams's designees the rights specified in SECTION 4.4(b)(6), (B) ensure that the granting of such rights is not subject to subsequent third party approval or the payment by Williams, an Eligible Recipient or Williams's designee of transfer or other fees, (C) ensure that the terms, conditions and prices applicable to Williams, the Eligible Recipients and/or Williams's designees following expiration or termination are no less favorable than those otherwise applicable to Provider, and at least sufficient for the continuation of the activities comprising the Services, (D) ensure that neither the expiration/termination of this Agreement nor the assignment of the contract will trigger less favorable terms, conditions or pricing, and (E) ensure that Williams, the Eligible Recipient and Williams's designee(s) shall have the right to review and disclose the terms and conditions of all such Third Party Contracts to third party provider(s) in connection with the procurement of services.

(iv) ALTERNATIVE ARRANGEMENTS. If in any instance Provider is unable to obtain any of the rights and assurances described in SECTION 6.4(c)(i), (ii) OR (iii), it shall notify Williams in advance and shall not use such Software, Equipment, Equipment Lease or Third Party Contract without Williams's approval, and absent such approval, Provider's use of any such Software, Equipment, Equipment Lease or Third Party Contract shall obligate Provider to obtain or arrange, at no additional cost to Williams, for such license, sublicense, Equipment, lease, sublease, assignment or other right for Williams, the Eligible Recipients and their designee(s) upon expiration or termination. If Williams so consents to Provider's use of any specific Software Equipment, Equipment Lease or Third Party Contracts under the foregoing circumstances, such consent shall be deemed to be

conditioned on Provider's commitment to use all commercially reasonable efforts to cause such third party to agree at expiration or termination of this Agreement or the completion of Termination Assistance Services to permit Williams, the Eligible Recipients and/or their designee(s) to assume prospectively the license, lease or contract in question or to enter into a new license, lease or contract with Williams, the Eligible Recipients and/or their designee(s) on substantially the same terms and conditions, including price.

(d) EVALUATION OF THIRD PARTY SOFTWARE, EQUIPMENT. In addition to its obligations under SECTION 6.4(a) and (b) and in order to facilitate Williams's control of architecture, standards and plans pursuant to SECTION 9.5, Provider shall use commercially reasonable efforts to evaluate any Third Party Software and Equipment selected by or for Williams or an Eligible Recipient to determine whether such Software and Equipment will adversely affect Williams's environment and/or Provider's ability to provide the Services. Provider shall diligently complete and report the results of such evaluation to Williams within a timeframe mutually agreed upon by the Parties ; provided, that Provider shall use all commercially reasonable efforts to respond more quickly in the case of a pressing business need or an emergency situation.

(e) BENEFITS PASS-THROUGH. With respect to any products and services relating to the Services which Williams requests procured by Provider for Williams on a cost plus, cost reimbursement or Pass Through Expense basis during the Term, Provider shall use commercially reasonable efforts to pass through to Williams all benefits offered by the manufacturers and/or suppliers of such products and services (including all warranties, refunds, credits, rebates, discounts, training, technical support and other consideration offered by such manufacturers and suppliers) except to the extent otherwise agreed by Williams. If Provider is unable to pass through any such benefit to Williams, it shall notify Williams in advance and shall not purchase such product or service without Williams's prior written approval.

(f) WILLIAMS PROVIDED EQUIPMENT. Williams shall provide Provider with the use of the Williams owned and leased Equipment identified on SCHEDULE O.3 (collectively, the "WILLIAMS PROVIDED EQUIPMENT") for the periods specified in such Schedule solely for and in connection with the provision of the Services. Notwithstanding the foregoing, except as provided in this SECTION 6.4(f) and SECTIONS 6.1(a), (b) AND (c), Provider shall be responsible for providing all Equipment required to perform the Services and all Upgrades, improvements,

replacements and additions thereto on and after the Commencement Date. Upon the expiration of the period specified in SCHEDULE O.3 for each item of Williams Provided Equipment (or when such Williams Provided Equipment is no longer required by Provider for the performance of the Services), Provider shall promptly return such Williams Provided Equipment to Williams in substantially the same condition (as it may have been modified or improved by Provider with Williams's approval) as when such Williams Provided Equipment was first provided to Provider, subject to reasonable wear and tear. THE WILLIAMS PROVIDED EQUIPMENT IS PROVIDED BY WILLIAMS TO PROVIDER ON AN AS-IS, WHERE-IS BASIS. WILLIAMS EXPRESSLY DISCLAIMS ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO THE WILLIAMS PROVIDED EQUIPMENT, OR ITS CONDITION OR SUITABILITY FOR USE BY PROVIDER TO PROVIDE THE SERVICES, INCLUDING WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE.

6.5 ASSIGNMENT OF LICENSES, LEASES AND RELATED AGREEMENTS.

(a) ASSIGNMENT AND ASSUMPTION. On and as of the Commencement Date, Williams shall assign to Provider, and Provider shall assume and agree to perform all obligations related to, the Software licenses, Equipment Leases and Third Party Contracts for which Provider is financially responsible under SECTION 6.4 and SCHEDULES E and U, that are designated to be assigned on SCHEDULES F.2, F.3 and F.4. Williams and Provider shall execute and deliver a mutually satisfactory assignment and assumption agreement with respect to such leases, licenses and agreements, evidencing the assignment and assumption provided for herein.

(b) ITEMS NOT ASSIGNABLE BY COMMENCEMENT DATE. With respect to any such Software licenses, Equipment Leases or Third Party Contracts that cannot, as of the Commencement Date, be assigned to Provider without breaching their terms or otherwise adversely affecting the rights or obligations of Williams or Provider thereunder, the performance obligations shall be deemed to be subcontracted or delegated to Provider until any requisite consent, notice or other prerequisite to assignment can be obtained, given or satisfied by Provider. It is understood that, from and after the Commencement Date, Provider, as a subcontractor or delegatee, shall be financially and operationally responsible for such Software license, Equipment Lease or Third Party Contract as Williams's agent pursuant to SECTION 9.11(b). Provider shall use all commercially reasonable efforts to satisfy the consent, notice or other prerequisites to assignment and, upon Provider doing

so, the Software license, Equipment Lease or Third Party Contract shall immediately be assigned and transferred to and assumed by Provider.

(c) NON-ASSIGNABLE ITEMS. If, after Provider using commercially reasonable efforts for a reasonable period of time, a license, lease or agreement cannot be assigned without breaching its terms or otherwise adversely affecting the rights or obligations of Williams or Provider thereunder, the Parties shall take such actions and execute and deliver such documents as may be necessary to cause the Parties to realize the practical effects of the allocation of responsibilities intended to be effected by this Agreement.

(d) MODIFICATION AND SUBSTITUTION. Provider may terminate, shorten, modify or extend the Software licenses, Equipment Leases and Third Party Contracts for which Provider is financially responsible under SCHEDULES E and U of this Agreement and may substitute or change suppliers relating to goods or services covered thereby; so long as, except as otherwise disclosed by Provider and agreed to by Williams, such change(s) (i) do not constitute a breach of any obligation of Williams or the Eligible Recipients under such Software licenses, Equipment Leases or Third Party Contracts, (ii) do not result in additional financial obligations, financial or operational risk or Losses to Williams or the Eligible Recipients; (iii) do not result in any increase to Williams or the Eligible Recipients in the cost of receiving the Services; and (iv) if assumable by Williams, do not provide for less favorable terms, conditions or prices for Williams, the Eligible Recipients and/or their designee(s) following the expiration or termination of the Term or any applicable Service than would otherwise be applicable to Provider (except for terms, conditions or prices available to Provider because of its volume purchases). Provider's rights under the immediately preceding sentence are conditioned upon Provider paying all applicable termination or cancellation charges, Losses and other amounts due to the applicable supplier associated with such action. Notwithstanding anything to the contrary herein, Provider shall not terminate, shorten or modify without Williams's prior written consent any license for Third Party Software either created exclusively for Williams or the Eligible Recipients or otherwise not commercially available. Provider shall reimburse Williams and the Eligible Recipient(s) for any termination charges, cancellation charges, or other amounts paid by them at Provider's direction in connection with obtaining any such modification.

6.6 LICENSE TO WILLIAMS THIRD PARTY SOFTWARE AND MATERIALS.

Subject to Provider having obtained any Required Consents, Williams hereby grants to Provider, for the sole purpose of performing the Services and solely to the extent of Williams's underlying rights, the same rights of access and use as Williams possesses under the applicable software licenses with respect to Williams licensed Third Party Software and Materials. Williams also shall grant such rights to Subcontractors designated by Provider if and to the extent necessary for Provider to provide the Services. Except as otherwise agreed by the applicable third party licensors, Provider and its Subcontractors shall comply with the duties, including use restrictions and those of nondisclosure, imposed on Williams by such licenses. In addition, each Subcontractor shall sign a written agreement to be bound by all of the terms contained herein applicable to such Third Party Software and Materials, including, to the extent applicable, the terms specified in this Section and those pertaining to the ownership of such Software and Materials and any Derivative Works developed by the Parties, the scope and terms of the license, the restrictions on the use of such Software and Materials, and the obligations of confidentiality, etc. Except as otherwise requested or approved by Williams (or the relevant licensor), Provider and its Subcontractors shall cease all use of such Third Party Software and Materials upon the end of the Term and the completion of any Termination Assistance Services requested by Williams pursuant to SECTION 4.4. THE WILLIAMS LICENSED THIRD PARTY SOFTWARE AND MATERIALS IS PROVIDED BY WILLIAMS TO PROVIDER AND ITS SUBCONTRACTORS ON AN AS-IS, WHERE-IS BASIS. WILLIAMS EXPRESSLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, AS TO SUCH WILLIAMS LICENSED THIRD PARTY SOFTWARE AND MATERIALS, OR THE CONDITION OR SUITABILITY OF SUCH SOFTWARE AND MATERIALS FOR USE BY PROVIDER OR ITS SUBCONTRACTORS TO PROVIDE THE SERVICES, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

6.7 LICENSE TO PROVIDER LICENSED THIRD PARTY SOFTWARE.

As of the Commencement Date and subject to Provider having obtained any Required Consents, Provider hereby grants to Williams and the Eligible Recipients, at no additional charge, for the sole purpose of receiving the Services during the Term and any Termination Assistance Services period, and solely to the extent of Provider's underlying rights, the same rights of access and use as Provider possesses under the applicable software licenses with respect to Provider licensed Third Party Software, a non-exclusive, royalty-free right and license to access and/or use the Third Party Software and Materials as to which Provider holds the license or for which Provider is financially responsible

under this Agreement (including related documentation, methodology and tools) to the extent reasonably necessary to receive the full benefit of the Services during the Term and any Termination Assistance Services period. In addition, at no additional Charge, and subject to Provider obtaining any Required Consents, Provider hereby grants to Williams Third Party Contractor(s) a non-exclusive, royalty-free right and license to access and/or use such Materials and Software (including related documentation, methodology and tools) during the Term and any Termination Assistance Services period, for the benefit of Williams and the Eligible Recipients, as and to the extent reasonably necessary for such Williams Third Party Contractor(s) to monitor, access, interface with or use the Materials and Software then being used by Provider in order for Williams and the Eligible Recipients to receive the benefit of the Services and the services of such Third Party Contractor(s). Williams, the Eligible Recipients, and Williams Third Party Contractors shall comply with the duties, including use restrictions and those of nondisclosure, imposed on Provider by such licenses; provided that Provider gives written advance notice to Williams, the Eligible Recipients, and Williams Third Party Contractors of such duties. Post-termination rights are set forth in ARTICLE 14.

6.8 ACQUIRED ASSETS.

(a) CONVEYANCE. Williams agrees to convey (or shall cause the applicable Eligible Recipient to convey) to Provider, and Provider agrees (or shall cause an Affiliate to agree) to accept, as of the Commencement Date, all of Williams's (or the applicable Eligible Recipient's) right, title and interest in and to the Acquired Assets. In consideration for such conveyance, Provider agrees to pay Williams or the applicable Eligible Recipient on the Commencement Date the Acquired Assets Credit specified in this Agreement. The Acquired Asset Credit shall be paid in the local currency of the country in which the asset is located or, at Williams's option, in the United States dollars, using the exchange rates specified in SCHEDULE J. In addition, Provider shall be responsible for, and shall pay, or provide evidence of exemption from, all sales, use, goods and services and other similar taxes arising out of the conveyance of the Acquired Assets. Williams represents and warrants to Provider that Provider (or its Affiliates) shall take good title to the Acquired Assets as of the Commencement Date, free and clear of all liens. The conveyance of the Acquired Assets shall be effected by the delivery of each Acquired Asset to the Provider where possible or, where this is not possible, by the delivery of a general assignment and bill of sale in substantially the form set forth in EXHIBIT 3. Except as otherwise expressly provided in this SECTION 6.8, WILLIAMS OR THE APPLICABLE ELIGIBLE RECIPIENT CONVEYS THE ACQUIRED ASSETS TO PROVIDER ON AN "AS IS," "WHERE IS" AND "WITH ALL FAULTS" BASIS. WILLIAMS HEREBY DISCLAIMS ALL

WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE ACQUIRED ASSETS, OR THE CONDITION OR SUITABILITY OF SUCH ACQUIRED ASSETS FOR USE BY VENDOR TO PROVIDE THE SERVICES, INCLUDING WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

6.9 MANAGED THIRD PARTIES.

Provider shall manage the Managed Third Parties to perform in accordance with their agreements with Williams to the extent Williams makes those agreements available to Provider. Unless otherwise agreed in writing by the Parties, Provider shall be responsible for performing Services, complying with Service Levels and providing reports and other deliverables, even where doing so relies upon Managed Third Parties. Unless otherwise specified in SCHEDULE X or agreed in writing by the Parties, Provider shall be responsible for all costs and charges associated with such Managed Third Parties and for any failure by any Managed Third Party or its personnel to perform in accordance with this Agreement or to comply with any duties or obligations imposed on Provider under this Agreement to the same extent as if such failure to perform or comply was committed by Provider or Provider Personnel. Provider shall not be liable for the failure of a Managed Third Party to meet the specific contractual obligation of such Managed Third Party under the Managed Third Party's agreement with Williams or the Eligible Recipient (e.g., Provider will not have to pay for any service level credits payable by a Managed Third Party under its agreement with Williams); provided, however, that Provider shall notify Williams of deficiencies or other failures to perform by such Managed Third Party, and shall assist Williams in their appropriate resolution. If (i) a Service Level Failure of Provider is directly attributable to the failure of a Managed Third Party to meet its service level obligations under the Managed Third Party Agreement, as determined by a Root Cause Analysis, (ii) Provider promptly notifies Williams that such Managed Third Party is failing to meet its service level obligation and such failure will impair Provider's ability to meet its corresponding Service Level obligation, and (iii) Provider uses reasonably diligent efforts to meet such Service Level notwithstanding such failure by the applicable Managed Third Party, then, after establishing that clauses (i), (ii) and (iii) are satisfied, Provider shall be given relief from such Service Level obligation in respect of such Managed Third Party's failure to perform. In addition, the Parties shall continually meet and reasonably discuss continuing performance and material non-compliance issues with respect to any Managed Third Party. Provider shall be Williams's and the Eligible Recipients' sole point of contact regarding the services provided by such Managed Third Parties.

6.10 NOTICE OF DEFAULTS.

Williams and Provider shall promptly inform the other Party in writing of any material breach of, or misuse or fraud in connection with, any Third Party Contract, Equipment lease or Third Party Software license used in connection with the Services of which it becomes aware and shall cooperate with the other Party to prevent or stay any such breach, misuse or fraud.

7. SERVICE LEVELS

7.1 GENERAL. From and after the Commencement Date, Provider shall perform the Services at the levels of accuracy, quality, completeness, timeliness, responsiveness and resource efficiency that are equal to or higher or better than the highest or best of (a) the applicable Service Levels set forth in SCHEDULE G, (b) the accepted industry norms applicable to the performance of such Services by top tier service providers, if such industry norms are documented and verifiable, or (c) the documented or otherwise verifiable levels of accuracy, quality, completeness, timeliness, responsiveness and productivity received by Williams or the Eligible Recipients in the twelve (12) months prior to the Commencement Date. To the extent the Parties have established a Service Level in SCHEDULE G for a specific Service, the obligations described in clause (b) shall not alter, expand or supersede such Service Level. Provider shall be responsible for meeting or exceeding the applicable Service Levels even where doing so is dependent on the provision of Services by Subcontractors or other non-Provider Personnel acting under the project-management direction of Provider (as opposed to acting as the employer), including Williams employees.

7.2 SERVICE LEVEL CREDITS.

Provider recognizes that Williams is paying Provider to deliver the Services at specified Service Levels. If Provider fails to meet such Service Levels, then Provider shall pay or credit to Williams the performance credits specified in SCHEDULE G ("SERVICE LEVEL CREDITS") in recognition of the diminished value of the Services resulting from Provider's failure to meet the agreed upon level of performance, and not as a penalty. Under no circumstances shall the imposition of Service Level Credits be construed as Williams's sole or exclusive remedy for any failure to meet the Service Levels. However, if Williams recovers monetary damages from Provider as a result of Provider's failure to meet a Service Level, Provider shall be entitled to set-off against such damages any Service Level Credits paid for the failure giving rise to such recovery.

7.3 PROBLEM ANALYSIS.

If Provider fails to provide Services in accordance with the Service Levels and this Agreement, Provider shall (after restoring service or otherwise resolving any immediate problem) (i) promptly investigate and report on the causes of the problem; (ii) provide a Root Cause Analysis of such failure as soon as practicable after such failure or at Williams's request (iii) implement remedial action and begin meeting the Service Levels as soon as practicable; (iv) advise Williams of the status of remedial efforts being undertaken with respect to such problem; (v) provide Williams reasonable evidence that

the causes of such problem have been or will be corrected on a permanent basis; and (vi) take all commercially reasonable action to prevent any recurrence of such problem. Provider shall use all commercially reasonable efforts to complete the Root Cause Analysis within fifteen (15) days; provided that, if it is not capable of being completed within fifteen (15) days using reasonable diligence, Provider shall complete such Root Cause Analysis as quickly as possible and shall notify Williams prior to the end of the initial fifteen (15) day period as to the status of the Root Cause Analysis and the estimated completion date.

7.4 CONTINUOUS IMPROVEMENT REVIEWS.

(a) IMPROVEMENT OF SERVICES QUALITY. Provider acknowledges that the quality of the Services provided in certain Service areas can and will be improved during the Term and agrees that the Service Levels in such Service areas will be enhanced periodically in recognition of the anticipated improvement in service quality. Provider will improve the quality of the Services provided in such areas to meet or exceed the enhanced Service Levels and will do so at no additional charge to Williams.

(b) INCREASE OF SERVICE LEVELS. In addition to the foregoing, Williams and Provider shall periodically (but at least annually) review the Service Levels and the performance data collected and reported by Provider in accordance with SCHEDULE G. As part of this review process, the Parties shall, at no additional cost to Williams, increase the Service Levels to reflect the higher performance levels actually attained or attainable by Provider in accordance with SCHEDULE G. In addition, subject to SECTION 11.5 and SCHEDULE G, the Parties shall agree, to the extent reasonable and appropriate, to (i) increase the Service Levels to reflect improved performance capabilities associated with advances in the proven processes, technologies and methods available to perform the Services; (ii) add new Service Levels to permit further measurement or monitoring of the accuracy, quality, completeness, timeliness, responsiveness, cost-effectiveness, or productivity of the Services; (iii) modify or increase the Service Levels to reflect changes in the processes, architecture, standards, strategies, needs or objectives defined by Williams; and (iv) modify or increase the Service Levels to reflect agreed upon changes in the manner in which the Services are performed by Provider.

7.5 MEASUREMENT AND MONITORING.

Provider shall, on or before the Commencement Date, implement measurement and monitoring tools and metrics as well as standard reporting procedures, all acceptable to Williams, to measure and report Provider's performance of the Services at a level of detail sufficient, as determined by Williams, to verify Provider's compliance with the applicable Service Levels. Williams or its designee shall have the right to audit all such measurement and reporting tools, performance metrics and reporting procedures. Provider shall provide Williams with on-line access to up-to-date problem management data and other data regarding the status of service problems, service requests and user inquiries. Provider also shall provide Williams with access to the data used by Provider to calculate its performance against the Service Levels and the measurement and monitoring tools and procedures utilized by Provider to generate such data for purposes of audit and verification. Williams shall not be required to pay any amount in addition to the Charges for such measurement and monitoring tools or the resource utilization associated with their use.

7.6 SATISFACTION SURVEYS.

(a) GENERAL. Within sixty (60) days after the Commencement Date and at agreed upon intervals thereafter, Provider and/or independent third parties engaged by Provider shall conduct the satisfaction surveys of Williams's management and End Users described in SCHEDULE Q in accordance with the survey protocols and procedures specified therein. To the extent Provider engages an independent third party to perform all or any part of any satisfaction survey, such third party shall be approved in advance by Williams.

(b) WILLIAMS CONDUCTED SURVEYS. In addition to the satisfaction surveys to be conducted by Provider or an independent third party pursuant to SECTION 7.6(A), Williams may survey End User satisfaction with Provider's performance in connection with and as part of broader End User satisfaction surveys periodically conducted by Williams. At Williams's request, Provider shall cooperate and assist Williams with the formulation of the survey questions, protocols and procedures and the execution and review of such surveys.

(c) SURVEY FOLLOW-UP. If the results of any satisfaction survey conducted pursuant to SECTION 7.6(a) or (b) indicate that the level of satisfaction with Provider's performance is less than the target level specified in SCHEDULE G and/or SCHEDULE Q, Provider shall promptly: (i) conduct a Root Cause Analysis as to the cause of the management or End User dissatisfaction; (ii) develop an action plan to address

and improve the level of satisfaction; (iii) present such plan to Williams for its review, comment and approval; and (iv) take action in accordance with the approved plan and as necessary to improve the level of satisfaction. Williams and Provider shall establish a schedule for completion of a Root Cause Analysis and the preparation and approval of the action plan which shall be reasonable and consistent with the severity and materiality of the problem; provided, that the time for completion of such tasks shall not exceed thirty (30) days from the date such user survey results are finalized and reported. Provider's action plan developed hereunder shall specify the specific measures to be taken by Provider and the dates by which each such action shall be completed. Following implementation of such action plan, Provider shall conduct follow-up surveys with the affected Williams users and management to confirm that the cause of any dissatisfaction has been addressed and that the level of satisfaction has improved. The Parties recognize that Provider's failure to attain the prescribed levels of satisfaction or to take the actions set forth in such action plan by the agreed upon dates may have an adverse impact on the business and operations of Williams and the Eligible Recipients and that certain damages resulting from Provider's failure to do so may not be capable of precise determination. Accordingly, if Provider fails to take the actions set forth in the action plan by the agreed upon dates, then, in addition to any other remedies available to Williams under this Agreement at law or in equity, Provider shall pay to Williams the applicable Service Level Credits specified in SCHEDULE G.

7.7 NOTICE OF ADVERSE IMPACT.

If Provider Personnel becomes aware of any failure by Provider to comply with its obligations under this Agreement that, or any other situation that such Provider Personnel know (i) has impacted or reasonably could impact the maintenance of Williams's or any Eligible Recipient's financial integrity or internal controls, the accuracy of Williams's or any Eligible Recipient's financial, accounting, or human resources records and reports or compliance with Williams Rules, Williams Standards or applicable Laws, or (ii) has had or reasonably could have any other material adverse impact on the Services in question or the impacted business operations of Williams or the Eligible Recipients, then, Provider shall promptly inform Williams in writing of such situation and the impact or expected impact and Provider and Williams shall meet to formulate an action plan to minimize or eliminate the impact of such situation. The obligation to report situations unrelated to Provider's obligations under this Agreement shall not operate or be construed as imposing on Provider any affirmative obligation of inquiry not otherwise imposed by this Agreement.

8. PROJECT PERSONNEL

8.1 TRANSITIONED PERSONNEL.

(a) OFFERS AND EMPLOYMENT.

(i) PROVIDER OFFERS OF EMPLOYMENT. Provider shall extend offers of employment to those Williams Personnel identified on SCHEDULE M and shall waive certain preconditions to such offers, including drug testing and/or medical examinations. Such offers shall be for employment with Provider as either regular employees, long-term supplemental employees or short-term supplemental employees and in positions comparable to those held by such employees at Williams, with initial base wages or salaries, severance (subject to SECTION 8.2(f)) and other terms of employment at least equal to that paid or provided to such Williams Personnel as of the date of such offers and variable compensation and employee benefits no less favorable than those regularly available to similarly situated Provider employees. Offers of employment as regular employees of Provider shall be for an indeterminate period of time. Unless otherwise specified below, in SCHEDULE M or agreed by the Parties, Williams Personnel accepting such offers shall be hired by Provider effective as of the Commencement Date. With respect to the following Williams Personnel, such Williams Personnel accepting such offers shall be hired by Provider effective as of the dates listed below (each such Williams Personnel, a "SECONDED EMPLOYEE" and each such date, a "SECONDARY HIRING DATE"): (i) for Williams Personnel for which a pension or retiree medical milestone date is specified in SCHEDULE M, the first day of the first full month after such milestone date; and (ii) for Williams Personnel who are specified in SCHEDULE M as being subject to visa, immigration, naturalization or other similar authorizations and requirements and for which Provider, using commercially reasonable efforts, is unable to complete the pre-employment hiring process prior to the Commencement Date, such date as mutually agreed to by the Parties. Williams shall make available to Provider for the period starting on the Commencement Date and ending on the applicable Secondary Hiring Date (each a "SECONDMENT PERIOD") the Seconded Employees for performance of the Services and the Seconded Employees shall work under Provider's direction and supervision during the Secondment Periods. Provider shall be responsible for any failure by the Seconded Employees to perform in accordance with Provider's obligations under this Agreement. Provider

shall reimburse Williams for the cost to Williams of employing the Seconded Employees during the Secondment Periods that would have been borne by Provider for salaries, incentive compensation and benefits of such Seconded Employees during the Secondment Period had they been hired by Provider as of the Effective Date, instead of the Secondary Hiring Date, and providing their services to Provider during the applicable Secondment Period. The base salary, fringe rate and an estimated Secondment Period for each Seconded Employee is set forth in SCHEDULE M.

(ii) ON-LEAVE EMPLOYEES. With respect to any Williams Personnel identified on SCHEDULE M who on the Commencement Date is on leave status, including without limitation medical, disability, industrial or sick leave, such employee shall remain an employee of Williams until such employee returns to work, with physician's release or other appropriate documentation stating that such employee may resume his or her prior work schedule. If such Williams Personnel returns to work within six (6) months after the Commencement Date, Provider shall promptly extend an offer of employment to such employee and the compensation and other terms and conditions of such offer shall be as set forth in this ARTICLE 8. If such Williams Personnel does not return within such six (6) month period, Provider shall be under no obligation to offer employment to such employee or to treat such employee as a Transitioned Employee hereunder.

(iii) EMPLOYMENT EFFECTIVE DATE. All Williams Personnel who accept Provider's offer of employment and begin work with Provider pursuant to the foregoing paragraphs are herein referred to as "TRANSITIONED EMPLOYEES." Each such Transitioned Employee's "EMPLOYMENT EFFECTIVE DATE" shall be the effective date on which Provider actually employs such employee.

(b) RELOCATION OF TRANSITIONED EMPLOYEES. Provider shall not relocate a Transitioned Employee or his or her assigned work location during the six (6) months immediately following such Transitioned Employee's Employment Effective Date, unless such relocation or reassignment is expressly disclosed in the Transitioned Employee's offer letter and agreed to by him or her at the time of hiring.

(c) ADDITIONAL TRANSITIONED EMPLOYEES. During the six (6) months following the Commencement Date, the Parties may agree upon, additional Williams Personnel to whom offers of employment are to be extended by Provider. The compensation and other terms and conditions of such offers of employment shall be as set forth in this ARTICLE 8, and Williams Personnel accepting such offers shall be treated as Transitioned Employees for all purposes.

(d) REEMPLOYMENT OF TRANSITIONED EMPLOYEES. During the twenty-four (24) months following the Commencement Date, Williams may designate, subject to Provider's agreement (not to be unreasonably withheld), one or more Transitioned Employees to whom Williams may extend offers of reemployment. Provider shall actively support this process and not interfere with Williams's efforts to reemploy any such Transitioned Employee. Any Transitioned Employees so re-employed by Williams shall not be included in the calculation of the turnover rates specified in SECTION 8.4(b) and 8.8(c) below.

(e) TRAINING/CAREER OPPORTUNITIES. Provider shall offer training, skills development and career growth opportunities to Transitioned Employees that are at least as favorable as those offered generally to its similarly situated employees.

8.2 EMPLOYEE BENEFIT PLANS.

(a) GENERAL. Except as otherwise provided in this ARTICLE 8, Provider shall enroll each Transitioned Employee and his or her dependents, effective as of his or her Employment Effective Date, in the employee plans of Provider that are made available to similarly situated employees of Provider. Provider has listed all of such employee plans (and the eligibility of regular employees, long-term supplemental employees, and short-term supplemental employees therefor) on SCHEDULE M.1 and provided Williams with true and complete copies of the most recent summary plan descriptions and summary of material modifications for such employee plans or has provided a written summary where no current summary plan description exists. During the Term of this Agreement and any extensions thereof, compensation and benefits provided by Provider to Transitioned Employees shall be, in the aggregate, no less favorable than the compensation and benefits generally available to similarly situated Provider employees.

(b) YEARS OF SERVICE CREDIT. The service prior to his or her Employment Effective Date of a Transitioned Employee who is a regular employee of Provider shall be recognized by Provider under Provider's employee plans for purposes of vacation time, short term disability, long term disability, severance, and rule of 65

unsubsidized access for retiree medical. In addition, the service prior to his or her Employment Effective Date of a Transitioned Employee who is a long-term supplemental employee or a short-term supplemental employee of Provider, shall be recognized by Provider for purposes of SECTION 8.2(f) below.

(c) EMPLOYEE WELFARE BENEFIT PLANS. Subject to SECTION 8.2(a), each Transitioned Employee shall be eligible as of his or her Employment Effective Date to participate immediately in Provider's employee welfare benefit plans ("WELFARE PLANS"), which shall include medical care, hospitalization, life, accidental death and dismemberment, prescription drug, dental insurance benefits, short term disability and long term disability. Subject to SECTION 8.2(a), eligibility for, the benefits of, and the amount, if any, of employee contributions toward welfare plan coverage will be determined by Provider; provided, however, that each of Provider's welfare plans shall (i) waive all pre-existing condition exceptions, exclusionary provisions and/or waiting periods for each such Transitioned Employee and any eligible spouse or covered dependents, and (2) grant credit for years of service in accordance with SECTION 8.2(b). In addition, any out of pocket deductible amounts paid by any Transitioned Employee in the calendar year of his or her Employment Effective Date shall be applied toward any deductible required by Provider's group insurance program for the calendar year of his or her Employment.

(d) PAID-TIME-OFF (VACATION/SICK LEAVE). Beginning on his or her Employment Effective Date, Provider shall make available to all Transitioned Employees paid-time-off benefits for vacation and sick leave under its applicable plans, with years of service of such Transitioned Employees determined in accordance with SECTION 8.2(b). The paid-time-off benefits provided by Provider shall be no less favorable than the vacation and sick leave benefits generally available to similarly situated Provider employees. Provider shall make every effort to recognize vacations plans made by the Transitioned Employees and approved by Williams prior to his or her Employment Effective Date and shall permit such Transitioned Employees to incur negative leave balances for this purpose.

(e) BONUS PROGRAMS. Provider shall provide to the Transitioned Employees bonus programs no less favorable than the bonus programs available to similarly situated Provider employees.

(f) SEVERANCE PAY PLANS. The Parties responsibilities with respect to separation packages for Transitioned Employees are as set forth in SCHEDULE J.

8.3 OTHER EMPLOYEE MATTERS.

As of the Employment Effective Date, the Transitioned Employees shall be employees of Provider for all purposes. Provider shall be responsible for funding and distributing benefits under the benefit plans in which Transitioned Employees participate on or after the Transitioned Employee's Employment Effective Date and for paying any compensation and remitting any income, disability, withholding and other employment taxes for such Transitioned Employees beginning on the Employment Effective Date. Unless otherwise agreed, Williams shall be responsible for funding and distributing benefits under the Williams benefit plans in which Transitioned Employees participated prior to the Employment Effective Date and for paying any compensation and remitting any income, disability, withholding and other employment taxes for such Transitioned Employees for the period prior to the Employment Effective Date of such Transitioned Employee. Williams shall provide Provider with such information in Williams's possession reasonably requested by Provider in order to fulfill its obligations under this ARTICLE 8. Transitioned Employees who are short-term supplemental employees of Provider may elect to continue to receive the Williams medical and dental benefits such employee received from Williams immediately prior to the Employment Effective Date (as and to the extent permitted under the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended) during the term of such Transitioned Employee's employment with Provider as a short-term supplemental employee and Williams shall continue to pay the employer's contribution for such benefits. Provider shall promptly reimburse Williams for the amount of all such contributions. No later than seven days prior to the Commencement Date, Provider shall notify Williams of the expected term of each short-term supplemental employee so that the reimbursement of such employer contribution may be administered. If Provider extends the term of employment of any short-term supplemental employees beyond the original term, Provider shall provide Williams reasonable notice of such extension so that such reimbursement may be extended. If Provider extends the term of any short-term supplemental employee greater than 12 months, Provider will convert such short-term supplemental employee either to a long-term supplemental or to a regular employee of Provider.

8.4 KEY PROVIDER PERSONNEL AND CRITICAL SUPPORT PERSONNEL.

(a) APPROVAL OF KEY PROVIDER PERSONNEL.

(i) Before assigning an individual to act as one of the Key Provider Personnel whether as an initial assignment or a subsequent assignment, Provider shall notify Williams of the proposed assignment, shall introduce the individual to appropriate Williams representatives, shall provide

reasonable opportunity for Williams representatives to interview the individual, and shall provide Williams with a resume and such other information about the individual as may be reasonably requested by Williams. If Williams in good faith objects to the proposed assignment, the Parties shall attempt to resolve Williams's concerns on a mutually agreeable basis. If the Parties have not been able to resolve Williams's concerns within five (5) business days of Williams communicating its concerns, Provider shall not assign the individual to that position and shall propose to Williams the assignment of another individual of suitable ability and qualifications.

(ii) Provider shall identify and obtain Williams's approval of all Key Provider Personnel prior to the Commencement Date, but unless otherwise agreed, the number of Key Provider Personnel at any given point in time shall not exceed five percent (5%) of the total number of Provider Personnel dedicated to supporting Williams's account, but no less than 10 people at any time (even if 10 people exceeds 5%). The Key Provider Personnel that have been selected and approved as of the Effective Date are listed in SCHEDULE C.

(iii) Williams may from time to time determine the positions designated as Key Provider Personnel under this Agreement with Provider's approval which shall not be unreasonably withheld.

(b) CONTINUITY OF KEY PROVIDER PERSONNEL. Provider shall cause each of the Key Provider Personnel to devote substantially full time and effort to the provision of Services under this Agreement for, unless otherwise specified in SCHEDULE C, a minimum of two (2) years from the date he or she assumes the position in question (provided that, in the case of Key Provider Personnel assigned prior to the Commencement Date, the minimum period shall be two (2) years from the Commencement Date). Provider shall not transfer, reassign or remove any of the Key Provider Personnel (except as a result of voluntary resignation, involuntary termination for cause, illness, disability, or death) or announce its intention to do so during such two (2) year period without Williams's prior approval, which Williams may withhold in its sole discretion. In the event of the voluntary resignation, involuntary termination for cause, illness, disability or death of one of its Key Provider Personnel during or after the specified period, Provider shall (i) give Williams as much notice as reasonably possible of such development, and (ii) expeditiously identify and obtain Williams's approval of a suitable replacement. In addition, even after the specified two (2) year period, Provider

shall transfer, reassign or remove one of its Key Provider Personnel (except as a result of voluntary resignation, involuntary termination for cause, illness, disability, or death) only after (i) giving Williams at least forty-five (45) days prior notice of such action, (ii) identifying and obtaining Williams's approval of a suitable replacement at least thirty (30) days prior to such transfer, reassignment or removal and (iii) demonstrating to Williams's reasonable satisfaction that such action will not have an adverse impact on Provider's performance of its obligations under this Agreement. After such two year period, unless otherwise agreed, Provider shall not transfer, reassign or remove more than 50% Key Provider Personnel in any twelve (12) month period.

(c) CONTINUITY OF CRITICAL SUPPORT PERSONNEL. Provider shall cause each of the Critical Support Personnel to devote substantially full time and effort to the provision of Services under this Agreement for the lesser of (i) the two (2) year period immediately following his or her Employment Effective Date or (ii) the period from his or her Employment Effective Date until the completion to Williams's reasonable satisfaction of any necessary knowledge transfer from such Critical Support Personnel to other Provider Personnel, such shorter period to be agreed to by the Parties. Provider shall not transfer, reassign or remove any of the Critical Support Personnel (except as a result of voluntary resignation, involuntary termination for cause, illness, disability, or death) during the specified period without Williams's prior approval, which Williams may withhold in its sole discretion. In the event of the voluntary resignation, involuntary termination for cause, illness, disability or death of one of its Critical Support Personnel during the specified period, Provider shall (i) give Williams as much notice as reasonably possible of such development, and (ii) expeditiously identify and obtain Williams's approval of a suitable replacement.

(d) RETENTION AND SUCCESSION. Provider shall implement and maintain a retention strategy designed to retain Key Provider Personnel and Critical Support Personnel on the Williams account for the prescribed period. Provider shall also maintain active succession plans for each of the Key Provider Personnel positions. Provider shall implement various retention strategies to retain Key Provider Personnel and Critical Support Personnel, including but not limited to, granting stock options, awards, salary increases, recognition events and other retention and incentive programs on terms at least equal to those offered to similarly situated Provider employees. Upon termination or resignation of any Key Provider Personnel, Provider shall provide notice to Williams of such termination and identify potential suitable replacements.

8.5 PROVIDER PROJECT EXECUTIVE.

Provider shall designate a "PROVIDER PROJECT EXECUTIVE" for this Williams engagement who, unless otherwise agreed by Williams, shall maintain his or her office in Tulsa, Oklahoma. The Provider Project Executive shall (i) be one of the Key Provider Personnel; (ii) be a full time employee of Provider; (iii) devote his or her full time and effort to managing the Services; (iv) remain in this position for a minimum period of two (2) years from the initial assignment (except as a result of voluntary resignation, involuntary termination for cause, illness, disability, or death); (v) serve as the single point of accountability for the Services, (vi) be the single point of contact to whom all Williams communications concerning this Agreement may be addressed; (vii) have authority to act on behalf of Provider in all day-to-day matters pertaining to this Agreement; and (viii) have day-to-day authority for ensuring customer satisfaction and attainment of all Service Levels.

8.6 EVALUATION AND COMPENSATION OF PROVIDER PROJECT EXECUTIVE AND KEY PROVIDER PERSONNEL.

Williams shall have a meaningful opportunity to provide information to Provider with respect to Williams's evaluation of the performance of the Provider Project Executive and the other Key Provider Personnel and such evaluation shall be considered and accorded substantial weight by Provider in establishing the incentive and annual total compensation of such individuals, in accordance with Provider's personnel policies for similarly situated employees (or a separate mutually agreed upon process, if such personnel policies are changed in a manner that eliminates such opportunity for Williams input). Such input may be based upon: (i) the level of customer satisfaction reflected in the periodic customer satisfaction surveys; (ii) the extent to which Provider has met or exceeded the Service Levels, Service Levels and Provider's other responsibilities and obligations under this Agreement; (iii) Provider's achievement of the objectives relating to Williams and its businesses set forth in SECTION 1.2, as reasonably determined by Williams and (iv) Williams's determination as to whether Provider has met the technical objectives set by the Williams executive officer sponsors (e.g., the Chief Financial Officer and the Chief Administrative Officer) or his or her designee.

8.7 PROVIDER PERSONNEL ARE NOT WILLIAMS EMPLOYEES.

Except as otherwise expressly set forth in this Agreement, the Parties intend to create an independent contractor relationship and nothing in this Agreement shall operate or be construed as making Williams (or the Eligible Recipients) and Provider partners, joint venturers, principals, joint employers, agents or employees of or with the other. No

officer, director, employee, agent, Affiliate, contractor or subcontractor retained by Provider to perform work on Williams's behalf hereunder shall be deemed to be an officer, director, employee, agent, Affiliate, contractor or subcontractor of Williams or the Eligible Recipients for any purpose. Provider, not Williams or the Eligible Recipients, has the right, power, authority and duty to supervise and direct the activities of the Provider Personnel and to compensate such Provider Personnel for any work performed by them on the behalf of Williams or the Eligible Recipients pursuant to this Agreement. Each Party shall be responsible and therefore solely liable for all acts and omissions of its personnel to the extent required by applicable Law or specified in this Agreement.

8.8 REPLACEMENT, QUALIFICATIONS, AND RETENTION OF PROVIDER PERSONNEL.

(a) SUFFICIENCY AND SUITABILITY OF PERSONNEL. Provider shall assign (or cause to be assigned) sufficient Provider Personnel to provide the Services in accordance with this Agreement and such Provider Personnel shall possess suitable competence, ability and qualifications and shall be properly educated and trained for the Services they are to perform.

(b) REQUESTED REPLACEMENT. In the event that Williams determines lawfully and in good faith that the continued assignment to Williams of any individual Provider Personnel (including Key Provider Personnel) is not in the best interests of Williams or the Eligible Recipients, then Williams shall give Provider notice to that effect requesting that such Provider Personnel be replaced. Provider shall have ten (10) business days following Williams's request for removal of such Provider Personnel in which to investigate the matters forming the basis of such request, correct any deficient performance and provide Williams with assurances that such deficient performance shall not recur (provided that, if requested to do so by Williams for actual or suspected violations of Williams Rules, Provider shall immediately remove (or cause to be removed) the individual in question from all Williams sites pending completion of Provider's investigation and discussions with Williams). If, following such ten (10) business day period, Williams is not reasonably satisfied with the results of Provider's efforts to correct the deficient performance and/or to ensure its non-recurrence, Provider shall, as soon as possible, remove and replace such Provider Personnel with an individual of suitable ability and qualifications, without cost to Williams. Nothing in this provision shall operate or be construed to limit Provider's responsibility for the acts or omission of the Provider Personnel or be construed as joint employment.

(c) TURNOVER RATE AND DATA. Provider shall use commercially reasonable efforts to keep the turnover rate of Provider Personnel to a level comparable to or better than the industry average for large, well-managed service companies performing services similar to the Services. Provider shall provide to Williams reports on a quarterly basis of the turnover rate of Provider Personnel. If Williams determines that the turnover rate of Provider Personnel is unacceptable and so notifies Provider, Provider shall within ten (10) business days (i) provide Williams with data concerning Provider's turnover rate of Provider Personnel, (ii) meet with Williams to discuss the reasons for the turnover rate of Provider Personnel, and (iii) submit a proposal for reducing the turnover rate of Provider Personnel for Williams's review and approval. Notwithstanding any transfer or turnover of Provider Personnel, Provider shall remain obligated to perform the Services without degradation and in accordance with the Service Levels. In addition, Provider shall notify Williams of any turnover of Provider Personnel with roles or functions that include the categories specified in the Policy and Procedures Manual. Such notice shall be provided to Williams within the timeframes specified in the Policy and Procedures Manual. Until such time as the Policy and Procedures Manual has been approved by Williams in accordance with this Agreement, Provider shall provide Williams with same day notice of any turnover of Provider Personnel.

(d) RESTRICTIONS ON PERFORMING SERVICES TO COMPETITORS. Neither Provider nor any Subcontractor shall cause or permit any Key Provider Personnel to perform services directly or indirectly for a Direct Williams Competitor either while engaged in the provision of Services or during the six (6) months immediately following the termination of his or her involvement in the provision of such Services without Williams's prior written consent. If the Parties agree to expand the scope of Services provided under this Agreement, then the Parties shall meet and discuss in good faith whether a restriction more stringent than that set forth in this SECTION 8.8(d) is required to address Williams's concerns related to such expanded scope.

8.9 CONDUCT OF PROVIDER PERSONNEL.

(a) CONDUCT AND COMPLIANCE. While at Williams Facilities and Williams Sites, Provider Personnel shall (i) comply with the Williams Rules and other rules and regulations regarding personal and professional conduct generally applicable to personnel at such Williams Facilities and Williams Sites (and communicated to Provider in writing or by any other means generally used by Williams to disseminate such information to its employees or contractors), (ii) comply with

reasonable requests of Williams or the Eligible Recipients personnel pertaining to personal and professional conduct, (iii) attend workplace training offered by Williams and/or the Eligible Recipients at Williams's request, and (iv) otherwise conduct themselves in a businesslike manner.

(b) IDENTIFICATION OF PROVIDER PERSONNEL. All Provider Personnel shall clearly identify themselves to Williams, the other Eligible Recipients and third parties as Provider Personnel and not as employees of Williams and/or the Eligible Recipients. This shall include any and all communications, whether oral, written or electronic. Each Provider Personnel shall wear a badge indicating that he or she is employed by Provider or its Subcontractors when at a Williams Facility or Williams Site.

(c) RESTRICTION ON MARKETING ACTIVITY. Except for marketing representatives designated in writing by Provider to Williams, none of the Provider Personnel shall conduct any marketing activities to Williams or Eligible Recipient employees at Williams Facilities or Williams Sites (including marketing of any New Services), other than, subject to SECTION 13.3, reporting potential marketing opportunities to Provider's designated marketing representatives.

8.10 SUBSTANCE ABUSE.

Provider represents and warrants that it has and will maintain substance abuse policies, in each case in conformance with applicable Laws, and Provider Personnel will be subject to such policies. Provider represents and warrants that it shall require its Subcontractors and Affiliates providing Services to have and maintain such policy in conformance with applicable Law and to adhere to this provision.

8.11 UNION AGREEMENTS AND WARN ACT.

(a) NOTICE BY PROVIDER. Provider shall provide Williams not less than ninety (90) days notice of the expiration of any collective agreement with unionized Provider Personnel if the expiration of such agreement or any resulting labor dispute could potentially interfere with or disrupt the business or operations of Williams or an Eligible Recipient or impact Provider's ability to timely perform its duties and obligations under this Agreement.

(b) WARN ACT COMMITMENT. Provider shall not, for a period of sixty (60) days after the Employment Effective Date, cause any of the Transitioned Employees to suffer "employment loss" as that term is construed under the Worker Adjustment and Retraining Notification Act ("WARN ACT"), if such employment loss could

create any liability for Williams, the Eligible Recipients, or its or their Affiliates, unless Provider delivers notices under the WARN Act in a manner and at a time such that Williams, the Eligible Recipients, or its or their Affiliates bear no liability with respect thereto.

(c) RESPONSIBILITY. Provider shall be responsible for any liability, cost, claim, expense, obligation or sanction attributable to any breach by Provider of SECTION 8.11(b) that results in Williams or the Eligible Recipients being in violation of the WARN Act or the regulations promulgated thereunder.

9. PROVIDER RESPONSIBILITIES

9.1 POLICY AND PROCEDURES MANUAL.

(a) DELIVERY AND CONTENTS. As part of the Services, and at no additional cost to Williams, Provider shall deliver to Williams for its review, comment and approval (i) a reasonably complete draft of the Policy and Procedures Manual within forty-five (45) days after the Commencement Date, and (ii) a final draft of the Policy and Procedures Manual within thirty (30) days of Provider's receipt of Williams's comments and suggestions (the "POLICY AND PROCEDURES MANUAL"). At a minimum, the Policy and Procedures Manual shall include the following:

(i) a detailed description of the Services and the manner in which each will be performed by Provider, including (A) the Equipment, Software, and Systems to be procured, operated, supported or used; (B) documentation (including operations manuals, user guides, specifications, policies/procedures and disaster recovery plans) providing further details regarding such Services; and (C) the specific activities to be undertaken by Provider in connection with each Service, including, where appropriate, the direction, supervision, monitoring, staffing, reporting, planning and oversight activities to be performed by Provider under this Agreement; and (D) the processes, methodologies and controls to be implemented and used by Provider to meet its obligations in this Agreement (including, its obligations under SECTION 15.10) regarding compliance with applicable Laws, and generally accepted accounting principles;

(ii) the procedures for Williams/Provider interaction and communication, including (A) call lists; (B) procedures for and limits on direct communication by Provider with Williams personnel; (C) problem management and escalation procedures; (D) priority and project

procedures; (E) Acceptance testing and procedures; (F) Quality Assurance procedures and checkpoint reviews; and (G) annual and quarterly financial objectives, budgets, and performance goals;

(iii) processes that conform and integrate with Williams's change control procedures and the regulatory compliance requirements (as further described in SECTION 15.10 and 15.14); and

(iv) practices and procedures addressing such other issues and matters as Williams shall require.

Provider shall incorporate Williams's then current policies and procedures in the Policy and Procedures Manual to the extent it is directed to do so by Williams.

(b) REVISION AND MAINTENANCE. Provider shall incorporate any comments or suggestions of Williams into the Policy and Procedures Manual and shall deliver a final revised version to Williams within thirty (30) days of its receipt of such comments and suggestions for Williams's approval. The Policy and Procedures Manual will be delivered and maintained by Provider in hard copy and electronic formats and will be accessible electronically via a secure web site to Williams management and End Users in a manner consistent with Williams's security policies.

(c) COMPLIANCE. Provider shall perform those Services which are generally subject to generally accepted accounting principles in accordance with generally accepted accounting principles (except as otherwise instructed by Williams) and Williams's then current policies and procedures until the Policy and Procedures Manual is finalized and agreed upon by the Parties. Thereafter, Provider shall perform the Services in accordance with the Policy and Procedures Manual. In the event of a conflict between the provisions of this Agreement and the Policy and Procedures Manual, the provisions of this Agreement shall control unless the Parties expressly agree otherwise and such agreement is set forth in the relevant portion of the Policy and Procedures Manual.

(d) MODIFICATION AND UPDATING. Provider shall promptly modify and update the Policy and Procedures Manual monthly to reflect changes in the operations or procedures described therein and to comply with Williams Standards, the Technology and Business Process Plan and Strategic Plans as described in SECTION 9.5. Provider shall provide the proposed changes in the manual to Williams for review, comment and approval. To the extent such change could (i)

increase Williams's total costs of receiving the Services; (ii) require material changes to the facilities, systems, software or equipment of Williams and/or the Eligible Recipients; (iii) have a material adverse impact on the functionality, interoperability, performance, accuracy, speed, responsiveness, quality or resource efficiency of the Services, or (iv) violate or be inconsistent with the Williams Standards, Provider shall not implement such change without first obtaining Williams's approval, which Williams may withhold in its sole discretion.

9.2 REPORTS.

(a) REPORTS. Provider shall provide Williams with reports pertaining to the performance of the Services and Provider's other obligations under this Agreement sufficient to permit Williams to monitor and manage Provider's performance ("REPORTS"). The Reports to be provided by Provider shall include those described in SCHEDULE R in the format and at the frequencies provided therein, as well as those provided by Williams prior to the Commencement Date. In addition, from time to time, Williams may identify additional Reports to be generated by Provider and delivered to Williams on an ad hoc or periodic basis. All Reports shall be provided to Williams as part of the Services and at no additional charge to Williams. The Reports described in SCHEDULE R and, to the extent reasonably possible, all other Reports shall be provided to Williams (i) by secure on-line connection in an electronic format capable of being accessed by Microsoft Office components and downloadable by Williams, with the information contained therein capable of being displayed graphically and accessible from a web browser, or, (ii) at Williams' request, in traditional printed form.

(b) BACK-UP DOCUMENTATION. As part of the Services, Provider shall provide Williams with such documentation and other information available to Provider as may be reasonably requested by Williams from time to time in order to verify the accuracy of the Reports provided by Provider. In addition, Provider shall provide Williams with all documentation and other information reasonably requested by Williams from time to time to verify that Provider's performance of the Services is in compliance with the Service Levels and this Agreement.

(c) CORRECTION OF ERRORS. As part of the Services and at no additional charge to Williams, Provider shall promptly correct any errors or inaccuracies in or with respect to the Reports, the information or data contained in such Reports, or other contract deliverables caused by Provider or its agents, Subcontractors, Managed

Third Parties or third party product or service providers used by Provider to provide the Services.

9.3 GOVERNANCE MODEL; MEETINGS.

(a) GOVERNANCE MODEL. The Parties will manage their relationship under this Agreement using the governance model in SCHEDULE T. The Parties shall use all commercially reasonable efforts to complete and agree upon SCHEDULE T on or before the Commencement Date.

(b) MEETINGS. During the Term, representatives of the Parties shall meet periodically or as requested by Williams to discuss matters arising under this Agreement, including any such meetings provided for under the Transition Plan, the Transformation Plan and the Implementation Plan. Each Party shall bear its own costs in connection with the attendance and participation of such Party's representatives in such meetings. Such meetings shall include, at a minimum, the following (except to the extent the Parties agree on a different meeting schedule as set forth in SCHEDULE T from time to time):

(i) a periodic meeting at least monthly to review performance and monthly reports, planned or anticipated activities and changes that might impact performance, and such other matters as appropriate;

(ii) a quarterly management meeting to review the monthly reports for the quarter, review Provider's overall performance under the Agreement, review progress on the resolution of issues, provide a strategic outlook for Williams's and the Eligible Recipients' information systems requirements, and discuss such other matters as appropriate;

(iii) a meeting associated with the transition and ongoing provision of the Services, quarterly during the first year of the Term and semi-annually thereafter;

(iv) an annual meeting of senior management of both Parties to review relevant contract and performance issues;

(v) a periodic meeting of management of both Parties in which Provider will (A) explain how the Systems that Provider operates in connection with the provision of the Services work and are operated, (B) explain how the Services are provided (in such detail as Williams may request), (C) provide such training and documentation as Williams may require for

Williams to understand and operate such Systems and provide the Services after the termination or expiration of the Agreement; and

(vi) such other meetings of Williams and Provider Personnel, including senior management of Provider, as Williams may reasonably request.

(c) AGENDA AND MINUTES. For each such meeting, upon Williams request, Provider shall prepare and distribute an agenda, which will incorporate the topics designated by Williams. Provider shall distribute such agenda in advance of each meeting so that the meeting participants may prepare for the meeting. In addition, upon Williams request, Provider shall record and promptly distribute minutes for every meeting for review and approval by Williams.

(d) END USER AND ELIGIBLE RECIPIENT MEETINGS. Provider shall notify the Williams Project Executive in advance of scheduled meetings with End Users or Eligible Recipients (other than meetings pertaining to the provision of specific Services on a day-to-day basis) and shall invite the Williams Project Executive to attend such meetings or to designate a representative to do so.

9.4 QUALITY ASSURANCE AND INTERNAL CONTROLS.

Provider shall develop and implement Quality Assurance and internal control processes and procedures, including implementing tools and methodologies, to verify that the Services are performed (i) in an accurate and timely manner, (ii) in accordance with the Service Levels and other requirements of this Agreement, (iii) to the extent applicable to the particular Services, in a manner consistent with generally accepted accounting principles (unless otherwise instructed by Williams), (iv) the best practices of the finance and accounting and human resources business process services outsourcing industry, (v) the best practices of the information technology industry, (vi) subject to SECTION 15.10, the Laws applicable to Williams and the Eligible Recipients (including the Sarbanes-Oxley Act of 2002 and implementing Regulations promulgated by the United States Securities and Exchange Commission and Public Accounting Oversight Board) as interpreted by Williams and communicated to Provider and (vii) industry standards (e.g., QS 9000, ISO 9001/2000, ISO 14000, COSO, CobIT) applicable to Williams and the Eligible Recipients and the performance of the Services. Such procedures and controls shall include verification, checkpoint reviews, testing, acceptance, and other procedures for Williams to assure the quality and timeliness of Provider's performance. Without limiting the generality of the foregoing, Provider will:

(a) Maintain a strong control environment in day-to-day operations, such that the following fundamental control objectives regarding the Services are met: (1) financial and operational information is valid, complete and accurate; (2) operations are performed efficiently and achieve effective results, consistent with the requirements of this Agreement; (3) assets are safeguarded; and (4) actions and decisions are in compliance with Laws to the extent set forth in SECTION 15.10;

(b) Build the following basic control activities into Provider work processes related to the Services: (1) accountability clearly defined and understood; (2) access properly controlled; (3) adequate supervision; (4) transactions properly authorized; (5) transactions accurately recorded; (6) transactions recorded in the proper accounting period; (7) policies, procedures, and responsibilities documented; (8) adequate training and education; (9) adequate separation of duties; and (10) recorded assets compared with existing assets;

(c) Develop and execute a process such that annual internal control self-assessments are performed with respect to all Services;

(d) Maintain an internal audit function to sufficiently monitor the processes and Systems used to provide the Services (i.e., perform audits, track control measures, communicate status to management, drive corrective action, etc.). As part of such internal audit function, Provider will:

(i) Develop and execute an annual risk assessment process to evaluate risk in the Services. This assessment shall become the basis to create an annual risk-based audit plan of the Services. The plan shall be provided to Williams for its review and approval thirty (30) days before the end of each calendar year;

(ii) Promptly provide audit reports resulting from each subsequent audit contemplated by SECTION 9.4(d)(i) to Williams, and make information reasonably necessary to address any problems, issues or concerns of Williams relating to the results of such audit reports available to Williams upon request;

(iii) Adopt a qualitative methodology (e.g., high, medium, low effectiveness) of reporting the level of controls and internal audit results;

(iv) As part of the annual risk assessment, provide a summary of audit activity performed, associated significant findings, and status of follow-up

activity, and a summary of control incidents (i.e., frauds, conflict of interest situations, etc.) and related corrective action, every six (6) months; and

(v) Provide, on a quarterly basis, a written report that identifies, in sufficient detail but no less than that provided by Williams's ICQ process, any and all (i) changes to the internal control processes and procedures and (ii) deficiencies in compliance with the internal control processes and procedures.

(e) Conduct, with the assistance of Williams, investigations of suspected fraudulent activities within the Provider's organization that impact or could impact Williams or the Eligible Recipients and notify Williams.

(f) Provider shall submit such processes, procedures and internal controls to Williams for its review, comment and approval within thirty (30) days after the Commencement Date. Upon Williams's approval, such processes and procedures shall be included in the Policy and Procedures Manual. Prior to the approval of such processes and procedures by Williams, Provider shall adhere strictly to Williams's then current policies and procedures. No failure or inability of the quality assurance procedures to disclose any errors or problems with the Services shall excuse Provider's failure to comply with the Service Levels and other terms of this Agreement.

(g) Work with Williams, and with Williams's prior approval, implementing compliance measures to satisfy Williams requirements relating to its compliance with the Sarbanes-Oxley Act and associated regulations, including, without limitation, Williams' certification as to internal controls.

9.5 PROCESSES, PROCEDURES, ARCHITECTURE, STANDARDS AND PLANNING.

(a) PROVIDER SUPPORT. As requested by Williams, Provider shall assist Williams in defining (A) finance and accounting and human resources standards, policies, practices processes, procedures and controls to be adhered to and enforced by Provider in performance of the Services; and (B) IT technologies, architectures, standards, products and systems to be applied or used by Provider in providing the Services (collectively, the "WILLIAMS STANDARDS") and in annually preparing long-term strategic Plans and short-term implementation plans based thereon. The assistance to be provided by Provider shall include: (i) active participation with Williams representatives on permanent and ad-hoc committees and working

groups addressing such issues; (ii) assessments of the then-current Williams Standards at a level of detail reasonably specified by Williams; (iii) analyses of the appropriate direction for such Williams Standards in light of business priorities, business strategies, competitive market forces, and changes in technology; (iv) the provision of information to Williams regarding Provider's technology, business processes and telecommunications strategies for its own business; and (v) recommendations regarding standards, processes, procedures and controls and associated information technology architectures, standards, product and systems. With respect to each recommendation, Provider shall provide the following at a level of detail reasonably specified by Williams: (i) the projected cost to Williams and the Eligible Recipients and cost/benefit analyses; (ii) the changes, if any, in the personnel and other resources Provider, Williams and/or the Eligible Recipients will require to operate and support the changed environment; (iii) the resulting impact on the total costs of Williams and the Eligible Recipients; (iv) the expected performance, quality, responsiveness, efficiency, reliability, security risks and other service levels; and (v) general plans and projected time schedules for development and implementation. Any assistance provided by Provider under SECTION 9.5 shall be at no additional Charge beyond the Charges specified in SCHEDULE J for the Services, unless an additional Charge has been approved by Williams.

(b) PROVIDER FAMILIARITY WITH WILLIAMS STANDARDS. Provider is fully informed as to the Williams Standards provided by Williams as of the Commencement Date, both through due diligence and its hiring of the Transitioned Employees. Provider shall be responsible for integrating the Williams Standards into the Policy and Procedures Manual in accordance with SECTION 9.1. Additions, deletions or modifications to the Williams Standards shall be communicated in writing by Williams to Provider and will be made available to Provider through Williams's Virtual Policy Center or other means.

(c) WILLIAMS AUTHORITY AND PROVIDER COMPLIANCE. Williams shall have final authority to promulgate Williams Standards and to modify or grant waivers from such Williams Standards. Provider shall (i) comply with and implement the Williams Standards in providing the Services, (ii) work with Williams to enforce the Williams Standards, (iii) modify the Services as and to the extent necessary to conform to such Williams Standards, and (iv) obtain Williams's prior written approval for any deviations from such Williams Standards. Provider's compliance with new Williams Standards and its modification of the Services in accordance therewith may or may not constitute a New Service.

(d) FINANCIAL, FORECASTING AND BUDGETING SUPPORT. On a monthly basis, Provider shall provide a twelve (12) month (or longer upon reasonable request of Williams) rolling forecast to Williams for Williams's forecasting and budgeting purposes, including: (i) actual and forecasted utilization of Resource Units; and (ii) actual and forecasted changes in the total price or resource utilization of Williams and the Eligible Recipients associated with changes to the environment. In addition, on an annual basis, Provider shall provide information to Williams regarding opportunities to modify or improve the Services, and reduce the Charges and/or total price to Williams of receiving the Services.

(e) TECHNOLOGY AND BUSINESS PROCESS PLAN. Provider shall develop and implement a technology and business process plan ("TECHNOLOGY AND BUSINESS PROCESS PLAN") that contains the information described in SECTION 9.5(e)(ii) below and is consistent with the Williams Standards and Strategic Plan that describes Williams's strategic objectives and its planned means to achieve them. The Technology and Business Process Plan will also describe how Provider will provide the Services to support Williams in Williams's efforts (i) to achieve the Strategic Plan objectives and (ii) to implement and support its business, finance, accounting and information technology objectives and strategies. The development of the Technology and Business Process Plan will be an iterative process that Provider shall carry out in consultation with Williams. The timetable for finalization of the Technology and Business Process Plan shall be set each year having regard to the timetable for the Strategic Plan.

(i) PROCESS. The process for developing and approving the Technology and Business Process Plan shall be as follows. Provider shall provide a draft Technology and Business Process Plan each year that includes multi-year implementation plans to achieve multi-year objectives. Williams shall review the draft Technology and Business Process Plan and provide requested amendments. Provider shall incorporate any such amendments, unless it reasonably believes that any requested amendment would not assist Williams to achieve its objectives and strategies. Williams and Provider shall escalate any disagreements about requested amendments to the draft Technology and Business Process Plan in accordance with the dispute resolution procedure in ARTICLE 19. Following approval by Williams, the draft Technology and Business Process Plan will replace the previous plan. Approval of the Technology and Business Process Plan by Williams shall not relieve Provider of any obligation under this Agreement in relation to its provision of the Services.

(ii) CONTENTS. In the Technology and Business Process Plan, Provider shall, among other things, include plans for: (A) refreshing Equipment and Software (consistent with the refresh cycles defined in SECTION 11.7(e), (f) and (g); (B) adopting new technologies and business processes as part of the Technology and Business Process Evolution of the Services, as defined in this Agreement; and (C) maintaining flexibility as described in SECTION 11.7. In the Technology and Business Process Plan, Provider shall also present implementation plans for promoting the achievement of the Strategic Plan and the Williams Standards in areas relating to the Services.

(iii) COMPLIANCE AND REPORTING. Provider shall comply with the Technology and Business Process Plan at all times, unless Williams agrees to depart from the Technology and Business Process Plan. Any such agreement to depart from the Technology and Business Process Plan from the date on which it is signed by Williams will not relieve Provider of its responsibilities under the previous plan prior to the date of such agreement.

9.6 CHANGE CONTROL.

(a) COMPLIANCE WITH CHANGE CONTROL PROCEDURES. In requesting or making any System Change and/or Business Process Change in the finance and accounting standards, business processes, procedures and controls or associated IT technologies, architectures, standards, products, Software, Equipment, Systems, Services or Materials provided, operated, managed, supported or used in connection with the Services, both Parties shall comply with the Change Control Procedures specified in the Policy and Procedures Manual. Prior to making any System Change or using any new (e.g., not tested in or for the Williams environment) Software or Equipment to provide the Services, Provider shall have verified by appropriate testing that the change or item has been properly installed, is operating in accordance with its specifications, is performing its intended functions in a reliable manner and is compatible with and capable of operating as part of the Williams environment. This obligation shall be in addition to any unit testing done by Provider as part of routine deployment or installation of Software or Equipment.

(b) SYSTEM CHANGE/BUSINESS PROCESS CHANGE COSTS. Unless otherwise set forth in this Agreement, including specified in SCHEDULE E, or approved in accordance with SECTION 9.6(c) or otherwise, Provider shall bear all charges, fees and costs

associated with any System Change and/or Business Process Change desired by Provider, including all charges, fees and costs associated with (i) the design, installation, implementation, testing and rollout of such System Change and/or Business Process Change, (ii) any modification or enhancement to, or substitution for, any impacted business processes or associated Software, Equipment or System, (iii) any increase in the cost to Williams or the Eligible Recipients of operating, maintaining or supporting any impacted business process or associated Software, Equipment or System, and (iv) subject to SECTION 9.6(h), any increase in resource usage to the extent it results from a System Change and/or Business Process Change.

(c) WILLIAMS APPROVAL - COST, ADVERSE IMPACT. Provider shall make no System Change and/or Business Process Change which may (i) increase Williams's total cost of receiving the Services; (ii) require material changes to Williams's or an Eligible Recipient's business operations, environments, facilities, systems, software, utilities, tools or equipment (including those provided, managed, operated, supported and/or used on their behalf by Williams Third Party Contractors); (iii) require Williams, the Eligible Recipients or Provider to install a new version, release, upgrade of, or replacement for, any Software or Equipment or to modify any Software or Equipment, (iv) have a material adverse impact on the functionality, interoperability, performance, accuracy, speed, responsiveness, quality or resource efficiency of the Services; (v) have an adverse impact on any Applications run by Williams or the Eligible Recipients, (vi) have an adverse impact on the cost, either actual or planned, to Williams of terminating all or any part of the Services or exercising its right to in-source or use third parties; (vii) have an adverse impact on the functionality, interoperability, performance, accuracy, speed, responsiveness, quality, cost or resource efficiency of William's Retained Systems and Business processes or require change to Williams's Retained Systems and Business Processes; or (viii) violate or be inconsistent with Williams Standards or Strategic Plans as specified in SECTION 9.5, without first obtaining Williams's approval, which approval Williams may withhold in its sole discretion. If Provider desires to make such a System Change and/or Business Process Change, it shall provide to Williams a written proposal describing in detail the extent to which the desired System Change and/or Business Process Change may affect the functionality, performance, price or resource efficiency of the Services and any benefits, savings or risks to Williams or the Eligible Recipients associated with such System Change and/or Business Process Change.

(d) WILLIAMS APPROVAL - REQUIRED SOFTWARE OR EQUIPMENT CHANGE. Provider shall make no System Change and/or Business Process Change that may require

Williams to install a new version, release or upgrade of, or replacement for, any Software or Equipment or to modify any Software or Equipment without first obtaining Williams's approval, which approval Williams may withhold in its sole discretion.

(e) TEMPORARY EMERGENCY CHANGES. Notwithstanding the foregoing, Provider may make temporary System Changes required by an emergency if it has been unable to contact the Williams Project Executive or his or her designee to obtain approval after making reasonable efforts. Provider shall document and report such emergency changes to Williams not later than the next business day after the change is made. Such System Changes shall not be implemented on a permanent basis unless and until approved by Williams.

(f) IMPLEMENTATION OF SYSTEM CHANGES. Provider will schedule and implement all System Change and/or Business Process Change so as not to (i) disrupt or adversely impact the business or operations of Williams or the Eligible Recipients, (ii) degrade the Services then being received by them, or (iii) interfere with their ability to obtain the full benefit of the Services.

(g) PLANNING AND TRACKING. On a monthly basis, Provider will prepare a rolling quarterly "look ahead" schedule for ongoing and planned System Change and/or Business Process Change for the next three (3) months. The status of System Change and/or Business Process Change will be monitored and tracked by Provider against the applicable schedule.

(h) COMPARISONS. For any System Change and/or Business Process Change, Provider shall, upon Williams's request, perform a comparison at a reasonable and mutually agreed level of detail, between the amount of resources required by the affected Business Process, Software or Equipment to perform a representative sample of the processing being performed for Williams and the Eligible Recipients immediately prior to the System Change and/or Business Process Change and immediately after the System Change and/or Business Process Change. Williams shall not be required to pay for increased resource usage due to a System Change and/or Business Process Change except to the extent that such System Change and/or Business Process Change is requested or approved by Williams after notice from Provider of such increased resource usage.

9.7 SOFTWARE CURRENCY.

(a) CURRENCY OF SOFTWARE. Subject to and in accordance with SECTIONS 6.4, 9.5, 9.6, 9.7(c) and SCHEDULE J, Provider agrees to maintain reasonable currency for Software for which it is financially responsible under this Agreement and to provide maintenance and support for new releases and versions of Software for which it is operationally responsible. For purposes of this Section, "reasonable currency" shall mean that, unless otherwise directed by Williams, (i) Provider shall maintain Software within one Major Release of the then current Major Release, unless otherwise specified in SCHEDULE J, ATTACHMENT J-10, and (ii) Provider shall install Minor Releases promptly or, if earlier, as requested by Williams. Provider will maintain reasonable numbers of multiple Major Releases for which commercial support is available, as directed by Williams, without any increase in the Monthly Base Charges.

(b) EVALUATION AND TESTING. Prior to installing a new Major Release or Minor Release, Provider shall evaluate and test such Release to verify that it will perform in accordance with this Agreement and the Williams Standards and that it will not (i) increase Williams's total cost of receiving the Services; (ii) require material changes to Williams's or the Eligible Recipient's business, facilities, systems, software or equipment; or (iii) adversely impact the functionality, interoperability, performance or resource efficiency of the Services. The evaluation and testing performed by Provider shall be at least consistent with the reasonable and accepted industry norms applicable to the performance of such Services and shall be at least as rigorous and comprehensive as the evaluation and testing usually performed by highly qualified service providers under such circumstances.

(c) APPROVAL BY WILLIAMS. Notwithstanding SECTION 9.7(a) and (b), Provider shall confer with Williams prior to installing any Major Release or Minor Release, shall provide Williams with the results of its testing and evaluation of such Release and a detailed implementation plan and shall not install such Release if directed not to do so by Williams. Where specified by Williams, Provider shall not install new Software releases or make other Software changes until Williams has completed and provided formal signoff on successful user acceptance testing. Notwithstanding the foregoing, Provider shall not install new Software releases or make other Software changes if doing so would require Williams or the Eligible Recipients to install new releases of, replace, or make other changes to Applications Software or other Software for which Williams is financially responsible unless Williams consents to such change. Provider shall install,

operate and support reasonable numbers of multiple versions of the same Software as and to the extent directed to do so by Williams.

(d) UPDATES BY WILLIAMS. Williams and the Eligible Recipients shall have the right, but not the obligation, to install new releases of, replace, or make other changes to Applications Software or other Software for which Williams is financially responsible under this Agreement.

9.8 ACCESS TO SPECIALIZED PROVIDER SKILLS AND RESOURCES.

Upon Williams's request, Provider shall provide Williams and the Eligible Recipients with prompt access to Provider's specialized services, personnel and resources pertaining to finance and accounting and human resources standards, processes and procedures and associated software, equipment and systems on an expedited basis taking into account the relevant circumstances (the "SPECIALIZED SERVICES"). The Parties acknowledge that the provision of such Specialized Services may, in some cases, constitute New Services for which Provider is entitled to additional compensation, but in no event shall Provider be entitled to any additional compensation for New Services under this subsection unless the Williams Project Executive and Provider Project Executive, or their authorized designee, expressly agree upon such additional compensation or Provider's entitlement to additional compensation is established through the dispute resolution process. If Williams authorizes Provider to proceed but the Parties disagree as to whether the authorized work constitutes New Services and Williams reasonably believes that such work is material and is required on an urgent basis, Provider shall (reserving its rights) proceed with such work, Williams shall pay for such work at the rates set forth in SCHEDULE J (reserving its rights that resolution of the dispute may result in a lower rate) and the disagreement shall be submitted to dispute resolution pursuant to ARTICLE 19. For avoidance of doubt, access to Provider's personnel with appropriate skills and training in Oracle products shall not constitute a Specialized Services for which Provider shall be entitled to additional compensation.

9.9 AUDIT RIGHTS.

(a) PROVIDER RECORDS. Provider shall, and shall cause its Subcontractors and suppliers to, maintain complete and accurate records of and supporting documentation for all Charges, all Williams Data and all transactions, authorizations, System Changes, implementations, soft document accesses, reports, analyses, procedures, controls, records, data or information created, generated, collected, processed or stored by Provider in the performance of its obligations under this Agreement ("CONTRACT RECORDS"). Provider shall maintain

such Contract Records in accordance with applicable Laws and generally accepted accounting principles (unless otherwise directed by Williams) for the applicable jurisdiction applied on a consistent basis. Provider shall retain Contract Records in accordance with Williams's record retention policy as modified from time to time and provided to Provider in writing.

(b) OPERATIONAL AUDITS. During the Term and for a period of thirty-six (36) months after the end of any Termination Assistance Services period (the "AUDIT PERIOD"), Provider shall, and shall cause its Subcontractors to, provide to Williams (and internal and external auditors, inspectors, regulators and other representatives that Williams may designate from time to time) access at reasonable hours to Provider Personnel, to the facilities at or from which Services are then being provided and to Provider records and other pertinent information, all to the extent relevant to the Services and Provider's obligations under this Agreement. Such access shall be provided for the purpose of performing audits and inspections of Williams and its businesses, to (i) verify the integrity of Williams Data, (ii) examine the systems that process, store, support and transmit that data, (iii) examine the internal controls (e.g., organizational controls, input/output controls, system modification controls, processing controls, system design controls, and access controls) and the security (including physical and logical information technology security), disaster recovery and back-up practices and procedures; (iv) examine Provider's performance of the Services; (v) verify Provider's reported performance against the applicable Service Levels; (vi) examine Provider's measurement, monitoring and management tools; and (vii) enable Williams and the Eligible Recipients to meet applicable legal, regulatory and contractual requirements (including the Sarbanes-Oxley Act of 2002 and the implementing regulations promulgated by the United States Securities and Exchange Commission and Public Accounting Oversight Board), in each case to the extent applicable to the Services. Provider shall during the Audit Period (A) provide any assistance reasonably requested by Williams or its designee in conducting any such audit, including installing and operating audit software, (B) make requested personnel (to the extent still employed by Provider), records and information available to Williams or its designee, and (C) in all cases, provide such assistance, personnel, records and information in an expeditious manner to facilitate the timely completion of such audit. Provider shall reimburse Williams for the actual cost of any follow on audit conducted by Williams to confirm that an issue identified in a previous audit has been appropriately corrected or resolved. In addition, if Williams suspects a non-trivial breach of this Agreement, and Provider does not present sufficient evidence to Williams that such non-trivial breach does not exist or has been appropriately corrected or resolved, and if

Williams subsequently conducts an audit and confirms the existence of such non-trivial breach, then Provider shall promptly reimburse Williams for the actual cost of such audit.

(c) FINANCIAL AUDITS. During the Audit Period, Provider shall, and shall cause its Subcontractors to, provide to Williams (and internal and external auditors, inspectors, regulators and other representatives that Williams may designate from time to time, provided such personnel are escorted by Provider) access at reasonable hours to Provider Personnel and to Contract Records and other pertinent information, all to the extent relevant to the performance of Provider's obligations under this Agreement. Such access shall be provided for the purpose of performing audits and inspections to (i) verify the accuracy and completeness of Contract Records, (ii) verify the accuracy and completeness of Charges and any Pass-Through Expenses and Out-of-Pocket Expenses, (iii) examine the financial controls, processes and procedures utilized by Provider, (iv) examine Provider's performance of its other financial obligations, and (v) enable Williams and the Eligible Recipients to meet applicable legal, regulatory and contractual requirements, in each case to the extent applicable to the Services and/or the Charges for such Services. Provider shall (A) provide any assistance reasonably requested by Williams or its designee in conducting any such audit, (B) make requested personnel, records and information available to Williams or its designee during the Term and thereafter, during the period specified in Williams's records retention policy, as it may be modified from time to time, and (C) in all cases, provide such assistance, personnel, records and information in an expeditious manner to facilitate the timely completion of such audit. If any such audit reveals an overcharge by Provider, and Provider does not successfully dispute the amount questioned by such audit in accordance with ARTICLE 19, Provider shall promptly pay to Williams the amount of such overcharge, together with interest from the date of Provider's receipt of such overcharge at the maximum amount permitted under applicable law or the rate of one and one-half percent (1.5%) per month, whichever is less. In addition, if any such audit reveals an overcharge of more than five percent (5%) of the aggregated audited Charges for the applicable audit, Provider shall promptly reimburse Williams for the actual cost of the entire audit, provided that the audit was not performed on a contingent fee basis.

(d) AUDIT ASSISTANCE. Williams and certain Eligible Recipients may be subject to regulation and audit by governmental bodies, other regulatory authorities, customers or other parties to contracts with Williams or an Eligible Recipient under applicable Laws, rules, regulations, standards and contract provisions. If a governmental body, other regulatory authority or customer or other party to a

contract with Williams or an Eligible Recipient exercises its right to examine or audit Williams's or an Eligible Recipient's books, records, documents or practices and procedures pursuant to such Laws, rules, regulations, standards or contract provisions, Provider shall provide all assistance requested by Williams or the Eligible Recipient in responding to such audits or requests for information provided that assistance required in excess of those Provider Personnel primarily assigned to provide or support the Services may result in additional charges to Williams to the extent that (a) Provider has used all reasonable efforts to mitigate such increased costs, (b) Provider has notified Williams in advance of such fact and the need for such additional costs, and (c) Williams has approved in writing of such additional costs.

(e) GENERAL PROCEDURES.

(i) Provider shall obtain audit rights equivalent to those specified in this SECTION 9.9 from all Subcontractors and will cause such rights to extend to Williams.

(ii) Notwithstanding the intended breadth of Williams's audit rights, Williams and its designated representatives shall not be given access to (A) the proprietary information of other Provider customers, (B) Provider locations that are not related to Williams, the Eligible Recipients or the Services, or (C) Provider's internal costs, except to the extent such costs are the basis upon which Williams is charged.

(iii) In performing audits, Williams shall endeavor to avoid unnecessary disruption of Provider's operations and unnecessary interference with Provider's ability to perform the Services in accordance with the Service Levels.

(iv) Following any audit, Williams shall conduct (in the case of an internal audit), or request its external auditors or examiners to conduct, an exit conference with Provider to obtain factual concurrence with issues identified in the review.

(v) Williams shall be given adequate private workspace in which to perform an audit, plus reasonable access to photocopiers, telephones, facsimile machines, computer hook-ups, and any other facilities or equipment needed for the performance of the audit.

(vi) To the extent practicable, Williams shall provide Provider with reasonable notice prior to any operational or financial audit initiated by Williams; provided that no such notice shall be required with respect to audits conducted by government auditors, inspectors, regulators or representatives.

(vii) In the event that Williams uses external auditors to perform auditing activities for Williams, Williams shall require such external auditors to execute non-disclosure agreements substantially in the form of EXHIBIT 1, (Form of Non-Disclosure Agreement).

(f) PROVIDER INTERNAL AUDIT. If Provider determines as a result of its own internal audit that it has overcharged Williams, then Provider shall promptly pay to Williams the amount of such overcharge, together with interest from the date of Provider's receipt of such overcharge at the rate of one and one-half percent (1.5%) per month.

(g) PROVIDER RESPONSE. Provider and Williams shall meet to review each audit report promptly after the issuance thereof. Provider will respond to each audit report in writing within thirty (30) days from receipt of such report, unless a shorter response time is specified in such report. Provider and Williams shall develop and agree upon an action plan to promptly address and resolve any deficiencies, concerns and/or recommendations in such audit report and Provider, at its own expense, shall undertake remedial action in accordance with such action plan and the dates specified therein to the extent necessary to comply with Provider's obligations under this Agreement.

(h) PROVIDER RESPONSE TO NON-WILLIAMS AUDITS. If an audit by a governmental body or regulatory authority having jurisdiction over Williams, an Eligible Recipient or Provider results in a finding that Provider is not in compliance with any applicable generally accepted accounting principle or other audit requirement or, subject to SECTION 15.10 any Law relating to the performance of its obligations under this Agreement, Provider shall, at its own expense and within the time period specified by such auditor, address and resolve the deficiency(ies) identified by such governmental body or regulatory authority.

(i) SAS70 AUDIT. In addition to its other obligations under this SECTION 9.9, Provider shall cause a Type 2 Statement of Auditing Standards ("SAS") 70 audit (or equivalent audit) to be conducted with respect to certain Provider facilities at or from which the Services are provided. Provider shall promptly provide a copy of

the resulting audit report to Williams as it pertains to the Services being performed for Williams.

(j) AUDIT COSTS. Provider and its Subcontractors and suppliers shall provide the Services described in this SECTION 9.9 at no additional charge to Williams, subject to the Parties' discussions in governance regarding staffing and re-prioritization of Projects and related efforts, if required due to extraordinary or atypical levels of audit activity for Williams.

9.10 AGENCY AND DISBURSEMENTS.

(a) DISBURSEMENTS. Beginning on the Commencement Date, Provider shall make payments to certain lessors, licensors and suppliers as paying agent of Williams or the Eligible Recipients, or shall reimburse Williams for payments made by Williams or the Eligible Recipients to such lessors, licensors and suppliers, if and to the extent such payments relate or to Third Party Contracts, Equipment Leases or Third Party Software licenses as to which Provider is financially responsible as set forth in SCHEDULE U, but which have not been formally transferred to Provider.

(b) LIMITED AGENCY. Williams hereby appoints Provider as its limited agent during the Term solely for the purposes of the administration of and payment of Pass-Through Expenses, amounts under Managed Third Party Agreements and Managed Transport Agreements, and amounts under Third Party Contracts, Equipment Leases and Third Party Software licenses for which Provider is financially responsible under SCHEDULES E or U. Williams shall provide, on a timely basis, such affirmation of Provider's authority to such lessors, licensors, suppliers, and other third parties as Provider may reasonably request.

(c) REIMBURSEMENT FOR SUBSTITUTE PAYMENT. If either Party in error pays to a third party an amount for which the other Party is responsible under this Agreement, the Party that is responsible for such payment shall promptly reimburse the paying Party for such amount.

(d) NOTICE OF DECOMMISSIONING. Provider agrees to notify Williams promptly if and to the extent any Williams or Eligible Recipient owned Equipment or Williams or Eligible Recipient leased Equipment will no longer be used to provide the Services. The notification will include the identification of the Equipment, and the date it will no longer be needed by Provider, along with the reason for decommissioning. Upon receipt of any such notice, Williams may (or may cause the applicable Eligible Recipient to), in its sole discretion, terminate the

Equipment lease for such leased Equipment as of the date specified in such notice and sell or otherwise dispose of or redeploy such Williams or Eligible Recipient owned Equipment that is the subject of such a notice as of the date specified in such notice. Upon Provider ceasing to use any Williams or Eligible Recipient owned Equipment (or, in the case of or Williams or Eligible Recipient leased Equipment, upon the last day Williams or Eligible Recipient is obligated to make such leased Equipment available to Provider, if earlier), Provider shall return the same to Williams, the Eligible Recipients and/or their designee(s) in condition at least as good as the condition thereof on the Commencement Date, ordinary wear and tear excepted. If such Equipment is not already located at a Williams location, Provider shall, at Williams's expense, deliver such Equipment to the location designated by Williams, the Eligible Recipients and/or their designee(s).

9.11 SUBCONTRACTORS.

(a) USE OF SUBCONTRACTORS. Provider shall not subcontract any of its responsibilities without Williams's prior written approval, which may be withheld in Williams's sole discretion. Prior to entering into a subcontract with a third party for the Services, Provider shall (i) give Williams reasonable prior notice specifying the components of the Services affected, the scope of the proposed subcontract, the identity and qualifications of the proposed Subcontractor, and the reasons for subcontracting the work in question; and (ii) obtain Williams's prior written approval of such Subcontractor. Williams also shall have the right during the Term to revoke its prior approval of a Subcontractor and direct Provider to replace such Subcontractor as soon as possible. Such replacement shall be at no additional cost to Williams if Williams's reason for revoking its prior approval of Subcontractor was for cause. With respect to a Subcontractor where William's reason for revoking its prior approval of such Subcontractors was other than for cause, Williams may incur additional charges in the event charges for a replacement Subcontractor are higher than the charges for the original Subcontractor; (a) provided Provider has used commercially reasonable efforts to mitigate such increased costs, (b) Provider has notified Williams in advance of such fact and the need for such additional costs, and (c) Williams has approved in writing of such additional costs. In addition, Williams may incur additional charges if it requires termination of a Subcontractor where the subcontract was a Third Party Contract assigned to Provider by Williams if such Third Party Contract does not permit termination without additional charges. With respect to any Provider Affiliates who are Subcontractors, Williams may only require replacement of such Provider Affiliate for cause, and such replacement shall be at no additional cost to Williams.

(b) SHARED SUBCONTRACTORS. Provider may, in the ordinary course of business, subcontract (i) for third party services or products that are not a material portion of the Services, that are not exclusively dedicated to Williams and that do not include regular direct contact with Williams or Eligible Recipient personnel or the performance of services at Williams sites, or (ii) with temporary personnel firms for the provision of temporary contract labor (collectively, "SHARED SUBCONTRACTORS"); provided, that such Shared Subcontractors possess the training and experience, competence and skill to perform the work in a skilled and professional manner. Williams shall have no approval right with respect to such Shared Subcontractors. If, however, Williams expresses dissatisfaction with the services of a Shared Subcontractor, Provider shall work in good faith to resolve Williams's concerns on a mutually acceptable basis and, at Williams' request, replace such Shared Subcontractor. Such replacement shall be at no additional cost to Williams if Williams's reason for requesting replacement of such Subcontractor was for cause. With respect to a Subcontractor where William's reason for requesting replacement of such Subcontractors was other than for cause, Williams may incur additional charges in the event charges for a replacement Shared Subcontractor are higher than the charges for the original Shared Subcontractor (a) provided Provider has used commercially reasonable efforts to mitigate such increased costs, (b) Provider has notified Williams in advance of such fact and the need for such additional costs, and (c) Williams has approved in writing of such additional costs.

(c) PROVIDER RESPONSIBILITY. Provider shall be responsible for any failure by any Subcontractor or Subcontractor personnel to perform in accordance with this Agreement or to comply with any duties or obligations imposed on Provider under this Agreement to the same extent as if such failure to perform or comply was committed by Provider or Provider employees. Provider shall be responsible for the performance of all such Subcontractors and Subcontractor personnel providing any of the Services hereunder. Provider shall be Williams's sole point of contact regarding the Services, including with respect to payment.

9.12 GOVERNMENT CONTRACT FLOW-DOWN CLAUSES.

(a) GENERAL. The Parties acknowledge and agree that, as a matter of federal procurement law, Provider may be deemed a "SUBCONTRACTOR" to Williams and/or an Eligible Recipient under one or more of their contracts with the federal government, that the Services provided or to be provided by Provider in such circumstances constitute "COMMERCIAL ITEMS" as that term is defined in the Federal Acquisition Regulation, 48 C.F.R. Section 52.202, and that

"SUBCONTRACTORS" providing "COMMERCIAL ITEMS" under government contracts are subject to certain mandatory "FLOW-DOWN" clauses (currently, (i) Equal Opportunity, (ii) Affirmative Action for Special Disabled and Vietnam Era Veterans, and (iii) Affirmative Action for Handicapped Workers) under the Federal Acquisition Regulation, 48 C.F.R. Section 52.244-6. The Parties agree that, insofar as certain clauses are be required to be flowed down to Provider, Provider shall comply with such clauses at no additional cost to Williams.

(b) SPECIAL REQUIREMENTS. The Parties do not believe that the Services provided by Provider under this Agreement will be subject to government flow-down requirements other than those associated with any subcontracts for commercial items. Should compliance by Provider with additional flow-down provisions nevertheless be required by the federal government in certain circumstances, Provider shall comply with such additional flow-down provisions and the Parties shall negotiate in good faith regarding the additional consideration, if any, to be paid to Provider in such circumstances. If the Parties are unable to reach agreement as to consideration within thirty (30) days, Williams, in its sole discretion, may elect to (i) terminate the specific Services triggering the additional flow-down requirements, (ii) terminate the Agreement in its entirety, or (iii) pay Provider the additional incremental costs, if any, reasonably incurred by Provider in complying with the additional flow-down requirements. If Williams elects to terminate the Services or Agreement, Williams shall not be obligated to pay any Termination Charges set forth in SCHEDULE N. Wind Down Charges shall be payable if and only if and only to the extent indicated as payable in SCHEDULE N. If the Parties are unable to agree on the additional incremental costs to be incurred by Provider, the Parties may agree jointly to select a third-party accounting expert to make that determination.

(c) SPECIAL PURCHASES SUPPORT. Williams's intent is to purchase products and services from Small Disadvantaged Businesses and Small Woman Owned Businesses (collectively "SDBS") in order to satisfy its goals and comply with government procurement laws and regulations. To help Williams achieve its goals, Williams shall notify Provider of such goals and Provider agrees to establish as a goal the purchase, when commercially feasible, of products and services from SDBs, on behalf of Williams and/or the Eligible Recipients, in the performance of Provider's obligations under this Agreement. Provider, as part of the Service, shall track invoice payments made to SDBs, and shall submit a quarterly summary to Williams with respect to such activity.

9.13 RETAINED SYSTEMS AND BUSINESS PROCESSES.

(a) INTERFACE. Provider shall ensure that the Systems and business processes used by Provider will interface and integrate with the Retained Systems and Business Processes.

(b) KEEP INFORMED. Provider shall inform itself and maintain up to date general knowledge about the existing and future Retained Systems and Business Processes.

(c) ASSISTANCE. As part of the Services, Provider shall provide Williams (upon Williams's request) with assistance in relation to Retained Systems and Business Processes, including: (i) liaising with Williams or third parties regarding the impact of any alterations to the Retained Systems and Business Processes and vice versa; and (ii) assistance with identifying favorable vendors in relation to the acquisition, support and development of Retained Systems and Business Processes.

9.14 ANNUAL REVIEWS.

Annually, or more frequently if Williams requires, the Parties shall conduct a detailed review of the Services then being performed by the Provider. As part of this review, the Parties shall review the Resource Baselines against actual service volumes for the previous year, and forecast the service volumes for the next year. In addition, the Parties shall examine: (i) whether the Charges are consistent with Williams's forecasts, industry norms and the Provider's representations; (ii) the quality of the performance and delivery of the Services; (iii) whether the Provider has delivered cost saving or efficiency enhancing proposals; (iv) the level and currency of the technologies and business processes employed; (v) the finance and accounting business processes, business and technology strategy and direction; and (vi) such other things as Williams may reasonably require.

10. WILLIAMS RESPONSIBILITIES

10.1 RESPONSIBILITIES.

In addition to Williams's responsibilities as expressly set forth elsewhere in this Agreement, Williams shall be responsible for the following:

(a) WILLIAMS PROJECT EXECUTIVE. Williams shall designate one (1) individual to whom all Provider communications concerning this Agreement may be addressed

(the "WILLIAMS PROJECT EXECUTIVE"), who shall have the authority to act on behalf of Williams and the Eligible Recipients in all day-to-day matters pertaining to this Agreement. Williams may change the designated Williams Project Executive from time to time by providing notice to Provider. Additionally, Williams will have the option, but will not be obligated, to designate additional representatives who will be authorized to make certain decisions (e.g., regarding emergency maintenance) if the Williams Project Executive is not available.

(b) COOPERATION. Williams shall cooperate with Provider by, among other things, making available, as reasonably requested by Provider, management decisions, information, approvals and acceptances so that Provider may accomplish its obligations and responsibilities hereunder.

(c) REQUIREMENT OF WRITING. To the extent Provider is required under this Agreement to obtain Williams's approval, consent or agreement, such approval, consent or agreement must be in writing and must be signed by or directly transmitted by electronic mail from the Williams Project Executive or an authorized Williams representative. Notwithstanding the preceding sentence, the Williams Project Executive may agree in advance in writing that as to certain specific matters oral approval, consent or agreement will be sufficient.

10.2 SAVINGS CLAUSE.

Provider's failure to perform its responsibilities under this Agreement or to meet the Service Levels shall be excused if and to the extent such Provider non-performance is caused by Williams's, an Eligible Recipient's or Williams Third Party Contractor's wrongful or tortious action or failure to perform any of its obligations or responsibilities under this Agreement, but only if (i) Provider expeditiously notifies Williams of such wrongful or tortious action or failure to perform and its inability to perform under such circumstances, (ii) Provider provides Williams with every reasonable opportunity to correct such wrongful or tortious action or failure to perform and thereby avoid such Provider non-performance, (iii) Provider identifies and pursues commercially reasonable means to avoid or mitigate the impact of such wrongful or tortious action or failure to perform, (iv) Provider uses commercially reasonable efforts to perform notwithstanding Williams's, an Eligible Recipient's or Williams Third Party Contractor's (including Managed Third Parties) wrongful or tortious action or failure to perform, and (v) Provider conducts a Root Cause Analysis and thereby demonstrates that such wrongful or tortious action or failure to perform is the cause of Provider's non-performance. Williams shall reimburse Provider for the additional incremental labor charges and Out-of-Pocket Expenses reasonably incurred by Provider to perform notwithstanding Williams wrongful

or tortious actions or failure to perform; provided that (A) to the extent practicable, Provider notifies Williams of such additional incremental charges and expenses and obtains Williams' approval prior to incurring such costs; and (B) Provider uses commercially reasonable efforts to minimize such costs (if and to the extent Williams declines to approve certain reasonable additional costs, Provider shall not be obligated to proceed with the efforts associated therewith). Notwithstanding the foregoing, Williams shall not be obligated to pay any additional labor charges or expenses to the extent Provider is able to use personnel and resources already assigned to Williams. Williams, in its sole discretion, may forego or delay any work activities or temporarily adjust the work to be performed by Provider, the schedules associated therewith or the Service Levels to permit the performance of such activities using such personnel or resources already assigned to perform the Services and Provider shall be temporarily relieved of its obligation to meet impacted Service Levels as and to the extent provided for in Williams's decision.

11. CHARGES

11.1 GENERAL.

(a) PAYMENT OF CHARGES. In consideration of Provider's performance of the Services, Williams agrees to pay Provider the applicable Charges.

(b) NO ADDITIONAL CHARGES. The charges for Transition Services are set forth in SCHEDULE J and there are no separate or additional charges for such Transition Services. Williams shall not pay any Charges for the Services in addition to those set forth in this Agreement. Any costs incurred by Provider prior to the Effective Date are included in the Charges as set forth in SCHEDULE J and are not to be separately paid or reimbursed by Williams.

(c) NO CHARGE FOR REPERFORMANCE. At no additional expense to Williams, Provider shall reperform (including any required backup or restoration of data from scheduled backups or, if not available on such backups, restoration by other means with Williams's reasonable cooperation) any Services that result in incorrect outputs due to an error or breach by Provider, and the resources required for such performance shall not be counted in calculating the Charges payable or resources utilized by Williams hereunder.

(d) CHARGES FOR CONTRACT CHANGES. Unless otherwise agreed, System Changes, changes in the Services (including changes in the Williams Standards) and changes in the rights or obligations of the Parties under this Agreement

(collectively, "CONTRACT CHANGES") shall result in changes in the applicable Charges only if and to the extent (i) the Agreement expressly provides for a change in the Provider Charges in such circumstances; (ii) the agreed upon Charges or pricing methodology expressly provides for a price change in such circumstances (for example, SCHEDULE J specifies the number of FTEs or hours of coverage to be provided for the quoted price, or defines a Resource Baseline for the Resource Unit in question with ARCs and RRCs for increased or decreased usage); or (iii) the Contract Change meets the definition of New Services for purposes of SECTION 11.5 and additional Charges are applicable in accordance therewith.

(e) ELIGIBLE RECIPIENT SERVICES.

(i) ELIGIBLE RECIPIENTS. Provider shall provide the Services to Eligible Recipients designated by Williams. To the extent a designated Eligible Recipient will receive less than all of the Services, Williams shall identify the categories of Services to be provided by Provider to such Eligible Recipient. Williams agrees that the Eligible Recipients will direct all communications regarding this Agreement through and to Williams, and not through or to Provider. Williams is fully responsible for the performance of Williams's obligations under this Agreement with respect to the Services provided to such Eligible Recipients.

(ii) NEW ELIGIBLE RECIPIENTS. From time to time Williams may request that Provider provide Services to Eligible Recipients not previously receiving such Services. Except as provided in SECTION 11.5 or otherwise agreed by the Parties, such Services shall be performed in accordance with the terms, conditions and prices (excluding any non-recurring transition or start-up activities specific to such Eligible Recipients) then applicable to the provisions of the same Services to existing Eligible Recipients. If applicable, Provider's work effort associated with adding new Eligible Recipients shall be conducted in accordance with SECTION 4.6.

(iii) ELECTION PROCEDURE. In the event of a transaction described in clause (c) or (d) within the definition of Eligible Recipient in SECTION 2.1, Williams may elect, on behalf of the Eligible Recipient in question, either (i) that such Eligible Recipient shall continue to obtain Services in some or all Functional Service Areas subject to and in accordance with the terms and conditions of this Agreement for the longer of two (2) years or the remainder of the Term, (ii) that the Entity shall obtain some or all of the

Services under a separate agreement between Provider and such Entity containing the same terms and conditions as this Agreement or (iii) that the Term shall be terminated as to such Eligible Recipient with respect to some or all the Services as of a specified date, subject to its receipt of Termination Assistance Services pursuant to SECTION 4.4. If the Services are provided under a separate agreement, Williams shall pay any fees in relation to the Services provided to such Entity in the event such Entity cannot or does not pay for the Services; provided, however, that (i) Williams's obligation to pay such fees shall be subject to any defenses, conditions and limitations that would be available to such Entity (other than the protection of bankruptcy and insolvency laws), and (ii) Provider shall exhaust its contract and legal remedies against such Entity prior to seeking payment from Williams. Notwithstanding the foregoing, Williams shall not be obligated to pay any fees for Services provided to an Entity under a separate agreement if at the time the Entity agrees in writing to be bound by the separate agreement, such Entity has the same or a better credit rating than Williams. Services provided to such Entity shall be included in the calculation of Service volumes, if any, under this Agreement, but shall be excluded when determining any Termination Charges payable as a result of termination for convenience.

11.2 PASS-THROUGH EXPENSES.

(a) PROCEDURES AND PAYMENT. Williams shall pay all Pass-Through Expenses directly to the applicable suppliers following review, validation and approval of such Pass-Through Expenses by Provider. Before submitting an invoice to Williams for any Pass-Through Expense, Provider shall (i) review and validate the invoiced charges, (ii) identify any errors or omissions, and (iii) communicate with the applicable supplier to correct any errors or omissions, resolve any questions or issues and obtain any applicable credits for Williams. Provider shall deliver to Williams the original supplier invoice, together with any documentation supporting such invoice and a statement that Provider has reviewed and validated the invoiced charges, within ten (10) days after Provider's receipt thereof. To the extent that an invoice is received by Provider less than ten days prior to its due date, Provider shall use commercially reasonable efforts to deliver such invoice, documentation and statement at least two (2) days after the date Provider receives such invoice; and provided further that, if it is not possible to deliver such invoice, documentation and statement at least two (2) days after the date Provider receives such invoice, Provider shall promptly notify Williams and, at Williams' option, either request additional time for review and validation or submit the invoice for

payment subject to subsequent review and validation. In addition, if the supplier offers a discount for payment prior to a specified date, Provider shall deliver such invoice and associated documentation to Williams at least ten (10) days prior to such date if Provider has received such invoice at least fifteen (15) days prior to the specified date. To the extent Provider fails to comply with its obligations hereunder, it shall be financially responsible for any discounts lost or any late fees or interest charges incurred by Williams and/or the Eligible Recipients.

(b) EFFORTS TO MINIMIZE. Provider will continually seek to identify methods of reducing and minimizing Williams's retained and Pass-Through Expenses and will notify Williams of such methods and the estimated potential savings associated with each such method.

11.3 INCIDENTAL EXPENSES.

Provider acknowledges that, except as expressly provided otherwise in this Agreement, expenses that Provider incurs in performing the Services are included in Provider's charges and rates set forth in this Agreement. Accordingly, such Provider expenses are not separately reimbursable by Williams unless Williams has agreed in advance and in writing to reimburse Provider for the expense.

11.4 TAXES.

The Parties' respective responsibilities for taxes arising under or in connection with this Agreement shall be as follows:

(a) INCOME TAXES. Each Party shall be responsible for its own Income Taxes.

(b) SALES, USE AND PROPERTY TAXES. Each Party shall be responsible for any sales, lease, use, personal property, stamp duty or other such taxes on Equipment, Software or property it owns or leases from a third party, including any lease assigned pursuant to this Agreement, and/or for which it is financially responsible under this Agreement.

(c) TAXES ON GOODS OR SERVICES USED BY PROVIDER. Provider shall be responsible for all sales, service, value-added, lease, use, personal property, excise, consumption, and other taxes and duties, including VAT, payable by Provider on any goods or services used or consumed by Provider in providing the Services (including services obtained from Subcontractors) where the tax is imposed on Provider's acquisition or use of such goods or services and the amount of tax is

measured by Provider's costs in acquiring or procuring such goods or services and not by Williams's cost of acquiring such goods or services from Provider.

(d) SERVICE TAXES. The Parties responsibilities for Service Taxes assessed against either Party on the provision of the Services as a whole, or on any particular Service received by Williams or the Eligible Recipients from Provider shall be as set forth in SCHEDULE J.

(e) USER FEES. To the extent Williams is responsible under SCHEDULE J for telecommunication surcharges or user fees imposed by government authorities and associated with the Services and the allocation of such fees or surcharges is within Provider's or its Subcontractors' discretion, Provider and its Subcontractors shall act fairly and equitably in allocating such fees and surcharges to Williams, and Williams and the Eligible Recipients shall not receive more than a proportionate share of such fees and surcharges. In addition, in the event any such fee or surcharge for which Williams or an Eligible Recipient is responsible is subsequently reduced or vacated by the appropriate regulatory authority or court of competent jurisdiction, Provider shall seek on behalf of Williams a refund of any overpayment of such fee or surcharge by Williams or the Eligible Recipient.

(f) NOTICE OF NEW TAXES AND CHARGES. Provider shall promptly notify Williams when it becomes aware of any new taxes or other charges (including changes to existing taxes or charges) to be passed through and/or collected by Williams under this Section. Such notification (which may be separate from the first invoice reflecting such taxes or other charges) shall contain a detailed explanation of such taxes or charges, including the effective date of each new tax or charge.

(g) EFFORTS TO MINIMIZE TAXES. The Parties agree to cooperate fully with each other to enable each to more accurately determine its own tax liability and to minimize such liability to the extent legally permissible. Provider's invoices shall separately state the Charges that are subject to taxation and the amount of taxes included therein. Each Party will provide and make available to the other any resale certificates, information regarding out-of-state or out-of-country sales or use of equipment, materials, or services, and other exemption certificates or information reasonably requested by either Party. At Williams's request, Provider shall provide Williams with (i) written documentation that Provider has filed all required tax forms and returns required in connection with any Service Taxes collected from Williams, and has collected and remitted all applicable Service

Taxes, and (ii) such other information pertaining to applicable Taxes as Williams may reasonably request.

(h) TAX AUDITS OR PROCEEDINGS. Each Party shall promptly notify the other Party of, and coordinate with the other Party, the response to and settlement of, any claim for Tax Authorities by applicable taxing authorities for which the other Party is financially responsible hereunder. With respect to any claim arising out of a form or return signed by a Party to this Agreement, such Party will have the right to elect to control the response to and settlement of the claim, but the other Party will have all rights to participate in the responses and settlements commensurate with its potential responsibilities or liabilities. Each Party also shall have the right to challenge the imposition of any tax liability for which it is financially responsible under this Agreement or, if necessary, to request the other Party to challenge the imposition of any such tax liability. If either Party requests the other to challenge the imposition of any tax liability, such other Party shall not unreasonably deny such request (unless and to the extent it assumes financial responsibility for the tax liability in question), and, the requesting Party shall reimburse the other for all fines, penalties, interest, additions to taxes or similar liabilities imposed in connection therewith, plus the reasonable legal, accounting and other professional fees and expenses it incurs. Each Party shall be entitled to any tax refunds or rebates obtained with respect to the taxes for which such Party is financially responsible under this Agreement.

(i) TAX FILINGS. Each Party represents, warrants and covenants that it will file appropriate tax returns, and pay applicable taxes owed arising from or related to the provision of the Services in applicable jurisdictions. Provider represents, warrants and covenants that it is registered to and will collect and remit Service Taxes in all applicable jurisdictions.

11.5 NEW SERVICES.

(a) PROCEDURES. If Williams requests that Provider perform any New Services reasonably related to the Services or other services generally provided by Provider, Provider shall promptly prepare a New Services proposal for Williams's consideration. Unless otherwise agreed by the Parties, Provider shall prepare such New Services proposal at no additional charge to Williams and shall deliver such proposal to Williams within ten (10) days of its receipt of Williams's request (or, where a longer time frame is required to respond, such timeframe mutually agreed to by the Parties); provided, that Provider shall use all commercially reasonable efforts to respond more quickly in the case of a pressing business need or an

emergency situation. Williams shall provide such information as Provider reasonably requests in order to prepare such New Service proposal. Such New Services proposal shall include, among other things, the following at such a level of detail as Williams may reasonably request: (i) a project plan and fixed price or price estimate for the New Service; (ii) a breakdown of such price or estimate, (iii) a description of the service levels to be associated with such New Service, (iv) a schedule for commencing and completing the New Service, (v) a description of the new hardware or software to be provided by Provider in connection with the New Service, (vi) a description of the software, hardware and other resources, including Resource Unit utilization, necessary to provide the New Service, (vii) any additional facilities or labor resources to be provided by Williams or the Eligible Recipients in connection with the proposed New Service, and (viii) in the case of any Developed Materials to be created through the provision of the proposed New Services, any ownership rights therein that differ from the provisions of SECTION 14.2. Williams may accept or reject any New Services proposal in its sole discretion and Provider shall not be obligated to perform any New Services to the extent the applicable proposal is rejected. Unless the Parties otherwise agree, if Williams accepts Provider's proposal, Provider will perform the New Services and be paid in accordance with the proposal submitted by Provider and the provisions of this Agreement. Upon Williams's acceptance of a Provider proposal for New Services, the scope of the Services will be expanded and this Agreement will be modified to include such New Services. Notwithstanding any provision to the contrary, (i) Provider shall act reasonably and in good faith in formulating such pricing proposal, (ii) Provider shall use commercially reasonable efforts to identify potential means of reducing the cost to Williams, including utilizing Subcontractors as and to the extent appropriate, (iii) such pricing proposal shall be no less favorable to Williams than the pricing and labor rates set forth herein for comparable Services, and (iv) such pricing proposal shall take into account the existing and future volume of business between Williams and Provider.

(b) USE OF THIRD PARTIES. Williams may elect to solicit and receive bids from third parties to perform any New Services. If Williams elects to use third parties to perform New Services, (i) such New Services shall not be deemed "Services" under the provisions of this Agreement, and (ii) Provider shall cooperate with such third parties as provided in SECTION 4.4.

(c) SERVICES EVOLUTION AND MODIFICATION. The Parties anticipate that the Services will evolve and be supplemented, modified, enhanced or replaced over time to keep pace with technological advancements and improvements in the methods of

delivering services and changes in the businesses of Williams and the Eligible Recipients. The Parties acknowledge and agree that these changes will modify the Services and will not be deemed to result in New Services unless the changed services meet the definition of New Services.

(d) END USER AND ELIGIBLE RECIPIENT REQUESTS. Provider will promptly inform the Williams Project Executive of requests for New Services from End Users or Eligible Recipients, and shall submit any proposals for New Services to the Williams Project Executive or his or her designee. Provider shall not agree to provide New Services to any End Users or Eligible Recipients without the prior written approval of the Williams Project Executive or his or her designee. If Provider fails to comply strictly with this SECTION 11.5(d), it shall receive no compensation for any services rendered to any person or entity in violation of such provision.

(e) EFFORTS TO REDUCE COSTS AND CHARGES. From time to time, Williams may request that the Parties work together to identify ways to achieve reductions in the cost of service delivery and corresponding reductions in the Charges to be paid by Williams by modifying or reducing the nature or scope of the Services to be performed by Provider, the applicable Service Levels or other contract requirements. If requested by Williams, Provider shall promptly prepare a proposal at such a level of detail as Williams may reasonably request identifying all viable means of achieving the desired reductions without adversely impacting business objectives or requirements identified by Williams. In preparing such a proposal, Provider shall give due consideration to any means of achieving such reductions proposed by Williams, Provider shall negotiate in good faith with Williams about each requested reduction in Charges and, without disclosing the actual cost of providing the Services, shall identify for Williams if and to what extent the cost of service delivery may be reduced by implementing various changes in the contract requirements. Williams shall not be obligated to accept or implement any proposal; and Provider shall not be obligated to implement any change that affects the terms of this Agreement unless and until such change is reflected in a written amendment to this Agreement.

11.6 EXTRAORDINARY EVENTS.

(a) DEFINITION. As used in this Agreement, an "EXTRAORDINARY EVENT" shall mean a circumstance in which an event or discrete set of events has occurred or is planned with respect to the business of the Eligible Recipients that results or will result in a change in the scope, nature or volume of the Services that the Eligible

Recipients will require from Provider, and which is expected to cause the estimated average monthly amount of chargeable Resource Unit usage in any Resource Baseline to increase or decrease by twenty-five percent (25%) or more. Examples of the kinds of events that might cause such substantial increases or decreases include the following:

(i) changes in locations where the Eligible Recipients operate;

(ii) changes in products of, or in markets served by, the Eligible Recipients;

(iii) mergers, acquisitions, divestitures or reorganizations of the Eligible Recipients;

(iv) material changes in the method of service delivery;

(v) material changes in the applicable regulatory environment;

(vi) changes in market priorities; or

(vii) changes in the business units being serviced by Provider.

(b) CONSEQUENCE. If an Extraordinary Event occurs, Williams may, at its option, request more favorable pricing with respect to applicable Charges in accordance with the following:

(1) Provider and Williams shall mutually determine on a reasonable basis the efficiencies, economies, savings and resource utilization reductions resulting from such Extraordinary Event and, upon Williams's approval, Provider shall then proceed to implement such efficiencies, economies, savings and resource utilization reductions as quickly as practicable and in accordance with the agreed upon schedule. As the net efficiencies, economies, savings or resource utilization reductions are realized, the Charges specified on SCHEDULE J and any affected Resource Baselines shall be promptly and equitably adjusted to pass through to Williams the full benefit of such efficiencies, economies, savings and resource utilization reductions; provided, that Williams shall reimburse Provider for any net costs or expenses incurred to realize such efficiencies, economies, savings or resource utilization reductions if and to the extent Provider (i) notifies Williams of such additional costs and obtains Williams's approval prior to incurring such costs, (ii) uses commercially reasonable efforts to identify and consider practical alternatives, and reasonably determines that

there is no other more practical or cost effective way to obtain such savings without incurring such expenses, and (iii) uses commercially reasonable efforts to minimize the additional costs to be reimbursed by Williams.

(2) An Extraordinary Event shall not result in Charges to Williams being higher than such Charges would have been if the RRCs, ARCs and other rates and charges then specified in SCHEDULE J had been applied, unless and to the extent such Extraordinary Event results in New Services (e.g., Williams requires that Provider create a new infrastructure to support an acquired Entity). Williams may, at its sole option, elect, for each Extraordinary Event, at any time to forego its rights under this SECTION 11.6 and instead, apply RRCs, ARCs and other rates and charges specified in SCHEDULE J to adjust the Charges.

(c) DIVESTITURE OF WILLIAMS POWER. Williams anticipates that it ultimately will divest Williams Power. Provider acknowledges and agrees that it has anticipated and planned for such divestiture, and such divestiture shall not result in any adverse impact to Williams under this Agreement. Upon the divestiture, Williams may require Provider to, and Provider shall agree to, adjust the Resource Baseline and to adjust any other affected provision such that Williams has the full benefit of the provision as it operated prior to the divestiture.

11.7 TECHNOLOGY.

(a) OBLIGATION TO EVOLVE. Provider acknowledges and agrees that its current technologies and business processes shall continue to evolve and change over time, and at a minimum, shall remain consistent with the best practices of leading providers of finance and accounting business process services and the business, and finance and accounting objectives and competitive needs of Williams and the Eligible Recipients. Subject to SECTION 9.5, Provider shall provide the Services using current technologies and business processes that will enable Williams and the Eligible Recipients to take advantage of advances in the industry and support their efforts to maintain competitiveness in the markets in which it competes. In addition, subject to SECTIONS 9.5 and 11.5, Provider shall make such current technologies and business processes available to Williams to perform finance and accounting business processes and related services and functions on behalf of itself and/or the Eligible Recipients at or from Williams facilities. Williams may elect to conduct an annual technology and business process audit to compare

Provider's then current technologies and business processes against the best practices of leading providers of finance and accounting business processes and services. If any such audit reveals that the technologies and business process then utilized by Provider are not at the level of industry best practice, then Williams and the Provider will review the results of the audit and establish and implement a plan to implement identified best practices.

(b) OBLIGATION TO PROPOSE TECHNOLOGY AND BUSINESS PROCESS EVOLUTIONS. Provider shall identify and propose the implementation of Technology and Business Process Evolutions that are likely to: (i) improve the efficiency and effectiveness of the Services (including cost savings); (ii) improve the efficiency and effectiveness of the finance and accounting business processes and related services and functions performed by or for Williams and the Eligible Recipients at or from Williams facilities; (iii) result in cost savings or revenue increases to Williams and the Eligible Recipients in areas of their business outside the Services; (iv) enhance the ability of Williams and the Eligible Recipients to conduct their business and serve their customers; and (v) achieve the objectives of Williams and the Eligible Recipients (as described in SECTION 1.3) faster and/or more efficiently than the then current strategies.

(c) PROVIDER BRIEFINGS AND TECHNOLOGY AND BUSINESS PROCESS AUDIT. Provider shall routinely and regularly monitor and analyze Technology and Business Process Evolutions of possible interest or applicability to Williams and the Eligible Recipients. At least semi-annually, Provider shall meet with Williams to formally brief Williams regarding such Technology and Business Process Evolutions. Such briefing shall include Provider's assessment of the business impact, performance improvements and cost savings associated with such Technology and Business Process Evolutions. Where requested by Williams, Provider shall develop and present to Williams proposals for: (i) implementing Technology and Business Process Evolutions or (ii) changing the direction of Williams's then current strategy.

(d) PROVIDER DEVELOPED ADVANCES. If Provider develops technological advances in or changes to the finance and accounting business processes and associated technologies used to provide the same or substantially similar services to other Provider customers or Provider develops new or enhanced processes, services, software, tools, products or methodologies to be offered to such customers (collectively, "NEW ADVANCES"), Provider shall, subject to SECTION 11.5, and to the extent permissible under any agreements between Provider and third parties relating to New Advances, (i) offer Williams the opportunity to serve as a pilot

customer in connection with the implementation of such New Advances; and (ii) if Williams declines such opportunity, offer Williams preferred access to such New Advances and the opportunity to be among the first ten percent (10%) of the Provider customer base to implement and receive the benefits of any New Advances.

(e) FLEXIBILITY. Provider shall ensure that the technologies and business process strategies it employs to provide the Services are flexible enough to allow integration with new technologies or business processes, or significant changes in Williams's or an Eligible Recipient's business, and finance and accounting business process objectives and strategies. For example, Equipment must have sufficient scalability and be sufficiently modular to allow integration of new technologies without the need to replace whole, or significant parts of, systems or business processes (e.g., made to be a one-to-many model) to enable Williams's and/or the Eligible Recipients' business to become more scalable and flexible.

(f) EQUIPMENT IMPLEMENTATION AND REFRESH. Provider shall be fully responsible for the implementation of new Equipment in the ordinary course of Technology and Business Process Evolution. Provider shall refresh all Equipment in accordance with Williams's refresh strategies, as set out in the Technology and Business Process Plan, and as necessary to provide the Services in accordance with the Service Levels and satisfy its other obligations under this Agreement. If Provider is aware that these strategies differ from generally accepted practice (or there are any other areas of concern in relation to such strategies) it shall provide Williams with notice of that fact and, upon request, provide Williams with further information as to how to more closely align the strategies with generally accepted practice.

(g) SOFTWARE IMPLEMENTATION AND REFRESH. Provider shall be fully responsible for the implementation of new or changed Software, tools and methodologies in the ordinary course of Technology and Business Process Evolution. Provider shall: (i) refresh Software in accordance with SECTION 9.7 of this Agreement and the Technology and Business Process Plan; and (ii) provide training to Williams staff regarding the use of any new or changed Software, tools and methodologies.

(h) INCLUDED IN MONTHLY BASE CHARGES. Subject to the last sentence of this SECTION 11.7(h), Technology and Business Process Evolution and New Advances shall be included in the Monthly Base Charges and Provider shall deploy, implement and support Technology and Business Process Evolution and New Advances throughout the Term. Provider shall be financially responsible for the capital cost

of implementing Technology and Business Process Evolution and New Advances to the extent such implementation involves categories of Equipment, Software and other assets as to which responsibility is allocated to Provider in SCHEDULE U. The performance of projects required to implement Technology and Business Process Evolution shall be included within the Monthly Base Charge. Williams shall pay additional sums for implementation only if and to the extent (i) the Technology and Business Process Evolution or New Advance is considered a New Service pursuant to SECTION 11.5, or (ii) Williams requests accelerated implementation of the Technology and Business Process Evolution or New Advance (i.e., more rapidly than previously contemplated in the Technology and Business Process Evolution Plan), and in each case, only if and to the extent additional Provider Personnel and resources are required to implement the Technology and Business Process Evolution or New Advance in the desired timeframe.

(i) UNANTICIPATED CHANGE. If an Unanticipated Change occurs, and if Williams requests that such Unanticipated Change be substituted or added by Provider to the Services, the Parties shall use the procedures in SECTION 11.6(b) to equitably adjust the Charges and other relevant provisions of this Agreement to take such Unanticipated Change into Account. An "UNANTICIPATED CHANGE" shall consist of a material shift and improvement in technology capable of providing all or part of the Services which is outside the normal evolution of technology experienced by the finance and accounting business process services outsourcing industry, the human resources business processes outsourcing industry and/or the information technology industry, was not generally available as of the Effective Date, is judged by the Parties to be reasonably reliable and relevant and can be technically substituted or added by Provider to the Services. In the event of a significant and unanticipated change that would materially reduce Provider's costs in providing the Services, Williams may, at its option, request more favorable pricing with respect to some or all of the Charges categories specified in SCHEDULE J. If Williams makes such a request, the Parties shall use the procedures in SECTION 11.6(B) to equitably adjust such Charges.

11.8 PROJECT RESOURCES.

(a) PROCEDURES AND PERFORMANCE. As part of the Monthly Base Charges, Provider shall provide the number of FTEs per Contract Year specified in SCHEDULE J for each Functional Service Area listed therein (the "BASELINE FTES") to perform certain activities and projects requested by Williams under this Agreement ("PROJECTS"). The Projects underway as of the Effective Date are specified in

SCHEDULE L. A "PROJECT" is a discrete unit of non-recurring work that is not an inherent, necessary or customary part of the day - to-day Services, and is not required to be performed by Provider to meet the existing Service Levels (other than Service Levels related to Project performance). A Project may consist of or include work that would otherwise be treated as New Services. The Provider Personnel assigned to perform such Projects shall possess the training, education, experience, competence and skill to perform such work. The staffing of Projects shall be determined by the Parties through the governance process in accordance with the following principles. In staffing Projects, Provider shall first attempt to use existing resources available within the then current Resource Baselines. At its option, Williams may re-prioritize in scope work and other existing Projects to staff other Project requirements as needed. If no additional Project effort capacity is available within the then current Resource Baselines to staff a Project, then with Williams prior approval, Provider may staff the Project using new or additional resources, according to rates and in such numbers as the Parties agree. The maximum rates applicable to such additional resources that will be used to staff Project efforts are set forth in SCHEDULE J, ATTACHMENT J-1; provided, that the Parties may agree to more favorable rates than those set forth in such Attachment. Where the Parties agree that additional resources are required, Provider shall utilize additional personnel as and to the extent necessary to perform the work in question and meet the agreed Project schedule. The Williams Project Executive or his or her designee shall define and set the priority for such Projects. Provider shall maintain appropriate continuity of personnel assigned to perform Projects. Provider shall report monthly on the level of effort expended by Provider in the performance of Projects and shall not exceed the Baseline FTE's without Williams's prior approval. If and to the extent Williams authorizes Provider to exceed the Baseline FTE's in any Contract Year, Williams shall pay Provider for such additional FTEs at the rates specified in SCHEDULE J, ATTACHMENT J-1.

(b) PROJECT PROPOSALS. To the extent required under this Agreement or the Policy and Procedures Manual, Provider shall prepare a Project proposal in accordance with the process set forth in SECTION 11.5(a) prior to beginning such Project. Williams may accept or reject such Project proposal in its sole discretion. The hours expended by Provider in preparing proposals or plans or reporting on the status of such Projects shall be included in the Monthly Base Charges and shall not be counted as FTEs.

(c) ADDITIONAL WORK OR REPRIORITIZATION. In addition to the FTEs provided for in SECTION 11.8(a), the Williams Project Executive or his or her designee may identify new or additional work activities to be performed by Provider Personnel

(including work activities that would otherwise be treated as New Services) or reprioritize or reset the schedule for existing work activities to be performed by such Provider Personnel. Unless otherwise agreed, Williams shall incur no additional charges for the performance of such work activities by Provider Personnel then assigned to Williams. Provider shall use commercially reasonable efforts to perform such work activities without impacting the established schedule for other tasks or the performance of the Services in accordance with the Service Levels. If it is not possible to avoid such an impact, Provider shall notify Williams of the anticipated impact and obtain its consent prior to proceeding with such work activities. Williams, in its sole discretion, may forego or delay such work activities or temporarily adjust the work to be performed by Provider, the schedules associated therewith or the Service Levels to permit the performance by Provider of such work activities.

11.9 PRORATION.

Periodic charges under this Agreement are to be computed on a calendar month basis, and shall be prorated for any partial month on a calendar day basis.

11.10 REFUNDABLE ITEMS.

(a) PREPAID AMOUNTS BY WILLIAMS. Where Williams and/or the Eligible Recipients have prepaid for a service or function for which Provider is assuming financial responsibility under this Agreement, Provider shall refund to Williams, upon either Party identifying the prepayment, that portion of such prepaid expense which is attributable to periods on and after the Commencement Date.

(b) PREPAID AMOUNTS BY PROVIDER. Where Provider, Provider Affiliates and/or Subcontractors have prepaid for a service or function which extends past the expiration or termination of this Agreement, Williams shall refund to Provider or such Provider Affiliate or Subcontractor, upon either Party identifying the prepayment, that portion of such prepaid expense which is attributable to periods after the expiration or termination of this Agreement.

(c) REFUNDS AND CREDITS BY PROVIDER. If Provider should receive a refund, credit, discount or other rebate for goods or services paid for by Williams and/or the Eligible Recipients on a Pass-Through Expense, Retained Expense, cost-plus or cost-reimbursement basis, then Provider shall (i) notify Williams of such refund, credit, discount or rebate and (ii) pay the full amount of such refund, credit, discount or rebate to Williams.

(d) REFUNDS AND CREDITS BY WILLIAMS. If Williams or the Eligible Recipients should receive a refund, credit, discount or other rebate for goods or services paid for which they have been reimbursed by Provider and/or the Provider Affiliates or Subcontractors, then Williams shall (i) notify Provider of such refund, credit, discount or rebate and (ii) pay the full amount of such refund, credit, discount or rebate to Provider or such Provider Affiliate or Subcontractor.

(e) ALLOCATION OF BALLOON, ROLL-OVER AND SIMILAR PAYMENTS. With respect to contracts assigned to Williams pursuant to SECTIONS 4.4(b)(3), 4.4(b)(4), 4.4(b)(6) or 4.4(b)(7), where the costs under any such contracts entered into by Provider, a Provider Affiliate or Subcontractor are to be apportioned between the Parties, Provider shall be responsible for the payment of any costs required to be paid by Williams after the assignment of such contracts to Williams, to the extent such costs are attributable to periods during the Term and the provision of any Termination Assistance Services. Additionally, if during their respective terms, the payment terms for lease, license, maintenance, service charges or other periodic payments under any such contract provide for increased fees allocable to a period after assignment to Williams (other than to account for cost of living or similar increases) (e.g., balloon or similar payments), all such payments shall be recalculated so that, as between the Parties, the entire cost shall be amortized evenly over the entire term of such contract. Provider shall be responsible for those roll-over and recalculated costs that are attributable to periods during the Term and the provision of any Termination Assistance Services, and, upon assignment to Williams, Williams shall be responsible for all other payments. Provider shall provide a credit to Williams for any such roll-over costs and recalculated costs against any amounts then-due and owing by Williams or, if there are no amounts then-owed by Williams, pay such roll-over or recalculated amounts to Williams within thirty (30) days after the assignment of the applicable contract to Williams.

11.11 WILLIAMS BENCHMARKING REVIEWS.

(a) BENCHMARKING REVIEW. From time to time during the Term, Williams may, at its expense and subject to this SECTION 11.11, engage the services of an independent third party (a "BENCHMARKER") to compare the quality and cost of one or more of the Functional Service Areas of the Services against the quality and cost of first tier, well managed service providers performing similar services to verify that Williams is receiving from Provider pricing and levels of service that are competitive with market rates, prices and service levels, given the nature, volume and type of Services provided by Provider hereunder ("BENCHMARKING"). In

making this comparison, the Benchmarker shall consider normalization factors, including the following, and adjust the prices as and to the extent appropriate: (i) whether supplier transition charges are paid by the customer as incurred or amortized over the term of this agreement; (ii) the extent to which supplier pricing includes the purchase of the customer's existing assets; (iii) the extent to which supplier pricing includes the cost of acquiring future assets; (iv) the extent to which this Agreement calls for supplier to provide and comply with unique Williams requirements; and (v) whether Service Taxes are included in such pricing or stated separately in supplier invoices.

(b) GENERAL. The Benchmarker engaged by Williams shall be a firm listed in SCHEDULE B, or a nationally recognized firm with experience in benchmarking similar services and agreed to by the Parties, and shall execute a non-disclosure agreement substantially in the form attached hereto as EXHIBIT 1. Provider shall cooperate fully with Williams and the Benchmarker and shall provide reasonable access to the Benchmarker during such effort, all at Provider's cost and expense; provided, however, that Provider will not be obligated to provide the Benchmarker with the following items: (i) proprietary or confidential information of Provider not related to the Services provided to Williams or the Eligible Recipients; (ii) any internal cost data (except where a Service is provided on a cost pass-through, cost-plus, or cost-reimbursement basis); or (iii) proprietary or confidential information of other Provider customers. The Benchmarking shall be conducted so as not to unreasonably disrupt Providers' operations under this Agreement. Williams shall not initiate a Benchmarking of the Services during the first twelve (12) months following the Effective Date.

(c) RESULT OF BENCHMARKING. If the Benchmarker finds that the Charges paid by Williams for the benchmarked Services are greater than the lowest twenty-five percent (25%) of the prices (adjusted in accordance with SECTION 11.11(A)) charged by other first-tier, well managed service providers providing similar services for work of a similar nature, type or volume, (the "BENCHMARK STANDARD"), the Benchmarker shall submit a written report setting forth such findings and conclusions. The Parties shall then meet and negotiate in good faith as to reductions in the Charges to eliminate any unfavorable variance. If the Parties are unable to agree upon such reductions after utilizing the dispute resolution process set forth in SECTION 19.1, Williams may, at its option, terminate all the Services or the applicable Functional Service Area. Williams must exercise its right to terminate on this basis within one hundred twenty (120) days of its receipt of the Benchmarker's final report or within thirty (30) days after the end of the dispute resolution process, whichever is later. If Williams terminates

the Services on this basis, it shall not be obligated to pay Termination Charges. Wind Down Charges shall be payable if and only if and only to the extent indicated as payable in SCHEDULE N. If the Services are terminated in part, Provider's Charges shall be equitably adjusted to reflect the Services no longer performed by Provider

(d) PROVIDER REVIEW AND DISPUTE. Williams shall provide Provider with a copy of the Benchmarker's report and Provider shall have ten (10) days to review such report and contest the Benchmarker's findings. If the Parties are unable to agree upon the validity of such findings, the matter shall be resolved pursuant to the dispute resolution procedures set forth in ARTICLE 19. Reductions in Provider's Charges shall be implemented effective as of the date the Benchmarker's report was first provided to Provider.

11.12 PROVIDER PROCUREMENT.

Procurement management services are not within the scope of Services. However, In event that at Williams's request, Provider procures products and services from a third party on behalf of Williams or an Eligible Recipient (as distinguished from procurement on Provider's own behalf for use under this Agreement), Provider shall: (i) give Williams and the Eligible Recipients the benefit of Provider's most favorable vendor arrangements to the extent permitted under vendor's terms with the applicable vendor; (ii) use commercially reasonable efforts to obtain the most favorable pricing and terms and conditions then available from any customary vendor sources for such products and services; (iii) use the aggregate volume of Provider's procurements on behalf of itself, Williams and other customers as leverage in negotiating such pricing or other terms and conditions if permitted by the applicable vendor(s); (iv) use commercially reasonable efforts to enable Williams to receive at least an equitable and proportionate share of the total refunds, credits, discounts, rebates, incentives and other benefits then available to Provider directly in connection with such procurements; and (v) adhere to the procurement procedures specified in the Policy and Procedures Manual, as such procedures may be modified from time to time by Williams. In performance of the activities contemplated by this paragraph, Provider shall adhere to Williams's product, services and contract standards and shall not deviate from such standards without Williams's prior approval. To the extent an authorized Williams representative specifies the vendor, pricing and/or terms and conditions for a procurement contemplated by this paragraph, Provider shall not deviate from such instructions without Williams's prior approval. Unless otherwise agreed by the Parties, the procurement price of such products and services shall be treated as a Pass Through Expense in accordance with SECTION 11.2.

12. INVOICING AND PAYMENT

12.1 INVOICING.

(a) INVOICE. Provider shall invoice Williams for Provider Charges as described below and in SCHEDULE J:

(i) MONTHLY BASE CHARGES. Upon the first day of each month in which the Services are to be rendered, Provider will present Williams with an invoice for any Monthly Base Charges due and owing for the that month.

(ii) VARIABLE CHARGES. On or before the tenth (10th) day of each month, Provider shall present Williams with an invoice for any variable charges, credits or amounts due and owing for the preceding month, including ARCs and RRCs and Transition Milestone and Transformation Milestone Charges.

(iii) PROJECT CHARGES. Unless different payment terms are agreed to by the Parties with respect to Project work, promptly following the Acceptance of a Project deliverable, Provider shall present Williams with an invoice for any Charges due and owing in addition to the Monthly Base Charges payable pursuant to SECTION 12.1(a)(i) above for such Project that are associated with such Project deliverable.

The foregoing invoices shall be delivered to Williams electronically, and, at its request, at the address(es) listed in SECTION 21.3. Payments of all invoices shall be made via electronic funds transfer to an account designated by Provider.

(b) FORM AND DATA. At Williams's request, Provider shall provide (1) separate monthly invoices to Williams and each Williams Affiliate that has executed a local agreement to receive Services, and (2) detailed data to allocate the invoiced Charges among the Eligible Recipients and their respective business units or other divisions based on the chargeback data generated by Provider and/or the allocation formula provided by Williams. Each invoice shall be in the form specified in EXHIBIT 2, or such other form to which the Parties may mutually agree. Each invoice shall include details necessary to meet Williams' reasonable objectives to (i) comply with all applicable legal, regulatory and accounting requirements, (ii) allow Williams to validate volumes and fees, (iii) permit Williams to chargeback internally to the same organizational level and at the same level of detail in use by Williams as of the Effective Date, and (iv) meet

Williams's and the Eligible Recipient's billing requirements. Each invoice shall include the pricing calculations and related data utilized to establish the Charges. The data underlying each invoice shall be delivered to Williams electronically in a form and format compatible with Williams's accounting systems.

(c) CREDITS. To the extent a credit may be due to Williams pursuant to this Agreement, Provider shall provide Williams with an appropriate credit against amounts then due and owing; if no further payments are due to Provider, Provider shall pay such amounts to Williams within thirty (30) days.

(d) TIME LIMITATION. If Provider fails to provide an invoice to Williams for any amount within one hundred twenty (120) days after the month in which the Services in question are rendered or the expense incurred, Provider shall waive any right it may otherwise have to invoice for and collect such amount. (excluding Pass-Through Expenses, which are covered in SECTION 11.2, and Transition Milestone Payments, which must be invoiced within ninety (90) days after completion and acceptance of the applicable Transition Milestone)

12.2 PAYMENT DUE.

Subject to the other provisions of this ARTICLE 12, the invoices provided for under SECTION 12.1 shall be due and payable on or before the following dates (the "PAYMENT DATE"), unless the amount in question is disputed in accordance with SECTION 12.4:

(a) For the invoices described in SECTION 12.1(a), (i) the last day of the calendar month in which Williams receives the invoice, provided Williams receives such invoice upon the first day of the month and (ii) in all other cases, thirty (30) days after Williams's receipt of such invoice.

(b) For the invoices described in SECTION 12.1(b), (i) the last day of the calendar month in which Williams receives the invoice, provided Williams receives such invoice upon the tenth day of the month and (ii) in all other cases, twenty (20) days after Williams's receipt of such invoice.

(c) For the invoices described in SECTION 12.1(c), ten (10) days after Williams's receipt of such invoice.

(d) For any undisputed amount due under this Agreement for which a time for payment is not otherwise specified, thirty (30) days after Williams's receipt of such invoice.

If Williams fails to make payment of any undisputed amount on or before the Payment Date specified in this SECTION 12.2 and thereafter fails to make such undisputed payment within five (5) business days after its receipt of written notice from Provider of such overdue payment, Williams shall pay interest on such overdue payment at the lesser of one and one-half percent (1.5%) per month or the maximum amount permissible under the applicable law. Prior to the Commencement Date and until such time Williams achieves an investment grade status of Moody's Baa or better, Williams shall provide to Provider an irrevocable letter of credit of Two Million Dollars ($2,000,000) to the benefit of Provider to be drawn upon by Provider in its sole discretion in the event of Williams's non-payment of undisputed amounts after first giving notice to Williams and providing Williams the five (5) business day opportunity to cure as set forth above.

12.3 SET OFF.

With respect to any amount to be paid or reimbursed by Williams hereunder, Williams may set off against such amount any amount that Provider is obligated to pay Williams hereunder.

12.4 DISPUTED CHARGES.

Williams may withhold payment of particular Charges that Williams reasonably disputes in good faith subject to the following:

(a) DESCRIPTION AND EXPLANATION. If Williams disputes any Provider Charges, Williams shall so notify Provider and provide a description of the particular Charges in dispute and an explanation of the reason why Williams disputes such Charges.

(b) ESCROW. To the extent the disputed Charges exceed, in the aggregate, an amount equal to the average total monthly Charges for the preceding six (6) months (i.e., the total Charges for the preceding six (6) months, divided by six), the excess disputed Charges shall be paid or deposited by Williams in an interest bearing escrow account for the benefit of both Parties at a financial institution reasonably acceptable to Provider until such dispute has been resolved. Upon resolution of such dispute, the prevailing party shall be entitled to such escrowed amounts and interest earned on such escrowed amounts.

(c) CONTINUED PERFORMANCE. Each Party agrees to continue performing its obligations under this Agreement while any dispute is being resolved unless and

until such obligations are terminated by the termination or expiration of this Agreement.

(d) NO WAIVER. Neither the failure to dispute any Charges or amounts prior to payment nor the failure to withhold any amount shall constitute, operate or be construed as a waiver of any right Williams may otherwise have to dispute any Charge or amount or recover any amount previously paid.

(e) EXPEDITED DISPUTE RESOLUTION. The Parties agree that the following expedited timeframes shall apply to the dispute resolution process set forth in ARTICLE 19 with respect to payment disputes: (i) fifteen (15) days (instead of thirty (30) days) in SECTION 19.1(d)(ii); and (ii) five (5) days (instead of ten (10) days) for each of the mediator selection periods set forth in SECTION 19.2(c). In addition, each Party shall use its best efforts to conclude any mediation of payment disputes within sixty (60) days after the Notice of Dispute.

13. WILLIAMS DATA AND OTHER PROPRIETARY INFORMATION

13.1 WILLIAMS OWNERSHIP OF WILLIAMS DATA.

Williams Data are and shall remain the property of Williams (and/or the applicable Eligible Recipients). Provider shall promptly deliver Williams Data (or the portion of such Williams Data specified by Williams) to Williams in the format and on the media prescribed by Williams (i) at any time at Williams's request, (ii) at the end of the Term and the completion of all requested Termination Assistance Services, or (iii) with respect to particular Williams Data, at such earlier date that such data are no longer required by Provider to perform the Services. Thereafter, Provider shall return or destroy, as directed by Williams, all copies of the Williams Data in Provider's possession or under Provider's control within ten (10) business days and deliver to Williams written certification of such return or destruction signed by an authorized representative of Provider. Provider shall not withhold any Williams Data as a means of resolving any dispute. Williams Data shall not be utilized by Provider for any purpose other than the performance of Services under this Agreement and shall not be sold, assigned, leased, commercially exploited or otherwise provided to third parties by or on behalf of Provider or any Provider Personnel. Notwithstanding any other provision of this Agreement, Provider shall not undertake or engage in any activity with respect to any Williams Personal Data which would constitute Provider's functioning in the capacity of a "controller," as such capacity may be identified and defined in the respective applicable Privacy Laws and Provider shall promptly notify Williams if it believes that any use of Williams Data by Provider contemplated under this Agreement or to be undertaken as part of the Services would

constitute Provider so functioning in the capacity of a "controller." Provider shall not possess or assert any lien or other right against or to Williams Data. Notwithstanding the foregoing, (i) Provider may use and retain copies of Williams Data to the extent required by applicable Laws or necessary for litigation or dispute resolution proceedings that are ongoing at the time Williams's requests return or destruction of such Williams Data, and (ii) with respect to service level measurements included in Williams Data, Provider may use such service level measurements for purposes of this Agreement and otherwise on an aggregated, non-identifiable basis for Provider's internal business purposes and Williams may not authorize a Benchmarker to include such service level measurements in such Benchmarker's databases unless such restriction effectively leaves Williams unable to obtain such Benchmarker's services.

13.2 SAFEGUARDING WILLIAMS DATA.

(a) SAFEGUARDING PROCEDURES. Provider shall establish and maintain environmental, safety and facility procedures, data security procedures and other safeguards against the destruction, loss, unauthorized access or alteration of Williams Data in the possession of Provider which are (i) no less rigorous than those maintained by Williams as of the Commencement Date (or implemented by Williams in the future to the extent deemed necessary by Williams), (ii) no less rigorous than those maintained by Provider for its own information of a similar nature, and (iii) adequate to meet the requirements of Williams's records retention policy and applicable Laws. Provider will revise and maintain such procedures and safeguards upon Williams's request. Williams shall have the right to establish backup security for Williams Data and to keep backup copies of the Williams Data in Williams's possession at Williams's expense if Williams so chooses. Provider shall remove all Williams Data from any media taken out of service and shall destroy or securely erase such media in accordance with the Policy and Procedures Manual. No media on which Williams Data is stored may be used or re-used to store data of any other customer of Provider or to deliver data to a third party, including another Provider customer, unless securely erased in accordance with the Policy and Procedures Manual. In the event Provider discovers or is notified of a breach or potential breach of security relating to Williams Data, Provider shall (i) expeditiously notify Williams of such breach or potential breach, (ii) investigate such breach or potential breach and perform a Root Cause Analysis thereon, (iii) remediate the effects of such breach or potential breach of security, and (iv) provide Williams with such assurances as Williams shall request that such breach or potential breach will not recur.

(b) RECONSTRUCTION PROCEDURES. As part of the Services, Provider shall be responsible for developing and maintaining procedures for the reconstruction of lost Williams Data which are (i) no less rigorous than those maintained by Williams as of the Commencement Date (or implemented by Williams in the future to the extent deemed necessary by Williams), and (ii) no less rigorous than those maintained by Provider for its own information of a similar nature.

(c) CORRECTIONS. Provider shall restore all destroyed, lost or altered Williams Data using generally accepted data restoration techniques. In addition, if Provider or its Affiliates or Subcontractors has caused the destruction, loss or alteration of any Williams Data due to a Provider failure to perform its obligations under this Agreement, Provider shall be responsible for the cost of restoring such data. Provider shall at all times adhere to the procedures and safeguards specified in SECTION 13.2(a) and (b) and shall correct (including any required back-up or restoration of data from scheduled backups, or if not available on such backups, restoration by other means with Williams's reasonable cooperation), at no charge to Williams, any destruction, loss or alteration of any Williams Data attributable to the failure of Provider or Provider Personnel to comply with Provider's obligations under this Agreement.

13.3 CONFIDENTIALITY.

(a) PROPRIETARY INFORMATION. Provider and Williams each acknowledge that the other possesses and will continue to possess information that has been developed or received by it, has commercial value in its or its customers' business and is not generally available to the public. Except as otherwise specifically agreed in writing by the Parties, "PROPRIETARY INFORMATION" shall mean (i) this Agreement and the terms hereof, (ii) all information marked confidential, restricted or proprietary by either Party, and (iii) any other information that is treated as confidential by the disclosing Party and would reasonably be understood to be confidential, whether or not so marked. In the case of Williams and the Eligible Recipient, Proprietary Information also shall include Software provided to Provider by or through Williams or the Eligible Recipients, Developed Materials (to the extent owned by Williams pursuant to SECTION 14.2), Williams Data, attorney-client privileged materials or attorney work product, customer lists, customer contracts, customer information, rates and pricing, information with respect to competitors, strategic plans, account information, rate case strategies, research information, chemical formulae, product formulations, plant and equipment design information, catalyst information, trade secrets, financial/accounting information (including assets, expenditures, mergers,

acquisitions, divestitures, billings collections, revenues and finances), human resources and personnel information, marketing/sales information, information regarding businesses, plans, operations, third party contracts, licenses, internal or external audits, law suits, regulatory compliance or other information or data obtained, received, transmitted, processed, stored, archived, or maintained by Provider under this Agreement. By way of example, Williams Proprietary Information shall include plans for changes in Williams's or an Eligible Recipient's facilities, business units and product lines, plans for business mergers, acquisitions or divestitures, rate information, plans for the development and marketing of new products, financial forecasts and budgets, technical proprietary information, employee lists and company telephone or e-mail directories. In the case of Provider, Proprietary Information shall include financial information, account information, information regarding Provider's business plans and operations, and proprietary software, tools and methodologies, and Developed Materials owned by Provider and used in the performance of the Services.

(b) OBLIGATIONS.

(i) During the term of this Agreement and at all times thereafter, Provider and Williams shall not disclose, and shall maintain the confidentiality of, all Proprietary Information of the other Party (and in the case of Provider, the Eligible Recipients). Williams and Provider shall each use at least the same degree of care to safeguard and to prevent disclosing to third parties the Proprietary Information of the other as it employs to avoid unauthorized disclosure, publication, dissemination, destruction, loss, or alteration of its own information (or information of its customers) of a similar nature, but not less than reasonable care. Provider Personnel shall not have access to Williams Proprietary Information without proper authorization. Upon receiving such authorization, authorized Provider Personnel shall have access to Williams Proprietary Information only to the extent necessary for such person to perform his or her obligations under or with respect to this Agreement or as otherwise naturally occurs in such person's scope of responsibility, provided that such access is not in violation of Law.

(ii) The Parties may disclose Proprietary Information to their Affiliates, auditors, attorneys, accountants, consultants, contractors and subcontractors, where (A) use by such person or entity is authorized under this Agreement, (B) such disclosure is necessary for the performance of

such person's or entity's obligations under or with respect to this Agreement or otherwise naturally occurs in such person's or entity's scope of responsibility, (C) the person or entity (and its applicable officers and employees) agree in writing to assume the obligations consistent with this SECTION 13.3, and (D) the disclosing Party assumes full responsibility for the acts or omissions of such person or entity regarding their use and disclosure of such Proprietary Information and takes all reasonable measures to ensure that the Proprietary Information is not disclosed or used in contravention of this Agreement. Any disclosure to such person or entity shall be under the terms and conditions as provided herein. Each Party's Proprietary Information shall remain the property of such Party.

(iii) Neither Party shall (A) make any use or copies of the Proprietary Information of the other Party except as contemplated by this Agreement, (B) acquire any right in or assert any lien against the Proprietary Information of the other Party, (C) sell, assign, transfer, lease, or otherwise dispose of Proprietary Information to third parties or commercially exploit such information, including through Derivative Works, or (D) refuse for any reason (including a default or material breach of this Agreement by the other Party) to promptly provide the other Party's Proprietary Information (including copies thereof) to the other Party if requested to do so. Upon expiration or any termination of this Agreement and completion of each Party's obligations under this Agreement, each Party shall return or destroy, as the other Party may direct, all documentation in any medium that contains, refers to, or relates to the other Party's Proprietary Information within thirty (30) days, except that either Party may retain copies of the other Party's Proprietary Information to the extent required by applicable Laws or for litigation or dispute resolution proceedings that are ongoing at the time Williams's requests return or destruction of such Williams Data. Each Party shall deliver to the other Party written certification of its compliance with the preceding sentence signed by an authorized representative of such Party. In addition, each Party shall take all necessary steps to ensure that its employees comply with these confidentiality provisions.

(c) EXCLUSIONS. SECTION 13.3(b) shall not apply to any particular information which the receiving Party can demonstrate (i) is, at the time of disclosure to it, generally available to the public other than through a breach of the receiving Party's or a third party's confidentiality obligations; (ii) after disclosure to it, is published by the disclosing Party or otherwise becomes generally available to the public other

than through a breach of the receiving Party's or a third party's confidentiality obligations; (iii) is lawfully in the possession of the receiving Party at the time of disclosure to it; (iv) is received from a third party having a lawful right to disclose such information; or (v) is independently developed by the receiving Party without reference to Proprietary Information of the furnishing Party. Information disclosed hereunder to Provider and any combination of features thereof shall not be deemed to be within the foregoing exceptions merely because such information or any combination of the individual features thereof are embraced by more general information in the public knowledge or literature. In addition, the receiving Party shall not be considered to have breached its obligations under this SECTION 13.3 for disclosing Proprietary Information of the other Party as required, in the opinion of legal counsel, to satisfy any legal requirement of a competent government or regulatory body, provided that, promptly upon receiving any such request, such Party, to the extent it may legally do so, advises the other Party of the Proprietary Information to be disclosed and the identity of the third party requiring such disclosure prior to making such disclosure in order that the other Party may interpose an objection to such disclosure, take action to assure confidential handling of the Proprietary Information, or take such other action as it deems appropriate to protect the Proprietary Information. The receiving Party shall use commercially reasonable efforts to cooperate with the disclosing Party in its efforts to seek a protective order or other appropriate remedy or in the event such protective order or other remedy is not obtained, to obtain assurance that confidential treatment will be accorded such Proprietary Information. Notwithstanding the requirements of this SECTION 13.3, Williams shall be entitled to disclose the terms of this Agreement and such related information as Williams deems necessary if Williams determines it is required to disclose such terms and information as part of a public filing or as otherwise required by the rules and regulations promulgated by the United States Securities and Exchange Commission, the Federal Energy Regulatory Commission, or any similar governmental or regulatory body having jurisdiction over Williams. In such event, Williams shall cooperate with Provider, at Provider's expense, to minimize the scope of such disclosure to the extent reasonably requested by Provider; provided that nothing shall prevent or delay Williams from fulfilling its public filing or similar disclosure obligations even if Provider and Williams are unable to agree on the appropriate manner in which to control the scope of the disclosure, and the final discretion regarding how Williams must satisfy its legal disclosure obligations with respect to such public filings shall remain with Williams.

(d) LOSS OF PROPRIETARY INFORMATION. Each Party shall (i) immediately notify the other Party of any possession, use, knowledge, disclosure, or loss of such other

Party's Proprietary Information in contravention of this Agreement, (ii) promptly furnish to the other Party all known details and assist such other Party in investigating and/or preventing the reoccurrence of such possession, use, knowledge, disclosure, or loss, (iii) cooperate with the other Party in any investigation or litigation deemed necessary by such other Party to protect its rights, and (iv) promptly use all commercially reasonable efforts to prevent further possession, use, knowledge, disclosure, or loss of Proprietary Information in contravention of this Agreement. Each Party shall bear any costs it incurs in complying with this SECTION 13.3(d).

(e) NO IMPLIED RIGHTS. Nothing contained in this SECTION 13.3 shall be construed as obligating a Party to disclose its Proprietary Information to the other Party, or as granting to or conferring on a Party, expressly or impliedly, any rights or license to any Proprietary Information of the other Party.

(f) SURVIVAL. The Parties' obligations of non-disclosure and confidentiality shall survive the expiration or termination of this Agreement.

13.4 FILE ACCESS.

Williams shall have unrestricted access to, and the right to review and retain the entirety of, all computer or other files containing Williams Data, as well as all systems and network logs, system parameters and documentation. At no time shall any of such files or other materials or information be stored or held in a form or manner not immediately accessible to Williams. Provider shall provide to the Williams Project Executive all passwords, codes, comments, keys, documentation and the locations of any such files and other materials promptly upon the request of Williams, including Equipment and Software keys and such information as to format, encryption (if any) and any other specification or information necessary for Williams to retrieve, read, revise and/or maintain such files and information. Upon the request of the Williams Project Executive, Provider shall confirm that, to the best of its knowledge, all files and other information provided to Williams are complete and that no material element, amount, or other fraction of such files or other information to which Williams may request access or review has been deleted, withheld, disguised or encoded in a manner inconsistent with the purpose and intent of providing full and complete access to Williams as contemplated by this Agreement.

13.5 REQUIREMENTS FOR INFORMATION IN LEGAL PROCEEDINGS.

(a) PRESERVATION OF LEGAL PRIVILEGES. If Williams notifies Provider, or Provider is otherwise aware, that particular Williams Data or Williams Proprietary Information may be within Williams attorney-client or work-product privileges of Williams, then regardless of any applicable exclusions, Provider (i) shall not disclose such Williams Data or Williams Proprietary Information or take any other action that would result in waiver of such privileges and (ii) shall instruct all Provider Personnel and Subcontractors who may have access to such communications to maintain privileged material as strictly confidential and otherwise protect Williams privileges. Communications to and from Williams Law Department shall be deemed to contain privileged material unless Williams otherwise states.

(b) LITIGATION RESPONSE PLAN. If Williams so requests, Provider shall participate in periodic meetings to discuss implementation and updating of Williams litigation response plan, including policies and procedures to prepare for and respond to discovery requests, subpoenas, investigatory demands, and other requirements for information related to legal and regulatory proceedings (the "LITIGATION RESPONSE PLAN"). At such meetings, Provider shall fully cooperate with Williams in providing all information requested by Williams or that would assist Williams in improving the Litigation Response Plan. To the extent requested by Williams, Provider shall comply with the Litigation Response Plan as it may be revised from time to time, including preparing for an complying with requirements for preservation and production of data in connection with legal and regulatory proceedings and government investigations.

(c) RESPONSE TO PRESERVATION AND PRODUCTION REQUIREMENTS.

(i) If Williams is required to, or sees a risk that it will be required to, preserve and/or produce any Materials, Williams Data, Williams Confidential Information or related Systems possessed by Provider or under Provider's control in the context of legal proceedings or investigations, Williams may send Provider a notice (a "LITIGATION REQUIREMENTS NOTICE") describing the items to be preserved or produced in reasonable detail. If Williams so requests, Provider shall promptly provide Williams with information needed to determine with greater specificity the scope of the request.

(ii) Upon receipt of a Litigation Requirements Notice, Provider shall (A) designate a legal information management representative who shall be

responsible for managing Provider's response and any resulting Services and (B) cooperate with Williams in developing a reasonable, complete and cost effective plan for preserving and/or producing data covered by an Litigation Requirement Notice.

(iii) To the extent that a Litigation Requirement Notice designates for preservation items that Provider can identify with reasonable certainty, Provider shall immediately take all commercially reasonable measures to preserve such items. To the extent that a Litigation Requirement Notice covers production of items that Provider can identify with reasonable certainty, Provider shall use all commercially reasonable efforts to produce such items by the date set forth in the Litigation Requirements Notice (or within 30 days, if no date is given). If Provider is unable to determine from the Litigation Requirements Notice what items are to be preserved and/or produced, or is not able for technical or other reasons to take effective steps to fully preserve or produce such items, Provider shall immediately notify Williams and cooperate with Williams in further specifying such items and in implementing the required technology or procedures.

(iv) Provider shall cooperate with Williams in generating information to be presented in legal proceedings, including, as Williams requests, (A) cost estimates, (B) descriptions of systems, data, media and processes, (C) reports, declarations and affidavits, (D) reasons why it may be infeasible to preserve or produce certain items, and (E) other material as requested by Williams. Without limiting the generality of the foregoing, Provider shall fully document all actions taken by Provider pursuant to any Litigation Requirement Notice. Provider shall promptly report to Williams on its activities related to complying with the requirements described in the Litigation Requirement Notice, and shall issue periodic reports pursuant to SECTION 9.5 on a schedule to be agreed to by the Parties.

(d) PROVIDER RESPONSIBILITY FOR WILLIAMS INFORMATION. Upon receipt of any request, demand, notice, subpoena, order or other legal information request relating to legal proceedings or investigations by third parties relating to any Materials, Williams Data, Williams Confidential Information or related Systems in Provider's possession, Provider shall immediately notify Williams Project Executive (or his or her designee) and provide Williams with a copy of all documentation of such legal information request, to the extent Provider legally

may do so. Prior to responding to such legal information request, Provider shall meet and confer with Williams and shall cooperate with Williams in preserving Williams legal rights, including but not limited to objections, reservations, limitations and privileges, relating to such legal information request. If legally permissible, Williams at its sole discretion may demand tender of the request by Provider and assume primary responsibility for responding, in which case (i) Provider shall cooperate fully with Williams in preparing the response and (ii) Williams shall inform Provider of all proceedings related to the response and protect Provider's interests and legal rights. If Provider is barred legally from notifying Williams of the legal information request, Provider shall take all commercially reasonable steps, at Williams' expense, to preserve Williams legal rights in connection with any response.

(e) COST OF COMPLIANCE. The Parties acknowledge that compliance with this SECTION 13.3 may, in some cases, constitute New Services for which Provider is entitled to additional compensation. However, in no event shall Provider be entitled to any additional compensation for New Services under this subsection unless the Williams Project Executive and Provider Project Executive, or their authorized designee, expressly agree upon such additional compensation or Provider's entitlement to additional compensation is established through the dispute resolution process.

14. OWNERSHIP OF MATERIALS

14.1 WILLIAMS OWNED MATERIALS.

(a) OWNERSHIP OF WILLIAMS MATERIALS. Williams shall be the sole and exclusive owner of all (i) Materials, including Software owned by Williams prior to the Commencement Date or developed or acquired by Williams other than in connection with the Services, (ii) Williams Special Category Materials, and (iii) all Derivative Works of such Williams owned Materials and Williams Special Category Materials, including all United States and foreign patent, copyright and other intellectual property rights in such Materials ("WILLIAMS OWNED MATERIALS"). "WILLIAMS SPECIAL CATEGORY MATERIALS" means Developed Materials so identified by written agreement of the Parties prior to the development of such Developed Materials. In addition, Williams shall own the copyrights to Williams Specific Developed Materials in accordance with SECTION 14.2(b) below.

(b) LICENSE TO WILLIAMS OWNED MATERIALS. As of the Commencement Date, Williams hereby grants Provider (and, to the extent necessary for Provider to provide the Services, to Subcontractors designated by Provider that sign a written agreement to be bound by terms consistent with the terms contained herein including, to the extent applicable, the terms specified in this Section as well as those pertaining to the ownership of such Williams Owned Materials and any Derivative Works developed by the Parties, the scope and term of the license, the restrictions on the use of such Williams Owned Materials, and the obligations of confidentiality) a non-exclusive, non-transferable, royalty-free right and license during the Term (and thereafter during the performance of any Termination Assistance Services requested by Williams) to access, use, execute, reproduce, display, perform, modify, distribute and create Derivative Works of the Williams Owned Materials for the express and sole purpose of providing the Services. Provider and its Subcontractors shall have no right to the source code to Williams Owned Software unless and to the extent approved in advance by Williams. Williams Owned Materials shall remain the property of Williams. Provider and its Subcontractors shall not (i) use any Williams Owned Materials for the benefit of any person or Entity other than Williams or the Eligible Recipients, (ii) separate or uncouple any portions of the Williams Owned Software, in whole or in part, from any other portions thereof, or (iii) reverse assemble, reverse engineer, translate, disassemble, decompile or otherwise attempt to create or discover any source or human readable code, underlying algorithms, ideas, file formats or programming interfaces of the Williams Owned Software by any means whatsoever, without the prior approval of Williams, which may be withheld at Williams's sole discretion. Except as otherwise requested or approved by Williams, Provider and its Subcontractors shall cease all use of Williams Owned Materials upon the end of the Term and the completion of any Termination Assistance Services requested by Williams pursuant to SECTION 4.4(b)(8) and shall certify such cessation to Williams in a notice signed by an officer of Provider and each applicable Subcontractor. Williams may agree, on a case by case basis, to grant Provider the right to use certain Williams Owned Materials (including Williams Owned Software and Williams owned Developed Materials) for the benefit of other customers of Provider or for any other purpose subject to mutually beneficial terms and conditions to be agreed to by the Parties. THE WILLIAMS OWNED MATERIALS ARE PROVIDED BY WILLIAMS TO PROVIDER AND ITS SUBCONTRACTORS ON AN AS-IS, WHERE-IS BASIS. WILLIAMS EXPRESSLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, AS TO SUCH WILLIAMS OWNED MATERIALS, OR THE CONDITION OR SUITABILITY OF SUCH SOFTWARE FOR USE BY PROVIDER OR ITS SUBCONTRACTORS TO

PROVIDE THE SERVICES, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

(c) LICENSE TO THIRD PARTY SOFTWARE. Subject to Provider having obtained any Required Consents, Williams hereby grants to Provider, for the sole purpose of performing the Services and solely to the extent of Williams's underlying rights, the same rights of access and use as Williams possesses under the applicable software licenses with respect to Williams licensed Third Party Software. Williams also shall grant such rights to Subcontractors designated by Provider if and to the extent necessary for Provider to provide the Services; provided that, Provider shall pay all fees, costs and expenses associated with the granting of such rights to such Subcontractors. Provider and its Subcontractors shall comply with the duties, including use restrictions and those of nondisclosure, imposed on Williams by such licenses. In addition, each Subcontractor shall sign a written agreement to be bound by all of the terms contained herein applicable to such Third Party Software (such agreement shall be agreed to by the Parties and shall include the terms specified in this Section as well as those pertaining to the ownership of such Software and any derivative materials developed by the Parties, the scope and term of the license, the restrictions on the use of such Software, the obligations of confidentiality, etc.). Except as otherwise requested or approved by Williams (or the relevant licensor), Provider and its Subcontractors shall cease all use of such Third Party Software upon the end of the Term and the completion of any Termination Assistance Services requested by Williams pursuant to SECTION 4.4(b)(8). THE WILLIAMS LICENSED THIRD PARTY SOFTWARE IS PROVIDED BY WILLIAMS TO PROVIDER AND ITS SUBCONTRACTORS ON AN AS-IS, WHERE-IS BASIS. WILLIAMS EXPRESSLY DISCLAIMS ANY REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, AS TO SUCH WILLIAMS LICENSED THIRD PARTY SOFTWARE, OR THE CONDITION OR SUITABILITY OF SUCH SOFTWARE FOR USE BY PROVIDER OR ITS SUBCONTRACTORS TO PROVIDE THE SERVICES, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

14.2 DEVELOPED MATERIALS.

The Parties rights and responsibilities with respect to Developed Materials shall be as set forth in SECTION 14.2 of SCHEDULE S.

14.3 PROVIDER OWNED MATERIALS.

(a) OWNERSHIP OF PROVIDER OWNED MATERIALS. Provider shall be the sole and exclusive owner of the (i) Materials owned by it prior to the Commencement Date, (ii) Materials acquired by Provider on or after the Commencement Date, other than acquisitions for Williams or an Eligible Recipient in connection with the performance of the Services, (iii) Developed Materials owned by Provider in accordance with SECTION 14.2(d), (iv) Materials developed by Provider other than in the course of the performance of its obligations under this Agreement, including all United States and foreign patent, copyright and other intellectual property rights in such Materials described in clauses (i) through (iv) of this paragraph ("PROVIDER OWNED MATERIALS").

(b) LICENSE TO PROVIDER OWNED SOFTWARE AND MATERIALS. As of the Commencement Date, Provider hereby grants to Williams and the Eligible Recipients, at no additional charge, a non-exclusive, royalty-free right and license to access, use, execute, reproduce, display, perform, modify, enhance, distribute and create Derivative Works of the Provider Owned Software and other Materials (including all modifications, replacements, Upgrades, enhancements, methodologies, tools, documentation, materials and media related thereto), during the Term and any Termination Assistance Services period, to the extent reasonably necessary to receive the full benefit of the Services. In addition, at no additional charge, Provider hereby grants to Williams Third Party Contractor(s) a non-exclusive, royalty-free right and license to access, use, execute, reproduce, display, perform, modify, enhance, distribute and create Derivative Works of such Materials and Software (including all modifications, replacements, Upgrades, enhancements, methodologies, tools, documentation, materials and media related thereto), during the Term and any Termination Assistance Services period, for the purposes described below. Such license and other rights shall be granted to Williams, the Eligible Recipients, and Williams Third Party Contractors for the following purposes:.

(i) The receipt by Williams and the Eligible Recipients of the full benefit of the Services provided by Provider; or

(ii) The performance by Williams, the Eligible Recipients or Williams Third Party Contractors for Williams and/or the Eligible Recipients of services or functions that are ancillary to, but not part of, the Services provided by Provider, including related information technology services and functions.

The rights and obligations of Williams, the Eligible Recipients and Williams Third Party Contractors with respect to such Provider Owned Materials following the expiration or termination of the Agreement or termination of any Service are set forth in SECTION 14.6.

(c) EMBEDDED MATERIALS. This provision shall be as set forth in SECTION 14.3(c) of SCHEDULE S.

14.4 OTHER MATERIALS.

This Agreement shall not confer upon either Party intellectual property rights in Materials of the other Party (to the extent not covered by this ARTICLE 14) unless otherwise so provided elsewhere in this Agreement.

14.5 GENERAL RIGHTS.

(a) COPYRIGHT LEGENDS. Each Party agrees to reproduce copyright legends which appear on any portion of the Materials which may be owned by the other Party or third parties.

(b) This provision shall be as set forth in SECTION 14.5(b) of SCHEDULE S.

(c) NO IMPLIED LICENSES. Except as expressly specified in this Agreement, nothing in this Agreement shall be deemed to grant to one Party, by implication, estoppel or otherwise, license rights, ownership rights or any other intellectual property rights in any Materials owned by the other Party or any Affiliate of the other Party (or, in the case of Provider, any Eligible Recipient).

(d) INCORPORATED MATERIALS. Should either Party incorporate into Developed Materials any intellectual property subject to third party patent, copyright or license rights, any ownership or license rights granted herein with respect to such Materials shall be limited by and subject to any such patents, copyrights or license rights; provided that, prior to incorporating any such intellectual property in any Materials, the Party incorporating such intellectual property in the Materials has disclosed this fact and obtained the prior approval of the other Party (and provided further that, in the case of patents, the obligation to disclose and obtain approval shall be limited to patents about which such Party knows or reasonably should know).

(e) POLICY AND PROCEDURES MANUAL. Provider shall own all right, title and interest in the Policy and Procedures Manual (which contains Proprietary Information of

Provider and Williams), provided, however, that Williams shall be the sole and exclusive owner of all portions of the Policy and Procedures Manual (i) provided by Williams, or (ii) that are unique to Williams or the Eligible Recipients or their business operations. Provider hereby grants to Williams and the Eligible Recipients a worldwide, perpetual, irrevocable, non-exclusive, fully-paid up, royalty-free, transferable license, for Williams's and each Eligible Recipient's internal business purposes, to use, execute, reproduce, display, perform, modify, enhance, sublicense, distribute and create derivative works of the Policy and Procedures Manual and all enhancements and derivative works thereof, including the right to have contractors and agents use the policy and Procedures Manual, and all enhancements and derivative works thereof, on behalf of Williams or such Eligible Recipient. Williams's proprietary or confidential data contained within the Policy and Procedures Manual will remain confidential pursuant to ARTICLE 13.

14.6 WILLIAMS RIGHTS UPON EXPIRATION OR TERMINATION OF AGREEMENT.

As part of the Termination Assistance Services, Provider shall provide the following to Williams, Williams Affiliates and the Eligible Recipients with respect to Materials and Software:

(a) WILLIAMS OWNED MATERIALS AND DEVELOPED MATERIALS. With respect to Williams Owned Materials and Williams Specific Developed Materials, Provider shall, at no cost to Williams:

(i) deliver to Williams all Williams Owned Materials and Williams Specific Developed Materials and all copies thereof in the format and medium in use by Provider in connection with the Services as of the date of such expiration or termination; and

(ii) following confirmation by Williams that the copies of the Williams Owned Materials and Williams Specific Developed Materials delivered by Provider are acceptable and the completion by Provider of any Termination Assistance Services for which such Materials are required, destroy or securely erase all other copies of such Materials then in Provider's possession and cease using such Materials for any purpose (except that Provider may retain a copy of such Materials as required by applicable Law or with respect to any ongoing dispute between Williams and Provider, as may be reasonably necessary to enforce Provider's rights under this Agreement).

(b) COMMERCIALLY AVAILABLE PROVIDER OWNED MATERIALS. With respect to Materials owned by Provider, Provider Affiliates or (subject to SECTION 6.4(c)) Subcontractors that are generally commercially available and used by them to provide the Services (and any modifications, enhancements, methodologies, tools, documentation, materials and media related thereto used to provide the Services):

(i) Provider hereby grants to Williams and the Eligible Recipients a license on standard terms and conditions no less favorable than those offered generally by Provider to other commercial customers to use such Materials following the expiration or termination of the Term or termination of the Service(s) for which such Materials were used; provided that, in all events, such terms and conditions must be at least broad enough to permit Williams and the Eligible Recipients to use such Materials to provide for themselves, or have provided for them by third party contractors, services similar to the Services, and for Williams and the Eligible Recipients to receive such services;

(ii) Provider (A) shall deliver a copy of such Provider Owned Materials and related documentation to Williams and the Eligible Recipients, (B) shall deliver source code and/or object code to the extent such Provider Owned Materials include source code or object code and such code is customarily provided to commercial customers licensing such Provider Owned Materials, and (C) if Provider fails to offer or provide Upgrades, maintenance, support or other services for such Provider Owned Materials as provided in SECTION 14.6(b)(iii), shall deliver source code and object code for such Provider Owned Materials to the extent such Materials include source code, together with the right to modify, enhance and create derivative works of such Materials (provided that, in such event, the licensed Provider Owned Materials shall thereafter be provided on an "as is" basis); and

(iii) Provider shall offer to provide to Williams and the Eligible Recipients Upgrades, maintenance, support and other services for commercial off-the-shelf Materials on Provider's then-current standard terms and conditions for such services.

Unless Williams has otherwise agreed in advance, Williams and the Eligible Recipients shall not be obligated to pay any license or transfer fees in connection with its receipt of the licenses and other rights above. Provider shall not use any generally commercially available Provider Owned Materials for which it is unable

to offer such license or other rights without Williams's prior written approval (and absent such approval, Provider's use of any such Provider Owned Materials shall obligate Provider to provide, at no additional cost to Williams, such license and other rights to Williams, Williams Affiliates, the Eligible Recipients and Williams's designees).

(c) NON-COMMERCIALLY AVAILABLE PROVIDER OWNED MATERIALS. This provision shall be as set forth in SECTION 14.6(c) of SCHEDULE S.

(d) THIRD PARTY RIGHTS TO NON-COMMERCIALLY AVAILABLE OWNED MATERIALS. This provision shall be as set forth in SECTION 14.6(d) of SCHEDULE S.

(e) THIRD PARTY SOFTWARE AND MATERIALS. Subject to SECTION 6.4(C), with respect to Third Party Software and Materials licensed by Provider or Provider Affiliates or Subcontractors and used by them to provide the Services, Provider hereby grants to Williams and the Eligible Recipients (or, at Williams's election, to their designee(s)) a sublicense (with the right to grant sublicenses) offering the same rights and warranties with respect to such Third Party Software and Materials available to Provider (or Provider Affiliates or Subcontractors), on the same or substantially similar terms and conditions, for the benefit and use of Williams, Williams Affiliates and the Eligible Recipients upon the expiration or termination of the Term with respect to the Services for which such Third Party Software or Materials were used; provided that, during the Termination Assistance Services period, Provider may, by mutual agreement of the Parties, substitute the license described in subpart (i) or (ii) for such sublicense or, with Williams's approval, in its reasonable discretion, substitute the license described in subpart (iii) :

(i) the assignment to Williams and the Eligible Recipients (or, at Williams's election, to their designee(s))of the underlying license for such Third Party Software or Materials;

(ii) the procurement for Williams and the Eligible Recipients (or, at Williams's election, to their designee(s)) of a new license (with terms at least as favorable as those in the license held by Provider or its Affiliates or Subcontractors and with the right to grant sublicenses) to such Third Party Software and Materials for the benefit or use of Williams and the Eligible Recipients.

(iii) the procurement for Williams and the Eligible Recipients (or, at Williams's election, to their designee(s)) of a substitute license for Third

Party Software or Materials sufficient to perform, without additional cost, support or resources and at the levels of performance and efficiency required by this Agreement, the functions of the Third Party Software and Materials necessary to enable Williams or its designee to provide the Services after the expiration or termination of the Term.

In addition, Provider shall deliver to Williams and the Eligible Recipients a copy of such Third Party Software and Materials (including source code, to the extent it has been available to Provider) and related documentation and shall use commercially reasonable efforts to cause maintenance, support and other services to continue to be available to Williams and the Eligible Recipients (to the extent it has been available to Provider). Unless Williams has otherwise agreed in advance in accordance with SECTION 6.4(c), Williams and the Eligible Recipients shall not be obligated to pay any license or transfer fees in connection with its receipt of the licenses, sublicenses and other rights specified in this SECTION 14.6(c). Provider shall not use any Third Party Software and Materials for which it is unable to offer such license, sublicense or other rights without Williams's prior approval (and absent such approval, Provider's use of any such Third Party Software and Materials shall obligate Provider to provide, at no additional cost to Williams and the Eligible Recipients, such licenses, sublicenses and other rights). Williams, however, shall be obligated to make monthly or annual payments attributable to periods after the expiration or termination of the Term with respect to the Services for which such Third Party Software or Materials were used for the right to use and receive maintenance or support related thereto, but only to the extent Provider would have been obligated to make such payments if it had continued to hold the licenses in question or Williams has agreed in advance to make such payments.

To the extent Williams has agreed in advance to pay any fees in connection with its receipt of such licenses, sublicenses or other rights, Provider shall, at Williams's request, identify the licensing and sublicensing options available to Williams and the Eligible Recipients and the license or transfer fees associated with each. Provider shall use commercially reasonable efforts to obtain the most favorable options and the lowest possible transfer, license, relicense, assignment or termination fees for Third Party Software and Materials. Provider shall not commit Williams or the Eligible Recipients to paying any such fees or expenses without Williams's prior approval. If the licensor offers more than one form of license, Williams (not Provider) shall select the form of license to be received by Williams, the Eligible Recipients or their designee(s).

Provider's obligations under this SECTION 14.6(e) shall be subject to SECTION 6.4(c).

15. REPRESENTATIONS AND WARRANTIES

15.1 WORK STANDARDS.

Provider represents and warrants that the Services shall be rendered with promptness and diligence and shall be executed in a workmanlike manner, in accordance with the best practices of the information technology services industry and the Service Levels. Provider represents and warrants that it shall use adequate numbers of qualified individuals with suitable training, education, experience, competence and skill to perform the Services. Provider shall provide such individuals with training as to new products and services prior to the implementation of such products and services in the Williams/Eligible Recipients environment. Provider shall have the resources, capacity, expertise and ability in terms of Equipment, Software, know-how and personnel to provide the Services.

15.2 MAINTENANCE.

(a) PROVIDER RESPONSIBILITY. Provider represents and warrants that, unless otherwise agreed and to the extent it has operational responsibility under this Agreement, it shall maintain the Equipment and Software so that they operate substantially in accordance with their specifications, including (i) maintaining Equipment in good operating condition, subject to normal wear and tear, (ii) undertaking repairs and preventive maintenance on Equipment in accordance with the applicable Equipment manufacturer's recommendations and requirements, and (iii) performing Software maintenance in accordance with the applicable Software supplier's documentation, recommendations and requirements.

(b) OUT OF SUPPORT THIRD PARTY EQUIPMENT AND SOFTWARE. For Third Party Equipment and Software no longer supported by the licensor or manufacturer for which Provider has operational responsibility under this Agreement, Provider shall use commercially reasonable efforts to perform maintenance for such Equipment or Software as required to meet its obligations under this Agreement.

(c) REFRESH. To the extent Provider has financial responsibility under this Agreement for Equipment or Software, Provider shall, subject to SECTION 9.7 or as otherwise agreed by the Parties, Upgrade or replace such Equipment or Software in accordance with SCHEDULE J, ATTACHMENT J-10.

15.3 EFFICIENCY AND COST EFFECTIVENESS.

Provider represents and warrants that it shall use commercially reasonable efforts to provide the Services in the most cost-effective manner consistent with the required level of quality and performance. Without limiting the generality of the foregoing, such actions shall include:

(a) TIMING OF ACTIONS. Making adjustments in the timing of actions (consistent with Williams priorities and schedules for the Services and Provider's obligation to meet the Service Levels).

(b) TIMING OF FUNCTIONS. Delaying or accelerating, as appropriate, the performance of non-critical functions within limits reasonably acceptable to Williams.

(c) SYSTEMS OPTIMIZATION. Tuning or optimizing the Systems (including memory) and/or Applications Software to optimize performance and minimize costs.

(d) USAGE SCHEDULING. Controlling its use of the System and/or the Williams data network by scheduling usage, where practicable, to low utilization periods.

(e) ALTERNATIVE TECHNOLOGIES. Subject to SECTION 9.5, using alternative technologies to perform the Services.

(f) EFFICIENCY. Efficiently using resources for which Williams is charged hereunder, consistent with industry norms, and compiling data concerning such efficient use in segregated and auditable form whenever practicable.

15.4 SOFTWARE.

(a) OWNERSHIP AND USE. Provider represents, warrants and covenants that it is either the owner of, or authorized to use, any and all Software provided and used by Provider in providing the Services, subject to Provider obtaining any Required Consents in connection with Software provided by Williams or the Eligible Recipients. As to any such Software that Provider does not own but is authorized to use, Provider shall advise Williams as to the ownership and extent of Provider's rights with regard to such Software to the extent any limitation in such rights would materially impair Provider's performance of its obligations under this Agreement.

(b) PERFORMANCE. Provider represents, warrants and covenants that any Provider Owned Software will, in all material respects, perform in compliance with its

Specifications and provide the functions and features and operate in the manner described therein.

(c) DEVELOPED MATERIALS COMPLIANCE. Provider warrants and covenants that Developed Materials will be free from material errors in operation and performance, will Comply with the documentation and the Specifications in all material respects and will provide the functions and features and operate in the manner described in SCHEDULES E or F or otherwise agreed by the Parties for twelve (12) months after the Effective Date or for Developed Materials Accepted after such date, for twelve (12) months following Acceptance of such Developed Materials, unless a different period is agreed by the Parties. Provider shall correct any failure to Comply and shall use commercially reasonable efforts to do so as expeditiously as possible. In the event that Provider fails or is unable to repair or replace such nonconforming Developed Material, Williams shall, in addition to any and all other remedies available to it hereunder, be entitled to obtain from Provider a copy of any source code to such Developed Material to the extent that Provider has the right to make it available; provided, however, that for any Developed Material where Provider will not create source code or Provider does not have the rights to make source code available to Williams in accordance with this Agreement, Provider shall notify Williams of such facts and obtain Williams prior written approval, which Williams may withhold in its reasonable discretion.

(d) NONCONFORMITY. In addition to the foregoing, in the event that the Provider Owned Software or Developed Materials do not Comply with the Specifications and criteria set forth in this Agreement, and/or materially and adversely affect the Services provided hereunder, Provider shall expeditiously repair or replace such Software or Material with conforming Software or Material.

(e) OUT OF SUPPORT THIRD PARTY SOFTWARE. To the extent Third Party Software for which Provider has operational responsibility under SCHEDULE E or U is no longer supported by the applicable licensor or manufacturer, Provider shall use commercially reasonable efforts to perform maintenance for such Software as required, subject to Service Level relief where (i) lack of licensor or manufacturer support impairs Provider's ability to provide such maintenance unless Transitioned Employees maintained such Software prior to the Effective Date or (ii) lack of licensor or manufacturer support impairs interoperability of such Software with upgrades, updates or enhancements to other Software or with new Software.

(f) EXCEPTIONS TO WARRANTY OBLIGATIONS. The warranties and corresponding obligations of Provider set forth in this SECTION 15.4 will not apply to the extent any noncompliance of Software, Developed Materials or Materials to the criteria set forth in this SECTION 15.4 is attributable to (i) any change or modification to Software, Developed Materials or other Materials not recommended, performed or approved in writing by Provider; or (ii) from operation or use by Williams or the other Eligible Recipients of such Software, Developed Materials or other Materials other than (A) in accordance with the applicable documentation and Specifications, (B) for the purposes contemplated by this Agreement, and (C) on hardware and operating systems recommended or approved in writing by Provider.

15.5 NON-INFRINGEMENT.

(a) PERFORMANCE OF RESPONSIBILITIES. Provider represents and warrants that it shall perform its responsibilities under this Agreement in a manner that does not infringe, or constitute an infringement or misappropriation of, any patent, copyright, trademark, trade secret or other proprietary or privacy rights of any third party; provided, however, that Provider shall not have any obligation or liability to the extent any infringement or misappropriation is caused by (i) modifications made by Williams or its contractors or subcontractors, without the knowledge or approval of Provider, (ii) Williams's combination of Provider's work product or Materials with items not furnished, specified or reasonably anticipated by Provider or contemplated by this Agreement, (iii) a breach of this Agreement by Williams, (iv) the failure of Williams to use corrections or modifications provided by Provider offering equivalent features and functionality, or (v) Third Party Software, except to the extent that such infringement or misappropriation arises from the failure of Provider to obtain the licenses or Required Consents required of it under this Agreement or to abide by the limitations of the applicable Third Party Software licenses. Provider further represents and warrants that it will not use or create materials in connection with the Services or otherwise in performance of its obligations under this Agreement which are libelous, defamatory or obscene. Provider's representation and warranty set forth in this SECTION 15.5(a) shall be subject to the limitations set forth in SECTION 15.5(a) of SCHEDULE S.

(b) THIRD PARTY SOFTWARE INDEMNIFICATION. In addition, with respect to Third Party Software provided by Provider pursuant to this Agreement (i.e., not transferred or furnished by Williams), Provider covenants that it shall obtain and provide intellectual property indemnification for Williams and the Eligible Recipients (or

obtain intellectual property indemnification for itself and enforce such indemnification on behalf of Williams and the Eligible Recipients) from the suppliers of such Software. Unless otherwise approved in advance by Williams, such indemnification shall be (i) comparable to the intellectual property indemnification provided by Provider to Williams and the Eligible Recipients under this Agreement, or (ii) the customary indemnification available in the industry for the same or substantially similar types of software products.

15.6 AUTHORIZATION.

Each Party represents and warrants to the other that:

(a) CORPORATE EXISTENCE. It is a corporation duly incorporated, validly existing and in good standing under applicable Laws (other than nonconformities with such Laws that would not have materially affect on the performance of their respective obligations under this Agreement);

(b) CORPORATE POWER AND AUTHORITY. It has the requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement;

(c) LEGAL AUTHORITY. It has obtained all licenses, authorizations, approvals, consents or permits required to perform its obligations under this Agreement under all applicable federal, state or local laws and under all applicable rules and regulations of all authorities having jurisdiction over the Services, except to the extent the failure to obtain any such license, authorizations, approvals, consents or permits is, in the aggregate, immaterial;

(d) DUE AUTHORIZATION. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly authorized by the requisite corporate action on the part of such Party; and

(e) NO VIOLATION OR CONFLICT. The execution, delivery, and performance of this Agreement shall not constitute a violation of any judgment, order, or decree; a material default under any material contract by which it or any of its material assets are bound; or an event that would, with notice or lapse of time, or both, constitute such a default.

15.7 INDUCEMENTS.

Provider represents and warrants that it has not given and will not give commissions, payments, kickbacks, lavish or extensive entertainment, or other inducements of more than minimal value to any employee or agent of Williams in connection with this Agreement. Provider also represents and warrants that, to the best of its knowledge, no officer, director, employee, agent or representative of Provider has given any such payments, gifts, entertainment or other thing of value to any employee or agent of Williams in connection Provider's interactions with Williams employees or agents prior to Provider's execution of this Agreement. Provider also acknowledges that the giving of any such payments, gifts, entertainment, or other thing of value is strictly in violation of Williams policy on conflicts of interest, and may result in the cancellation of this Agreement.

15.8 MALICIOUS CODE.

Each Party shall cooperate with the other Party and shall take commercially reasonable actions and precautions to prevent the introduction and proliferation of Malicious Code into Williams's or an Eligible Recipient's environment or any System used by Provider to provide the Services. Without limiting Provider's other obligations under this Agreement, in the event Malicious Code is found in Equipment, Software or Systems managed or supported by Provider or used to provide the Services, Provider shall exercise all commercially reasonable efforts as part of the Charges, unless, if applicable, the Parties agree that such activity constitutes New Services, to eliminate and reduce the effects of such Malicious Code and, if the Malicious Code causes a loss of operational efficiency or loss of data, to mitigate such losses and restore such data with generally accepted data restoration techniques.

15.9 DISABLING CODE.

Provider represents and warrants that, without the prior written consent of Williams, Provider shall not insert into the Software any code that could be invoked without William's written authorization to disable or otherwise shut down all or any portion of the Services. Provider further represents and warrants that, with respect to any disabling code that may be part of the Software, Provider shall not invoke or cause to be invoked such disabling code at any time, including upon expiration or termination of this Agreement for any reason, without Williams's prior written consent. Provider also represents and warrants that it shall not use Third Party Software with disabling code without the prior approval of Williams. For purposes of this provision, code that serves the function of ensuring software license compliance (including passwords) shall not be

deemed disabling code, provided that Provider notifies Williams in advance of all such code and obtains Williams's approval prior to installing such code in any Software, Equipment or System.

15.10 COMPLIANCE WITH LAWS.

(a) COMPLIANCE BY PROVIDER.

(i) Provider represents and warrants that it is and shall be in compliance in all material respects with all Provider Business Laws applicable to its provision of the Services and the performance of its other legal and contractual obligations hereunder on the Commencement Date and shall remain in compliance in all material respects with such Laws for the entire Term, including identifying and procuring applicable permits, certificates, approvals and inspections required under such Laws.

(ii) This provision shall be as set forth in SECTION 15.10(a)(ii) of SCHEDULE S.

(iii) If a written charge of non-compliance by Provider with any such Laws occurs, Provider shall promptly notify Williams of such charge. Provider shall provide such notice in accordance with the timeframes set forth in the Policy and Procedures Manual, which may specify events for which same day notice is required, and shall perform an expedited Root Cause Analysis in accordance with the requirements set forth in the Procedures Manual.

(b) COMPLIANCE BY WILLIAMS. Subject to Sections 15.10(a) and (e), Williams represents and warrants that, with respect to the performance by Williams and the Eligible Recipients of Williams's legal and contractual obligations under this Agreement, it is and shall be in compliance in all material respects with all applicable Williams Laws for the entire Term of the Agreement. If a written charge of non-compliance by Williams with any such Laws occurs, Williams shall promptly notify Provider of such charge.

(c) COMPLIANCE DATA AND REPORTS. At no additional charge, Provider shall provide Williams with data and reports in Provider's possession necessary for Williams to comply with all Williams Laws applicable to the Services.

(d) NOTICE OF LAWS. Provider shall notify Williams of any Provider Laws and changes in Provider Laws applicable to Provider's performance and Williams's and/or the Eligible Recipients' receipt and use of the Services). Williams shall notify Provider of any Williams Laws and any changes in such Williams Laws

applicable to Provider's performance and Williams's and/or the Eligible Recipients' receipt and use of the Services. Provider shall, through the Provider Personnel, maintain familiarity with the Provider Laws, and shall use commercially reasonable efforts to maintain general familiarity with Williams Laws, and shall bring additional or changed requirements of which it becomes aware to Williams's attention. Subject to its non-disclosure obligation under other customer contracts, Provider also shall make commercially reasonable efforts to obtain information regarding Williams Laws and Provider Services Laws from other finance and accounting, information technology and human resources services outsourcing customer engagements and to communicate such information to Williams in a timely manner. Each Party shall use commercially reasonable efforts to advise the other of Laws and changes in Laws about which such Party becomes aware in the other Party's area of responsibility, but without assuming an affirmative obligation of inquiry, except as otherwise provided herein, and without relieving the other Party of its obligations hereunder.

(e) INTERPRETATION OF LAWS OR CHANGES IN LAWS. Williams shall be responsible, with Provider's cooperation and assistance, for interpreting Williams Laws or changes in Williams Laws and for identifying the impact of such Williams Laws or changes in Williams Laws on Provider's performance and Williams's and/or the Eligible Recipients' receipt and use of the Services. Provider shall be responsible, with Williams's cooperation and assistance, for interpreting Provider Laws or changes in Provider Laws and for identifying the impact of such Provider Laws or changes in Provider Laws on Provider's performance and Williams's and/or the Eligible Recipients' receipt and use of the Services. To the extent the impact of any Provider Services Law or change in Provider Services Law cannot be readily identified by Provider, the Parties shall cooperate in interpreting such Law or change in Law and shall seek in good faith to identify and agree upon the impact on Provider's performance and Williams's and/or the Eligible Recipients' receipt and use of the Services. In such event, Provider shall inform Williams about such Provider Services Law or change in Provider Services Law and propose approaches as to changes in the performance or receipt of the Services to be made in response thereto. If the Parties are unable to agree upon such impact, Williams shall retain the right, in its sole discretion, to interpret such Provider Services Law or change in Provider Services Law and determine its impact. In addition, if Provider reasonably concludes, after due inquiry, that the compliance obligations associated with any Provider Services Law or change in Provider Services Law are unclear or that there is more than one reasonable approach to achieving compliance, Provider may escalate the issue to Williams for a final decision. In all events, to the extent Williams makes the final decision as to the

interpretation of a Law or change in Law or its impact on Provider's performance and Williams's and/or the Eligible Recipients' receipt and use of the Services and Provider complies with such decision, Provider shall be relieved of responsibility for any resulting non-compliance with such Law if and to the extent such decision is ultimately determined to be in error. Provider shall notify Williams expeditiously of such non-compliance upon learning thereof and shall work expeditiously to remedy such non-compliance upon receipt of Williams's approval.

(f) IMPLEMENTATION OF CHANGES IN LAWS. In the event of any changes in Laws (including Williams Laws to the extent Provider receives prompt notice of such Williams Laws from Williams or as otherwise provided in SECTION 15.10(e)), Provider shall implement any necessary modifications to the Services prior to the deadline imposed by the regulatory or governmental body having jurisdiction for such requirement or change. Provider shall bear the costs associated with compliance with changes in Laws applicable to the Services unless such change meets the definition of New Service, in which case it shall be treated as a Project; provided, that to the extent such changes in Laws impact other Provider customers, any additional costs shall be apportioned on a equitable basis to all such customers. With respect to changes in Provider Business Laws, Provider shall bear all costs associated with those Laws. At Williams's request, Provider Personnel shall participate in Williams provided regulatory compliance training programs.

(g) COMPLIANCE WITH PRIVACY LAWS. Without limiting the foregoing, with respect to any Williams Personal Data, Provider shall comply with any obligations imposed on Provider under any applicable Privacy Laws in connection with Provider's performance of Services and shall provide Williams with such assistance as Williams may reasonably require to fulfill the responsibilities of Williams and the Eligible Recipients under such Privacy Laws. Provider shall also comply with the Williams data privacy policy. Provider will act in the capacity of a processor of Williams Personal Data, and Williams will be the controller of such Williams Personal Data, under applicable Privacy Laws.

(h) ASSISTANCE TO WILLIAMS. As part of the Services and on an ongoing basis, Provider shall assist Williams and the Eligible Recipients as they may reasonably require in their efforts to comply with applicable Williams Laws (including any changes to Williams Laws) not applicable to Provider or related to the Services. Without limiting Provider's obligations under this Agreement, this Agreement

shall not be construed as requiring either Party to provide legal, audit or attest advice to the other Party.

(i) RESPONSIBILITY FOR GOVERNMENT FINES, PENALTIES, INTEREST OR OTHER REMEDIES. The Parties responsibilities for government fines, penalties, interest and other monetary remedies shall be as set forth in SECTION 15.10(i) of SCHEDULE S.

(j) NO LIABILITY FOR WILLIAMS OBLIGATIONS. This provision shall be as set forth in SECTION 15.10(j) of SCHEDULE S.

(k) TERMINATION. In the event that any change in Laws (other than a change in Laws resulting in new or higher Service Taxes as described in SECTION 11.4(d)) results in an increase of ten percent (10%) or more in the estimated average monthly Charges in any Functional Service Area or otherwise has a material adverse impact on Provider's ability to perform the Services and Williams would not have incurred such additional cost or impact if it had not outsourced the Services in question, then Williams may, at its option, terminate the Agreement by giving Provider at least ninety (90) days prior notice and designating a date upon which such termination shall be effective. If Williams terminates on this basis, Williams shall not be obligated to pay Termination Charges. Wind Down Charges shall be payable if and only if and only to the extent indicated as payable in SCHEDULE N.

15.11 INTEROPERABILITY.

Provider represents and warrants that the Software, Equipment and Systems provided through, and used to provide, the Services will be interoperable with the software, equipment, systems, firmware, and embedded chips used by Williams which may deliver records to, receive records form, or otherwise interact with the Systems, including for receipt of the Services in accordance with the applicable Specifications for such Software, Equipment and Systems.

15.12 PROVIDER PERSONNEL.

Provider represents and warrants that the Provider Personnel are authorized to work in each of the locations where such personnel are providing Services, and that Provider and its Subcontractors have complied with all obligations under applicable Laws regarding immigration. Provider shall bear all financial responsibility for all matters relating to Provider obtaining any visa, immigration, naturalization or other similar authorizations and requirements under the Laws applicable to visas, immigration, naturalization and other similar authorizations.

15.13 NO LITIGATION.

Each Party represents and warrants that there is no claim, or any litigation, proceeding, arbitration, investigation or material controversy pending to which it or any of its affiliates, agents, or representatives (and in the case of Williams, the other Eligible Recipients) is a party, relating to the provision of the Services offered by Provider or the performance of their respective obligations under this Agreement, which would have a material adverse effect on Provider's or Williams' ability to enter into this Agreement and perform their respective obligations hereunder and, to the best of each Party's knowledge, no such claim, litigation, proceeding arbitration, investigation or material controversy has been threatened or its contemplated.

15.14 DISCLAIMER.

(a) WARRANTY DISCLAIMER. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATIONS, CONDITIONS OR WARRANTIES TO THE OTHER PARTY, WHETHER EXPRESS OR IMPLIED, INCLUDING IMPLIED WARRANTIES AND CONDITIONS OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

(b) PUBLIC TELECOMMUNICATIONS TRANSMISSIONS. In the case of transmission of data via public telecommunications facilities permitted under this Agreement, Provider shall not be responsible for corruption, damage, loss or mis-transmission of, or loss of security with respect to, data during such transmission unless and to the extent such corruption, damage, loss, mis-transmission or loss of security is attributable to Provider's failure to comply with its obligations (including data security and Service Level requirements) under this Agreement, including the obligation to (i) provide the Services (including data security requirements) in accordance with the accepted practices of well-managed tier one providers of information technology services, (ii) provide and maintain the technology required to detect and correct any corrupt, damaged, lost or mis-transmitted data and require retransmission of any such corrupt, damaged, lost or mis-transmitted data, and (iii) perform other Services appropriate to assist in the resolution of such corruption, damage, loss or mis-transmission (e.g., backup and data recovery).

(c) DISCLAIMER OF UNINTERRUPTED OR ERROR-FREE OPERATIONS. Subject to Provider's obligations under this Agreement, including Service Levels, Provider does not assure uninterrupted or error-free operation of the Equipment, Software or Services.

16. INSURANCE AND RISK OF LOSS

16.1 INSURANCE.

(a) REQUIREMENTS. Provider agrees to keep in full force and effect and maintain at its sole cost and expense the following policies of insurance with the specified minimum limits of liability during the term of this Agreement:

(i) Workers' Compensation and Employer's Liability Insurance:

- Statutory Worker's Compensation including occupational disease in accordance with the law.

- Employer's Liability Insurance with minimum limits of $5 million per employee by accident/$5 million per employee by disease/$5 million policy limit by disease (or, if higher, the policy limits required by applicable Law).

(ii) Commercial General Liability Insurance (including coverage for Contractual Liability assumed by Provider under this Agreement, Premises-Operations, Completed Operations--Products, Independent Contractors, and explosion, collapse, and underground property damage hazards) providing coverage for bodily injury, personal injury and property damage with combined single limits of not less than $10 million per occurrence and $10 million in the aggregate per Provider policy year.

(iii) Commercial Business Automobile Liability Insurance including coverage for all owned, non-owned, leased, and hired vehicles providing coverage for bodily injury and property damage liability with combined single limits of not less than $2 million per occurrence and $2 million in the aggregate per Provider policy year, except as may otherwise be required by Law.

(iv) Professional Liability (also known as Errors and Omissions Liability) Insurance covering acts, errors and omissions arising out of Provider's operations or Services in an amount not less than $10 million per occurrence and $10 million in the aggregate per Provider policy year.

(v) Comprehensive Crime Insurance, including Employee Dishonesty and Computer Fraud Insurance covering losses arising out of or in connection with any fraudulent or dishonest acts committed by Provider employees,

acting alone or with others, in an amount not less than $10 million per occurrence and $10 million in the aggregate per Provider policy year.

(vi) All-risk property insurance covering loss or damage to Provider owned or leased Equipment and other assets in an amount not less than the full replacement cost of such Equipment and assets.

(b) APPROVED COMPANIES. All such insurance shall be procured with reputable insurance companies and in such form as is usual and customary to Provider's business. Such insurance companies shall maintain a rating at least "A-" and be at least a Financial Size Category VII as both criteria are defined in the most current publication of Best's Policyholder Guide, provided that Provider may be self-insured with respect to the Professional Liability and Errors and Omissions Liability Insurance.

(c) ENDORSEMENTS. Provider's insurance policies as required herein under SECTIONS 16.1(a)(ii), (iii) and (iv) shall name Williams, Williams Affiliates and Eligible Recipients and their respective officers, directors and employees as Additional Insureds for any and all liability arising at any time in connection with Provider's performance under this Agreement. The Provider insurance policies required under SECTION 16.1(a)(v) and (vi) shall name Williams, Williams Affiliates and Eligible Recipients and their respective officers, directors and employees as loss payees for any and all liability arising at any time in connections with Provider's performance under this Agreement. Each policy shall provide that it will not be canceled or materially altered except after thirty (30) days advance written notice to Williams. Should any policy expire or be canceled during the Term and Provider fails to immediately procure replacement insurance as specified, Williams reserves the right (but not the obligation) to procure such insurance and to deduct the cost thereof from any sums due Provider under this Agreement. All insurance required under this SECTION 16.1 shall be primary insurance and any other valid insurance existing for the benefit of Williams, Williams Affiliates and Eligible Recipients and their respective officers, directors and employees shall be excess of such primary insurance. Provider shall obtain such endorsements to its policy or policies of insurance as are necessary to cause the policy or policies to comply with the requirements stated herein.

(d) CERTIFICATES. Provider shall provide Williams with certificates of insurance evidencing compliance with this ARTICLE 16 (including evidence of renewal of insurance) signed by authorized representatives of the respective carriers for each year that this Agreement is in effect. Each certificate of insurance shall provide

that the issuing company shall not cancel, reduce, or otherwise materially alter the insurance afforded under the above policies unless notice of such cancellation, reduction or material alteration has been provided at least thirty (30) days in advance to:

The Williams Companies, Inc.
One Williams Center, MD 41-3
Tulsa, OK 74172
Attention: Business Process Outsourcing Executive
Fax: (918) 573-4503

(e) NO IMPLIED LIMITATION. The obligation of Provider and its Affiliates to provide the insurance specified herein shall not limit or expand or otherwise affect in any way any obligation or liability of Provider provided elsewhere in this Agreement. The rights of Williams and its subsidiaries, Affiliates and Eligible Recipients to insurance coverage under policies issued to or for the benefit of one or more of them are independent of this Agreement and shall not be limited by this Agreement.

(f) INSURANCE SUBROGATION. With respect to insurance coverage to be provided by Provider pursuant to this SECTION 16.1, the insurance policies shall provide that the insurance companies waive all rights of subrogation against Williams, the Eligible Recipients and their respective Affiliates, officers, directors and employees. Provider waives its rights to recover against Williams, Williams Affiliates and Eligible Recipients and their respective officers, directors, and employees in subrogation or as subrogee for another party.

16.2 RISK OF LOSS.

(a) GENERAL. Subject to SECTION 17.3, Provider and Williams each shall be responsible for any damage, destruction, loss, theft or governmental taking of their respective tangible property or real property (whether owned or leased) and each Party agrees to look only to its own insuring arrangements (if any) with respect to such damage, destruction, loss, theft, or governmental taking. Each Party shall promptly notify the other Party of any damage (except normal wear and tear), destruction, loss, theft, or governmental taking of such other Party's tangible property or real property (whether owned or leased).

(b) WAIVER. Provider and Williams will cause their respective insurers to issue appropriate waivers of subrogation rights endorsements (but only to the limits, if

any, of Provider's or Williams's respective obligations of indemnification) to all property insurance policies maintained by each Party.

17. INDEMNITIES

17.1 INDEMNITY BY PROVIDER.

Provider agrees to indemnify, defend and hold harmless Williams and its Affiliates and the Eligible Recipients and their respective officers, directors, employees, agents, representatives, successors, and assigns from any and all Losses and threatened Losses payable to third parties which are due to third party claims arising from or in connection with any of the following:

(a) REPRESENTATIONS, WARRANTIES AND COVENANTS. Provider's breach of any of the representations, warranties and covenants set forth in SECTIONS 15.6, 15.7, 15.9 (but in the case of SECTION 15.9, only to the extent that such code is intentionally invoked), and 15.13.

(b) ASSUMED CONTRACTS. Provider's decision to terminate or failure to observe or perform any duties or obligations to be observed or performed on or after the Commencement Date by Provider under any of the Third Party Software licenses, Equipment Leases or Third Party Contracts assigned to Provider or for which Provider has assumed financial or operational responsibility pursuant to this Agreement.

(c) LICENSES, LEASES AND CONTRACTS. Provider's failure to observe or perform any duties or obligations to be observed or performed on or after the Commencement Date by Provider under Third Party Software licenses, Equipment leases or Third Party Contracts used by Provider to provide the Services.

(d) WILLIAMS DATA OR PROPRIETARY INFORMATION. Provider's breach of its obligations under SECTIONS 13.1 13.3 and 13.4 with respect to Williams Data or Williams Proprietary Information (excluding, in the case of SECTIONS 13.1 and 13.4, circumstances in which the unavailability of Williams Data is directly caused by technical or other operational problems).

(e) INFRINGEMENT. Infringement or misappropriation or alleged infringement or alleged misappropriation of a patent, trade secret, copyright or other proprietary right by the Provider Owned Materials, Provider Software, the Developed Materials (except to the extent that infringement results from such Developed Materials conforming to designs or specifications provided by Williams or the

Eligible Recipients), Materials provided or used by Provider pursuant to this Agreement, Equipment provided by Provider, or Provider's performance of its obligations under this Agreement; provided, however, that Provider shall not have any indemnity obligation under this SECTION 17.1(E) to the extent any infringement or misappropriation is caused by (i) modifications made by Williams or its contractors or subcontractors, without the knowledge or approval of Provider, (ii) Williams's combination of Provider's work product, Equipment or Materials with items not furnished, specified or reasonably anticipated by Provider or contemplated by this Agreement, (iii) a breach of this Agreement by Williams, (iv) the failure of Williams to use corrections or modifications provided by Provider offering equivalent features and functionality, or (v) items provided or supplied by Williams. The indemnity obligations in this SECTION 17.1(e) shall also include the matters set forth in SECTION 17.1(e) on SCHEDULE S.

(f) GOVERNMENT CLAIMS. Claims by government regulators or agencies for fines, penalties, interest or other monetary remedies to the extent exceeding the amounts set forth in SECTION 15.10(i), to the extent such fines, penalties, interest or other monetary remedies, result from Provider's failure to perform its responsibilities under SECTION 15.10 of this Agreement.

(g) TAXES. Taxes, together with interest and penalties, that are the responsibility of Provider under SECTION 11.4.

(h) SHARED FACILITY SERVICES. Services, products or systems (not constituting Services provided pursuant to this Agreement) provided by Provider to a third party other than an Eligible Recipient from any shared Provider facility or using any shared Provider resources and not constituting Services provided to an Eligible Recipient pursuant to this Agreement.

(i) AFFILIATE, SUBCONTRACTOR OR ASSIGNEE CLAIMS. Any claim, other than an indemnification claim under this Agreement, initiated by (i) a Provider Affiliate or Subcontractor asserting rights under this Agreement or (ii) any entity to which Provider assigned, transferred, pledged, hypothecated or otherwise encumbered its rights to receive payments from Williams under this Agreement.

(j) EMPLOYMENT CLAIMS. Any claim (including claims by Transitioned Employees) resulting from any (i) violation by Provider, Provider Affiliates or Subcontractors, or their respective officers, directors, employees, representatives or agents, of any applicable Laws or any common law protecting persons or members of protected classes or categories, including Laws prohibiting discrimination or harassment on

the basis of a protected characteristic; (ii) liability arising or resulting from the failure by Provider, Provider Affiliates or Subcontractors to collect or withhold for (for any social security or other employment taxes, workers' compensation claims and premium payments, and contributions applicable to the wages and salaries of such Provider Personnel) for periods after their Employment Effective Dates; (iii) Provider's payment or failure to pay any salary, wages or other cash compensation due and owing to any Provider Personnel (including Transitioned Employees from and after their Employment Effective Dates), (iv) employee pension or other benefits of any Provider Personnel (including Transitioned Employees) accruing from and after their Employment Effective Date, (v) other acts and omissions of Provider in its capacity as employer of Provider Personnel (including Transitioned Employees) with Provider, Provider Affiliates or Subcontractors or the termination of such relationship, including claims for wrongful discharge, claims for breach of express or implied employment contract and claims of joint employment (unless and to the extent such claims of joint employment are based in material part on acts or omissions of Williams or the Eligible Recipients inconsistent with Williams's rights and obligations under this Agreement); and/or (vi) liability resulting from representations (oral or written) to the Williams or Eligible Recipient employees identified on SCHEDULE M by Provider, Provider Affiliates or Subcontractors (or their respective officers, directors, employees, representatives or agents), or other acts or omissions with respect to the Williams or Eligible Recipient employees identified on SCHEDULE M by such persons or entities, including any act, omission or representation made in connection with the interview, selection, hiring and/or transition process, the offers of employment made to such employees, the failure to make offers to any such employees or the terms and conditions of such offers (including compensation and employee benefits), except, in each case, to the extent resulting from the wrongful actions of Williams, the Eligible Recipients, or Williams Third Party Contractors, errors or inaccuracies in the information provided by Williams and faithfully communicated by Provider or the failure of Williams, the Eligible Recipients, or Williams Third Party Contractors to comply with Williams's responsibilities under this Agreement.

17.2 INDEMNITY BY WILLIAMS.

Williams agrees to indemnify, defend and hold harmless Provider and its officers, directors, employees, agents, representatives, successors, and assigns, from any Losses and threatened Losses payable to third parties which are due to third party claims arising from or in connection with any of the following:

(a) REPRESENTATIONS, WARRANTIES AND COVENANTS. Williams breach of any of the representations, warranties and covenants set forth in SECTION 15.6, and 15.13.

(b) LICENSES, LEASES OR CONTRACTS. Williams's failure to observe or perform any duties or obligations to be observed or performed by Williams under any of the applicable Third Party Software licenses, Equipment leases or Third Party Contracts to the extent Williams is financially or operationally responsible under this Agreement.

(c) PRE-COMMENCEMENT DATE MATTERS. Williams's failure to observe or perform any duties or obligations to be observed or performed prior to the Commencement Date by Williams under any of the Third Party Software licenses, Equipment Leases or Third Party Contracts assigned to Provider by Williams pursuant to this Agreement.

(d) WILLIAMS DATA OR PROPRIETARY INFORMATION. Williams's breach of its obligations under SECTIONS 13.1, 13.3 and 13.4 with respect to Provider's Proprietary Information.

(e) INFRINGEMENT. Subject to SECTION 17.1(e), Infringement or misappropriation or alleged infringement or alleged misappropriation of a patent, trade secret, copyright or other proprietary right by the Williams Owned Materials, the Materials or Equipment provided by Williams for Provider's use in providing the Services (other than the Materials or Equipment assigned to Provider by Williams or an Eligible Recipient) or Williams's performance of its obligations under this Agreement, or the matters set forth in SECTION 17.2(e) of SCHEDULE S; provided, however, that Williams shall not have any indemnity obligation under this SECTION 17.2(e) to the extent any infringement or misappropriation is caused by (i) modifications made by Provider or its contractors or subcontractors, without the knowledge or approval of Williams, (ii) Provider's combination of Williams's work product, Equipment or Materials with items not furnished, specified or reasonably anticipated by Williams or contemplated by this Agreement, (iii) a breach of this Agreement by Provider, (iv) the failure of Provider to use corrections or modifications provided by Williams offering equivalent features and functionality, or (v) items provided or supplied by Provider.

(f) TAXES. Taxes, together with interest and penalties, that are the responsibility of Williams under SECTION 11.4.

(g) WILLIAMS AFFILIATE, ELIGIBLE RECIPIENT OR THIRD PARTY CONTRACTOR CLAIMS. Any claim, other than an indemnification claim or insurance claim under this Agreement, initiated by an Williams Affiliate, an Eligible Recipient (other than Williams) or an Williams Third Party Contractor asserting rights under this Agreement.

(h) ACQUIRED ASSETS. Any claim relating to the Acquired Assets accruing prior to the transfer of such Acquired Assets to Provider, including but not limited to liens or encumbrances.

(i) EMPLOYMENT CLAIMS. Any claim resulting from for any (i) violation by Williams or the Eligible Recipients, or their respective officers, directors, employees, representatives or agents, of any applicable Laws or any common law protecting persons or members of protected classes or categories, including laws or regulations prohibiting discrimination or harassment on the basis of a protected characteristic; (ii) liability arising or resulting from the failure of Williams or the Eligible Recipients to collect or withhold for any social security or other employment taxes, workers' compensation claims and premium payments, and contributions applicable to the wages and salaries of such Williams Personnel; (iii) Williams's payment or failure to pay any salary, wages or other cash compensation due and owing to any employee of Williams or the Eligible Recipients (including Transitioned Employees prior to their Employment Effective Dates); (iv) employee pension or other benefits of any employee of Williams or the Eligible Recipients (including Transitioned Employees prior to their Employment Effective Dates); (v) other acts and omissions of Williams in its capacity as employer of any employee of Williams or the Eligible Recipients (including Transitioned Employees prior to their Employment Effective Dates) but excluding claims covered by SECTION 17.1(j) (and provided, in no event will Williams be liable for any claim related to a Transitioned Employee's employment relationship arising on or after such Transitioned Employee's Employment Effective Date regardless of a finding by any court or authoritative body that Williams is or was an employer of such Transitioned Employee on or after his or her Employment Effective Date, unless and to the extent such claims of joint employment are based in material part on acts or omissions of Williams or the Eligible Recipients inconsistent with Williams's rights and obligations under this Agreement); (vi) liability resulting from representations (oral or written) to the Williams employees identified on SCHEDULE M by Williams (or its officers, directors, employees, representatives or agents), or the wrongful acts of Williams or the Eligible Recipients prior to the applicable Employment Effective Date in connection with the selection and hiring by Provider of the Williams employees

identified on SCHEDULE M, except, in each case, to the extent resulting from the wrongful actions of Provider, Provider Affiliates or Subcontractors (or their respective officers, directors, employees, representatives or agents), errors or inaccuracies in the information provided by Provider and faithfully communicated by Williams, or the failure of Provider, Provider Affiliates or Subcontractors (or their respective officers, directors, employees, representatives or agents) to comply with Provider's responsibilities under this Agreement.

(j) GOVERNMENT CLAIMS. Claims by government regulators or agencies for fines, penalties, interest or other monetary remedies to the extent such fines, penalties, interest or other monetary remedies result from Williams' failure to perform its responsibilities under SECTION 15.10 of this Agreement.

17.3 ADDITIONAL INDEMNITIES.

Provider and Williams each agree to indemnify, defend and hold harmless the other, and the Eligible Recipients and their respective Affiliates, officers, directors, employees, agents, representatives, successors, and assigns, from any and all Losses and threatened Losses to the extent they arise from any of the following: (a) the death or bodily injury of any agent, employee, customer, business invitee, business visitor or other person caused by the negligence or other tortious conduct of the indemnitor or the failure of the indemnitor to comply with its obligations under this Agreement; and (b) except as otherwise provided in SECTION 16.2, the damage, loss or destruction of any real or tangible personal property caused by the negligence or other tortious conduct of the indemnitor or the failure of the indemnitor to comply with its obligations under this Agreement.

17.4 INFRINGEMENT.

In the event that (1) any item supplied by Provider that is subject to the indemnity in SECTION 17.1(e), or any item supplied by Williams that is subject to the indemnity in SECTION 17.2(e) (each the "INDEMNIFYING PARTY" with respect to the items it has supplied) are found, or in the Indemnifying Party's reasonable opinion are likely to be found, to infringe upon the patent, copyright, trademark, trade secrets, intellectual property or proprietary rights of any third party in any country in which Services are to be performed or received under this Agreement, or (2) the continued use of such items is enjoined, the Indemnifying Party shall, in addition to defending, indemnifying and holding harmless other Party (the "INDEMNIFIED PARTY") as provided in SECTIONS 17.1(e) and 17.2(e) and to the other rights the Indemnified Party may have under this Agreement, promptly and at its own cost and expense and, where Williams is the Indemnified Party,

in such a manner as to minimize the disturbance to Williams's and the Eligible Recipients' business activities do one of the following:

(a) OBTAIN RIGHTS. Obtain for the Indemnified Party the right to continue using such item.

(b) MODIFICATION. Modify the item(s) in question so that it is no longer infringing (provided that such modification does not degrade the performance or quality of the Services or, where Williams is the Indemnified Party, adversely affect Williams's and the Eligible Recipients' intended use as contemplated by this Agreement).

(c) REPLACEMENT. Replace such item(s) with a non-infringing functional equivalent reasonably acceptable to the Indemnified Party (provided that such replacement does not degrade the performance or quality of the Services or, where Williams is the Indemnified Party, adversely affect Williams's and the Eligible Recipients' intended use as contemplated by this Agreement); provided, however, that in the case where Williams is the Indemnifying Party, Williams may in its sole discretion elect to accept degraded or diminished Services in lieu of taking the actions required by the foregoing clauses (a), (b) and (c).

If Williams accepts degraded or diminished Services in lieu of taking the actions in clauses (a), (b) and (c) above, and if Provider fails to meet the Service Levels or its other obligations under this Agreement, then such failure shall be excused if and to the extent such failure is attributable to the degraded or diminished Services elected by Williams if (i) Provider notifies Williams prior to its final decision that Provider is not likely to be able, using commercially reasonable efforts, to meet such Service Level or other obligation under such circumstances; (ii) Provider uses commercially reasonable efforts to identify and consider reasonable alternatives available to address and avoid the impending performance failure; and (iii) Provider uses commercially reasonable efforts to meet such Service Level or other obligation notwithstanding Williams's election of the degraded or diminished Services.

If, after all commercially reasonable efforts, options (a) - (c) are not feasible (or if Williams so elects), the Indemnifying Party shall remove the infringing items from the Services and equitably adjust the Charges to adequately reflect such removal. The Parties shall also agree on a work-around designed to minimize the financial and operational effects of such removal.

17.5 INDEMNIFICATION PROCEDURES.

With respect to third party claims which are subject to indemnification under this Agreement (other than as provided in SECTION 17.6 with respect to claims covered by SECTION 17.1(f)), the following procedures shall apply:

(a) NOTICE. Promptly after receipt by any entity entitled to indemnification under this Agreement of notice of the commencement or threatened commencement of any civil, criminal, administrative, or investigative action or proceeding involving a claim in respect of which the indemnitee will seek indemnification hereunder, the indemnitee shall notify the indemnitor of such claim. No delay or failure to so notify an indemnitor shall relieve it of its obligations under this Agreement except to the extent that such indemnitor has suffered actual prejudice by such delay or failure. Within fifteen (15) days following receipt of written notice from the indemnitee relating to any claim, but no later than five (5) days before the date on which any response to a complaint or summons is due, the indemnitor shall notify the indemnitee in writing that the indemnitor elects to assume control of the defense and settlement of that claim (a "NOTICE OF ELECTION").

(b) PROCEDURE FOLLOWING NOTICE OF ELECTION. If the indemnitor delivers a Notice of Election within the required notice period, the indemnitor shall assume sole control over the defense and settlement of the claim; provided, however, that (i) the indemnitor shall keep the indemnitee fully apprised as to the status of the defense, and (ii) the indemnitor shall obtain the prior written approval of the indemnitee before entering into any settlement of such claim acknowledging any liability against the indemnitee or imposing any obligations or restrictions on the indemnitee or ceasing to defend against such claim. The indemnitor shall not be liable for any legal fees or expenses incurred by the indemnitee following the delivery of a Notice of Election; provided, however, that (i) the indemnitee shall be entitled to employ counsel at its own expense to participate in the handling of the claim, and (ii) the indemnitor shall pay the fees and expenses associated with such counsel if there is a conflict of interest with respect to such claim which is not otherwise resolved or if the indemnitor has requested the assistance of the indemnitee in the defense of the claim or the indemnitor has failed to defend the claim diligently and the indemnitee is prejudiced or likely to prejudiced by such failure. The indemnitor shall not be obligated to indemnify the indemnitee for any amount paid or payable by such indemnitee in the settlement of any claim if (i) the indemnitor has delivered a timely Notice of Election and such amount was agreed to without the written consent of the indemnitor, (ii) the indemnitee has not provided the indemnitor with notice of such claim and a reasonable

opportunity to respond thereto, or (iii) the time period within which to deliver a Notice of Election has not yet expired.

(c) PROCEDURE WHERE NO NOTICE OF ELECTION IS DELIVERED. If the indemnitor does not deliver a Notice of Election relating to any claim within the required notice period, the indemnitee shall have the right to defend the claim in such manner as it may deem appropriate. The indemnitor shall promptly reimburse the indemnitee for all such reasonable costs and expenses incurred by the indemnitee, including reasonable attorneys' fees.

17.6 INDEMNIFICATION PROCEDURES - GOVERNMENTAL CLAIMS.

With respect to claims covered by SECTION 17.1(f), the following procedures shall apply:

(a) NOTICE. Promptly after receipt by either Party of notice of the commencement or threatened commencement of any action or proceeding involving a claim in respect of which the indemnitee will seek indemnification pursuant to SECTION 17.1(f), such Party shall notify the other Party of such claim. No delay or failure to so notify the other Party shall relieve such other Party of its obligations under this Agreement except to the extent that such other Party has suffered actual prejudice by such delay or failure.

(b) PROCEDURE FOR DEFENSE. Williams shall be entitled, at its option, to have the claim handled pursuant to SECTION 17.5 or to retain sole control over the defense and settlement of such claim; provided that, in the latter case, the indemnitee shall (i) consult with indemnitor on a regular basis regarding claim processing (including actual and anticipated costs and expenses) and litigation strategy, (ii) reasonably consider any settlement proposals or suggestions by the indemnitor, and (iii) use commercially reasonable efforts to minimize any amounts payable or reimbursable by the indemnitor.

17.7 SUBROGATION.

Except as otherwise provided in SECTIONS 16.1 or 16.2, in the event that an indemnitor shall be obligated to indemnify an indemnitee pursuant to any provision of this Agreement, the indemnitor shall, upon payment of such indemnity in full, be subrogated to all rights of the indemnitee with respect to the claims to which such indemnification relates.

18. LIABILITY

18.1 GENERAL INTENT.

Subject to the specific provisions and limitations of this ARTICLE 18, it is the intent of the Parties that each Party shall be liable to the other Party for any actual damages incurred by the non-breaching Party as a result of the breaching Party's failure to perform its obligations in the manner required by this Agreement.

18.2 FORCE MAJEURE.

(a) GENERAL. Subject to SECTION 18.2(d), no Party shall be liable for any default or delay in the performance of its obligations under this Agreement if and to the extent such default or delay is caused, directly or indirectly, by fire, flood, earthquake, elements of nature or acts of God, wars, riots, civil disorders, rebellions or revolutions, acts of terrorism or any other similar cause beyond the reasonable control of such Party except to the extent that the non-performing Party is at fault in failing to prevent or causing such default or delay, and provided that such default or delay can not reasonably be circumvented by the non-performing Party through the use of alternate sources, workaround plans or other means. A strike, lockout or labor dispute involving Provider Personnel shall not excuse Provider from its obligations hereunder. In addition, the refusal of Provider Personnel to enter a facility that is the subject of a labor dispute shall excuse Provider from its obligations hereunder only if and to the extent such refusal is based upon a reasonable fear of harm.

(b) DURATION AND NOTIFICATION. In such force majeure event the non-performing Party shall be excused from further performance or observance of the obligation(s) so affected for as long as such circumstances prevail and such Party continues to use all commercially reasonable efforts to recommence performance or observance whenever and to whatever extent possible without delay. Any Party so prevented, hindered or delayed in its performance shall, as quickly as practicable under the circumstances, notify the Party to whom performance is due by telephone (to be confirmed in writing within one (1) day of the inception of such delay) and describe at a reasonable level of detail the circumstances of the force majeure event, the steps being taken to address such force majeure event, and the expected duration of such force majeure event.

(c) SUBSTITUTE SERVICES; TERMINATION. If any event described in SECTION 18.2(a) has substantially prevented, hindered or delayed or is reasonably expected to

substantially prevent, hinder or delay the performance by Provider or one of its Subcontractors of Services necessary for the performance of critical Williams or Eligible Recipient functions for longer than the recovery period specified in the applicable disaster recovery plan, Provider shall, to the extent practicable, procure such Services from an alternate source, and Provider shall be solely liable for payment for such services from the alternate source for so long as the delay in performance shall continue; provided that Williams continues to pay the applicable Charges for all Services that it continues to receive from Provider or an alternate source at Provider's expense; provided, however, that the obligation of Provider to provide "cover" pursuant to this Section shall not exceed 180 days. In addition, if any event described in SECTION 18.2(a) substantially prevents, hinders or delays the performance by Provider or one of its Subcontractors of Services necessary for the performance of critical Williams functions (and Provider is not able to procure such Services from an alternate source for more than five (5) days, Williams, at its option, may (i) terminate any portion of this Agreement so affected without payment of Termination Charges and the charges payable hereunder shall be equitably adjusted to reflect those terminated Services; or (ii) terminate this Agreement in its entirety without payment of Termination Charges. Wind Down Charges shall be payable if and only if and only to the extent indicated as payable in SCHEDULE N. Provider shall not have the right to additional payments or increased usage charges as a result of any force majeure occurrence affecting Provider's ability to perform.

(d) DISASTER RECOVERY. Upon the occurrence of a force majeure event that constitutes a disaster under the disaster recovery plan, Provider shall implement promptly, as appropriate, its disaster recovery plan and provide disaster recovery services as described in SCHEDULE E. The occurrence of a force majeure event shall not relieve Provider of its obligation to implement its disaster recovery plan and provide disaster recovery services.

(e) PAYMENT OBLIGATION. If Provider fails to provide Services in accordance with this Agreement due to the occurrence of a force majeure event, all amounts payable to Provider hereunder shall be equitably adjusted in a manner such that Williams is not required to pay any amounts for Services that it is not receiving whether from Provider or from an alternate source at Provider's expense pursuant to SECTION 18.2(c).

(f) ALLOCATION OF RESOURCES. Without limiting Provider's obligations under this Agreement, whenever a force majeure event or disaster causes Provider to allocate limited resources between or among Provider's customers and Affiliates,

Williams and the Eligible Recipients shall receive at least the same treatment as comparable Provider customers. In no event will Provider re-deploy or re-assign any Key Personnel to another customer or account in the event of the occurrence of a force majeure event.

18.3 LIMITATION OF LIABILITY.

(a) EXCLUSIONS FROM LIMITATIONS. EXCEPT AS PROVIDED IN THIS SECTION 18.3, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, SPECIAL, COLLATERAL, EXEMPLARY OR PUNITIVE DAMAGES, INCLUDING LOST PROFITS, REGARDLESS OF THE FORM OF THE ACTION OR THE THEORY OF RECOVERY, EVEN IF SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

(b) GENERAL LIABILITY CAP. Additionally, except as provided below, the total aggregate liability of either Party, for claims asserted by the other Party under or in connection with this Agreement, regardless of the form of the action or the theory of recovery, shall be limited to the total Charges payable to Provider during the twelve (12) month period preceding the last act or omission giving rise to such liability provided that if the event giving rise to liability occurs in the first twelve (12) months immediately following the Commencement Date, the total aggregate liability of either Party shall be limited to the total Charges that would be payable to Supplier for the performance of the Services during such twelve (12) month period.

(c) EXCEPTIONS TO LIMITATIONS OF LIABILITY. The limitations of liability set forth in SECTIONS 18.3(a) and (b) shall not apply with respect to:

(i) Amounts paid to third parties in satisfaction or settlement of claims brought by such third parties that are the subject of indemnification under ARTICLE 17 of this Agreement (provided that amounts paid pursuant to the indemnitees set forth in SECTION 17.1(f) and 17.2(j) shall each remain subject to the liability cap set forth in SECTION 18.3(b)).

(ii) Damages occasioned by any breach of a Party's obligations under SECTIONS 13.1, 13.3 and 13.4 (excluding, in the case of SECTIONS 13.1 and 13.4, circumstances in which the unavailability of Williams Data is directly caused by technical or other operational problems).

(iii) Termination Charges.

(d) EXCEPTIONS TO LIABILITY CAP. The limitations of liability set forth in SECTION 18.3(b) shall not apply with respect to:

(i) Losses occasioned by a breach of a Party's representations, warranties or covenants set forth in SECTIONS 15.6, 15.7, 15.9 (but only to the extent that such code is intentionally invoked) and 15.13.

(ii) Damages occasioned by a breach of Provider's representations, warranties or covenants set forth in SECTION 15.10(a)(i).

(e) ITEMS NOT CONSIDERED DAMAGES. The following shall not be considered as part of the Charges payable to Provider for purposes of calculating the liability cap in SECTION 18.3(b), and accordingly shall not be counted toward the liability exclusion or cap specified in, SECTION 18.3(a) or (b):

(i) Service Level Credits assessed against Provider pursuant to SCHEDULE G.

(ii) Invoiced Charges that Williams is not obligated to pay under this Agreement because such Charges are attributable to billing errors or are disputed in good faith by Williams in accordance with the disputed payment provisions of this Agreement.

(iii) Amounts paid by Williams but subsequently recovered from Provider due either to incorrect Charges by Provider or non-conforming Services.

(iv) Invoiced Charges and other amounts that are due and owing to Provider for Services under this Agreement.

(f) WAIVER OF LIABILITY CAP. If, at any time, the total aggregate liability of one Party for claims asserted by the other Party under or in connection with this Agreement exceeds eighty-five percent (85%) of the liability cap specified in SECTION 18.3(b) and, upon receipt of the request of the other Party, the Party incurring such liability refuses to waive such cap and/or increase the available cap to an amount at least equal to the original liability cap, then the other Party may terminate this Agreement without payment of Termination Charges. Wind Down Charges shall be payable if and only if indicated as payable in SCHEDULE N.

(g) ACKNOWLEDGED DIRECT DAMAGES. The following shall be considered direct damages and neither Party shall assert that they are indirect, incidental, collateral, consequential or special damages or lost profits to the extent they result directly from either Party's failure to perform in accordance with this Agreement:

(i) Costs and expenses of recreating or reloading any lost, stolen or damaged Williams Data, subject to Williams providing available sources as necessary for the re-creation of such Williams Data if Provider has no other means to re-create such data.

(ii) Costs and expenses of implementing a work-around in respect of a failure to provide the Services or any part thereof in accordance with this Agreement.

(iii) Costs and expenses of replacing lost, stolen or damaged Equipment, Software, and Materials.

(iv) Cover damages, including the costs and expenses incurred to obtain or procure the Services or corrected Services from an alternate source or to provide the Services or corrected Services using a Party's own internal resources, to the extent in excess of Provider's Charges under this Agreement.

(v) Straight time, overtime or related expenses incurred by either Party, including overhead allocations for employees, wages and salaries of additional employees, travel expenses, overtime expenses, telecommunication charges and similar charges, due to failure of Provider to provide all or a portion of the Services incurred in connection with clauses (i) through (iv) above or otherwise perform in accordance with this Agreement.

(vi) Damages of a Williams Affiliate or an Eligible Recipient which would be direct damages if they had instead been suffered by Williams (including being so considered under this SECTION 18.3(f)).

(vii) Fines, penalties, interest or other monetary remedies imposed by a governmental body or regulatory agency for failure to comply with requirements or deadlines which are a Party's obligation to pay under SECTION 17.1(f) or SECTION 17.2(j).

(viii) Liquidated damages assessed under SECTION 4.2(e) and 4.4(d).

(ix) Service Level Credits assessed against Provider pursuant to SCHEDULE G.

19. DISPUTE RESOLUTION

19.1 INFORMAL DISPUTE RESOLUTION.

Prior to the initiation of formal dispute resolution procedures with respect to any dispute, other than as provided in SECTION 19.1(d) or SECTIONS 20.7, the Parties shall first attempt to resolve such dispute informally, as follows:

(a) INITIAL EFFORT. The Parties agree that the Williams Project Executive and the Provider Project Executive shall attempt in good faith to resolve all disputes (other than those described in SECTION 19.1(d) or 20.7). In the event the Williams Project Executive and the Provider Project Executive are unable to resolve a dispute in an amount of time that either Party deems reasonable under the circumstances, such Party may refer the dispute for resolution to the senior corporate executives specified in SECTION 19.1(b) below upon written notice to the other Party.

(b) ESCALATION. Within five (5) business days of a notice under SECTION 19.1(a) above referring a dispute for resolution by senior corporate executives, the Williams Project Executive and the Provider Project Executive will each prepare and provide to a Provider Vice President, IBM Global Services Process and Petroleum Industry and the Williams Chief Financial Officer and Chief Administrative Officer, respectively, summaries of the non-privileged relevant information and background of the dispute, along with any appropriate non-privileged supporting documentation, for their review. The designated senior corporate executives will confer as often as they deem reasonably necessary in order to gather and furnish to the other all non-privileged information with respect to the matter in issue which the Parties believe to be appropriate and germane in connection with its resolution. The designated senior corporate executives shall discuss the problem and negotiate in good faith in an effort to resolve the dispute without the necessity of any formal proceeding. The specific format for the discussions will be left to the discretion of the designated senior corporate executives, but may include the preparation of agreed-upon statements of fact or written statements of position.

(c) PROVISION OF INFORMATION. During the course of negotiations under SECTION 19.1(a) or (b) above, all reasonable requests made by one Party to another for non-privileged information, reasonably related to the dispute, will be honored in order that each of the parties may be fully advised of the other's position. All negotiation shall be strictly confidential and used solely for the purposes of

settlement. Any materials prepared by one Party for these proceedings shall not be used as evidence by the other Party in any subsequent arbitration or litigation; provided, however, the underlying facts supporting such materials may be subject to discovery.

(d) PREREQUISITE TO FORMAL PROCEEDINGS. Formal proceedings for the resolution of a dispute may not be commenced until the earlier of:

(i) the designated senior corporate executives under SECTION 19.1(b) above concluding in good faith that amicable resolution through continued negotiation of the matter does not appear likely; or

(ii) thirty (30) days after the notice under SECTION 19.1(a) above referring the dispute to senior corporate executives.

The provisions and time periods specified in this SECTION 19.1 shall not be construed to prevent a Party from instituting, and a Party is authorized to institute, formal proceedings earlier to (A) avoid the expiration of any applicable limitations period, (B) preserve a superior position with respect to other creditors, or (C) address a claim arising out of the breach of a Party's obligations under ARTICLE 13 or a dispute subject to SECTION 20.7.

19.2 NON-BINDING MEDITATION.

(a) NON-BINDING MEDIATION. Except for claims arising out of the breach of a Party's obligations under ARTICLE 13 or disputes subject to SECTIONS 20.7, any controversy or claim arising out of or relating to this Agreement, or any breach thereof, which cannot be resolved using the procedures set forth above in SECTION 19.1 shall be first attempted to be resolved through non-binding mediation under the mediation rules of the Center for Public Resources then in effect; provided, however, that without limiting any rights at law or in equity a Party may have because of an improper termination of this Agreement by the other Party, nothing contained in this Agreement shall limit either Party's right to terminate this Agreement pursuant to ARTICLE 20.

(b) LOCATION AND DECISION. The mediation shall take place in Tulsa, Oklahoma, and shall apply the governing law of this Agreement. The recommendations of the mediators shall be non-binding. The mediators shall be instructed to state the reasons for their recommendations. The mediators shall be bound by the warranties, limitations of liability and other provisions of this Agreement. Except with respect to the provisions of this Agreement which provide for injunctive

relief rights or an unjustified failure by the other Party to participate in the mediation process described in SECTION 19.2, such mediation shall be a precondition to any application by either Party to any court of competent jurisdiction.

(c) SELECTION AND QUALIFICATION OF MEDIATORS. Within ten (10) days after delivery of written notice ("NOTICE OF DISPUTE") by one Party to the other in accordance with this Section, the Parties each shall use good faith efforts to mutually agree upon one (1) mediator. If the Parties are not able to agree upon one (1) mediator within such period of time, the Parties each shall within ten (10) days: (i) appoint one (1) mediator who has at no time ever represented or acted on behalf of either of the Parties, and is not otherwise affiliated with or interested in either of the Parties and (ii) deliver written notice of the identity of such mediator and a copy of his or her written acceptance of such appointment to the other Party. If either Party fails or refuses to appoint a mediator within such ten (10) day period, the single mediator appointed by the other Party shall decide alone the issues set out in the Notice of Dispute. Within ten (10) days after such appointment and notice, such mediators shall appoint a third neutral and independent arbitrator who at no time ever represented or acted on behalf of either of the Parties, and is not otherwise affiliated with or interested in either of the Parties. In the event that the two (2) mediators fail to appoint a third mediator within ten (10) days of the appointment of the second mediator, either mediator or either Party may apply for the appointment of a third mediator to the Center for Public Resources.

(d) GENERAL. All mediators selected pursuant to this Section shall be practicing attorneys with at least five (5) years experience with the business processes, technology and/or law applicable to the Services or similar services or transactions. The Parties shall use commercially reasonable efforts to conclude the mediation within sixty (60) days after selection of the mediator or mediators. The recommendations of the mediator or the majority of the three mediators, as applicable, shall be rendered within fifteen (15) days after the conclusion of the hearing, shall be in writing, shall set forth the basis therefore. Each Party shall bear its own mediation costs and expenses and all other costs and expenses of the mediation shall be divided equally between the Parties.

19.3 JURISDICTION.

Each Party irrevocably agrees that any legal action, suit or proceeding brought by it in any way arising out of this Agreement must be brought solely and exclusively in Tulsa, Oklahoma, and each Party irrevocably submits to the sole and exclusive jurisdiction of

the courts in Oklahoma in personam, generally and unconditionally with respect to any action, suit or proceeding brought by it or against it by the other Party.

19.4 CONTINUED PERFORMANCE.

Each Party agrees that it shall, unless otherwise directed by the other Party, continue performing its obligations under this Agreement while any dispute is being resolved; provided, that this provision shall not operate or be construed as extending the Term of this Agreement or prohibiting or delaying a Party's exercise of any right it may have to terminate the Term as to all or any part of the Services. For purposes of clarification, Williams Data may not be withheld by Provider pending the resolution of any dispute.

19.5 GOVERNING LAW.

This Agreement and performance under it shall be governed by and construed in accordance with the applicable laws of the State of New York without giving effect to the principles thereof relating to conflicts of laws. The application of the United Nations Convention on Contracts for the International Sale of Goods is expressly excluded.

20. TERMINATION

20.1 TERMINATION FOR CAUSE.

(a) BY WILLIAMS. If Provider:

(i) commits a material breach of its obligations with respect to Transition Services as provided in SECTION 4.2(g);

(ii) commits a material breach of this Agreement, which breach is not cured within thirty (30) days after notice of the breach from Williams;

(iii) commits a material breach of this Agreement which is not capable of being cured within the period specified pursuant to SECTION 20.1(a)(ii); or

(iv) commits numerous breaches of its duties or obligations which collectively constitute a material breach of this Agreement;

then Williams may, by giving notice to Provider, terminate the Term with respect to all or any part of the Services, in whole or in part, as of a date specified in the notice of termination. Provider shall not be entitled to any Termination Charges in connection with such a Termination for Cause. If Williams chooses to

terminate this Agreement in part, the Charges payable under this Agreement will be adjusted in accordance with the pricing by charge component, as set forth in SCHEDULE J, to reflect such partial termination.

(b) BY PROVIDER. In the event that Williams fails to pay Provider undisputed charges exceeding in the aggregate one (1) month of Monthly Base Charges and fails to cure such default within thirty (30) days of notice from Provider of the possibility of termination for failure to make such payment, Provider may, by notice to Williams, terminate the Term.

20.2 TERMINATION FOR CONVENIENCE.

Williams may terminate the Term with respect to all or any portion of the Services for convenience and without cause with effect at any time after twelve months from the Commencement Date by giving Provider at least six (6) months prior written notice designating the termination date. Upon the satisfactory completion of all Termination Assistance Services requested by Williams under SECTION 4.4, Williams shall pay to Provider a Termination Charge calculated in accordance with SCHEDULE N. Wind Down Charges shall be payable if and only if and only to the extent indicated as payable in SCHEDULE N. In the event that a purported termination for cause by Williams under SECTION 20.1 is determined by a competent authority not to be properly a termination for cause, then such termination by Williams shall be deemed to be a termination for convenience under this SECTION 20.2.

20.3 TERMINATION UPON PROVIDER CHANGE OF CONTROL.

In the event of a change in Control of Provider (or that portion of Provider providing Services under this Agreement) or the Entity that Controls Provider (if any), where such control is acquired, directly or indirectly, in a single transaction or series of related transactions, or all or substantially all of the assets of Provider are acquired by any entity, or Provider is merged with or into another entity to form a new entity, then at any time within six (6) months after the last to occur of such events, Williams may at its option terminate the Term by giving Provider at least ninety (90) days prior notice and designating a date upon which such termination shall be effective; provided, however, if such change in Control of Provider involves a Direct Williams Competitor, Williams may terminate the Term by giving Provider at least ten (10) days prior notice, and such Direct Williams Competitor shall be prohibited from any contact with Williams Data, Williams Proprietary Information and any and all other information about the Williams account, including discussions with Provider Personnel regarding specifics relating to the Services. Provider shall not be entitled to Termination Charges in connection with a

termination on this basis. Wind Down Charges shall be payable if and only if and only to the extent indicated as payable in SCHEDULE N.

20.4 TERMINATION UPON WILLIAMS CHANGE OF CONTROL.

In the event that, in a single transaction or series of transactions, Williams acquires or is acquired by any other Entity (by stock sale, asset sale or otherwise) or merges with any other Entity, and such transactions or transaction result in a change in Control of Williams, then, at any time within six (6) months after the last to occur of such events, Williams may at its option terminate the Term by giving Provider at least ninety (90) days prior notice and designating a date upon which such termination shall be effective. Provider shall be entitled to Termination Charges in connection with a termination on this basis calculated in accordance with SCHEDULE N. Wind Down Charges shall be payable if and only if and only to the extent indicated as payable in SCHEDULE N.

20.5 TERMINATION FOR INSOLVENCY.

In the event that any Party (i) files for bankruptcy, (ii) becomes or is declared insolvent, or is the subject of any bona fide proceedings related to its liquidation, administration, provisional liquidation, insolvency or the appointment of a receiver or similar officer for it, (iii) passes a resolution for its voluntary liquidation, (iv) has a receiver or manager appointed over all or substantially all of its assets, (v) makes an assignment for the benefit of all or substantially all of its creditors, (vi) enters into an agreement or arrangement for the composition, extension, or readjustment of substantially all of its obligations or any class of such obligations, or (vii) experiences an event analogous to any of the foregoing in any jurisdiction in which any of its assets are situated, then the other Party may terminate this Agreement as of a date specified in a termination notice; provided, however, that Provider will not have the right to exercise such termination under this Section so long as Williams pays for the Services to be received hereunder in advance on a month-to-month basis. Provider shall not be entitled to Termination Charges in connection with a termination on this basis.

20.6 WILLIAMS RIGHTS UPON PROVIDER'S BANKRUPTCY.

(a) GENERAL RIGHTS. In the event of Provider's bankruptcy or other formal procedure referenced in SECTION 20.5 or of the filing of any petition under bankruptcy laws affecting the rights of Provider which is not stayed or dismissed within thirty (30) days of filing, in addition to the other rights and remedies set forth herein, to the maximum extent permitted by Law, Williams will have the immediate right to retain and take possession for safekeeping all Williams Data, Williams

Proprietary Information, Williams licensed Third Party Software, Williams owned Equipment, Williams owned Materials, Williams owned Developed Materials, and all other Software, Equipment, Systems or Materials to which Williams and/or the Eligible Recipients are or would be entitled during the Term or upon the expiration or termination of this Agreement. Provider shall cooperate fully with Williams and the Eligible Recipients and assist Williams and the Eligible Recipients in identifying and taking possession of the items listed in the preceding sentence. Williams will have the right to hold such Williams Data, Proprietary Information, Software, Equipment, Systems and Materials until such time as the trustee or receiver in bankruptcy or other appropriate insolvency office holder can provide adequate assurances and evidence to Williams that they will be protected from sale, release, inspection, publication, or inclusion in any publicly accessible record, document, material or filing. Provider and Williams agree that without this material provision, Williams would not have entered into this Agreement or provided any right to the possession or use of Williams Data, Williams Proprietary Information, or Williams Software covered by this Agreement.

(b) WILLIAMS RIGHTS IN EVENT OF BANKRUPTCY REJECTION. Notwithstanding any other provision of this Agreement to the contrary, in the event that Provider becomes a debtor under the United States Bankruptcy Code (11 U.S.C. Section 101 et. seq. or any similar Law in any other country (the "BANKRUPTCY CODE")) and rejects this Agreement pursuant to Section 365 of the Bankruptcy Code (a "BANKRUPTCY REJECTION"), (i) any and all of the licensee and sublicensee rights of Williams and the Eligible Recipients arising under or otherwise set forth in this Agreement, including without limitation the rights of Williams and/or the Eligible Recipients referred to in SECTION 14.6, shall be deemed fully retained by and vested in Williams and/or the Eligible Recipients as protected intellectual property rights under Section 365(n)(1)(B) of the Bankruptcy Code and further shall be deemed to exist immediately before the commencement of the bankruptcy case in which Provider is the debtor; (ii) Williams shall have all of the rights afforded to non-debtor licensees and sublicensees under Section 365(n) of the Bankruptcy Code; and (iii) to the extent any rights of Williams and/or the Eligible Recipients under this Agreement which arise after the termination or expiration of this Agreement are determined by a bankruptcy court not to be "intellectual property rights" for purposes of Section 365(n), all of such rights shall remain vested in and fully retained by Williams and/or the Eligible Recipients after any Bankruptcy Rejection as though this Agreement were terminated or expired. Williams shall under no circumstances be required to terminate this Agreement after a Bankruptcy Rejection in order to enjoy or acquire any of its rights under this

Agreement, including without limitation any of the rights of Williams referenced in SECTION 14.6.

20.7 EQUITABLE REMEDIES.

Provider acknowledges that, in the event it breaches (or attempts or threatens to breach) its obligation to provide Termination Assistance Services as provided in SECTION 4.4, its obligation respecting continued performance in accordance with SECTION 19.4, or its obligation to provide access to computers or files, containing Williams Data in accordance with SECTION 13.4, Williams and/or the Eligible Recipients may be irreparably harmed. In such a circumstance, Williams may proceed directly to court. If a court of competent jurisdiction should find that Provider has materially breached (or attempted or threatened to materially breach) any such obligations, Provider agrees that upon any findings of irreparable injury or other conditions to injunctive relief, it shall comply with the entry of an appropriate order compelling performance by Provider and restraining it from any further breaches (or attempted or threatened breaches).

21. GENERAL

21.1 BINDING NATURE AND ASSIGNMENT.

(a) BINDING NATURE. This Agreement will be binding on the Parties and their respective successors and permitted assigns.

(b) ASSIGNMENT. Neither Party may, or will have the power to, assign this Agreement without the prior written consent of the other, except in the following circumstances:

(i) Either Party may assign its rights and obligations under this Agreement, without the approval of the other Party, to an Affiliate of such Party which expressly assumes such Party's obligations and responsibilities hereunder; provided, that (i) such other Party shall remain fully liable for and shall not be relieved from the full performance of all obligations under this Agreement; and (ii) in the case of Provider, such assignment is subject to Williams's prior consent, such consent not to be unreasonably withheld.

(ii) Williams may assign its rights and obligations under this Agreement without the approval of Provider to an Entity acquiring, directly or indirectly, Control of Williams, an Entity into which Williams is merged, or an Entity acquiring all or substantially all of Williams's assets, provided that if such acquisition or merger would result in Provider being required

to provide Services that meet the definition of New Services, then such Services will be treated as New Services under SECTION 11.5. The acquirer or surviving Entity shall agree in writing to be bound by the terms and conditions of this Agreement.

(c) IMPERMISSIBLE ASSIGNMENT. Any attempted assignment that does not comply with the terms of this Section shall be null and void.

21.2 ENTIRE AGREEMENT; AMENDMENT.

This Agreement, including any Schedules and Exhibits referred to herein and attached hereto, each of which is incorporated herein for all purposes, constitutes the entire agreement between the Parties with respect to the subject matter hereof. There are no agreements, representations, warranties, promises, covenants, commitments or undertakings other than those expressly set forth herein. This Agreement supersedes all prior agreements, representations, warranties, promises, covenants, commitments or undertaking, whether written or oral, with respect to the subject matter contained in this Agreement. No amendment, modification, change, waiver, or discharge hereof shall be valid unless in writing and signed by an authorized representative of the Party against which such amendment, modification, change, waiver, or discharge is sought to be enforced.

21.3 NOTICES.

(a) PRIMARY NOTICES. Any notice, notification, request, demand or determination provided by a Party pursuant to the following:

(i) SECTION 4.4 (Termination Assistance Services);

(ii) SECTION 4.4(a) (Use of Third Parties - Right of Use);

(iii) SECTION 6.12 (Notice of Default);

(iv) SECTION 7.7 (Notice of Adverse Impact);

(v) SECTION 11.6 (Extraordinary Events);

(vi) SECTION 13.3(d) (Loss of Proprietary Information);

(vii) SECTIONS 17.5 (Indemnification Procedures);

(viii) SECTION 17.6 (Indemnification Procedures - Government Claims);

(ix) SECTION 18.2 (Force Majeure);

(x) SECTION 18.3(f) (Waiver of Liability Cap);

(xi) SECTION 19.1 (Informal Dispute Resolution);

(xii) ARTICLE 20 (Termination); and

(xiii) SECTION 21.1 (Binding Nature and Assignment);

shall be in writing and shall be delivered in hard copy using one of the following methods and shall be deemed delivered upon receipt: (i) by hand, (ii) by an express courier with a reliable system for tracking delivery, or (iii) by registered or certified mail, return receipt requested, postage prepaid. Unless otherwise notified, the foregoing notices shall be delivered as follows:

In the case of Williams:

The Williams Companies, Inc.
One Williams Center, MD 41-3
Tulsa, OK 74172
Attention: Business Process Outsourcing Executive
Fax: (918) 573-4503

With a copy to:

The Williams Companies, Inc.
One Williams Center, MD 41-3
Tulsa, OK 74172
Attention: General Counsel

and

In the case of Provider:

IBM Project Executive Office
One Williams Center
Tulsa, OK 74172
Attention: Provider Project Executive

With a copy to:

IBM Global Services General Counsel
Route 100
Somers, NY 10589
Attention: Mark Ringes

(b) OTHER NOTICES. All notices, notifications, requests, demands or determinations required or provided pursuant to this Agreement, other than those specified in SECTION 21.3(a), may be sent in hard copy in the manner specified in SECTION 21.3(a), or by e-mail transmission (where receipt is acknowledged by the recipient) or facsimile transmission (with acknowledgment of receipt from the recipient's facsimile machine) to the addresses set forth below:

In the case of Williams:

The Williams Companies, Inc.
One Williams Center, MD 41-3
Tulsa, OK 74172
Attention: Business Process Outsourcing Executive
Fax: (918) 573-4503

and

In the case of Provider:

IBM Project Executive Office
One Williams Center
Tulsa, OK 74172
Attention: Provider Project Executive

(c) NOTICE OF CHANGE. A Party may from time to time change its address or designee for notification purposes by giving the other prior notice of the new address or designee and the date upon which it shall become effective.

21.4 COUNTERPARTS.

This Agreement may be executed in several counterparts, all of which taken together shall constitute one single agreement between the Parties hereto.

21.5 HEADINGS.

The article and section headings and the table of contents used herein are for reference and convenience only and shall not be considered in the interpretation of this Agreement.

21.6 RELATIONSHIP OF PARTIES.

Provider, in furnishing services to Williams and the Eligible Recipients hereunder, is acting as an independent contractor, and Provider has the sole obligation to supervise, manage, contract, direct, procure, perform or cause to be performed, all work to be performed by Provider under this Agreement. Except as expressly provided in this Agreement, Provider is not an agent of Williams or the Eligible Recipients and has no right, power or authority, expressly or impliedly, to represent or bind Williams or the Eligible Recipients as to any matters, except as expressly authorized in this Agreement. Neither Williams nor the Eligible Recipients are agents of Provider and none of them has any right, power, or authority, expressly or impliedly, to represent or bind Provider.

21.7 SEVERABILITY.

In the event that any provision of this Agreement conflicts with the law under which this Agreement is to be construed or if any such provision is held invalid or unenforceable by a court with jurisdiction over the Parties, such provision shall be deemed to be restated to reflect as nearly as possible the original intentions of the Parties in accordance with applicable law. The remaining provisions of this Agreement and the application of the challenged provision to persons or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby, and each such provision shall be valid and enforceable to the full extent permitted by law.

21.8 CONSENTS AND APPROVAL.

Except where expressly provided as being in the sole discretion of a Party, where agreement, approval, acceptance, consent, confirmation, notice or similar action by either Party is required under this Agreement, such action shall not be unreasonably delayed or withheld. An approval or consent given by a Party under this Agreement shall not relieve the other Party from responsibility for complying with the requirements of this Agreement, nor shall it be construed as a waiver of any rights under this Agreement, except as and to the extent otherwise expressly provided in such approval or consent.

21.9 WAIVER OF DEFAULT; CUMULATIVE REMEDIES.

(a) WAIVER OF DEFAULT. A delay or omission by either Party hereto to exercise any right or power under this Agreement shall not be construed to be a waiver thereof. A waiver by either of the Parties hereto of any of the covenants to be performed by the other or any breach thereof shall not be construed to be a waiver of any succeeding breach thereof or of any other covenant herein contained. All waivers must be in writing and signed by the Party waiving its rights.

(b) CUMULATIVE REMEDIES. All remedies provided for in this Agreement shall be cumulative and in addition to and not in lieu of any other remedies available to either Party at law, in equity or otherwise. The election by a Party of any remedy provided for in this Agreement or otherwise available to such Party shall not preclude such Party from pursuing any other remedies available to such Party at law, in equity, by contract or otherwise.

21.10 SURVIVAL.

Any provision of this Agreement which contemplates performance or observance subsequent to any termination or expiration of this Agreement shall survive any termination or expiration of this Agreement and continue in full force and effect. Additionally, all provisions of this Agreement will survive the expiration or termination of this Agreement to the fullest extent necessary to give the Parties the full benefit of the bargain expressed herein.

21.11 PUBLICITY.

Neither Party shall use the other Party's name or mark or refer to the other Party directly or indirectly in any media release, public announcement, or public disclosure relating to this Agreement, including in any promotional or marketing materials, customer lists or business presentations without the prior written consent of the other Party prior to each such use or release.

21.12 SERVICE MARKS.

Provider and Williams each agrees that it shall not, without the other's prior consent, use any of the names, service marks or trademarks of the other Party or its Affiliates in any of its advertising or marketing materials.

21.13 EXPORT.

The Parties acknowledge that certain Software and technical data to be provided hereunder and certain transactions hereunder may be subject to export controls under the laws and regulations of the United States, the European Union, the United Nations and other jurisdictions. No Party shall export or re-export any such items or any direct product thereof or undertake any transaction or service in violation of any such laws or regulations. The Parties agree that no Software to be provided by Williams for use by Provider for the Services is currently located or used outside of the United States. Subject to the foregoing with respect to any and all Software used by Provider in the performance of the Services, Provider shall be responsible for, and shall coordinate and oversee, compliance with such export laws in respect of such Software exported or imported hereunder; provided that in the case of any Williams Owned Software for which export and/or use outside of the United States is contemplated, Williams will provide reasonable cooperation to Provider in (i) identifying export restrictions, if any, applicable to such Software and (ii) obtaining such consents and permits as may be needed for such export and/or use.

21.14 ENFORCEMENT AND THIRD PARTY BENEFICIARIES.

Williams, for itself and on behalf of the other Eligible Recipients, shall have the right to enforce this Agreement and to assert all rights and exercise and received the benefits of all remedies, including monetary damages, on behalf of each Eligible Recipient to the same extent as if such Eligible Recipient were Williams under this Agreement. Except as expressly provided herein, this Agreement is entered into solely between, and may be enforced only by, Williams, on behalf of itself and the other Eligible Recipients, and Provider, on behalf of itself and Provider's Affiliates. Except as expressly provided herein, this Agreement shall not be deemed to create any rights or causes of action in or on behalf of any third parties, including without limitation employees, suppliers and customers of a Party, or to create any obligations of a Party to any such third parties.

21.15 COVENANT AGAINST PLEDGING.

In the event Provider assigns, transfers, pledges, hypothecates or otherwise encumbers its rights to receive payments from Williams under this Agreement, Provider shall continue to be Williams's sole point of contact with respect to this Agreement, including with respect to payment. The person or Entity to which such rights are assigned, transferred, pledged, hypothecated or otherwise encumbered shall not be considered a third party beneficiary under this Agreement and shall not have any rights or causes of action against Williams.

21.16 ORDER OF PRECEDENCE.

In the event of a conflict, this Agreement shall take precedence over the Schedules attached hereto, and the Schedules shall take precedence over any attached Exhibits.

21.17 HIRING OF EMPLOYEES.

(a) SOLICITATION AND HIRING. Except as expressly set forth herein, during the Term and for a period of twelve (12) months thereafter, Provider will not solicit for employment directly or indirectly, nor employ, any employees of Williams or an Eligible Recipient or individuals employed by Williams Third Party Contractors with whom Provider has had more than incidental contact in the course of performing its obligations under this Agreement without the prior approval of Williams. Except as expressly set forth herein in SECTION 4.3(b)(2) connection with the expiration or termination of this Agreement, during the Term and for a period of twelve (12) months thereafter, Williams will not solicit for employment directly or indirectly, nor employ, any employee of Provider involved in the performance of Provider's obligations under this Agreement without the prior consent of Provider. In each case, the prohibition on solicitation and hiring shall extend ninety (90) days after the termination of the employee's employment or, in the case of Provider employees, ninety (90) days after the cessation of his or her involvement in the performance of Services under this Agreement. This provision shall not operate or be construed to prevent or limit any employee's right to practice his or her profession or to utilize his or her skills for another employer or to restrict any employee's freedom of movement or association.

(b) PUBLICATIONS. Neither the publication of classified advertisements in newspapers, periodicals, Internet bulletin boards, or other publications of general availability or circulation nor the consideration and hiring of persons responding to such advertisements shall be deemed a breach of this SECTION 21.17, unless the advertisement and solicitation is undertaken as a means to circumvent or conceal a violation of this provision and/or the hiring party acts with knowledge of this hiring prohibition.

21.18 FURTHER ASSURANCES.

Each Party covenants and agrees that, subsequent to the execution and delivery of this Agreement and without any additional consideration, each Party shall execute and deliver any further legal instruments and perform any acts that are or may become necessary to effectuate the purposes of this Agreement.

21.19 LIENS.

Provider will not file, or by its action or inaction permit any Affiliates or Subcontractors to file, any mechanics or materialman's or similar liens derived from the performance of Services hereunder to be filed on or against property or realty of Williams or any Eligible Recipient. In the event that any such liens arise as a result of Provider's action or inaction, Provider will obtain a bond to fully satisfy such liens or otherwise remove such liens at its sole cost and expense within ten (10) business days.

21.20 COVENANT OF GOOD FAITH.

Each Party agrees that, in its respective dealings with the other Party under or in connection with this Agreement, it shall act in good faith.

21.21 ACKNOWLEDGMENT.

The Parties each acknowledge that the terms and conditions of this Agreement have been the subject of active and complete negotiations, and that such terms and conditions should not be construed in favor of or against any Party by reason of the extent to which any Party or its professional advisors participated in the preparation of this Agreement.

[Signature Page Follows]

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IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective duly authorized representatives as of the Effective Date.

THE WILLIAMS COMPANIES, INC.	INTERNATIONAL BUSINESS MACHINES CORPORATION
By: /s/ Michael P. Johnson	By: /s/ Maureen Powers
Title: Senior Vice President	Title: Vice President
Date: 6/1/04	Date: 6/1/04

EXHIBIT 10.3

AMENDMENT NO. 1 TO

MASTER PROFESSIONAL SERVICES AGREEMENT

This Amendment No. 1 (this "AMENDMENT") to the Master Professional Services Agreement between The Williams Companies, Inc. ("WILLIAMS") and International Business Machines Corporation ("PROVIDER") dated June 1, 2004 (the "AGREEMENT") is made as of June 1, 2004 (the "AMENDMENT EFFECTIVE DATE") by and between Williams and IBM.

WHEREAS, Williams and Provider engaged in extensive negotiations, discussions and due diligence that have culminated in the formation of the contractual relationship described in the Agreement;

WHEREAS Williams and Provider desire to make minor changes and corrections to the Agreement and the various Schedules thereto in order to better reflect the intended relationship between the parties; and

WHEREAS, capitalized terms used herein and not otherwise defined herein, shall have the meanings given such terms in the Agreement,

NOW THEREFORE, in consideration of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Williams and Provider hereby agree as follows:

1. OTHER PROVISIONS UNCHANGED. Except as specifically amended hereby, all other provisions of the Agreement shall remain in full force and effect.

2. SECTION 2.1(86). Section 2.1(86) of the Agreement is hereby revised and restated to read as follows:

"TAX AUTHORITY" shall mean any federal, state, provincial, regional, territorial, local or other fiscal, revenue, customs or excise authority, body or official competent to impose, collect or assess tax.

3. SECTION 16.1(c). The first sentence of Section 16.1(c) of the Agreement is hereby revised and restated to read as follows:

"ENDORSEMENTS. Provider's insurance policies as required herein under Sections 16.1(a)(ii) and (iii) shall name Williams, Williams Affiliates and Eligible Recipients and their respective officers, directors and employees as Additional Insureds for any and all liability arising at any time in connection with Provider's performance under this Agreement."

4. SECTION 9.1(a). The first sentence of Section 9.1(a) of the Agreement is hereby revised and restated to read as follows:

DELIVERY AND CONTENTS. As part of the Services, and at no additional cost to Williams, Provider shall deliver to Williams for its review, comment and approval (i) a reasonably complete draft of the Policy and Procedures Manual by the date indicated in Schedule H and (ii) a final draft of the Policy and Procedures Manual by the date indicated in Schedule H or, if later, within thirty (30) days after receipt of comments and suggestions as described in Section 9.1(b).

In Section 9.1(a)(iii), the words "and 15.14" are deleted.

5. SECTION 12.2. The final sentence of Section 12.2 of the Agreement is hereby revised and restated to read as follows:

"Prior to the Commencement Date and until such time Williams achieves an investment grade status of Moody's "Baa3" or better, or Standard & Poors "BBB-" or better, Williams shall provide to Provider an irrevocable letter of credit of Two Million Dollars ($2,000,000) to the benefit of Provider to be drawn upon by Provider in its sole discretion in the event of Williams's non-payment of undisputed amounts after first giving notice to Williams and providing Williams the five (5) business day opportunity to cure as set forth above."

6. Section 18.3(c)(i). The word "indemnitees" is replaced by "indemnities."

7. Section 21.3(a): The address under the second heading of "with a copy to" is replaced by the following:

General Counsel
IBM Business Consulting Services
Building 2, Route 100
Somers, NY 10589

8. SCHEDULE B. Schedule B is hereby replaced with the revised Schedule B attached to the Agreement.

9. SCHEDULE D. Schedule D is hereby amended as set forth in Exhibit 1 hereto

10. SCHEDULE G. Schedule G and the Attachments to Schedule G are hereby replaced with the revised Schedule G and the revised Attachments to Schedule G attached to the Agreement.

11. SCHEDULE J. Schedule J and the Attachments to Schedule J are hereby replaced with the revised Schedule J and the revised Attachments to Schedule J attached to the Agreement.

12. SCHEDULE L. Schedule L is hereby replaced with the revised Schedule L attached to the Agreement.

13. SCHEDULE S. Schedule S is hereby amended as set forth in Exhibit 1 hereto.

10. COUNTERPARTS. This Amendment may be executed in more than one counterparts by the parties hereto, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

11. GOVERNING LAW AND FORUM. This Amendment and performance under it shall be governed by and construed in accordance with Section 19.5 of the Agreement. This Amendment is incorporated into and made a part of the Agreement. This Amendment is subject to the terms and conditions of the Agreement, as such terms are modified by this Amendment.

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed by their respective duly authorized representatives as of the Amendment Effective Date.

THE WILLIAMS COMPANIES, INC.	INTERNATIONAL BUSINESS MACHINES CORPORATION
By: /s/ Michael P. Johnson	By: /s/ Edward V. Kelly
Title: Senior Vice President	Title: Senior Project Executive
Date 08/02/04	Date: 08/02/04

EXHIBIT 10.4

AMENDMENT NO.2

to

PURCHASE AGREEMENT,

dated as of April 18, 2003,

by and among

WILLIAMS ENERGY SERVICES, LLC,

WILLIAMS NATURAL GAS LIQUIDS, INC. and

WILLIAMS GP LLC

collectively, as Selling Parties,

and

WEG ACQUISITIONS, L.P.
a Delaware limited partnership,
as Buyer,

for the purchase and sale of

(i) all the membership interests of

WEG GP LLC
a Delaware limited liability company,

(ii) all of the Common Units and Subordinated Units of

WILLIAMS ENERGY PARTNERS L.P.
a Delaware limited partnership

owned by Williams Energy Services, LLC and Williams Natural Gas Liquids, Inc.

and

(iii) all the Class B Common Units of

WILLIAMS ENERGY PARTNERS L.P.
a Delaware limited partnership

dated as of January 6, 2004

AMENDMENT NO. 2

TO

PURCHASE AGREEMENT

THIS AMENDMENT NO. 2 TO PURCHASE AGREEMENT (THIS "AMENDMENT NO. 2") is made and entered into as of this 6th day of January 2004, by and among WILLIAMS ENERGY SERVICES, LLC, a Delaware limited liability company ("WES"), WILLIAMS NATURAL GAS LIQUIDS, INC., a Delaware corporation ("WNGL"), and WILLIAMS GP LLC, a Delaware limited liability company (the "OLD COMPANY," and collectively with WES and WNGL, the "SELLING PARTIES"), and MAGELLAN MIDSTREAM HOLDINGS, L.P., formerly WEG Acquisitions, L.P., a Delaware limited partnership ("BUYER").

WITNESSETH:

WHEREAS, the Selling Parties and Buyer entered into the Purchase Agreement, dated as of April 18, 2003 (the "PURCHASE AGREEMENT"), pursuant to which, on the terms and subject to the conditions set forth therein, the Selling Parties sold, and Buyer purchased, at the Closing the Securities (as such terms are defined in the Purchase Agreement); and

WHEREAS, in accordance with Section 9.8 of the Purchase Agreement, the Selling Parties and Buyer have agreed to enter into this Amendment No. 2 to amend the Purchase Agreement to the extent, and only to the extent, specified below;

NOW, THEREFORE, in consideration of the mutual terms, conditions and other agreements set forth herein and in the Purchase Agreement, the parties hereto agree as follows:

ARTICLE I
AMENDMENTS

SECTION 1.1. AMENDMENT. The Purchase Agreement is hereby amended by deleting Schedule 1.3 attached thereto and replacing it with Schedule 1.3 attached to this Amendment No. 2.

ARTICLE II
MISCELLANEOUS

SECTION 2.1. SIGNATURES AND COUNTERPARTS. Facsimile transmissions of any signed original document and/or retransmission of any signed facsimile transmission shall be the same as delivery of an original. At the request of Buyer or the Selling Parties, the parties will confirm facsimile transmission by signing a duplicate original document. This Amendment No. 2 may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall be considered one and the same document.

SECTION 2.2. GOVERNING LAW. This Amendment No. 2 shall be governed by and construed in accordance with the internal and substantive laws of New York and without regard to any conflicts of laws concepts that would apply the substantive law of some other jurisdiction.

SECTION 2.3. CONTINUATION OF PURCHASE AGREEMENT. To the extent not amended hereby, the Purchase Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 2 as of the date first above written.

SELLING PARTIES: WILLIAMS ENERGY SERVICES, LLC

By: /s/ Travis N. Campbell

Name: Travis N. Campbell
Title: Treasurer

WILLIAMS NATURAL GAS LIQUIDS, INC.

By: /s/ Travis N. Campbell

Name: Travis N. Campbell
Title: Treasurer

WILLIAMS GP LLC

By: WILLIAMS ENERGY SERVICES, LLC and
WILLIAMS NATURAL GAS LIQUIDS, INC.,
Its Members

BUYER: MAGELLAN MIDSTREAM HOLDINGS, L.P.

By: MAGELLAN MIDSTREAM MANAGEMENT, LLC
It General Partner

By: /s/ Don R. Wellendorf

Name: Don R. Wellendorf

Title: President and CEO

EXHIBIT 10.5

AMENDMENT NO.3

to

PURCHASE AGREEMENT,

dated as of April 18, 2003,

by and among

WILLIAMS ENERGY SERVICES, LLC,

WILLIAMS NATURAL GAS LIQUIDS, INC. and

WILLIAMS GP LLC

collectively, as Selling Parties,

and

WEG ACQUISITIONS, L.P.
a Delaware limited partnership,
as Buyer,

for the purchase and sale of

(i) all the membership interests of

WEG GP LLC
a Delaware limited liability company,

(ii) all of the Common Units and Subordinated Units of

WILLIAMS ENERGY PARTNERS L.P.
a Delaware limited partnership

owned by Williams Energy Services, LLC and Williams Natural Gas Liquids, Inc.

and

(iii) all the Class B Common Units of

WILLIAMS ENERGY PARTNERS L.P.
a Delaware limited partnership

dated as of May_, 2004

AMENDMENT NO.3

TO

PURCHASE AGREEMENT

THIS AMENDMENT NO. 3 TO PURCHASE AGREEMENT (this "AMENDMENT NO. 3") is made and entered into as of this -- day of May 2004, by and among WILLIAMS ENERGY SERVICES, LLC, a Delaware limited liability company ("WES"). WILLIAMS NATURAL GAS LIQUIDS, INC., a Delaware corporation ("WNGL"), and WILLIAMS GP LLC, a Delaware limited liability company (the "OLD COMPANY," and collectively with WES and WNGL, the "SELLING PARTIES"), and MAGELLAN MIDSTREAM HOLDINGS, L.P., formerly WEG Acquisitions, L.P., a Delaware limited partnership ("BUYER").

W I T N E S S E I H:

WHEREAS, the Selling Parties and Buyer entered into the Purchase Agreement, dated as of April 18, 2003 (the "PURCHASE AGREEMENT"), pursuant to which, on the terms and subject to the conditions set forth therein, the Selling Parties agreed to sell, and Buyer has agreed to purchase, at the Closing the Securities (as such terms are defined in the Purchase Agreement); and

WHEREAS, in accordance with Section 9.8 of the Purchase Agreement, the Selling Parties and Buyer have agreed to enter into this Amendment No. 3 to amend the Purchase Agreement to the extent, and only to the extent, specified below;

NOW, THEREFORE, in consideration of the mutual terms, conditions and other agreements set forth herein and in the Purchase Agreement, the parties hereto agree as follows:

ARTICLE I
AMENDMENTS

Section 1.1 Capitalized terms used herein but not defined shall have the meanings assigned to such terms in the Purchase Agreement.

Section 1.2 The Purchase Agreement is hereby amended by reducing the Cap provided in Section 8.2 (d)(i) from $175,000,000 to $160,000,000.

ARTICLE II
MISCELLANEOUS

SECTION 2.1. SIGNATURES AND COUNTERPARTS. Facsimile transmissions of any signed original document and/or retransmission of any signed facsimile transmission shall be the same as delivery of an original. At the request of Buyer or the Selling Parties, the parties will confirm facsimile transmission by signing a duplicate original document. This Amendment No. 3 may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall be considered one and the same document.

SECTION 2.2. GOVERNING LAW. This Amendment No. 3 shall be governed by and construed in accordance with the internal and substantive laws of New York and without regard to any conflicts of laws concepts that would apply the substantive law of some other jurisdiction.

SECTION 2.3. CONTINUATION OF PURCHASE AGREEMENT. To the extent not amended hereby, the Purchase Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 3 as of the date first above written.

SELLING PARTIES: WILLIAMS ENERGY SERVICES, LLC

By: /s/ Phillip D. Wright

Name: Phillip D. Wright
Title: Authorized Signatory

WILLIAMS NATURAL GAS LIQUIDS, INC.

By: /s/ Phillip D. Wright

Name: Phillip D. Wright
Title: Authorized Signatory

WILLIAMS GP LLC

By: WILLIAMS ENERGY SERVICES, LLC and
WILLIAMS NATURAL GAS LIQUIDS, INC.,
Its Members

By: /s/ Phillip D. Wright

Name: Phillip D. Wright
Title: Authorized Signatory

BUYER: MAGELLAN MIDSTREAM HOLDINGS, L.P.

By: MAGELLAN MIDSTREAM MANAGEMENT, LCC
Its General Partner

By: /s/ Don R. Wellendorf

Name: Don R. Wellendorf
Title: President and CEO

Exhibit 10.6

==========

AGREEMENT FOR THE RELEASE
OF CERTAIN INDEMNIFICATION OBLIGATIONS

UNDER THE FOLLOWING AGREEMENTS:

PURCHASE AGREEMENT, dated April 18, 2003, as further amended, by and among, Williams Energy Services, LLC, Williams Natural Gas Liquids, Inc, and Williams GP LLC and Magellan Midstream Holdings, L.P. (formerly known as WEG Acquisitions, L.P.);

CONTRIBUTION AGREEMENT, dated April 11, 2002, by and among, Williams Energy Services, LLC, Williams GP LLC and Magellan Midstream Partners, L.P. (formerly known as Williams Energy Partners L.P.); and

NEW OMNIBUS AGREEMENT, dated June 17, 2003, as amended, by and among Magellan Midstream Holdings, L.P. (formerly known as WEG Acquisitions, L.P.), Williams Energy Services, LLC, Williams Natural Gas Liquids, Inc. and The Williams Companies, Inc.

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AGREEMENT FOR THE RELEASE
OF CERTAIN INDEMNIFICATION OBLIGATIONS

THIS AGREEMENT (the "Agreement") is entered into on, and effective as of May 26, 2004 by and among Magellan Midstream Holdings, L.P. ("MMH"), Magellan GP, LLC ("Magellan GP") and Magellan Midstream Partners, L.P. ("MMP, " and together with MMH and Magellan GP, the "Magellan Parties"), on the one hand, and The Williams Companies, Inc. ("Williams"), Williams Energy Services, LLC ("WES"), Williams Natural Gas Liquids, Inc. ("WNGL") and Williams GP LLC ("Williams GP," and together with Williams, WES and WNGL, the "Williams Parties"), on the other hand, with respect to the following agreements, collectively, the "Subject Agreements":

NEW OMNIBUS AGREEMENT, dated June 17, 2003 (as amended, the "New Omnibus Agreement"), by and among MMH (formerly known as WEG Acquisitions, L.P.), WES, WNGL and Williams;

CONTRIBUTION AGREEMENT, dated April 11, 2002 (the "Contribution Agreement"), by and among, WES, Williams GP and MMP (formerly known as Williams Energy Partners L.P.); and

PURCHASE AGREEMENT, dated April 18, 2003, as amended by Amendment No. 1, dated May 5, 2003 and Amendment No. 2, dated January 6, 2004 (as amended, the "Purchase Agreement"), by and among WES, WNGL, Williams GP and MMH.

RECITALS

WHEREAS, pursuant to the New Omnibus Agreement, the Contribution Agreement and the Purchase Agreement, the Williams Parties have certain obligations to indemnify, defend and hold harmless the Magellan Parties; and

WHEREAS, in consideration of the payments to be made by the Williams Parties, in accordance herewith, the Magellan Parties are willing to release the Williams Parties from (i) certain obligations of indemnification that are set out in the Subject Agreements, except as specifically provided herein and (ii) liabilities that are environmental in nature that relate to the assets, businesses or properties of the Magellan Parties as more specifically described herein; and

WHEREAS, currently with execution of this Agreement, the parties to the Purchase Agreement have executed Amendment No. 3 thereto, which provides for the reduction of the indemnification "cap" contained in Section 8.2(d)(i) thereof from $175 million to $160 million.

NOW, THEREFORE, in consideration of the mutual terms, conditions and other agreements as set forth herein, the parties hereto hereby agree to as follows:

ARTICLE I

COMPENSATION

Section 1.1 Compensation

(a) As consideration for the release by the Magellan Parties and their respective affiliates, successors and assigns of certain indemnity obligations as more specifically set forth herein, Williams, WNGL, WES and Williams GP, each hereby agree to pay to MMP One Hundred Seventeen Million Five Hundred Thousand Dollars, $117,500,000 (the "Aggregate Payment") in four annual payments, as follows:

(i) the first payment of $35,000,000 shall be paid on or before July 1, 2004;

(ii) the second payment of $27,500,000 shall be paid on or before July 1, 2005;

(iii) the third payment of $20,000,000 shall be paid on or before July 1, 2006; and

(iv) the fourth payment of $35,000,000 shall be paid on or before July 1, 2007.

(b) In the event that the Magellan Parties collect third-party receivables pursuant to Section 5.4(b), an amount equal to 50% of the amounts collected, in each case, net of any and all out-of-pocket costs and expenses paid to third parties by the Magellan Parties, (i) shall be subtracted from the amount due on the upcoming payment date and (ii) be added to the amount due on the final payment date.

(c) In the event that Williams, WNGL, WES or Williams GP does not make the annual payments specified under Section 1.1(a) above on or before the designated due date therefor, such amount shall accrue interest at an annual rate of 9.0% from the due date until the date of payment. If the payment due date does not fall on a business day, such due date shall be the first business day succeeding such date.

Section 1.2 Payment Procedure

Each payment specified under Section 1.1(a) above shall be paid by wire transfer to MMP of immediately available funds made to a bank in the United States of America, as designated in writing by MMP not less than three business days in advance of the date specified for the applicable payment.

Section 1.3 Use of funds

MMP shall be responsible for all known environmental liabilities associated with the assets, business or properties of the Magellan Parties as provided herein and shall use the funds

received from Williams hereunder, or an equivalent amount otherwise on hand or available through debt agreements or capital markets, for such purposes.

ARTICLE II

WILLIAMS PARTIES' REPRESENTATIONS AND WARRANTIES

Section 2.1 Validity of Agreement: Authorization

Each of the Williams Parties has the power and authority to enter into this Agreement and to carry out its obligations hereunder. No further proceedings on the part of any of the Williams Parties are necessary to authorize such execution, delivery and performance of this Agreement. This Agreement has been duly executed and delivered by each of the Williams Parties and constitutes a valid and binding obligation enforceable against each of the Williams Parties in accordance with its terms (except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar law affecting the enforcement of creditors' rights generally or by general equitable principles).

Section 2.2 Consents and Approvals

No consent, approval, waiver or authorization of, or filing, registration or qualification with, any Governmental Authority or any other Person on the part of Williams Parties is required to execute and deliver this Agreement or to perform its respective obligations hereunder.

Section 2.3 Solvency

Each of the Williams Parties is, and immediately after entering into this Agreement will be, Solvent. For purposes of this Agreement, "Solvent" means, with respect to the applicable party on the date of this Agreement, that (a) the fair value of the property of such party is greater than the total amount of liabilities, including, without limitation, contingent liabilities of such party that would constitute liabilities under GAAP, (b) the present fair saleable value of the assets of such party is not less than the amount that will be required to pay its debts as they become absolute and matured, taking into account the possibility of refinancing such obligations and selling assets, (c) such party does not intend to, and does not believe that it will, incur debts or liabilities beyond such party's ability to pay such debts as they mature taking into account the possibility of refinancing such obligations and selling assets and (d) such party is not engaged in business or a transaction, and does not intend to engage in business or a transaction, for which such party's property remaining after such transaction would constitute unreasonably small capital.

Section 2.4 No Conflict or Violation

The execution, delivery and performance of this Agreement by any of the Williams Parties does not and will not: (a) violate or conflict with any provision of the certificates of incorporation, by-laws, certificates of formation, limited liability company operating agreements, partnership or limited partnership agreements or other formation or governing documents of Williams Parties; (b) violate any applicable provision of law, statute, judgment, order, writ, injunction, decree, award, rule, or regulation of any foreign, federal, tribal, state or local

government, court, arbitrator, agency or commission or other governmental or regulatory body or authority ("Governmental Authority"); (c) violate, result in a breach of, constitute (with due notice or lapse of time or both) a default or cause any obligation, penalty or premium to arise or accrue under any material contract, lease, loan agreement, mortgage, security agreement, trust indenture or other agreement or instrument to which any of the Williams Parties is a party or by which any of them is bound.

Section 2.5 Insurance

Set forth on Schedule 2.5(a) hereto is a complete and accurate list of all policies of insurance currently maintained by the Williams Parties which were purchased to provide coverage solely for the business, assets and properties of the Magellan Parties, as described in the "Prospectus" (as defined in the New Omnibus Agreement), for which a Williams Party or an affiliate is the named insured or is an additional named insured (the "MMP Policies). To Williams' Knowledge, no notice of cancellation has been given with respect to any such MMP Polices and all premiums due on each MMP Policy have been paid in a timely manner. The Magellan Parties have been provided with copies of all of the MMP Policies including all endorsements, riders and other amendments in the possession of the Williams Parties that define, limit or modify coverage. The term "Williams' Knowledge" as used in this Section 2.5 means the actual knowledge of the person(s) identified on Schedule 2.5(b) hereto, without independent inquiry.

ARTICLE III

MAGELLAN PARTIES' REPRESENTATIONS AND WARRANTIES

Section 3.1 Validity of Agreement: Authorization

Each of the Magellan Parties has the power and authority to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the performance of each of the Magellan Parties obligations hereunder have been duly authorized by the Board of Directors and members, as applicable, and no other proceedings on the part of any of the Magellan Parties is necessary to authorize such execution, delivery and performance. This Agreement has been duly executed and delivered by each of the Magellan Parties and constitutes a valid and binding obligation enforceable against each of the Magellan Parties in accordance with its terms (except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar law affecting the enforcement of creditors' rights generally or by general equitable principles).

Section 3.2 Consents and Approvals

No consent, approval, waiver or authorization of, or filing, registration or qualification with, any Governmental Authority or any other Person on the part of Magellan Parties is required to execute and deliver this Agreement or to perform its respective obligations hereunder.

Section 3.3 No Conflict or Violation

The execution, delivery and performance of this Agreement by any of the Magellan Parties does not and will not: (a) violate or conflict with any provision of the certificates of incorporation, by-laws, certificates of formation, limited liability company operating agreements, partnership or limited partnership agreements or other formation or governing documents of Magellan Parties; (b) violate any applicable provision of law, statute, judgment, order, writ, injunction, decree, award, rule, or regulation of any Governmental Authority; (c) violate, result in a breach of, constitute (with due notice or lapse of time or both) a default or cause any obligation, penalty or premium to arise or accrue under any material contract, lease, loan agreement, mortgage, security agreement, trust indenture or other agreement or instrument to which any of the Magellan Parties is a party or by which any of them is bound.

Section 3.4 Solvency

Each of the Magellan Parties is, and immediately after entering into this Agreement will be, Solvent.

ARTICLE IV

RELEASE OF CERTAIN INDEMNIFICATION OBLIGATIONS

Section 4.1 Release

(a) Each of the Magellan Parties, on behalf of themselves and any persons or entities that may be entitled to assert rights and remedies under any of the Subject Agreements, hereby fully and completely covenants not to sue, waives and releases and forever discharges the Williams Parties and their respective members, officers, directors, employees, agents, successors and assigns, and their affiliates, subsidiaries and their respective members, officers, directors, employees, agents, successors and assigns from any and all past, present and future indemnification obligations that are a result of or arise out of the obligations contained in the following provisions of the Subject Agreements:

(i) Article IV of the New Omnibus Agreement;

(ii) (A) clause (a) of Section 10.1 of the Contribution Agreement, except for those indemnification obligations that are a result of or arise out of Section 3.12(c) (Employees and Benefits) and, to the extent it relates to employee benefit matters, Section 3.12(d) (Employees and Benefits), and Section 3.27 (Excluded Assets), and (B) clause (b) of Section 10.1 of the Contribution Agreement;

(iii) (A) clause (a) of Section 8.2 of the Purchase Agreement, but only to the extent relating to, arising out of or resulting from any breach or inaccuracy of any representation in Section 2.15 (Compliance with Law), and Section 2.21 (Environmental, Health and Safety Matters), and (B) any of the matters listed on Schedule 2.15 or Schedule 2.21 of the Purchase Agreement, including all supplemental disclosures made thereto, except as disclosed on Schedule 4.1.1 hereto; provided, however, for the avoidance of doubt, that nothing in this Section 4.1(a)(iii)(B) releases or is intended to release the Williams Parties from any breaches of or inaccuracies in Section 2.12 of the Purchase Agreement.

The foregoing release shall apply to any claims or notices for indemnification previously made by any of the Magellan Parties to any of the Williams Parties, by the delivery of notice or otherwise, pursuant to any of the provisions of, or schedules to, the Subject Agreements that are subject to release as provided for in clauses (i) through (iii) above; provided, however that Williams shall make payment of $2.1 million as a full and complete settlement of all liabilities in connection with all invoices submitted prior to the Effective Date of this Agreement by the Magellan Parties within ten (10) business days of execution of this Agreement.

To the extent not covered by the foregoing provisions of this Section 4.1(a), each of the Magellan Parties, on behalf of themselves and any persons or entities that may be entitled to assert rights and remedies under any of the Subject Agreements, also hereby fully and completely covenants not to sue, waives and releases and forever discharges the Williams Parties and their respective members, officers, directors, employees, agents, successors and assigns, and their affiliates, subsidiaries and their respective members, officers, directors, employees, agents, successors and assigns from any and all past, present or future causes of action, rights of contribution or indemnification obligations that are environmental in nature on the part of any of the Williams Parties or any of their affiliates in favor of any of the Magellan Parties arising under the Subject Agreements, any other written or oral agreements among the parties or under applicable law with respect to the assets, businesses or properties of the Magellan Parties or their affiliates or predecessors that arise out of or that are a result of facts, occurrences, conditions, events or circumstances (collectively, "Occurrences") that occur before the Closing Date (as defined in the Purchase Agreement) without regard to the date of discovery of such Occurrences, including without limitation (i) the breach of or failure to comply with or liability arising under any Environmental Laws (as defined in the Purchase Agreement), (ii) the presence of Hazardous Materials (as defined in the Purchase Agreement) in, or their release into the air, surface or subsurface soils or in the groundwater at, on, in, under or in the vicinity of the assets, businesses or properties of the Magellan Parties or (iii) the matters listed on Schedule 4.1.2 hereto, notwithstanding the fact in any such case that the Occurrence giving rise to such cause of action, obligation or right may also involve the breach of a provision of any of the Subject Agreements that is not subject to the release contained in the foregoing provisions of this Section 4.1(a) and which is not released under this Section 4.1(a).

For the avoidance of doubt, Schedule 4.1.3 hereto provides examples of the types of Claims or other matters that would be subject to the provisions of the immediately preceding paragraph and this Section 4.1 if such Claims or other matters arise out of, are caused by or result of from, whether directly or indirectly, an Occurrence that is environmental in nature. However, also for the avoidance of doubt, the provisions of the immediately preceding paragraph and this Section 4.1 do not reach and are not intended to release or discharge the Williams Parties or their respective members, officers, directors, employees, agents, successors and assigns, or their affiliates, subsidiaries or their respective members, officers, directors, employees, agents, successors or assigns from any past, present or future causes of action, rights of contribution or indemnification obligation arising under the Subject Agreements, any other written or oral agreements among the parties or under applicable law in connection with the Excluded Assets (as defined in the Contribution Agreement, the Purchase Agreement or the Contribution, Conveyance and Assumption Agreement, dated February 9, 2001, entered into in connection with the initial public offering of MMP).

(b) The parties hereto acknowledge and agree that this Section 4.1 shall require MMP to indemnify and defend, save and hold the Williams Parties and their affiliates harmless against any Claim (as defined below) by a third-party arising out of, resulting from or any of the matters covered by the provisions of Section 4.1(a) above as to which the Magellan Parties provided a release pursuant to this Section 4.1.

(c) For the avoidance of doubt, the parties hereto acknowledge and agree that this Section 4.1 shall include any damage, judgment, fine, penalty, demand, settlement, liability, loss, cost, expense (including attorneys', consultants' and experts' fees) claim or cause of action whether fixed, contingent or unliquidated, including but not limited to the Comprehensive, Environmental Response, Compensation and Liability Act, 42 U.S.C. 9601 et seq., as now or as hereafter amended ("CERCLA") or any similar or successor Federal law or any state equivalent to CERCLA, as may now or hereafter be in effect.

Section 4.2 Discharge and Settlement of Obligations

(a) This Agreement settles and is in satisfaction of all past, present and future indemnification obligations set forth in Section 4.1 on the part of the Williams Parties or any affiliate thereof in favor of Magellan Parties, any of their affiliates, successors or assigns with respect to any damage, judgment, fine, penalty, demand, settlement, liability, loss, cost, expense, claim, suit or cause of action (including reasonable attorneys', consultants' or experts' fees related thereto) of any kind or nature whatsoever, both known and unknown, except for the performance by Williams Parties of their obligations as set forth in this Agreement.

(b) For purposes of clarity, this Agreement has no effect on (i) MMH's obligations under Section 8.2(b) of the Purchase Agreement, (ii) MMH's obligations to MMP under Section 1.3(e) and Section 8.2(c) of the Purchase Agreement or (iii) MMP's obligations under Section 10.2 of the Contribution Agreement.

Section 4.3 Indemnification Relating to Certain Matters

(a) MMP agrees to indemnify and defend, save and hold the Williams Parties and their affiliates harmless if any such Williams Party or affiliate thereof shall suffer any damage, judgment, fine, penalty, demand, settlement, liability, loss, cost, expense, claim, suit or cause of action (including reasonable attorneys' fees related thereto) (collectively, a "Claim") filed by, arising out of, resulting from or relating to (i) the Claims set forth on Schedule 4.3(a) hereto, and (ii) any current or former employees of the Williams Parties or any of their predecessors, subsidiaries or affiliates as to whom 50% or more of their work assignment was to perform work or services benefiting for or on behalf of Magellan GP, MMP or any of their predecessors, subsidiaries or affiliates ("Subject Parties") subsequent to February 9, 2001 or pursuant to the Transition Services Agreement, dated June 17, 2003, between Williams and MMH; provided, however, that such Claim arose out of or occurred during the performance of work or services performed by such current or former employees for the benefit or on behalf of such Subject Parties. To the extent allowable under applicable law, the Williams Parties shall provide MMP copies of those portions of the employment files for any employee for which the Williams Parties seeks indemnification from under this Section 4.3 that are necessary for the defense of such Claim and shall fully cooperate in responding to any reasonable request for

access to data, employees or other information necessary to the defense of the matter; provided, however, MMP will comply with all applicable confidentiality requirements with respect to any such files, data or information so provided. If the Williams Parties do not provide MMP with such necessary portions of the employee files relating to any such Claim, the indemnification obligations of MMP under this Section 4.3 relating to such Claim shall be extinguished. The foregoing indemnification obligations of MMP shall not be reduced as a result of the availability of insurance coverage under policies held by the Williams Parties; provided, however, the Williams Parties will use commercially reasonable efforts (which, in all cases, for purposes of this Agreement shall not require any party to file or initiate any judicial claim or action), to pursue claims under any applicable insurance policies held by the Williams Parties that may provide coverage in connection with the defense or resolution of any matter covered under this Section 4.3. Any amounts recovered by the Williams Parties pursuant to any such claim shall be paid to MMP, provided, that such amounts paid shall in no event exceed that total amount expended by MMP in connection with its indemnification obligations hereunder less any out-of-pocket costs and expenses paid to third parties by the Williams Parties in connection with pursuing such claim. This Section 4.3(a) does not apply to any employee benefit matters and in no way waives, limits or resolves, in whole or in part, the indemnification obligations of the Williams Parties for breaches of the representation and warranty contained in (i) Section 3.12(c) of the Contribution Agreement and, (ii) to the extent they relate to employee benefit matters, Section 3.12 (d) of the Contribution Agreement or Section 4.3 of the Purchase Agreement.

(b) With respect to the matters set forth on Schedule 4.3(b) hereto, MMP shall bear the costs of defending the Williams Parties and the Magellan Parties against the claims asserted in that case up to final resolution of the matter. In the event that Williams determines that it needs separate counsel in the matters set forth on Schedule 4.3(b) hereto, it shall be entitled to retain one at its own costs and expense. The costs of satisfying any settlement or judgment in those matters shall be determined by reference to the evidence concerning the parties' respective liability for the claims asserted. MMP shall be responsible for that portion of the matters on Schedule 4.3(b) hereto that relate to work or services benefiting the Subject Parties and the Williams Parties shall be responsible for that portion of such matters that relate to work or services that do not benefit the Subject Parties. In the event that the parties are not able to agree upon their respective liability for the claims asserted, they shall initiate a mediation of the dispute using Judge Thomas A. Brett, or if unavailable a substitute mediator mutually agreeable to the parties, and shall be bound by such mediator's decision regarding their respective shares of the liability for the claims asserted and the costs of any settlement or judgment entered shall be allocated according to those shares.

ARTICLE V

PRIOR OBLIGATIONS, COSTS, EXPENSES AND INSURANCE

Section 5.1 Payment of Costs and Expenses

Each party to this Agreement shall be solely responsible for the payment of any and all direct or indirect costs or services, provided by, but not limited to, consultants, attorneys, contractors, agents and advisors relating to or arising out of any matters covered under Section 4.1 above for costs and services provided for said party prior to the Effective Date.

Section 5.2 Notice to Service Providers

The Williams Parties have entered into certain contracts with third parties for services or goods in connection with or arising out of the matters covered under Section 4.1 and Section 4.3 above. The Williams Parties shall give notice to all such third parties to such contracts to the effect that MMP will be administering these matters after the Effective Date, and MMP and entities controlled by MMP may contact and/or enter into contracts with any of such third parties for the provisions of the same or similar services or goods after the Effective Date. This Section 5.2 above does not apply to any legal counsel retained by the Williams Parties.

Section 5.3 Procedures for Transfer of Matters and Litigation Currently Managed by Williams to Magellan Parties

The Williams Parties shall cooperate with MMP and provide appropriate and timely assistance in the transfer to MMP of all matters and litigation covered under Section 4.1 and Section 4.3 above that are currently managed by Williams, including all matters that are listed on Schedule 2.16 to the Purchase Agreement. The Williams Parties shall direct any legal counsel retained by the Williams Parties to provide copies of their files, correspondence, date and records to the Magellan Parties so long as the Williams Parties are advised by such or other legal counsel that the provision of any of such files, correspondence, date and records would not jeopardize the ability of the Williams Parties to maintain attorney-client privilege as to third parties with respect to the matters to which such files relate. The Williams Parties will consider in good faith any request by the Magellan Parties that both such parties enter into or execute a joint defense agreement satisfactory to both parties.

Section 5.4 Insurance and Other Receivables

(a) Beginning on the Effective Date, the Williams Parties shall make a written request to the appropriate insurers that they consent to the assignment and transfer to the entity designated by MMP, all of the Williams Parties' rights and interests, including the rights and interests of any beneficiaries, held under the MMP Policies. In addition, the Williams Parties shall request in writing to such insurers that the MMP Policies be amended to reflect MMP and its subsidiaries as primary named insureds. Any proceeds received from insurance claims under the MMP Polices assigned or transferred under this Section 5.4(a) that have not been completely settled between the insurance carrier and the policy owner or beneficiary that were filed prior to the Effective Date shall be for the benefit of MMP or its designee; provided, however, the Williams Parties or any affiliate thereof shall be promptly reimbursed by MMP for any out-of-pocket costs and expenses paid to third parties in connection with the receipt of such proceeds. From and after the Effective Date, the Williams Parties shall have no obligation to provide any insurance coverage or benefits to the Magellan Parties, their affiliates or their business or properties.

(b) The provisions of Section 1.1(b) above shall apply to any amounts paid to the Magellan Parties ("Third-Party Receivables") in settlement or to satisfy a judgment (excluding, for clarity purposes, any insurance proceeds from the MMP Policies referred to in Section 5.4(a)) arising out of any request, claim or action made, controlled or filed by the Magellan Parties or Williams Parties or any affiliates thereof but only to the extent that such

request, claim or action is covered by the indemnity provisions of the Subject Agreements as to which the Magellan Parties are herein providing a release pursuant to Section 4.1. The Magellan Parties shall promptly provide notice to the Williams Parties of any Third-Party Receivables collected under this Section 5.4(b) and shall provide the Williams Parties a full accounting related to such third party receivables from the Magellan Parties, within 60 days of a request by the Williams Parties.

(c) Notwithstanding the foregoing provisions of this Section 5.4, nothing in this Agreement shall have any effect on the Williams Parties obligations under Section 4.23 (WEG Insurance Continuation) of the Purchase Agreement.

ARTICLE VI

COOPERATION AND CONTROL

Section 6.1 Cooperation

Each party to this Agreement shall use its commercially reasonable efforts to cooperate in good faith and assist with consummating the actions contemplated by this Agreement. Each party to this Agreement shall comply with and fulfill the requirements of the attached Schedule 6.1 hereto.

ARTICLE VII

(RESERVED)

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.1 Successors and Assigns

This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and permitted assigns. No party shall sell, assign or otherwise transfer all or any of its obligations hereunder without the prior written consent of the other parties, such consent not to be unreasonably withheld or delayed.

Section 8.2 Notices

All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made if delivered personally or sent by overnight courier or sent by facsimile (with evidence of confirmation of receipt) to the parties at the following address:

(a) If to any of the Williams Parties:

The Williams Companies, Inc.
One Williams Center
Tulsa, Oklahoma 74172
Facsimile: (918) 573-8705
Attention: James Bender, General Counsel and
Senior Vice President

(b) If to any of the Magellan Parties:

Magellan Midstream Partners, L.P.
One Williams Center
Tulsa, Oklahoma 74172
Facsimile: (918) 573 -1005
Attention: Lonny Townsend, General Counsel

Section 8.3 Entire Agreement

This Agreement including the schedules hereto represents the entire agreement and understanding of the parties with reference to the transactions set forth herein and no representations and warranties have been made in connection herewith other than those expressly set forth herein. This Agreement supersedes all prior negotiations, discussion, correspondence, communications, understandings and agreements between the parties relating to the subject matter hereof.

Section 8.4 Titles and Headings

The Article and Section headings contained in this Agreement are solely for convenience of reference and shall not affect the meaning or interpretation of this Agreement or of any term or provision hereof.

Section 8.5 Signatures and Counterparts

The Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall be consider one and the same agreement.

Section 8.6 Severability

If any provision of the Agreement is declared illegal or unenforceable by reason of a decree of a court of last resort, then the parties shall promptly meet and negotiate substitute provisions for those rendered or declared illegal or unenforceable, but all of the remaining provisions of this Agreement shall remain in full force and effect.

Section 8.7 Governing Law

This Agreement shall be governed and construed in accordance with the substantive laws of the State of Oklahoma.

Section 8.8 Waiver and Amendments

This waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach, whether or not similar, unless such waiver specifically states that it is to be construed as a continuing wavier. Agreement may be amended, modified or supplement only by a written instrument executed by the parties hereto.

* * * * *

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written, the "Effective Date:"

WILLIAMS PARTIES

WILLIAMS ENERGY SERVICES, LLC

By: /s/ Phillip D. Wright

Name: Phillip D. Wright
Title: Authorized Signatory

WILLIAMS NATURAL GAS LIQUIDS, INC.

By: /s/ Phillip D. Wright

Name: Phillip D. Wright
Title: Authorized Signatory

WILLIAMS GP LLC

By: /s/ Phillip D. Wright

Name: Phillip D. Wright
Title: Authorized Signatory

THE WILLIAMS COMPANIES

By: /s/ Phillip D. Wright

Name: Phillip D. Wright
Title: Authorized Signatory

MAGELLAN PARTIES

MAGELLAN MIDSTREAM PARTNERS, L.P.
By Its General Partner, Magellan GP, LLC

By: /s/ Don R. Wellendorf

Name: Don R. Wellendorf
Title: Chief Executive Officer

MAGELLAN GP, LLC

By: /s/ Don R. Wellendorf

Name: Don R. Wellendorf
Title: Chief Executive Officer

MAGELLAN MIDSTREAM HOLDINGS, L.P.

By: Magellan Midstream Management, LLC, its General Partner:

By: /s/ Don R. Wellendorf

Name: Don R. Wellendorf
Title: Chief Executive Officer

EXHIBIT 10.7

SALE AGREEMENT
RELATING TO THE SALE OF
OF THE INTEREST OF
WILLIAMS ENERGY (CANADA), INC.
IN THE COCHRANE, EMPRESS II AND EMPRESS V STRADDLE PLANTS
DATED AS OF JULY 8, 2004

WILLIAMS ENERGY (CANADA), INC.

- AND -

1024234 ALBERTA LTD.

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ARTICLE 16
EMPLOYMENT MATTERS

ARTICLE 17
GENERAL

SALE AGREEMENT

THIS SALE AGREEMENT is made as of the 8th day of July, 2004

BETWEEN:

WILLIAMS ENERGY (CANADA), INC., a corporation incorporated under the laws of the Province of New Brunswick ("VENDOR")

OF THE FIRST PART

- and -

1024234 ALBERTA LTD., a body corporate incorporated under the laws of Alberta ("PURCHASER")

OF THE SECOND PART

WHEREAS Vendor owns all of the outstanding share capital in the Corporate Subsidiaries, and the Corporate Subsidiaries own all of the outstanding Partnership Units in the Subsidiary Partnerships.

WHEREAS the Empress II Partnership owns the Empress II Assets and the Cochrane Partnership owns the Cochrane Assets and the Empress V Assets.

WHEREAS Vendor holds legal title to certain of the Cochrane Assets, Empress V Assets and Empress II Assets as bare trustee for the Subsidiary Partnerships.

WHEREAS Purchaser has agreed to purchase and Vendor has agreed to sell the entire right, title and interest of Vendor in the Shares and the Support Assets upon and subject to the terms and conditions provided in this Agreement;

AND WHEREAS Purchaser acknowledges that the Corporate Subsidiaries and the Subsidiary Partnerships are liable to perform, and Purchaser has agreed that following Closing, Purchaser will indemnify Vendor from and against, the Future Obligations upon and subject to the terms and conditions provided in this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the mutual covenants and agreements of the parties herein set forth, the parties hereby covenant and agree with one another as follows:

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS

Terms defined in Schedule "A" have the meanings in this Agreement (including the recitals and Schedules) set forth in Schedule "A".

1.2 SCHEDULES

Exhibit 1 sets forth the Schedules to this Agreement, which are incorporated by reference in this Agreement, and form a part hereof. A reference in any Schedule to another Schedule refers to another Schedule of this Agreement. If there is a conflict or inconsistency between a provision of the body of this Agreement and that of a Schedule, the provision of the body of this Agreement shall prevail.

1.3 KNOWLEDGE

Where in this Agreement, or in any certificate or document delivered pursuant hereto, any statement, representation or warranty is made as to, or as being based on, the awareness, knowledge, information or belief of Vendor, such awareness, knowledge, information or belief is limited to the actual knowledge of Alan Armstrong, Senior Vice President, Midstream Gas & Liquids of The Williams Companies, Inc. and David M. Chappell, Vice President & General Manager of Vendor each after making reasonable inquiries including of the following employees of Vendor, but without any other inquiry:

(a) Charlotte Raggett;

(b) Jim Arsenych;

(c) Michelle Coughlin;

(d) Frank Severinsen;

(e) Miriam Mitchell-Banks;

(f) Paul Murphy; and

(g) Sid Meloney.

Purchaser acknowledges that none of the individuals listed in this Section 1.3 shall have any personal liability to Purchaser in respect of any matter set forth in this Agreement.

ARTICLE 2
PURCHASE AND SALE

2.1 ACQUISITION OF BUSINESS

On and subject to the terms and conditions of this Agreement:

(a) Vendor and Purchaser agree that:

(i) Vendor shall sell, assign, transfer and convey to Purchaser and Purchaser shall purchase and acquire from Vendor, all of the right, title, interest and estate of Vendor in the Shares,

(ii) to the extent assignable, Vendor shall sell, assign, transfer and convey to Purchaser and Purchaser shall purchase and acquire from Vendor, all of the right, title, interest and estate of Vendor in the Support Assets,

subject to the Permitted Encumbrances.

(b) Purchaser shall pay the Purchase Price to or to the order of Vendor in the manner herein provided.

2.2 FUTURE OBLIGATIONS AND INDEMNIFICATION BY PURCHASER

(a) Purchaser acknowledges that the Corporate Subsidiaries and the Subsidiary Partnerships shall be liable to pay, perform and discharge all of the Future Obligations and that Vendor shall have no liability in respect thereof.

(b) Purchaser shall cause the return of the Financial Assurances to Vendor as soon as is reasonably possible and in any event within 60 days after the Closing Date. In order to facilitate such return Purchaser shall provide to the third party beneficiaries of the Financial Assurances, substitute obligations, guarantees, letters of credit, bonds or other assurances as may be required by such third party beneficiaries, including the provision of replacement pre-payments to third parties.

(c) Upon the return of the Financial Assurances, Purchaser shall pay to Vendor in the case of cash prepayments, an amount of interest on such prepayment from the Effective Date until the date of return, at a rate of interest equal to two (2%) percent per annum above the Prime Rate, which shall accrue daily and be compounded monthly, provided that no amount shall be payable to Vendor by Purchaser in respect of a Financial Assurance relating to the supply and cost of natural gas.

(d) Purchaser will indemnify and save harmless Vendor from and against all Losses Vendor suffers, sustains, pays or incurs as a consequence of any of the Financial Assurances being applied to payment of any of the Future Obligations.

2.3 EFFECTIVE TIME OF TRANSFER

The transfer and assignment of the Shares and the Support Assets shall be effective as of the Effective Date provided that Closing occurs. Possession and title to the Shares and the Support Assets shall not pass to Purchaser until Closing but shall pass at Closing.

ARTICLE 3
PURCHASE PRICE

3.1 PURCHASE PRICE

The aggregate purchase consideration (the "PURCHASE PRICE") payable by Purchaser for the Shares and the Support Assets shall be:

(a) Cdn. Seven hundred and fifteen million ($715,000,000) Dollars (the "BASE PURCHASE PRICE");

(b) plus or minus (as applicable) the adjustment made pursuant to Section 4.1 (the "ACCOUNTING ADJUSTMENTS");

(c) minus any adjustment made pursuant to Section 5.2(b)(iv);

(d) minus any adjustment made pursuant to Section 8.2;

(e) plus Cdn. one hundred and twenty five thousand dollars ($125,000) per day, for each day that the Closing Date is beyond July 28, 2004, provided that all of the conditions provided for in Sections 10.1 and 10.2 (other than those to be satisfied at or by Closing) have been satisfied; and

(f) plus interest payable pursuant to Section 3.5.

3.2 ALLOCATION OF PURCHASE PRICE

The Base Purchase Price shall be allocated among the Shares and the Support Assets as specified in Schedule "B", provided that if there are adjustments described in Section 3.1(b), (c) or (d) the allocations in Schedule "B" shall be adjusted consistent with those adjustments.

3.3 SATISFACTION OF PURCHASE PRICE

Purchaser shall satisfy the Purchase Price by:

(a) the payment to, or to the order of, Vendor upon execution of this Agreement by wire transfer in immediately available funds to an account specified by Vendor of an amount equal to 5% of the Base Purchase Price (the "DEPOSIT") to be held by Vendor's solicitors Bennett Jones LLP in trust, in accordance with the Escrow Agreement to be entered into by Vendor, Purchaser and Bennett Jones LLP contemporaneously with this Agreement in the form of that attached as Schedule "V", and shall be disbursed in accordance with the following:

(i) if Closing occurs, the Deposit and interest accrued thereon shall be applied to satisfaction of the Base Purchase Price;

(ii) if Closing does not occur due to: (A) a breach of this Agreement by Purchaser, or (B) the non-satisfaction of any of the conditions in Sections 10.2(a), (b), (c) or (e), or (C) Vendor having exercised its right to terminate its obligations under this Agreement pursuant to Section 10.5(b), the Deposit and interest accrued thereon shall, at the election of Vendor, be forfeited to and retained by Vendor for its own account absolutely as a genuine pre-estimate by Vendor and Purchaser of the minimum Losses which will be suffered or incurred by Vendor as a consequence of Closing not occurring and Vendor may recover additional Losses suffered or incurred by it as a consequence of Closing not occurring up to an amount for such Losses not exceeding 10% of the Base Purchase Price (which, for clarity, shall include the retained Deposit); and

(iii) if Closing does not occur for any reason or circumstance other than that described in paragraph 3.3(a)(ii), the Deposit and interest accrued thereon shall be returned to Purchaser for the account of Purchaser and, to the extent Closing does not occur due to a breach of this Agreement by Vendor, Vendor shall be liable for the amounts payable pursuant to Section 12.8; and

(b) the payment at the Time of Closing to, or to the order of, Vendor of an amount equal to the sum of:

(i) the Base Purchase Price less the Deposit and interest accrued thereon;

(ii) plus or minus (as applicable) the estimate of the Accounting Adjustments made pursuant to Section 4.3;

(iii) minus any adjustment made pursuant to Section 5.2(b)(iv);

(iv) minus any adjustment made pursuant to Section 8.2;

(v) plus any adjustment made pursuant to Section 3.1(d),

by wire transfer in immediately available funds to an account or accounts specified by Vendor on or prior to the Closing Date.

In addition to the foregoing, Purchaser shall also pay to Vendor at the Time of Closing:

(c) all GST required to be paid or collected by Vendor from Purchaser at the Time of Closing; and

(d) an amount equal to all fees, royalties and charges of third parties incurred or to be incurred by Vendor to obtain the consents, additional licenses or sublicenses (details of which shall be provided to Purchaser 10 days in advance of payment of such fees, royalties and charges) and other documentation necessary for Vendor to transfer, assign,

license or sublicense the Third Party Technology, and the Process Technology to Purchaser.

To the extent that it is not possible at the Time of Closing to determine the amount of a fee, royalty or charge that will be incurred by Vendor pursuant to Section 3.3(d), Purchaser shall pay to Vendor that amount as soon as is reasonably possible after it can be determined.

3.4 TAXES

Purchaser shall be solely liable for and shall pay all Taxes (other than Vendor's income taxes), imposed in connection with the Transaction, including any associated interest charges or penalties except to the extent such interest charges or penalties are caused by the actions of Vendor or its Affiliates. Without limiting the generality of the foregoing, all GST applicable to the sale and transfer of the Support Assets hereunder shall be paid by Purchaser to or to the order of Vendor at the Time of Closing. Vendor shall remit, or shall cause to be remitted, such GST collected from Purchaser at Closing to the appropriate Governmental Body in accordance with Applicable Law.

3.5 INTEREST ON PURCHASE PRICE

Purchaser shall pay to Vendor at Closing interest on the Base Purchase Price from the Effective Date until the Closing Date, at the rate of two (2%) percent per annum above the Prime Rate, which shall accrue daily and be compounded monthly.

3.6 NET CASH ADJUSTMENT

At Closing, Purchaser shall deduct from the amount payable to Vendor at Closing, (or where a negative amount, add to the amount payable) the estimated Net Cash Adjustment set forth in the Closing Statement provided pursuant to Section 4.3.

ARTICLE 4
BASE PURCHASE PRICE ADJUSTMENTS

4.1 ACCOUNTING ADJUSTMENTS

The Base Purchase Price shall be adjusted as follows:

(a) by adding thereto or subtracting therefrom, as the case may be, the Aggregate Net Working Capital; and

(b) by adding thereto the amount determined pursuant to Schedule "S" to compensate Vendor for general and administrative costs incurred by Vendor in managing the Business during the Interim Period.

Except to the extent otherwise provided in this Agreement, such adjustments shall be calculated on an accrual basis in accordance with GAAP.

4.2 VALUATION OF INVENTORIES

For the purposes of calculating the Aggregate Net Working Capital, Inventory shall be valued at the Effective Date in the following manner:

(a) all Inventories of natural gas (whether positive or negative) shall be valued based on the AECO Index;

(b) subject to (c) below, all Inventories other than Product Inventories shall be valued based on the cost at which such Inventories were acquired by Vendor, the Corporate Subsidiaries, the Cochrane Partnership or the Empress II Partnership, as the case may be; and

(c) no value shall be given to:

(i) spare parts, pipe, chemical and other inventories located at a Facility or used in connection with the Business;

(ii) natural gas liquids in storage or utilized as linepack and which form part of the Empress V Assets;

(iii) all ethane in Product Inventories held in the Alberta Ethane Gathering System; or

(iv) any Product Inventories in respect of propane, normal butane, isobutane and condensate for which the Deemed Inventory Adjustment has been made.

4.3 CLOSING STATEMENT

Ten (10) days prior to Closing, Vendor shall prepare and give to Purchaser a statement setting forth (i) the Base Purchase Price (including any Related Cost adjustment); (ii) the Deposit and interest accrued thereon; (iii) Vendor's good faith estimate of the Accounting Adjustments along with supporting schedules evidencing how such Accounting Adjustments were derived, which estimate shall be based upon Vendor's most current financial information available relative to the Effective Date; (iv) the GST to be paid to Vendor at Closing pursuant to Section 3.3(c); (v) the amount to be paid to Vendor at Closing pursuant to Section 3.3(d); (vi) the estimated Net Cash Adjustment (based on the most current financial information available at the time) and (vii) the total amount payable by Purchaser at Closing pursuant to Sections 3.3 and 3.5.

4.4 POST CLOSING ADJUSTMENTS

(a) As soon as the relevant information is available and in any event within one hundred and eighty (180) days after Closing (but subject to Section 4.4(b)), Vendor shall in good faith prepare and deliver to Purchaser a final closing statement setting forth the actual Accounting Adjustments and Net Cash Adjustments (the "Final Closing Statement"). To the extent reasonably required by Vendor, Purchaser shall assist in the preparation of the Final Closing

Statement and shall make available sufficient staff to ensure the Final Closing Statement is prepared in a timely manner. Purchaser shall make available to Vendor and its employees, agents, representatives and consultants, full and complete access during normal business hours to the Books and Records to enable Vendor to prepare the Final Closing Statement. The amounts set forth in the Final Closing Statement shall be final and binding upon Vendor and Purchaser unless Purchaser delivers to Vendor written notice disputing any amounts set forth in the Final Closing Statement and the specific grounds of such dispute (the "Dispute Note") within thirty (30) days after receipt of the Final Closing Statement. In such event, the Parties shall co-operate in good faith to attempt to resolve the matters in dispute and agree upon the actual Accounting Adjustments or Net Cash Adjustments. If the Parties cannot resolve the matters in dispute and agree upon the actual Accounting Adjustments or Net Cash Adjustments within ten (10) Business Days from receipt by Vendor of the Dispute Note, then the amount of the actual Accounting Adjustments or Net Cash Adjustments shall be determined by the chartered accounting firm of PriceWaterhouseCoopers ("PWC") within a period of ninety (90) days from the date such accounting firm is retained and each Party shall co-operate with PWC and shall make available to PWC such books and records as are within its possession or control as PWC may request in connection therewith. The determination of PWC shall be final and binding upon both Parties. The fees and expenses of the accounting firm of PWC shall be shared equally between the Parties.

(b) The Parties shall make such further Accounting Adjustments after the one hundred and eighty (180) day period referred to in Section 4.4(a) only in respect of income taxes accrued in respect of the taxable period ending prior to the Effective Date, provided that any such Accounting Adjustments shall be made within thirty (30) days of a notice of assessment under the Tax Act received in respect of the Tax Returns filed in accordance with Section 7.1 and as allocated pursuant to Section 7.4.

4.5 PAYMENT ON DETERMINATION OF ACTUAL ADJUSTMENTS

Within five (5) Business Days after the final determination of the actual Accounting Adjustments and Net Cash Adjustments pursuant to Section 4.4:

(a) Purchaser shall pay to, or to the order of, Vendor (i) the amount, if any, by which the actual Accounting Adjustments exceed the estimated amount of the Accounting Adjustments and Net Cash Adjustments relied on for the purposes of Closing plus (ii) interest on the amount described in Section 4.6(a)(i) from the Time of Closing to the day of payment at the Prime Rate; or

(b) Vendor shall pay to Purchaser (i) the amount, if any, by which the estimated amount of the Accounting Adjustments and Net Cash Adjustments relied upon for the purposes of Closing exceeds the actual Accounting Adjustments and Net Cash Adjustments plus (ii) interest on the amount described in Section 4.6(b)(i) from the Time of Closing to the day of payment at the Prime Rate,

as determined in accordance with this Agreement. No further Accounting Adjustments or Net Cash Adjustments shall be made by the Parties following the final determination of the Accounting Adjustments or Net Cash Adjustments pursuant to Section 4.4.

4.6 DEEMED INVENTORY ADJUSTMENTS

(a) The Parties acknowledge that:

(i) the Cochrane Liquids Sale Agreement dated January 1, 1999 between Cochrane Extraction Plant Partnership (predecessor to the Corporate Subsidiaries) and Amoco Canada Resources Company (predecessor to BP) (the "CPLSA") provides for the sale of propane, normal butane, isobutane and condensate produced in the Cochrane Plant to BP; and

(ii) the CPLSA provides for an annual adjustment after the end of a calendar year (the "THIRTEEN MONTH ADJUSTMENTS") to account for the fact that the aggregate deemed volumes of normal butane and propane on which the monthly invoices for the year were based are not the same as the actual volumes that were produced during the year.

(b) For purposes of the adjustments made pursuant hereto, the Parties agree that the Deemed Inventory Amount shall equal the estimated Thirteenth Month Adjustment under the CPLSA which would be owing to, or payable by, the Vendor beginning January 1, 2004 up to and including the last full calendar month prior to the Effective Date, as determined by Vendor after the Effective Date and prior to Closing, in a manner consistent with Vendor's past practices with respect to such amount.

(c) Unless addressed to the satisfaction of Vendor, acting reasonably, as part of the negotiations described in paragraph 1 of Schedule "D" as it relates to the Empress V Joint Venture Agreement dated January 15, 1997 between WECI and BP, the provisions of this Section 4.6 shall apply in respect of any deemed volumes of normal butane and propane produced thereunder and on which the monthly invoices for the year were based (and any differences from the actual volumes that were produced during the year), mutatis mutandis.

4.7 OUTSTANDING AUDITS

Notwithstanding Section 4.4, Vendor shall be responsible for all amounts payable and all Losses, and shall retain all amounts receivable and all benefits in respect of, any amounts paid or payable with respect to the Outstanding Audits.

ARTICLE 5
INTERIM MATTERS

5.1 RISK OF LOSS

Except as provided in Section 5.2, at all times prior to Closing, the Assets and the operation of the Business shall remain at the risk of Vendor.

5.2 FACILITY LOSS AND ENVIRONMENTAL DAMAGE

(a) Notwithstanding Section 5.1, if, during the Interim Period:

(i) any of the Facilities are expropriated or damaged, destroyed or otherwise altered by reason of fire, flood, storm or other casualty ("Facility Loss"); or

(ii) Vendor becomes aware of any Environmental Liability (other than those as disclosed in Schedule "H" and other than the Previously Disclosed Environmental Liabilities) ("New Environmental Liability");

Vendor shall promptly notify Purchaser in writing of the nature and extent of the Facility Loss or New Environmental Liability. Vendor may, but shall not be obligated to, undertake any repairs or other remedial actions to remedy the Facility Loss or New Environmental Liability.

(b) Where:

(i) the cost of undertaking such repairs and other remedial actions as are necessary to return a Facility which is the subject to the Facility Loss to the substantially the same condition and capability of operations as it was in prior to the Facility Loss; plus

(ii) the net income lost to the Corporate Subsidiaries as a result of the Facility Loss in the period from and after the Effective Date; plus

(iii) the cost to remediate any New Environmental Liability to the standard required by Applicable Law,

(the "RELATED COSTS") is:

(iv) less than $10,000,000, the Parties shall proceed with Closing subject to and in accordance with the terms of this Agreement; and

(v) $10,000,000 or greater, but not more than $25,000,000, the Base Purchase Price shall be reduced by the amount by which the Related Costs exceed $10,000,000 and the Parties shall proceed with Closing subject to and in accordance with the terms of this Agreement; and

(vi) $25,000,000 or more, Purchaser may elect to not proceed with Closing, terminate this Agreement and have returned to it the Deposit and interest accrued thereon.

(c) If Closing occurs, Vendor shall, or, where insurance is maintained by its Affiliate, shall have such Affiliate, assign to Purchaser all of the rights of Vendor in and to the proceeds of insurance payable in respect of each Facility Loss, excluding business interruption insurance proceeds payable in respect of the period prior to the Effective Date. In the circumstances contemplated in Section 5.2(b)(v), any proceeds of insurance shall be allocated between Vendor and Purchaser in proportion to the extent each Party bears the Related Costs. After Closing, Vendor shall, at Purchaser's request, use commercially reasonably efforts to assist Purchaser in the collection of such proceeds of insurance.

5.3 GENERAL OPERATION AND MAINTENANCE

Throughout the Interim Period, Vendor shall and shall cause the Corporate Subsidiaries to:

(a) observe, perform and comply in all material respects with all covenants, agreements and obligations of such party with respect to the Business;

(b) maintain and operate that part of the Business conducted by it, to the extent within its control or direction, in a proper and prudent manner in accordance with its customary practice and Applicable Laws;

(c) provide to Purchaser, subject to any confidentiality obligations, any information, periodic reports and such further information as Purchaser may reasonably request, in respect of the negotiations described in Schedule "D"; and

(d) pay all insurance premiums in respect of the policies set forth in Schedule "K" as those premiums become due and payable.

5.4 RESTRICTED ACTIVITIES

Throughout the Interim Period Vendor shall not, and shall cause the Corporate Subsidiaries not to, without the prior written consent of Purchaser, which consent shall not be unreasonably withheld, delayed or conditioned:

(a) make any material change in the conduct of the Business that would reasonably be expected to have a Material Adverse Effect;

(b) enter into, assign, terminate or amend, in any material respect, any Material Agreement, except for activities in the ordinary course of the Business, including the activities described in Schedule "D", provided that Vendor shall not conclude any of the negotiations set forth described in Schedule "D" on terms materially economically different than those represented to Purchaser without Purchaser's prior written consent;

(c) sell, lease or otherwise dispose of any of the Assets except (i) personal property sold, leased or otherwise disposed of in the ordinary course of the Business, (ii) any item of personal property having a value of less than $25,000, and (iii) pursuant to the exercise by any third party of a Preferential Purchase Right;

(d) create any Security Interest on any of the Assets except to the extent (i) incidental to the operation of the Business and given in the ordinary course of business, or (ii) required or evidenced by any contract or agreement set forth in Cochrane Schedule 1, Empress II Schedule 1, or Empress V Schedule 1, or (iii) Permitted Encumbrances; or

(e) make any individual capital expenditure or commitment therefor in respect of the Business in excess of $250,000 for any single item, or in excess of $500,000 in aggregate, other than expenditures: (i) provided for in the existing capital budget of the Corporate Subsidiaries, the Partnership or the Empress II Partnership, as the case may be, (ii) required by any contract or agreement set forth in Cochrane Schedule 1, Empress II Schedule 1, or Empress V Schedule 1, or (iii) pursuant to an authorization for expenditure set forth in Schedule "D".

Notwithstanding the foregoing:

(f) Vendor, a Corporate Subsidiary or Subsidiary Partnership may take or not take any action mentioned in this Section if reasonably necessary under emergency circumstances or if it is required to take or not take such action under Applicable Laws and provided Purchaser is notified as soon thereafter as practicable; and

(g) Vendor may, and may cause the Corporate Subsidiaries and Subsidiary Partnerships to, undertake the transactions contemplated in Section 6.1(ee).

5.5 CORPORATE SUBSIDIARIES AND SUBSIDIARY PARTNERSHIPS

In addition to the restrictions set forth in Section 5.4, throughout the Interim Period, Vendor shall cause the Corporate Subsidiaries and the Subsidiary Partnerships not to, without the prior written consent of Purchaser, which consent shall not be unreasonably withheld, delayed or conditioned:

(a) issue any of their equity securities or securities convertible into equity securities or, in the case of the Subsidiary Partnerships, Partnership Units, or repurchase, redeem or otherwise acquire any such securities or Partnership Units or make or propose to make any other change in their capitalization;

(b) make any change in their respective constating documents or by-laws;

(c) purchase any securities of any corporation or other Person;

(d) take any action or enter into any commitment with respect to or in contemplation of any liquidation, dissolution or other winding up of their respective businesses or operations;

(e) acquire (by merger, consolidation, acquisition of stock or assets or otherwise), in whole or in party, any corporation, partnership, or other business organization or division thereof;

(f) amalgamate, merge or consolidate their respective assets with any other Person; or

(g) in respect of the Corporate Subsidiaries, declare any dividends or make any returns of capital to its shareholders, or commit to do so and, in respect of the Subsidiary Partnerships, make any distributions or returns of capital to its partners or commit to do so, provided however that each of the Corporate Subsidiaries and Subsidiary Partnerships:

(i) may declare and pay dividends or make distributions or returns of capital not in excess, in the aggregate, of the Cash held by such corporation or partnership at the time of payment upon delivery to Purchaser of written notice of the intent of such corporation or partnership to make such payment;

(ii) shall repay, in all material respects, Intercorporate Debt other than that which is attributable to operating costs incurred in the ordinary course of business (which for certainty, shall be included in the Net Working Capital); and

(iii) shall assign to Vendor or an Affiliate (other than a Corporate Subsidiary or Subsidiary Partnership) any Excluded Asset held by it and shall have the Vendor or such Affiliate assume the Excluded Liabilities.

5.6 UPDATES TO REPRESENTATIONS AND WARRANTIES

(a) Each of the Parties shall, in the event of, or promptly after obtaining knowledge of the occurrence or threatened occurrence of any fact or circumstance that would cause any of its or the other Party's representations and warranties set forth herein not to be true and correct, give notice thereof to the other Party.

(b) If prior to the Time of Closing a Party (the "DISCLOSING PARTY") gives notice to the other Party (the "NOTIFIED PARTY") of the occurrence of any fact or circumstance that would cause any of the Disclosing Party's representations and warranties set forth herein not to be true and correct, then the representations and warranties of the Disclosing Party set forth herein shall be deemed to be amended to reflect that fact or circumstance. All references to Sections 6.1 and 6.2 and subsections thereof in this Agreement shall be deemed to be references to Sections 6.1 and 6.2 and subsections thereof as so amended. The Notified Party's sole remedy in respect of such an amendment shall be as set out in Section 10.4 or 10.5, as the case may be.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES

6.1 REPRESENTATIONS AND WARRANTIES OF VENDOR

As of the date hereof, Vendor represents and warrants to Purchaser as follows:

(a) ORGANIZATION AND GOOD STANDING: Each of Vendor and the Corporate Subsidiaries is a corporation duly incorporated, validly existing and current with all corporate filings under the laws of their respective constating jurisdictions, and each of the Subsidiary Partnerships is a general partnership, validly existing and in good standing under the laws of Alberta.

(b) QUALIFICATION: Each of Vendor, the Corporate Subsidiaries and the Subsidiary Partnerships has the requisite power to carry on its business as it is now being conducted and is duly qualified to do business in the Province of Alberta and in the jurisdictions in which its assets make such qualification necessary.

(c) AUTHORITY: Vendor has all requisite corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement and the Transaction have been duly authorized by all requisite corporate action on the part of Vendor.

(d) ENFORCEABILITY: This Agreement constitutes a valid and binding agreement of Vendor enforceable against it in accordance with its terms, subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws of general application with respect to creditors, (ii) general principles of equity, and (iii) the power of a court to deny enforcement of remedies generally based upon public policy.

(e) NO CONFLICT OR VIOLATION: Assuming all Required Consents are obtained or otherwise complied with, neither the execution and delivery of this Agreement nor the consummation of the Transaction and performance of the terms and conditions contemplated hereby by Vendor will (i) conflict with or result in a violation or breach of any provision of the certificate of incorporation, by-laws or other similar governing documents of Vendor, the Corporate Subsidiaries or the Subsidiary Partnerships or, to the knowledge of Vendor, any material agreement, indenture or other instrument to which Vendor, a Corporate Subsidiary or a Subsidiary Partnership is bound, other than such conflicts, breaches or violations of agreements, indentures or other instruments as would not reasonably be expected to have a Material Adverse Effect, or (ii) violate or conflict with any Applicable Laws in the jurisdiction in which the Assets are located other than as would not reasonably be expected to have a Material Adverse Effect.

(f) CONSENTS, APPROVALS, LICENSES: No consent, approval, authorization or filing with or notification to any Person is required for or in connection with the execution and delivery of this Agreement by Vendor or for or in connection with the consummation of the Transaction or the performance of the terms and

conditions contemplated hereby by Vendor, except: (i) the Required Consents; (ii) consents, approvals, authorizations, filings or notices required to be made or obtained in accordance with Applicable Laws; (iii) Customary Post Closing Consents; and (iv) consents, filings or notices the failure of which to obtain or with which to comply would not reasonably be expected to have a Material Adverse Effect on Vendor's ability to complete the Transaction; and (v) such other consents, filings or notices, the failure to obtain which or to comply with which would not have a Material Adverse Effect.

(g) ACTIONS: Except as set forth in Schedules "F", "G" and "H" there are no actions, suits, other legal, administrative or arbitration proceedings existing or, to the knowledge of Vendor, which are pending or threatened against Vendor, the Corporate Subsidiaries or the Subsidiary Partnerships or relating to the Business, the Shares or the Assets.

(h) COMPLIANCE WITH APPLICABLE LAWS: Except as set forth in Schedules "G" and "H", to the knowledge of Vendor, none of Vendor, the Corporate Subsidiaries or the Subsidiary Partnerships is in violation of any Applicable Laws; provided that Vendor makes no representation or warranty, express or implied, with respect to Taxes except as are set forth in Section 6.1(n) or Environmental Laws except as are set forth in Subsection 6.1(m).

(i) SHARES AND PARTNERSHIP UNITS:

(i) WECI holds of record and owns beneficially all of the Shares;

(ii) The Shares are free and clear of any Security Interests and are not subject to the provisions of any contract or commitment that would require WECI to sell, transfer or otherwise dispose of any Shares to any Person other than Purchaser;

(iii) The entire ownership interest in the Subsidiary Partnerships is divided into and represented by the Partnership Units, and PARI and 898389 beneficially own all of the Partnership Units;

(iv) The Partnership Units are free and clear of any Security Interests and are not subject to the provisions of any contract or commitment that would require the Corporate Subsidiaries to sell, transfer or otherwise dispose of any Partnership Units to any Person; and

(v) at Closing, no Person has any right, option or entitlement to acquire an equity interest in the Corporate Subsidiaries or the Subsidiary Partnerships.

(j) CAPITALIZATION OF CORPORATE SUBSIDIARIES AND THE SUBSIDIARY PARTNERSHIPS:

(i) PARI: The authorized share capital of PARI consists of an unlimited number of Class A common voting shares, an unlimited number of Class

B common non-voting shares, an unlimited number of Class C common voting shares and an unlimited number of Class A preferred non-voting shares, of which 126,675 Class A common voting shares and 1,999,000 Class B common non-voting shares are issued and outstanding and held beneficially and of record by Vendor;

(ii) 898389: The authorized share capital of 898389 consists of an unlimited number of common shares and 100 preferred shares, of which 71,029,728 common shares are issued and outstanding and held beneficially and of record by Vendor;

(iii) All of the issued and outstanding shares of the Corporate Subsidiaries have been duly authorized and are validly issued, fully paid and non-assessable;

(iv) Cochrane Partnership: 1051751 Partnership Units of the Cochrane Partnership have been issued to each of PARI and 898389; and

(v) Empress II Partnership: 790,501 Partnership Units of the Empress II Partnership have been issued to each of PARI and 898389.

(k) DIVIDENDS: At Closing, neither of the Corporate Subsidiaries shall have any declared but unpaid dividends.

(l) TITLE TO ASSETS: Vendor does not warrant title to the Assets, but does represent and warrant that the Assets are free and clear of all Security Interests created by, through or under Vendor, the Corporate Subsidiaries or the Subsidiary Partnerships since October 13, 2000, except the Permitted Encumbrances.

(m) ENVIRONMENTAL MATTERS: To the knowledge of Vendor, all material written environmental reports, audits, summaries, materials, data and other information related to Environmental Liabilities affecting the Business in the possession of Vendor have been disclosed to Purchaser. Except as disclosed in Schedule "H" and other than the Previously Disclosed Environmental Liabilities, as of the date hereof, to the knowledge of Vendor none of Vendor, the Corporate Subsidiaries or the Subsidiary Partnerships has received:

(i) any order or directive pursuant to Environmental Laws which requires any work, repairs, construction or capital expenditures with respect to the Business or the Assets which has not been complied with in all material respects; or

(ii) any demand or notice issued under Environmental Laws with respect to the breach of any Environmental Law in relation to the Business or the Assets which has not been complied with in all material respects.

(n) TAX MATTERS: Except as set forth in Schedule "J", to the knowledge of Vendor:

(i) all Tax Returns required to be filed by the Corporate Subsidiaries and the Subsidiary Partnerships have been timely filed, and such Tax Returns are correct and complete in all material respects and all items of income, gain, loss, deduction and credit or other items required to be included in each such Tax Return have been or will be so included; and

(ii) all Taxes shown as due on such returns have been paid.

(o) INSURANCE: Set forth in Schedule "K" is a summary listing of all current policies of liability and property insurance insuring the Assets, employees and Business of Vendor, the Corporate Subsidiaries and the Subsidiary Partnerships. All policies are in full force and effect. Coverage under such policies shall terminate on the Closing Date.

(p) OTHER BUSINESSES: As of the date of this Agreement, the Corporate Subsidiaries and the Subsidiary Partnerships do not carry on any business other than the Business, and at the Closing, the Corporate Subsidiaries and the Subsidiary Partnerships will not carry on any business other than the Business.

(q) NO SUBSIDIARIES: None of the Corporate Subsidiaries or the Subsidiary Partnerships has any subsidiaries.

(r) RESIDENCY FOR TAX PURPOSES: Vendor is not a non-resident of Canada for the purposes of the Tax Act.

(s) ETA REGISTRATION: WECI is a registrant for the purposes of the ETA, WECI's registration number being 86119 3126 RT0001. PARI is a registrant for the purposes of the ETA, PARI's registration number being 10405 8102 RT0001. 898389 is a registrant for the purposes of the ETA, 898389's registration number being 10515 0833 RT0001. The Cochrane Partnership is a registrant for the purposes of the ETA, the Partnership's registration number being 86757 9401 RT0001. The Empress II Partnership has, as of the date of execution of this Agreement, applied to be a registrant for the purposes of the ETA, and on the Closing Date will be a registrant, and at or prior to the Closing Date will have provided Purchaser with notice of its registration number.

(t) BROKERAGE FEES AND COMMISSIONS: Vendor has not incurred any obligation or entered into any agreement for any investment banking, brokerage or finder's fee or commission in respect of the Transaction for which Purchaser, the Corporate Subsidiaries or the Subsidiary Partnerships shall incur any liability.

(u) EMPLOYEES: The Corporate Subsidiaries and the Subsidiary Partnerships do not have any employees.

(v) FINANCIAL STATEMENTS: Vendor has delivered to Purchaser the audited financial statements for the years ended December 31, 2003, 2002 and 2001 and unaudited financial statements for the 3 months ended March 31, 2004 and 2003, all as set

forth in Schedule "W". Such audited and unaudited financial statements were prepared from the Books and Records of Vendor in accordance with GAAP.

(w) NO UNDISCLOSED LIABILITIES:

(i) On the Effective Date, PARI, 898389 and the Subsidiary Partnerships do not have any liabilities which should be shown on a balance sheet or notes thereto prepared in accordance with GAAP except: (A) liabilities which are included in the calculation of the Net Working Capital; (B) liabilities that have been incurred in the ordinary course of business which have not become due; (C) liabilities associated with those matters set out in Schedule "F", "G" and "H"; (D) Permitted Encumbrances; (E) Environmental Liabilities; (F) liabilities or indebtedness which are satisfied after the Effective Date in accordance with Section 5.5(g)(ii); (G) obligations and liabilities otherwise disclosed herein; and (H) future income tax liability; and

(ii) There is no Intercorporate Debt that would not be classified as a current liability or current asset pursuant to GAAP.

(x) CONTRACTS: Vendor has, or has caused the Corporate Subsidiaries or the Subsidiary Partnerships to have, made available to Purchaser true and complete copies or financial or agreement summaries of the Material Agreements, and the Material Agreements include all of the contracts, agreements and instruments to which any of Vendor, the Corporate Subsidiaries or the Subsidiary Partnerships are a party as at the date hereof which affect or relate to the Business and the Assets or either of them (other than consulting services or performance of work contracts entered into in the ordinary course of business) and which: (A) provide for aggregate payments by or to Vendor, the Corporate Subsidiaries or the Subsidiary Partnerships of $1,000,000 or more over the term of the contract; or (B) the termination of which would have a Material Adverse Effect.

(y) PERMITS:

(i) Vendor holds, or to its knowledge where a third party operates a Facility, that third party holds, all material Permits necessary or required to be held by it for the operation of that Facility and is in compliance with those Permits;

(ii) Except as set forth in Schedules "F", "G" and "H", no proceeding is existing, or to the knowledge of Vendor, pending or threatened, with respect to any alleged material failure by it or any third party operator, to have any required Permit or not to be in material compliance with its Permits, where such alleged failure has not been rectified;

(iii) To the knowledge of Vendor no event has occurred and is continuing which allows, or after notice or lapse of time or both would allow, any

material modification or the termination of any such Permit held by it or any third party operator.

(z) NO VIOLATION OF CONTRACTS: Except as disclosed in Schedule "F", to the knowledge of Vendor none of Vendor, the Corporate Subsidiaries, the Subsidiary Partnerships or any other Person is in material breach or violation of, or default under, any Material Agreement. Each Material Agreement is, to the knowledge of Vendor, a valid agreement, arrangement or commitment of Vendor, the Corporate Subsidiary or the Subsidiary Partnerships which is a party thereto, enforceable against Vendor, the Corporate Subsidiary or the Subsidiary Partnerships as applicable, and the other parties thereto, in accordance with its terms, except in each case where enforceability may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally and except where enforceability is subject to the application of equitable principles or remedies.

(aa) PREFERENTIAL PURCHASE RIGHTS: Except as set forth in Schedule "N", or in respect of which a waiver has been obtained, there are no Preferential Purchase Rights, options or other rights created by, through or under it or any Corporate Subsidiary or the Subsidiary Partnerships since October 13, 2000 or, to the knowledge of Vendor, prior to that date, held by any Person not a party to this Agreement to purchase or acquire any interest in any part of the Assets or Shares as a result of the Transaction and in respect of those Preferential Purchase Rights set forth in Schedule "N", as of the date hereof, the waivers indicated in Schedule "N" have been obtained.

(bb) MINUTE BOOKS: The minute books of the Corporate Subsidiaries were accurate and current in all material respects as of the date of this Agreement.

(cc) INTELLECTUAL PROPERTY: The Assets include all material patents, trade designs and other intellectual property used in the Business (provided that Purchaser makes no representation as to the transferability of, or implications of a change of control on, any licensed third party intellectual property). To the knowledge of Vendor, to the extent related to the Business, none of Vendor, the Corporate Subsidiaries or the Subsidiary Partnerships is in violation of any patents, trade marks or intellectual property rights.

(dd) NO LOSS OF RIGHTS: To the knowledge of Vendor, the consummation of the Transaction shall not result in the loss of any right or benefit under any Material Agreement nor confer upon any third party any right or benefit under any Material Agreement except as provided for in the Shrinkage Make-Up and Billing/Payment Frequency Memorandum of Agreement dated September 26, 2002.

(ee) INTERCORPORATE DEBT, EXCLUDED ASSETS AND PARI CIBC LOAN: On or before the Closing Date Vendor shall have:

(i) caused PARI to pay in full all amounts outstanding in respect of the PARI CIBC Loan;

(ii) repaid, in all material respects, Intercorporate Debt other than that which is attributable to operating costs incurred or revenues arising in the ordinary course of business; and

(iii) caused the Corporate Subsidiaries and the Subsidiary Partnerships, as applicable, to have assigned to Vendor all of the Excluded Assets and all rights, obligations and liabilities associated therewith.

6.2 REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Vendor as follows:

(a) ORGANIZATION: Purchaser is a corporation duly organized, validly existing and in good standing under the laws of Province of Alberta.

(b) QUALIFICATION: Purchaser has the requisite corporate power to carry on its business as it is now being conducted, and is duly qualified to do business, and is in good standing, in the jurisdictions in which Purchaser's assets make such qualification necessary.

(c) AUTHORITY: Purchaser has all requisite corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement and the consummation of the Transaction have been duly and validly authorized by all requisite corporate action on the part of Purchaser.

(d) ENFORCEABILITY: This Agreement constitutes a valid and binding agreement of Purchaser enforceable against Purchaser in accordance with its terms, subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws of general application with respect to creditors, (ii) general principles of equity and (iii) the power of a court to deny enforcement of remedies generally based upon public policy.

(e) NO CONFLICT OR VIOLATION: Neither the execution and delivery of this Agreement nor the consummation of the Transaction and performance of the terms and conditions contemplated herein by Purchaser will: (i) conflict with or result in a violation or breach of any provision of the certificate of incorporation, by-laws or other similar governing documents of Purchaser or, to the knowledge of Purchaser, any material agreement, indenture or other instrument under which Purchaser is bound, other than such conflicts, breaches or violations of agreements, indentures or other instruments as would not reasonably be expected to have a material adverse effect on Purchaser's ability to complete the Transaction, or (ii) violate or conflict with any Applicable Laws in the jurisdictions in which the assets of Purchaser are located other than as would not

reasonably be expected to have a material adverse effect on Purchaser's ability to complete the Transaction.

(f) CONSENTS: To the knowledge of Purchaser, no consent, approval, authorization or permit of, or filing with or notification to, any Person is required for or in connection with the execution and delivery of this Agreement by Purchaser or for or in connection with the consummation of the Transaction and performance of the terms and conditions contemplated hereby by Purchaser, except for (i) those consents, filings or notices expressly described and set forth in Schedule "M", (ii) Customary Post-Closing Consents, (iii) consents, filings or notices required to be made in accordance with the Competition Act (Canada), and (iv) consents, filings or notices the failure of which to obtain or with which to comply would not reasonably be expected to have a material adverse effect on Purchaser's ability to complete the Transaction.

(g) ACTIONS: There are no actions, suits, or other legal, administrative or arbitration proceedings pending against Purchaser, or to the knowledge of Purchaser, threatened against Purchaser, which would reasonably be expected to have a material adverse effect on Purchaser's ability to complete the Transaction.

(h) FUNDS: Purchaser has, and at all times prior to Closing will have, sufficient funds available to enable Purchaser to consummate the Transaction and to pay the payments described in Section 3.3 and Section 4.5 and all related fees and expenses of Purchaser.

(i) INVESTMENT CANADA ACT: Purchaser is not a non-Canadian within the meaning of the Investment Canada Act (Canada).

(j) ACTING AS PRINCIPAL: Purchaser is purchasing all of the right, title, interest and estate of Vendor in the Shares and Support Assets as principal.

(k) BROKERAGE FEES AND COMMISSIONS: Neither Purchaser nor any Affiliate of Purchaser has incurred any obligation or entered into any agreement for any investment banking, brokerage or finder's fee or commission in respect of the Transaction for which Vendor shall incur any liability.

(l) GOOD STANDING: Purchaser is not in breach of any Applicable Laws which could result in an undue delay or an inability to register any transfers of any license, order, permit or approval relating to the Business.

(m) TAX STATUS: Purchaser is not exempt from Canadian income Tax pursuant to section 149 of the Tax Act.

(n) ETA REGISTRATION: Purchaser is a registrant pursuant to the ETA, Purchaser's registration number being 861863025 RT0001.

6.3 NO ADDITIONAL REPRESENTATIONS AND WARRANTIES

Except as and to the extent set forth in Section 6.1, Vendor makes no representations or warranties whatsoever, and Purchaser acknowledges that it is purchasing the Shares and the Support Assets (and, indirectly, the Assets) on an "as is, where is" basis except as and to the extent of the representations and warranties set forth in Section 6.1. Vendor disclaims all liability and responsibility for any representation, warranty, statement or information made or communicated (orally, electronically or in writing) to Purchaser (including any opinion, information or advice which may have been provided to Purchaser by any officer, shareholder, director, employee, agent, consultant or representative of Vendor, or its Affiliates, financial advisors, counsel or any other agent, consultant, representative or Person (collectively referred to as "VENDOR'S REPRESENTATIVES"). Without limiting the generality of the foregoing, Vendor makes no representations or warranties, as to:

(a) title to the Assets (except to the limited extent set forth in Subsections 6.1(l);

(b) any Environmental Matters or Environmental Liabilities, except to the limited extent set forth in Subsection 6.1(m);

(c) any estimates of the value of the Shares, the Assets, the Business or the revenues, future revenues or estimates applicable to the Business;

(d) any engineering or other interpretations or evaluations respecting the Business;

(e) the location, quality, condition or serviceability of the Assets or the Business;

(f) the suitability or fitness of any of the Assets for any use or purpose; or

(g) any information provided or made available to Purchaser by Vendor's Representatives, in Vendor's data room, on plant or site visits or otherwise.

Without restricting the generality of the foregoing, Purchaser acknowledges that it:

(i) has been given the opportunity to make plant and site visits;

(ii) has had full access to Vendor's data room and the information contained in the data room;

(iii) has made its own independent investigation, analysis, evaluation, appraisal and inspection of the Business and the financial condition, operations and prospects of Vendor, the Subsidiary Partnerships, the Corporate Subsidiaries and the Business;

(iv) has relied solely on its independent investigation, analysis, evaluation, appraisal, inspection and judgment as to its assessment of the value of the Business, the Shares and the Assets and the valuation, price and expense assumptions applicable thereto; and

(v) has, prior to entering into this Agreement, been advised by its counsel and such other Persons it has deemed appropriate concerning this Agreement.

6.4 NO MERGER

The representations and warranties made by Vendor in Section 6.1 shall respectively be deemed to apply to all transfers, assignments and other documents under which Vendor conveys its entire right, title, estate and interest in the Shares and the Support Assets to Purchaser. There shall not be any merger of any of such representations or warranties in such assignments, transfers or other documents, notwithstanding any rule of law, equity or statute to the contrary and all such rules are hereby waived.

6.5 NON-TRANSFERABLE

The representations and warranties contained in this Agreement and in any other certificate, agreement or other document delivered pursuant hereto, are made for the exclusive benefit of the Person to whom they are addressed, and such Person's Affiliates, and are not transferable and shall not be the subject of any rights of subrogation granted in favour of any other Person.

ARTICLE 7
TAX MATTERS

7.1 TAX RETURNS FOR PRE-EFFECTIVE DATE PERIODS

Vendor will cause to be prepared and timely filed all Tax Returns for each Corporate Subsidiary and the Cochrane Partnership for all taxable periods ending prior to the Effective Date and which are not filed before the Effective Date. Vendor has caused the fiscal year end for the Cochrane Partnership to end on the day immediately preceding the Effective Date.

7.2 TAX RETURNS FOR STRADDLE PERIOD AND POST-EFFECTIVE DATE PERIODS

Purchaser shall prepare or cause to be prepared and timely filed all Tax Returns for each Corporate Subsidiary and the Subsidiary Partnerships for taxable periods ending on or after the Effective Date. Purchaser shall permit Vendor to review and comment on each such Tax Return prior to filing and shall make such revisions to such Tax Returns as are reasonably requested by Vendor. Vendor shall reimburse Purchaser for all reasonable third party costs and expenses incurred in connection with the preparation and filing of such Tax Returns to the extent in relation to the period ending on or at the Effective Date.

7.3 COOPERATION ON TAX MATTERS

Vendor and Purchaser shall cooperate fully, as and to the extent reasonably requested by the other Party, in connection with the preparation and filing of Tax Returns pursuant to this Article 7, in the conduct of any Tax matter with respect to Taxes relating to taxable periods (or portions thereof) ending prior to the Effective Date and in the management of income tax liability and the implementation of any Tax savings plans.

7.4 TAX LIABILITY

(a) Vendor shall be liable for, and shall cause to be timely paid, all Taxes, and shall be entitled to Tax refunds, of PARI and 898389 for tax periods ending prior to the Effective Date ("PRE-EFFECTIVE DATE TAX PERIOD");

(b) Subject to Section 7.4(c), Purchaser shall be liable for, and shall cause to be timely paid, all Taxes, and shall be entitled to Tax refunds, of PARI and 898389 for taxable periods ending on or after the Effective Date;

(c) Vendor shall be liable for all Taxes and entitled to Tax refunds of PARI and 898389 for periods that begin before the Effective Date and end after the Effective Date ("STRADDLE PERIOD") that are properly allocable to the period prior to the Effective Date ("PRE-EFFECTIVE DATE PERIOD"). Taxes or Tax refunds from a Straddle Period shall be allocated to Vendor by taking the total amount of Tax or Tax refunds for the Straddle Period and apportioning an amount of such Tax or Tax refunds to Vendor based on the tax base attributable to the Pre-Effective Date Period (examples of tax base are "sale" and/or "expenditures" for sales tax returns and "time" for franchise tax and ad valorem tax returns).

(d) The Straddle Period Taxes (which may include tax refunds) allocable to Vendor as well as any unpaid Taxes or Tax refunds from Pre-Effective Date Tax Periods shall be included as Other Current Liabilities or Other Current Assets in the determination of Net Working Capital.

7.5 TAX INDEMNIFICATION AND AUDITS

(a) Provided Purchaser and its Affiliates have not requested an audit by a taxing authority or otherwise deliberately caused such an audit to occur, from and after the Closing Vendor shall indemnify, release and save Purchaser, its Affiliates, PARI and 898389 and their respective officers, directors, employees and agents harmless from and against, and shall pay, all Taxes imposed (net of the present value of any Tax benefits, including the present value of any increased future year deductions, calculated pursuant to Schedule "J") as a result of an assertion, claim, notice of deficiency, or assessment by, or any obligation owing to, any taxing authority for any Taxes of PARI or 898389 for any Pre-Effective Date Period or for any Straddle Period Taxes which are properly allocable to Vendor under Section 7.4.

(b) Provided Vendor and its Affiliates have not requested an audit by a taxing authority or otherwise deliberately caused such an audit to occur, from and after Closing, Purchaser shall indemnify, release and save the Vendor Indemnified Parties harmless from and against, and shall pay, all Taxes imposed as a result of an assertion, claim, notice of deficiency or assessment by, or any obligation owing to, any taxing authority for any Taxes of PARI or 898389 for any period beginning on or after the Effective Date ("POST-EFFECTIVE DATE PERIOD") or for

any Straddle Period Taxes which are properly allocable to Purchaser under Section 7.4.

(c) If an assertion, question or claim (whether written or verbal) shall be made by any taxing authority that could result in the indemnification of a Party (the "TAX INDEMNIFIED PARTY") under this Section, the Tax Indemnified Party shall promptly notify the Party obligated under this Section (the "TAX INDEMNIFYING PARTY") to indemnify the Tax Indemnified Party in writing of such fact, and:

(i) the Tax Indemnified Party shall take such action in connection with responding to such assertion, question or claim as the Tax Indemnifying Party shall reasonable request in writing from time to time, including the selection of counsel and experts and the execution of powers of attorney, provided that (A) within thirty (30) days after the notice required by this subsection has been delivered (or such earlier date that any payment of Taxes is due by the Tax Indemnified Party but in no event sooner than five (5) days after the Tax Indemnifying Party's receipt of such notice), the Tax Indemnifying Party requests that such claim be contested or specifies the manner in which such assertion or question should be responded to, and (B) the Tax Indemnifying Party shall have agreed to pay to the Tax Indemnified Party all reasonable costs and expenses that the Tax Indemnified Party incurs in connection with contesting such claim or responding to such question or assertion, including reasonable attorney's and accountants' fees and disbursements. The Tax Indemnified Party shall not make any payment of such claim for at least thirty (30) days (or such shorter period as may be required by Applicable Laws) after the giving of the notice required by this subsection, shall give to the Tax Indemnifying Party any information requested relating to such assertion, question or claim, and shall otherwise cooperate with the Tax Indemnifying Party in order to contest effectively any such assertion, question or claim. The Tax Indemnifying Party shall determine the method of any contest of such claim and shall control the conduct thereof. The Tax Indemnifying Party shall have the right to pay the amount of any claim at any time for the purpose of avoiding interest charges. Upon the successful contestation of such claim, in whole or in part, the Tax Indemnifying Party shall be entitled to the return of such amount or portion thereof, together with any interest that is received thereon;

(ii) subject to the provisions of paragraph (i) of this subsection, the Tax Indemnified Party shall enter into settlement of such contest with the applicable taxing authority or prosecute such contest to a determination in a court, all as the Tax Indemnifying Party may reasonably request; provided, however, that the Tax Indemnified Party shall not be required by this Section 7.5(c) to agree to any settlement or take any position in any contest that would increase the Tax Indemnified Party's tax liability for any period for which it is not indemnified by the Tax Indemnifying Party;

(iii) promptly after the extent of the liability of the Tax Indemnified Party with respect to a claim shall be established by the final judgment or decree of a court or a final and binding settlement with a Governmental Body having jurisdiction thereof, the Tax Indemnifying Party shall pay to the Tax Indemnified Party the amount of any Taxes to which the Tax Indemnified Party may become entitled by reason of the provisions of this Section; and

(iv) the failure of the Tax Indemnified Party to promptly notify the Tax Indemnifying Party hereunder shall not relieve the Tax Indemnifying Party of its obligations hereunder, except to the extent that the Tax Indemnifying Party is prejudiced by the failure to so notify promptly.

(d) Notwithstanding anything to the contrary in this Section, any interest, penalties, fines, assessments or additions to Tax resulting from or attributable to the failure of the Tax Indemnified Party to act in a timely manner, including filing Tax Returns, responding to tax audit or other inquiries or making payments shall not be indemnified hereunder and shall be the sole responsibility of the Tax Indemnified Party.

(e) In addition to the provisions of Section 7.5(c), if Vendor becomes aware of any proposed audit adjustments of a Pre-Effective Date Period Tax Return that could result in or increase any Tax imposed on PARI or 898389 in any Post-Effective Date Period, Vendor shall promptly inform Purchaser. If Vendor elects not to contest the adjustment, Purchaser shall have the option, at Purchaser's own expense, to contest the proposed adjustment in accordance with the provisions of Section 7.5(c).

(f) In addition to the provisions of Section 7.5(c), if any proposed audit adjustments of a Post-Closing Period could result in an audit adjustment for a Pre-Effective Date Period, Purchaser shall promptly inform Vendor. If Purchaser elects not to contest the adjustment, Vendor shall have the option, at Vendor's own expense, to contest the proposed adjustment in accordance with the provisions of Section 7.5(c).

(g) Subject to the application of Section 12 to any representation, warranty, covenant or agreement made herein with respect to Taxes, the indemnification provided in this Section shall be the sole remedy for any claim in respect of Taxes. Any claim for indemnity under this Section must be made within ninety (90) days following the expiration of the applicable tax statute of limitations with respect to the relevant taxable period (including all periods of extension).

(h) To the extent any refunds or credits with respect to Taxes paid by PARI or 898389 are attributable to transactions in taxable periods commencing before and ending on or before the Effective Date, such refunds or credits shall be for the account of Vendor. Except as provided in the immediately succeeding sentence, to the extent any determination of Taxes, whether as the result of an audit or examination, a claim for refund, the filing of an amended Tax Return or otherwise

results in a refund or credit of Taxes paid (a "REFUND") (i) Vendor shall be entitled to any part of such Refund attributable to a Pre-Effective Date Period, (ii) Purchaser shall be entitled to any part of such Refund attributable to a Post-Closing Tax Period, and (iii) Purchaser and Vendor shall each be entitled to a Refund attributable to a Straddle Period in the portions that Purchaser and Vendor originally bore any Taxes payable with respect to such taxable period. Whichever Party receives such Refund shall, within ten (10) Business Days after receipt thereof, pay such Refund, or the appropriate part thereof, and the interest received thereon to the Party entitled thereto under this subsection. To the extent any such Refund is properly includable in the taxable income of the initial recipient, the amount forwarded or reimbursed to Vendor or Purchaser, as the case may be, shall be reduced by a percentage of the amount of such Refund equal to the highest combined marginal federal and provincial income tax rate applicable to manufacturing and processing profits for the tax period in which the Refund is received. Any Refund not made within the ten (10) Business Day period specified above shall bear interest from the date received by the refunding Party at the Prime Rate.

(i) Purchaser agrees that it shall not take any pro-active action which may result in an audit or investigation relating to Tax matters arising from the conduct of the Business prior to the Effective Date.

ARTICLE 8
PREFERENTIAL PURCHASE RIGHTS

8.1 NOTICES

As soon as commercially reasonable following the execution and delivery of this Agreement by both Parties, Vendor shall comply with all Preferential Purchase Rights set forth and described in Schedule "N" which have not been waived and shall inter alia cause any required notices to be served on all appropriate parties utilizing bona fide value allocations as required under the agreements pursuant to which such Preferential Purchase Rights relate, which shall be supplied by Purchaser based upon generally accepted industry evaluation practices applied in a reasonable manner.

8.2 CONTINUED OBLIGATIONS UPON EXERCISE OF PREFERENTIAL PURCHASE RIGHTS

If one or more third parties duly exercises a Preferential Purchase Right, Vendor shall proceed to sell that part of the Assets subject to such exercised Preferential Purchase Right (the "ROFR ASSETS") to such third party or third parties, and Purchaser shall purchase all of the Shares and the Support Assets other than the ROFR Assets subject to and in accordance with this Agreement, and:

(a) the Purchase Price shall be reduced by the aggregate value attributed to the ROFR Assets pursuant to the values attributed thereto by Purchaser pursuant to Section 8.1; and

(b) this Agreement, including the definitions and all Schedules attached hereto, and all certificates, agreements and documents to be delivered pursuant hereto shall be construed without reference to the ROFR Assets.

ARTICLE 9
ENVIRONMENTAL DUE DILIGENCE

9.1 ENVIRONMENTAL REPORTS

Purchaser acknowledges that prior to the execution and delivery of this Agreement, Purchaser has reviewed and examined all environmental reports, audits, summaries and other data and information relating to the Environment referred to in Schedule "I" with respect to the environmental condition of the Assets, and has taken into account the Previously Disclosed Environmental Liabilities in determining the amount of the Purchase Price.

9.2 ENVIRONMENTAL LIABILITY

Purchaser acknowledges that it has been provided with the right and opportunity to conduct due diligence investigations with respect to any potential Environmental Liabilities. Notwithstanding any other provision of this Agreement, Purchaser shall be solely responsible for all Environmental Liabilities regardless of whether such Environmental Liabilities occurred, arose or accrued at, prior to or subsequent to the Time of Closing. The covenants and agreements to indemnify made by Purchaser pursuant to Section 12.2 (b)(v) shall survive the Closing and shall not be subject to any limitation periods. Other than claims by Purchaser pursuant to Section 12.1 in respect of the representation and warranty contained in Subsection 6.1(m), the Purchaser Indemnified Parties shall have no rights of recovery, indemnification or contribution for Environmental Liabilities under this Agreement or at law or in equity, and all other rights or remedies which Purchaser may have at or under Applicable Law or in equity, including any right of contribution or reimbursement under any Environmental Law, with respect to any Environmental Liabilities are expressly waived.

ARTICLE 10
CONDITIONS

10.1 CONDITIONS FOR BENEFIT OF PURCHASER

The obligation of Purchaser to complete the Transaction shall be subject to the satisfaction of, or compliance with, the following conditions at or before the Time of Closing (which conditions Vendor hereby acknowledges are intended for the exclusive benefit of Purchaser and may be unilaterally waived by Purchaser in whole or in part):

(a) VENDOR'S REPRESENTATIONS AND WARRANTIES: The representations and warranties of Vendor set forth in Section 6.1 shall, except where a specific time is otherwise indicated, be true and correct in all material respects as at the Time of Closing with the same force and effect as though made at the Time of Closing, except to

the extent of any matters permitted under Section 5, and a certificate to that effect from Vendor shall have been delivered to Purchaser at Closing;

(b) COMPLIANCE WITH AGREEMENT: Vendor shall have complied with and performed in all material respects all covenants and obligations required by this Agreement to be complied with and performed by Vendor at or prior to Closing;

(c) RECEIPT OF CLOSING DOCUMENTATION: Purchaser shall have received from Vendor all documents required to be delivered by Vendor pursuant to Section 11.2;

(d) STATUTORY REQUIREMENTS: The Competition Act Requirement shall have been satisfied on term satisfactory to Purchaser, acting reasonably;

(e) REQUIRED CONSENTS: All Required Consents shall have been obtained; and

(f) ADDITIONAL CONDITION: The condition set forth in that letter agreement between Purchaser and Vendor dated June 29, 2004 shall have been satisfied or waived by July 20, 2004.

10.2 CONDITIONS FOR BENEFIT OF VENDOR

The obligation of Vendor to complete the Transaction shall be subject to the satisfaction of, or compliance with, at or before the Time of Closing, the following conditions (which are acknowledged to be inserted for the exclusive benefit of Vendor and which may be unilaterally waived by Vendor in whole or in part):

(a) TRUTH AND ACCURACY OF REPRESENTATIONS AND WARRANTIES: All representations and warranties of Purchaser in Section 6.2 shall, except where a specific time is otherwise indicated, be true and correct in all material respects as at the Time of Closing with the same force and effect as though made at the Time of Closing and a certificate to that effect from Purchaser shall have been delivered to Vendor at Closing;

(b) COMPLIANCE WITH AGREEMENT: Purchaser shall have complied with and performed in all material respects all covenants and agreements required by this Agreement to be complied with and performed by Purchaser at or prior to Closing;

(c) RECEIPT OF CLOSING DOCUMENTATION: Vendor shall have received from Purchaser all documents required to be delivered by Purchaser pursuant to Section 11.3;

(d) STATUTORY REQUIREMENTS: The Competition Act Requirement shall have been satisfied on terms satisfactory to Vendor, acting reasonably; and

(e) REQUIRED CONSENTS: All Required Consents shall have been obtained

10.3 PARTIES TO EXERCISE DILIGENCE WITH RESPECT TO CONDITIONS PRECEDENT

Each Party shall use all commercially reasonable efforts to satisfy (or cause the satisfaction of) the conditions to its and the other Party's obligations under this Agreement that are reasonably capable of being performed by it and, subject to the satisfaction or waiver of the conditions set forth in this Section 10 that are for its benefit, each Party shall take, or cause to be taken all other commercially reasonable actions to complete the Transaction. Purchaser shall be solely responsible, at its sole cost, for preparing and filing the Competition Act Notification. Purchaser shall be obligated to agree to reasonable conditions and undertakings to the extent required to satisfy the Competition Act Requirement.

10.4 RIGHTS OF PURCHASER

If:

(a) any of the conditions for the exclusive benefit of Purchaser set forth in Section 10.1 shall not have been fulfilled at or prior to the Closing; or

(b) Vendor has notified Purchaser of an amendment to Vendor's representations and warranties pursuant to Section 5.6 that is reasonably expected to have a Material Adverse Effect,

Purchaser shall be entitled, upon written notice given to Vendor prior to the Time of Closing to terminate its obligations under this Agreement effective as of the time of such notice, provided such written notice sets forth the grounds of termination. If no such notice is given prior to the completion of Closing, Purchaser shall be deemed to have waived fulfillment of such condition and to have elected to proceed with Closing as contemplated by Section 11. Where Purchaser has given written notice to Vendor to terminate its obligations under this Agreement as a result of an amendment to Vendor's representations and warranties pursuant to Section 5.6, and such amendment is the result of a willful breach by Vendor of its obligations hereunder, or is attributable the actions of Vendor's Affiliate which, had they been actions of Vendor, would have been a willful breach hereunder, Vendor shall pay to Purchaser, the Purchaser's Transaction Costs.

10.5 RIGHTS OF VENDOR

If:

(a) any of the conditions for the exclusive benefit of Vendor set forth in Section 10.2 shall not have been fulfilled at or prior to the Time of Closing; or

(b) Purchaser has notified Vendor of an amendment to Purchaser's representations and warranties pursuant to Section 5.6 that is reasonably expected to have a Material Adverse Effect,

Vendor shall be entitled, by written notice given to Purchaser prior to the Time of Closing to terminate its obligations under this Agreement effective as of the time of such notice, provided such written notice sets forth the grounds of termination. If no such notice is given prior to the

completion of Closing, Vendor shall be deemed to have waived fulfillment of such condition and to have elected to proceed with Closing as contemplated by Section 11.

10.6 EFFECT OF TERMINATION

If this Agreement is terminated by Purchaser as permitted under Section 10.4 or terminated by Vendor as permitted under Section 10.5 hereof:

(a) except as set forth in paragraph (b), (c) and (d) below, such termination shall be without liability of any Party to any other Party to this Agreement and the Parties shall be released from all of their obligations under this Agreement and neither Party shall have any claim against the other for damages or specific performance or otherwise in respect of the Transaction or this Agreement other than a claim for Losses suffered or incurred by it as a consequence of the other Party failing to comply with Section 10.3;

(b) the Deposit and interest accrued thereon shall be retained by Vendor or returned to Purchaser in accordance with Article 3;

(c) Purchaser shall promptly return to Vendor all materials delivered to Purchaser by Vendor, together with all copies of them that may have been made by or for Purchaser as contemplated in the Confidentiality Agreement; and

(d) the Confidentiality Agreement shall survive any termination of this Agreement.

10.7 PROVISION OF INFORMATION

For a period commencing on the date hereof and ending on the first anniversary of the Closing Date, Vendor shall, subject to any obligations to third parties or other lawful restrictions, provide to Purchaser and to Purchaser's auditors such information as Purchaser may request in respect of the Assets and Business as is required pursuant to Applicable Laws, or for the requirements of any stock exchange or securities commission, which information may be disclosed by Purchaser in accordance with Section 17.9. Vendor consents to its auditors communicating and cooperating with Purchaser and its auditors and providing any consent or comfort letter in connection with Purchaser's use of financial information provided under this Section 10.7 and will instruct its auditors to do so.

ARTICLE 11
CLOSING

11.1 CLOSING OF TRANSACTION

The Closing shall take place at the offices of Vendor's counsel, Bennett Jones LLP, in Calgary Alberta, at 10:00 a.m. on the Closing Date.

11.2 DELIVERIES BY VENDOR AT CLOSING

At Closing, Vendor shall deliver or cause to be delivered to Purchaser:

(a) the documents reasonably necessary to effectively transfer and convey the Shares and the Support Assets to Purchaser and the Purchaser shall, at its own cost and expense, register or have executed by third-parties such documents necessary to effect such transfer and conveyance;

(b) resignations of the directors and officers of the Corporate Subsidiaries and mutual releases of all claims such officers and directors and the Corporate Subsidiaries may have against each other arising from such officers and directors acting as such;

(c) the certificate referred to in Section 10.1(a);

(d) share certificates representing all of the shares of each of the Corporate Subsidiaries (endorsed for transfer);

(e) confirmation from the CIBC of the repayment of the PARI CIBC Loan;

(f) termination of, and releases by Vendor, 898389 and PARI in respect of, the Management and Operating Services Agreements;

(g) a guarantee given by The Williams Companies, Inc. of the payment and performance by Vendor of its obligations hereunder in the form of that attached as Schedule "U";

(h) a bill of sale or general conveyance in respect of the Support Assets in form and substance satisfactory to Purchaser, acting reasonably; and

(i) any other documents specifically contemplated herein.

11.3 DELIVERIES BY PURCHASER AT CLOSING

At Closing, Purchaser shall deliver or cause to be delivered to Vendor:

(a) the payments described in Sections 3.3, 3.4 and 3.5;

(b) the certificate referred to in Section 10.2(a);

(c) a guarantee given by Inter Pipeline Fund of the payment and performance by Purchaser of its obligations hereunder in the form of that attached as Schedule "U"; and

(d) and any other documents specifically contemplated herein.

ARTICLE 12
INDEMNITIES

12.1 INDEMNITY BY VENDOR

From and after the Closing and subject to the limitations contained in Sections 12.3 and 12.4, Vendor shall:

(a) be solely liable and responsible for any and all Losses which Purchaser, its Affiliates and their directors, officers, agents and employees (the "PURCHASER INDEMNIFIED PARTIES") may suffer, sustain, pay or incur; and

(b) indemnify, release and save Purchaser Indemnified Parties from any and all Losses which Purchaser Indemnified Parties may suffer, sustain, pay or incur;

resulting from, arising out of, attributable to or connected with:

(i) any breach of any representation or warranty made by Vendor under Section 6.1;

(ii) any failure by Vendor to observe or perform any covenant or agreement made by Vendor under this Agreement to the extent such failure was not caused by a Purchaser Indemnified Party; and

(iii) third party claims arising from or related to the conduct of the Business prior to the Effective Date, other than:

(A) Environmental Liabilities;

(B) Disclosed Actions; and

(C) any current liabilities included in the Net Working Capital.

(iv) claims arising from or related to the Outstanding Audits; and

(v) claims arising from or related to the Excluded Assets or any Third Party Technology, Process Technology or Hardware that Vendor is unable to transfer, assign or license.

The covenants and agreements to indemnify made by Vendor in this Section shall survive the Closing for the applicable Survival Period.

12.2 INDEMNITY BY PURCHASER

From and after the Closing and subject to the limitations contained in Section 12.3, Purchaser shall:

(a) be solely liable and responsible for any and all Losses which Vendor, its Affiliates and their directors, officers, agents and employees (the "VENDOR INDEMNIFIED PARTIES") may suffer, sustain, pay or incur; and

(b) indemnify, release and save the Vendor Indemnified Parties harmless from any and all Losses which Vendor Indemnified Parties may suffer, sustain, pay or incur;

resulting from, arising out of, attributable to or connected with:

(i) any breach of any representation or warranty made by Purchaser under Section 6.2;

(ii) any failure by Purchaser to observe or perform any covenant or agreement made by Purchaser under this Agreement to the extent such failure was not caused by the Vendor Indemnified Parties;

(iii) the Future Obligations and the Financial Assurances to the extent provided in Section 2.2(c) to the extent such failure was not caused by a breach of a representation, warranty or covenant of the Vendor hereunder;

(iv) any Taxes (other than income taxes of Vendor), fees, charges, levies, duties or similar assessments or charges of any jurisdiction which may be imposed with respect to the Transaction, including any associated interest charges or penalties, to the extent such Taxes, fees, charges, levies, duties or similar assessments or charges were not caused by a breach of a representation, warranty or covenant of the Vendor hereunder;

(v) Environmental Liabilities, regardless of whether such Environmental Liabilities occurred, arose or accrued at, prior to or subsequent to the Time of Closing, unless and to the extent Vendor is liable to Purchaser pursuant to Section 12.1 in respect of a breach of the representation and warranty set forth in Section 6.1(m);

(vi) Disclosed Actions; and

(vii) the failure by Purchaser to cause the removal of names or marks pursuant to, or any other violation of, Section 17.1.

The covenants and agreements to indemnify made by Purchaser in this Section shall survive the Closing for the applicable Survival Period.

12.3 EMPRESS II PARTNERSHIP TRANSACTION

Purchaser acknowledges that on or immediately prior to the Effective Date, in anticipation of the Transaction, Vendor caused to be undertaken the Empress II Partnership Transaction. Whether or not Closing occurs, Purchaser shall:

(a) be solely liable and responsible for any and all Losses which the Vendor Indemnified Parties may suffer, sustain, pay or incur; and

(b) indemnify, release and save Vendor Indemnified Parties from any and all Losses which Vendor Indemnified Parties may suffer, sustain, pay or incur;

as a result of the Empress II Partnership Transaction to the extent such Losses would not have been suffered, sustained, paid or incurred had the Empress II Partnership Transaction not occurred.

12.4 SURVIVAL OF REPRESENTATIONS AND WARRANTIES\NO MERGER

(a) The covenants, agreements, representations, warranties and indemnities of the Parties contained in this Agreement, or in any certificate, agreement or other document furnished by or on behalf of the Parties pursuant to this Agreement, shall survive Closing and, notwithstanding Closing or any documents delivered or investigations made by the Parties in connection therewith, shall continue in full force and effect for the benefit of the Party to whom such covenant, agreement, representation, warranty and indemnity was made; provided that no claim may be made against any Party pursuant to or based in any way upon the breach of any covenant, agreement, representation, warranty or for indemnification unless written notice thereof with reasonable particulars shall have been provided by the Party making such claim within the following period (the "SURVIVAL PERIOD"):

(i) in the case of a claim pursuant to Section 12.1(i) or 12.2(i), the Survival Period is twelve (12) months;

(ii) in the case of a claim by the Vendor Indemnified Parties pursuant to 12.2 (iv), the Survival Period is the limitation period under the relevant Tax legislation;

(iii) in the case of a claim pursuant to Article 7 the Survival Period is as set out in Section 7.5(g); and

(iv) subject to the Limitations Act (Alberta), in the case of any other claim the Survival Period is unlimited.

(b) After the applicable Survival Period, a Party shall have no liability in respect of the covenants, agreements, representations, warranties and indemnities of such Party contained in this Agreement or in any certificate, agreement or other document furnished by or on behalf of such Party pursuant to this Agreement unless written notice of a claim in respect thereof has been provided within three (3) Business Days following the expiry of such Survival Period.

12.5 LIMITATION ON VENDOR'S INDEMNITIES

Notwithstanding any other provision of this Agreement, the liability of Vendor pursuant to this Agreement and any certificate, agreement or other document delivered pursuant hereto,

including any liability pursuant to a claim for indemnity or for breach of any representation, warranty, covenant or agreement on the part of Vendor contained herein shall be limited in accordance with the following provisions:

(a) written notice of a claim shall have been provided by the relevant Purchaser Indemnified Party to Vendor within the Survival Period in accordance with Section 12.4;

(b) a Purchaser Indemnified Party shall have no claim against Vendor:

(i) in respect of a particular act, omission, breach, failure or other event, unless the Losses attributable to such act, omission, breach, failure or other event exceed $250,000; and

(ii) unless and until the aggregate amount of all claims by the Purchaser Indemnified Parties in respect of any other acts, omissions, breaches, failures or other events exceeds $10,000,000 and Vendor shall only be liable to the Purchaser Indemnified Parties with respect to that portion of the claims that exceed the aggregate deductible of $10,000,000;

(c) the aggregate amount of the claims of the Purchaser Indemnified Parties against Vendor shall not exceed fifty percent (50%) of the Base Purchase Price; and

(d) no claims may be made by the Purchaser Indemnified Parties against Vendor to the extent that the matter is reimbursed or reimbursable by insurance.

12.6 INDEMNITY PROCEDURE FOR THIRD PARTY CLAIMS

The following procedures shall be applicable to any claim by a Party (the "INDEMNIFIED PARTY") for indemnification from the other Party (the "INDEMNIFYING PARTY") in respect of a third party claim made against the Indemnified Party pursuant to this Agreement.:

(a) Upon the third party claim being made against or commenced against the Indemnified Party, the Indemnified Party shall promptly provide notice thereof to the Indemnifying Party. The notice shall describe the third party claim in reasonable detail and indicate the estimated amount, if practicable, of the indemnifiable Losses that has been or may be sustained by the Indemnified Party. If the Indemnified Party does not give timely notice to the Indemnifying Party as aforesaid, then such failure shall only lessen or limit the Indemnified Party's rights to indemnity hereunder to the extent that the defence of the third party claim was prejudiced by such lack of timely notice.

(b) If the Indemnifying Party acknowledges to the Indemnified Party in writing that the Indemnifying Party is responsible to indemnify the Indemnified Party in respect of the third party claim pursuant hereto, the Indemnifying Party shall have the:

(i) the right to assume carriage of the defence of the claim using legal counsel of its choice and at its sole cost; and\or

(ii) the right to settle the claim provided the Indemnifying Party pays the full monetary amount of the settlement and the settlement does not impose any restrictions or obligations on the Indemnified Party;

(c) Each Party shall cooperate with the other in the defence of the claim, including making available to the other Party, its directors, officers, employees and consultants whose assistance, testimony or presence is necessary to assist in evaluating and defending the third party claim.

(d) The Indemnified Party shall not enter into any settlement, consent order or other compromise with respect to the third party claim without the prior written consent of the Indemnifying Party, (which consent shall not be unreasonably withheld or delayed) unless the Indemnified Party waives its rights to indemnification in respect of the third party claim.

(e) Upon payment of the third party claim, the Indemnifying Party shall be subrogated to all claims the Indemnified Party may have relating thereto. The Indemnified Party shall give such further assurances and cooperate with the Indemnifying Party to permit the Indemnifying Party to pursue such subrogated claims as reasonably requested by it.

(f) If the Indemnifying Party has paid an amount pursuant to the indemnification obligations herein and the Indemnified Party shall subsequently be reimbursed from any source in respect of the claim from any other Person, the Indemnified Party shall promptly pay to the Indemnifying Party such amounts received, including interest actually received attributable thereto, net of taxes required to be paid as a result of any such receipt and plus any taxes saved or recovered as a result of such payment.

12.7 CONSEQUENTIAL DAMAGES

In no event shall a Party be liable in respect of the covenants, agreements, representations, warranties and indemnities contained in this Agreement or in any certificate, agreement or other document furnished pursuant to this Agreement for consequential, indirect or punitive damages (including loss of anticipated profits, business interruption or any special or incidental loss of any kind) suffered, sustained, paid or incurred by the other Party.

12.8 FAILURE BY VENDOR TO CLOSE

If Closing does not occur due to a breach of this Agreement by Vendor, Vendor shall be liable to Purchaser for, and shall indemnify Purchaser in respect of, all Purchaser's Transaction Costs.

ARTICLE 13
BOOKS AND RECORDS

13.1 PRESERVATION AND ACCESS TO BOOKS AND RECORDS

(a) Vendor shall deliver to Purchaser the originals of Books and Records relating to the Business as soon as practicable after Closing, other than:

(i) Books and Records that relate to any assessment, action, investigation or other legal proceeding to which Vendor is a party; and

(ii) Books and Records that also relate to other business or operations of Vendor or its Affiliates.

Such delivery shall be effected by the occupation by Purchaser of the premises held pursuant to the Office Lease and the delivery by the Vendor to the Purchaser of any Books and Records not held in such premises.

(b) Purchaser shall make available for Vendor, and Vendor shall be entitled to permanently retain copies of, all Books and Records referred to in (a)(i) and (ii) above (provided that Purchaser may retain a copy of same to the extent related to the Business) and all information, data, documents, books, records, agreements, reports, plans, drawings, papers, files, lists, returns, assessments, reassessments and other materials of any nature or kind (whether written, machine readable or electronically stored) which are directly related to the ownership, conduct and/or operation of the business or operations of Vendor or its Affiliates other than the Business.

(c) Following Closing, upon reasonable notice to Purchaser, Vendor shall be entitled to access and copy the Books and Records for any reasonable business purpose, including preparing for litigation, arbitration or to respond to any claim, demand, investigation or assessment threatened or commenced against Vendor, responding to any post-Closing inquiries made by any Governmental Body or other third parties, the preparation of Tax Returns and income tax information, the determination of the actual Accounting Adjustments as provided in Section 4, and responding to an audit or complying with the requirements of Applicable Laws. Vendor shall pay all reasonable third party costs and expenses incurred by Purchaser in providing Vendor access to the Books and Records from time to time. All such Books and Records made available to Vendor pursuant to this Section 13.1(c) shall be maintained as confidential by Vendor and shall not be disclosed except as required in connection with any demand, investigation or assessment threatened or commenced against Vendor.

(d) Until December 31, 2010, Purchaser shall give Vendor reasonable written notice prior to transferring, destroying or discarding any such Books and Records and, if Vendor so requests, Purchaser shall allow Vendor to take possession of such Books and Records. If any Books and Records contain information relating to the Business which is consolidated with, or otherwise difficult to isolate or extract

from, information that relates to other business or operations of Vendor or its Affiliates, the Parties shall cooperate and act in good faith to determine which information should be provided to Purchaser hereunder and the means for providing that information.

ARTICLE 14
TECHNOLOGY

14.1 IN-HOUSE SOFTWARE

At Closing Vendor shall, to the extent permitted under any related agreements to which it is subject, grant to Purchaser, a perpetual, non-exclusive, paid-up sub-license in and to the source code and documentation (if any) to the In-house Software pursuant to which Purchaser shall have the right after Closing to disassemble, decompile, reverse engineer or otherwise manipulate, develop, change, expand or abandon all or any part of the In-house Software and shall also have the right to further sub-licence all or any part of the In-house Software to Affiliates or any third party purchaser of the Business for use in connection with the Business. The In-house Software and the sub-license in respect thereof shall be delivered to Purchaser on an "as-is" basis without any representation or warranty of any nature or kind whatsoever. Notwithstanding anything to the contrary contained in this Agreement, or in any certificate, agreement or other document delivered pursuant hereto, Vendor specifically disclaims any and all warranties of any nature or kind whatsoever with respect to the In-house Software, including any implied warranties of merchantability or fitness for any particular purpose, and Vendor shall not be liable for any Losses (including any consequential, punitive, exemplary, third party or other damages) suffered, sustained, paid or incurred by Purchaser or any Person claiming by, through or under Purchaser relating to the use, misuse or reliance upon the In-house Software, the integration of the In-house Software with any other software or the failure of the In-house Software. Vendor shall have no obligation whatsoever in respect of the In-house Software, including any obligation to support, update, upgrade or maintain such software. Vendor shall retain all rights in and to the In-house Software, including the right after Closing to disassemble, decompile, reverse engineer or otherwise manipulate, develop, change, exchange, expand, commercialize, sell, license or abandon the In-house Software and shall be under no obligation to account therefor or to provide copies thereof to Purchaser. For greater certainty, Vendor will license or otherwise transfer or make available to Purchaser that In-House Software described in Schedule "O" as "EPAS-Extraction Plant Accounting System" and "LMAC - - Liquids Management Accounting", it being agreed that, when licensed by Vendor to Purchaser, Vendor may continue to use such In-House Software.

14.2 THIRD PARTY TECHNOLOGY AND PROCESS TECHNOLOGY

Prior to Closing, Vendor and Purchaser will use commercially reasonable efforts to obtain all necessary third party consents, additional licenses and other documentation necessary for Purchaser, PARI, 838983, the Cochrane Partnership or the Empress II Partnership to obtain the right to use the Third Party Technology and the Process Technology from and after Closing, including by way of a transfer, assignment or license by Vendor where legally permissible in the judgment of Vendor. To the extent additional license fees, royalties or other amounts are payable

to third parties in respect of Purchaser's, PARI's, 838983's or the Cochrane Partnership's or the Empress II Partnership's right to use any Third Party Technology and Process Technology, such fees, royalties and amounts shall be paid by Purchaser. If Vendor is not able to transfer, assign or license any Third Party Technology and Process Technology to Purchaser, PARI, 838983, the Cochrane Partnership or the Empress II Partnership, Purchaser shall, at its sole cost and expense, purchase or otherwise acquire its own license or rights to use such Third Party Technology as may be necessary to carry on operations in respect of the Business. For greater certainty, Vendor will license or otherwise transfer or make available to Purchaser that Third Party Technology and Process Technology described as items 3 though 8 in Schedule "P".

14.3 HARDWARE

Purchaser acknowledges that certain Hardware as identified on Schedule "Q" is currently used by Vendor in the conduct of businesses other than the Business. Notwithstanding Section 2.1, Vendor shall sell, assign, transfer and convey and transfer possession to Purchaser and Purchaser shall purchase and acquire from Vendor (without further consideration), the Hardware upon the earlier of (i) such time as Vendor no longer requires the use of the Hardware in its businesses, and (ii) the last day of the Transition Period. During such time period, Vendor shall provide to Purchaser, as part of the Transitional Services, the right to utilize the Hardware insofar as the Hardware is required to operate the Third Party Technology and the In-House Software (provided that Purchaser has obtained the right to use such Third Party Technology and the In-House Software as described in Section 14.2).

14.4 NO LIABILITY

The inability of Vendor to transfer, assign or license any Third Party Technology, Process Technology or Hardware to Purchaser shall not be deemed under any circumstances to be the fault of, or create any liability under any legal theory to Vendor (whether under breach of warranty, contract, tort or strict liability), it being acknowledged by Purchaser that such matters are beyond the control of Vendor. There shall be no adjustment to the Purchase Price if Vendor is not able to transfer, assign or license any Third Party Technology, In-House Software, Process Technology or Hardware to Purchaser.

ARTICLE 15
INTERIM AND TRANSITIONAL SERVICES

15.1 INTERIM PERIOD

To compensate Vendor for the operation and maintenance of the Corporate Subsidiaries during the Interim Period, Purchaser shall pay to Vendor on the Closing Date, the amount described as being payable for the Interim Period as set forth in Schedule "S". Such amount shall be prorated for any partial month.

15.2 TRANSITIONAL SERVICES

In order to facilitate the orderly and effective transition of the Business to Purchaser, Vendor shall provide to Purchaser the services set forth in Schedule "S" relating to the operation of the Business for the Transitional Period.

15.3 FEE PAYABLE FOR PROVISION OF TRANSITIONAL SERVICES

Purchaser shall pay Vendor or to the order of Vendor, a monthly fee for the provision of the Transitional Services in accordance with the fee structure set forth in Schedule "S". The fee payable by Purchaser shall represent recovery of the direct costs incurred by Vendor, including related overhead. Purchaser shall also pay to Vendor all third party costs and expenses incurred in providing the Transitional Services. Upon notice by Purchaser, Vendor shall no longer supply the services set forth in this Section 15.3 (or any portion thereof) and the monthly fee (or the portion related thereto) shall no longer be payable. The monthly fee shall be prorated for any partial month.

15.4 POINTS OF CONTACT

Prior to Closing, each of Vendor and Purchaser shall designate a transition project manager (the "TRANSITION CO-ORDINATOR") to be the primary source of co-ordination between the Parties for the provision of the Transitional Services, and a point of contact for each of the Transitional Services specified in Schedule "S". The Transitional Coordinator for each Party shall coordinate all efforts in the provision and receipt of the Transitional Services. Purchaser shall keep Vendor reasonably informed of its transitioning plan.

15.5 PURCHASER PROVIDED SERVICES

(a) Purchaser shall provide to Vendor such assistance as reasonably requested by Vendor, including certain Continued Employees, to:

(i) provide the Transitional Services; and

(ii) to provide such additional assistance as Purchaser as Vendor may reasonably require to attend to certain post-Closing matters.

(b) Purchaser shall also provide Vendor with the services contemplated in Note 1 of Schedule "S".

(c) Vendor shall pay to Purchaser:

(i) in respect of the services provided in (a) above, $10,000 per month; and

(ii) in respect of the services provided in (b) above, $11,000 per month.

(d) Upon notice by Vendor, Purchaser shall no longer supply the services set forth in this Section 15.5 and the amounts set forth in (c) shall no longer be payable. Such amounts shall be prorated for any partial month to the extent that Purchaser

renders such employees unavailable to Vendor, Vendor shall have the right to hire third party contractors and consultants to assist in the provision of the Transitional Services and Purchaser shall reimburse Vendor for all such additional costs. Following Closing, for a period not to exceed 180 days, Purchaser shall provide Vendor with the services contemplated in Note 1 of Schedule "S", such costs to be credited against the fee payable in respect of the Transitional Services.

15.6 POST-CLOSING COSTS

Except as set out in this Article 15 or as expressly required herein, each Party shall bear its own costs and expenses required to be incurred to prepare the Final Closing Statement and satisfy any post-Closing obligations it may have.

15.7 PAYMENTS

The amounts payable by the Parties as set forth in this Article 15 may be set off against each other. Any net amounts owing, plus GST thereon, shall be paid within 30 days of receipt of the invoice. Where a Party fails to pay such invoice within such 30 day period, the other Party shall have the right (without limiting any other rights or remedies available to it) upon the delivery of written notice to non-paying Party to cease to perform the services to which the payment relates.

15.8 POST-CLOSING RECEIPTS

Any amounts received by Vendor or its Affiliates (other than the Corporate Subsidiaries or the Subsidiary Partnerships) after the Closing Date and relating to the operation of the Business after the Effective Date, including governmental incentives (if any) and proceeds from the sale of production, shall be received and held by Vendor or such Affiliate in trust for Purchaser and shall be paid to Purchaser within five Business Days of receipt by Vendor or such Affiliate.

ARTICLE 16
EMPLOYMENT MATTERS

16.1 WRITTEN OFFERS OF EMPLOYMENT

Subject to the terms and conditions set forth in the letter agreement dated June 29, 2004 between Inter Pipeline Fund and the Vendor, Purchaser shall:

(a) control and be responsible for the process of evaluating the Prospective Employees and of selecting those Prospective Employees to whom Purchaser chooses to make offers of employment. In evaluating and selecting the Prospective Employees, Purchaser may interview at reasonable times such of the Prospective Employees as it wishes and Vendor agrees to assist with interview logistics;

(b) prior to making any offers of employment to the Prospective Employees, consult with Vendor with respect to the Prospective Employees to whom Purchaser will make written offers of employment and the terms of the offers;

(c) deliver written offers of employment to the Prospective Employees selected in accordance with Section 16.1 and concurrently provide copies of such offers to Vendor at least ten (10) days prior to the Closing Date. Each offer of employment shall be conditional on Closing occurring and shall provide the terms and conditions of employment with Purchaser including the terms and conditions provided in Section 16.2 hereof and the eligibility for and value of other employment programs and practices of Purchaser and will be open for acceptance by the Prospective Employee until 12:00 p.m. five (5) days prior to the Closing Date; and

(d) for a period of not less than six (6) months from the Closing Date, employ all Continued Employees in substantially similar or equivalent positions as described in Schedule "T" in order to provide each Continued Employee a reasonable opportunity to prove his or her capabilities to Purchaser, provided, however, that Purchaser shall have the right to terminate the employment of a Continued Employee for cause.

16.2 TERMS OF EMPLOYMENT

Purchaser shall, from and after the Closing:

(a) credit the Continued Employees with all service recognized by Vendor, including all periods of employment leave, for all purposes including eligibility for, vesting and locking in of benefits, as applicable, under each of Purchaser's employee benefit plans, policies or programs to the extent so recognized under the analogous Employee Plans and, in the event of future termination of employment, the entitlement to severance payments;

(b) for a period of not less than two (2) years from the Closing Date, provide to the Continued Employees (including any Continued Employees on maternity leave, approved leaves of absence, vacation leave or short term disability) total cash compensation opportunities and employee benefits on a basis such that each Continued Employee individually receives a total cash compensation opportunity and benefits which are not less favourable in the aggregate, as the total cash compensation opportunity and employee benefits provided by Vendor under the Employee Plans to such Continued Employee immediately prior to Closing (but not including any extraordinary retention bonuses or similar payments); and

(c) for a period of not less than two (2) years from the Closing Date, provide to the Continued Employees cash compensation on a basis which is not less favourable in the aggregate to the total cash compensation opportunity each Continued Employee was receiving from Vendor (being the sum of such Continued Employee's base pay and incentive compensation target opportunity)immediately prior to the Closing and which each Continued Employee would have received from Vendor after the Closing but for this Agreement.

16.3 SEVERANCE

If a Prospective Employee is not offered employment by Purchaser pursuant to Section 16.1 or, having received an offer of employment from Purchaser pursuant to Sections 16.1 and 16.2 does not accept such offer, and is thereafter terminated by Vendor, Vendor will be responsible for the severance liability (if any) regarding such terminated Prospective Employee (the "TERMINATION PAYMENT"), provided, however:

(a) that if any such terminated Prospective Employee is subsequently hired by Purchaser within six (6) months of the Time of Closing (the "RESTRICTED PERIOD"), Purchaser shall pay to Vendor an amount equal to the Termination Payment multiplied by a fraction, the numerator of which is the number of months remaining in the Restricted Period at the time such terminated employee is offered employment with Purchaser, and the denominator of which is six; and

(b) that if any such terminated Prospective Employee was not offered employment by Purchaser pursuant to Section 16.1, and their employment with Vendor was based in a field location outside of Vendor's head office in Calgary as of the date Purchaser delivered the written offers of employment pursuant to Section 16.1, and is terminated by Vendor within one month after the Closing Date, Purchaser shall reimburse Vendor for any Termination Payment relating to that Prospective Employee.

16.4 TERMINATION ENTITLEMENTS

For greater certainty, effective immediately prior to the Time of Closing the Continued Employees shall be considered to have terminated their employment with Vendor for purposes of Vendor's Pension Plan, Vendor's Savings Plan and other applicable employee plans and they shall be entitled to such options with respect to their entitlements under such plans as are generally available to terminated employees of Vendor under such plans in accordance with their respective terms. Vendor shall also pay each Continued Employee any incentive payments (at the target level) which have accrued in respect of those Continued Employees during the period from January 1, 2004 until the Time of Closing.

16.5 PERSONAL TIME OFF

In order to apportion the liability for the payment of a Continued Employee's PTO Entitlement:

(a) Vendor shall pay to Purchaser an amount equal to the Continued Employee's base salary for the number of days of his or her PTO Entitlement for 2004 multiplied by a percentage equal to 50% less the percentage of PTO Entitlement that the Continued Employee took prior to the Effective Date, provided that no payment will be made by Vendor pursuant to this Section 16.5(a) in respect of such Continued Employee if such Continued Employee took 50% or more of his or her PTO Entitlement prior to the Effective Date;

(b) Purchaser shall pay to Vendor an amount equal to the Continuing Employee's base salary for the number of days of his or her PTO Entitlement for 2004 multiplied by a percentage equal to 50% less the percentage of his or her PTO that the Continued Employee did not

take prior to the Effective Date, provided that no payment will be made by Purchaser pursuant to this Section 16.5(b) in respect of such Continued Employee if such Continued Employee took less than 50% of his or her PTO Entitlement prior to the Effective Date;

(c) Purchaser shall be liable for each Continuing Employee's PTO Entitlement for 2004 which was unutilized as of the Effective Date; and

(d) Vendor shall remain liable for any unused carry over of PTO Entitlement of each Continuing Employee for years prior to 2004.

ARTICLE 17
GENERAL

17.1 REMOVAL OF NAME

Following the Closing, neither Purchaser nor any of the Corporate Subsidiaries or any Affiliate of Purchaser will be entitled to use the names "Williams" or "WECI" or any variations and derivations thereof, including any logo, trademark or design containing such name (the "PROHIBITED NAMES AND MARKS"). Accordingly, promptly following the Closing, Purchaser shall cause the destruction, disposal or replacement of stationery, business cards and similar assets, and where applicable, shall cause the applicable corporation to change its name, so to avoid the use of the Prohibited Names and Marks. In addition, as soon as reasonably practicable, but in any event within the earlier of ninety (90) days following the Closing or the date required by Applicable Laws, Purchaser shall (i) cause to be removed the Prohibited Names and Marks from all of the Assets and will not thereafter make any use whatsoever of such names, marks and logos and (ii) make all requisite filings with, and provide requisite notices to, the appropriate federal, provincial, municipal or other agencies to place title or other evidence of operation or ownership in a name other than the Prohibited Names and Marks.

17.2 INTEREST ACCRUES ON AMOUNTS OWING

Any amount owing to a Party by the other Party pursuant to any provision of this Agreement after Closing and remaining unpaid after the day such amount was due, shall bear interest which shall accrue daily and be compounded monthly, from the day such payment was due until the day such amount was paid, at the rate of two (2%) percent per annum above the Prime Rate.

17.3 EXPANDED MEANINGS

Unless the context otherwise necessarily requires, the following provisions shall govern the interpretation of this Agreement:

(a) words used herein importing the singular number only shall include the plural and vice versa;

(b) the terms "in writing" or "written" include printing, typewritten, or any electronic means of communication by which words are capable of being visually reproduced at a distant point of reception, including by telecopier or telex;

(c) "this Agreement", "the Agreement", "hereto", "herein", "hereby", "hereunder", "hereof" and similar expressions refer to this agreement and includes each schedule attached hereto, and not to any particular Article, Section or other subdivision or portion hereof and includes each and every instrument varying, amending, modifying or supplementing this agreement;

(d) references herein to any agreement or instrument, including this Agreement, shall be deemed to be references to the agreement or instrument as varied, amended, modified, supplemented or replaced from time to time;

(e) the word "including", "includes" or, "include" wherever used in this Agreement, means "including, without limitation", "includes, without limitation" or "include, without limitation", as the case may be;

(f) all references to "Articles", "Sections", "subsections" and "Schedules" are references to Articles, Sections or subsections of, or Schedules to, this Agreement; and

(g) the division of this Agreement into Articles, Sections and other subdivisions, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

17.4 CURRENCY

All references in this Agreement to "Dollars" or "$" are references to lawful money of Canada, unless otherwise indicated.

17.5 ACCOUNTING REFERENCES

Where the character or amount of any asset or liability or item of income or expense is required to be determined, or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with GAAP except where the application of such principles is inconsistent with, or limited by, the terms of this Agreement.

17.6 STATUTORY REFERENCES

Any reference to a statute shall include and shall be deemed to be a reference to such statute and to the regulations made pursuant thereto, and all amendments made thereto and enforced from time to time, and to any statute or regulation that may be passed which has the effect of supplementing the statute so referred to or the regulations made pursuant thereto, and any reference to an order, ruling or decision shall be deemed to be a reference to such order, ruling or decision as the same may be varied, amended, modified, supplemented or replaced from time to time.

17.7 APPLICABLE LAW AND ATTORNMENT

This Agreement shall be construed and enforced in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and shall be treated in all respects as an Alberta contract. The Parties hereto irrevocably consent and submit to the exclusive jurisdiction of the courts of the Province of Alberta with respect to all matters relating to this Agreement. Each Party waives any objection that it may now or hereafter have to the determination of venue of any proceeding in such courts relating to this Agreement that it may now or hereafter have that such courts are an inconvenient forum.

17.8 EXPENSES

All costs and expenses (including the fees and disbursements of legal counsel) incurred in connection with the Agreement and the Transaction shall be paid by the Party incurring such expenses; provided, however, that Purchaser shall pay all costs and expenses in registering any specific transfers and conveyances of the Assets to complete the Transaction and all costs and expenses relating to the filing of the Competition Act Notification or otherwise related to satisfaction of the Competition Act Requirement.

17.9 PUBLICITY REGARDING TRANSACTION

No public announcement or press release concerning the Transaction shall be made by a Party or its Affiliates without the prior written consent and joint approval of the other Party; provided that:

(a) nothing contained herein or in the Confidentiality Agreement shall prevent a Party from furnishing any information to any governmental agency or regulatory authority or to the public if required by Applicable Law or the rules of a stock exchange or securities commission or if required to comply with Preferential Purchase Rights or to obtain the Required Consents or in the filing of the Competition Act Notification. Prior to a Party making an announcement or disclosure permitted by the preceding sentence, it will provide a copy of the proposed disclosure or announcement to the other Party to permit the other Party to propose changes thereto and will make such changes if they are reasonable;

(b) in connection with the public offering of securities by Purchaser to fund a portion of the Purchase Price, Purchaser shall provide to Vendor for its prior approval, which shall not be unreasonably withheld, drafts of any prospectus or offering document in which Purchaser proposes to describe the Transaction and Purchaser shall make any changes in respect thereof which Vendor may reasonably request, it being acknowledged that Purchaser shall not release any information in connection therewith which would contravene any obligation Vendor has to any third party.

17.10 NOTICES

Any notice or other writing required or permitted to be given hereunder or for the purposes hereof (a "NOTICE") to any Party shall be sufficiently given if delivered or telecopied to that Party:

(a) in the case of a Notice to Purchaser at:

C/O INTER PIPELINE FUND
2600, 237 - 4th Avenue S.W.
Calgary, Alberta
T2P 0H4

FAX NO.: (403) 290-6090
ATTENTION: Mr. David Fesyk

WITH A COPY TO:

BURNET, DUCKWORTH & PALMER LLP
1400, 350 - 7th Avenue S.W.
Calgary, Alberta
T2P 3N9

FAX NO.: (403) 260-5744
ATTENTION: Mr. John H. Cuthbertson

(b) in the case of a Notice to Vendor at:

WILLIAMS ENERGY (CANADA), INC.
#2700, 237 - 4th Avenue S.W.
Calgary, Alberta
T2P 4K3

Fax No.: (403) 444-4470
ATTENTION: PRESIDENT

with a copy to:

WILLIAMS ENERGY (CANADA), INC.
One Williams Center, Suite 4100
Tulsa, OK 74172

Fax No.: (918) 573-4503
ATTENTION: MR. CRAIG RAINEY

and a copy to:

BENNETT JONES LLP
4500 Bankers Hall East
855 2nd Street S.W.
Calgary, Alberta
T2P 4K7

Fax No.: (403) 265 7219
ATTENTION: MR. ROBERT P. DESBARATS

or at such other address or telecopier as the Party to whom such writing is to be given shall have last notified to the Party giving the same in the manner provided in this Section. Any Notice delivered to the Party to whom it is addressed or telecopied to the address or telecopier number hereinbefore provided shall be deemed to have been given and received on the day it is so delivered at such address, provided that if the Notice is delivered after 4:00 p.m. (local time) or if such day is not a Business Day then the Notice shall be deemed to have been given and received on the next following Business Day.

17.11 TIME OF THE ESSENCE

Time shall be of the essence.

17.12 ENTIRE AGREEMENT

This Agreement, including the Schedules hereto, and the Confidentiality Agreement together with the agreements and other documents and instruments to be executed and delivered pursuant hereto and thereto, constitutes the entire agreement between the Parties in relation to the subject matter hereof and supersedes all prior agreements, representations, warranties, statements, promises, information, arrangements and understandings, whether oral or written, express or implied with respect to the subject matter hereof, including the Confidential Information Memorandum. Neither of the Parties hereto shall be bound or charged with any oral or written agreements, representations, warranties, statements, promises, information, arrangements or understandings not specifically set forth in this Agreement, in the agreements and other documents and instruments to be delivered on or before the Closing Date pursuant to this Agreement or in the Confidentiality Agreement. The Parties hereto further acknowledge and agree that, in entering into this Agreement and in delivering the agreements and other documents and instruments to be delivered on or before the Closing Date pursuant hereto, they have not in any way relied, and will not in any way rely, upon any oral or written agreements, representations, warranties, statements, promises, information, arrangements or understandings, express or implied, not specifically set forth in this Agreement or in such agreements, documents and instruments to be delivered pursuant to this Agreement.

17.13 SEVERABILITY

Any Article, Section, subsection or other subdivision or any other provision of this Agreement which is, is deemed to be, or becomes void, illegal, invalid or unenforceable shall be severable

herefrom and ineffective to the extent of such voidability, illegality, invalidity or unenforceability, and shall not invalidate, affect or impair the remaining provisions hereof, which provisions shall be severable from any void, illegal, invalid or unenforceable Article, Section, subsection or other subdivision or provision.

17.14 AMENDMENT OF AGREEMENT

No supplement, modification or waiver or termination of this Agreement shall be binding unless executed in writing by the Party to be bound thereby.

17.15 WAIVER

No waiver of any of the provisions of this Agreement shall be valid unless in writing and no such waiver shall constitute nor be deemed to constitute a waiver of any other provisions (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

17.16 ASSIGNMENT AND ENUREMENT

This Agreement or any rights or obligations hereunder shall not be assigned by either Party without the prior written consent of the other Party. Subject thereto, this Agreement shall enure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns.

17.17 NO THIRD PARTY BENEFICIARIES

This Agreement is for the sole benefit of the Parties and their successors and permitted assigns and no other Person shall be entitled to any rights or benefits hereunder.

17.18 FURTHER ASSURANCES

The Parties hereto shall provide all such reasonable assurances as may be requested to consummate the Transaction and each Party shall provide such further documents or instruments requested by the other Party to effect the purpose of this Agreement and carry out its provisions, whether before or after Closing.

17.19 COUNTERPART EXECUTION

This Agreement may be executed in one or more counterparts. Each counterpart shall constitute an original and all counterparts together shall constitute one and the same agreement. Facsimile copies of executed counterparts shall be conclusively regarded for all purposes as originally executed counterparts pending delivery of the originals.

IN WITNESS WHEREOF the Parties have duly executed this Agreement as of the date first above written.

WILLIAMS ENERGY (CANADA), INC.

Per: /s/ Alan S. Armstrong

Per: Senior Vice President

1024234 ALBERTA LTD.

Per: /s/ David W. Fesyk

President and CEO

Per: /s/ Scott Gerla

Vice President, Finance

Exhibit 12

The Williams Companies, Inc.
Computation of Ratio of Earnings to Fixed Charges
(Dollars in millions)

	Six months ended June 30, 2004
Earnings:	
Income from continuing operations before income taxes	$ (25.5)
Minority interest in income of consolidated subsidiaries	10.8
Less: Equity earnings	(22.3)
Income from continuing operations before income taxes, minority interest in income of consolidated subsidiaries and equity earnings	(37.0)
Add:	
Fixed charges:	
Interest expense — net	460.9
Rental expense representative of interest factor	10.5
Total fixed charges:	471.4
Distributed income of equity investees	27.2
Interest expense — net — equity investees	2.2
Less:	
Capitalized interest	(4.7)
Total earnings as adjusted	$459.1
Fixed charges	$471.4
Ratio of earnings to fixed charges	(a)

(a) Earnings were inadequate to cover fixed charges by $12.3 million for the six months ended June 30, 2004.

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Steven J. Malcolm, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Williams Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2004

By: /s/ Steven J. Malcolm
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

SECTION 302 CERTIFICATION

I, Donald R. Chappel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Williams Companies, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2004

By: /s/ Donald R. Chappel
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Williams Companies, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, in his capacity as an officer of the Company, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Steven J. Malcolm

Steven J. Malcolm
Chief Executive Officer
August 5, 2004

/s/ Donald R. Chappel

Donald R. Chappel
Chief Financial Officer
August 5, 2004

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Report and shall not be considered filed as part of the Report.