SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14D-1

TENDER OFFER STATEMENT PURSUANT TO SECTION 14(D)(1) OF THE SECURITIES EXCHANGE ACT OF 1934

TRANSCO ENERGY COMPANY
(NAME OF SUBJECT COMPANY)

THE WILLIAMS COMPANIES, INC.
(BIDDER)

COMMON STOCK, PAR VALUE $0.50 PER SHARE
(INCLUDING THE ATTACHED COMMON SHARE PURCHASE RIGHTS)
(TITLE OF CLASS OF SECURITIES)

89353210
(CUSIP NUMBER OF CLASS OF SECURITIES)

J. FURMAN LEWIS
SENIOR VICE PRESIDENT AND
GENERAL COUNSEL
THE WILLIAMS COMPANIES, INC.
ONE WILLIAMS CENTER
TULSA, OKLAHOMA 74172
(918) 588-2000
(NAME, ADDRESS AND TELEPHONE NUMBER OF PERSON AUTHORIZED TO RECEIVE NOTICES AND COMMUNICATIONS ON BEHALF OF BIDDERS)

WITH A COPY TO:

RANDALL H. DOUD, ESQ.
SKADDEN, ARPS, SLATE, MEAGHER & FLOM
919 THIRD AVENUE
NEW YORK, NEW YORK 10022
(212) 735-3000

CALCULATION OF FILING FEE

Transaction valuation*	Amount of filing fee**
$430,500,000	$86,100

* For purposes of calculating the filing fee only. This calculation assumes the purchase of 24,600,000 shares of Common Stock, par value $0.50 per share, of Transco Energy Company, together with the attached Common Share Purchase Rights, at $17.50 net per share in cash.

** The amount of the filing fee, calculated in accordance with Rule 0-11(d) of the Securities Exchange Act of 1934, as amended, equals 1/50th of one percent of the aggregate cash value offered by The Williams Companies, Inc. for such number of shares.

Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

Amount Previously Paid: Not applicable.
Filing Party: Not applicable.
Form or Registration No.: Not applicable.
Date Filed: Not applicable.

CUSIP NO. 89353210

14D-1

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1 NAMES OF REPORTING PERSONS
S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

THE WILLIAMS COMPANIES, INC. (73-0569878)

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2 CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP

(a) [ ]
(b) [ ]

---

3 SEC USE ONLY

---

4 SOURCE OF FUNDS

BK, WC

---

5 CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(e) or 2(f)

[ ]

---

6 CITIZENSHIP OR PLACE OF ORGANIZATION

DELAWARE

---

7 AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

7,500,000 Shares issuable upon the terms and subject to the conditions provided for in a Stock Option Agreement dated as of December 12, 1994

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8 CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (7) EXCLUDES CERTAIN SHARES

[ ]

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9 PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (7)

15.5%, BASED ON SHARES REPORTED TO BE OUTSTANDING AND ASSUMING EXERCISE IN FULL OF OPTION UNDER STOCK OPTION AGREEMENT

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10 TYPE OF REPORTING PERSON

CO

ITEM 1. SECURITY AND SUBJECT COMPANY.

(a) The name of the subject company is Transco Energy Company, a Delaware corporation (the "Company"). The address of the Company's principal executive offices is 2800 Post Oak Boulevard, Houston, Texas 77056.

(b) This Tender Offer Statement on Schedule 14D-1 relates to the offer by The Williams Companies, Inc. (the "Purchaser"), a Delaware corporation, to purchase up to 24,600,000 shares of Common Stock, par value $0.50 per share (the "Common Stock"), of the Company, together with the attached common share purchase rights, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated December 16, 1994 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"), at a purchase price of $17.50 per share, net to the tendering stockholder in cash. At December 9, 1994, 40,927,847 shares of Common Stock were outstanding, according to the Company. The information set forth in the Introduction of the Offer to Purchase annexed hereto as Exhibit (a)(1) is incorporated herein by reference.

(c) The information set forth in Section 6 ("Price Range of Shares; Dividends") of the Offer to Purchase is incorporated herein by reference.

ITEM 2. IDENTITY AND BACKGROUND.

(a)-(d); (g) This Statement is being filed by the Purchaser. The information set forth in Section 8 ("Certain Information Concerning the Purchaser and Sub") of the Offer to Purchase and Schedule I thereto is incorporated herein by reference.

(e) and (f) During the last five years, neither the Purchaser, nor, to the best knowledge of the Purchaser, any of the persons listed on Schedule I to the Offer to Purchase, (i) has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (ii) was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction as a result of which any such person was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting activities subject to, Federal or State securities laws or finding any violation of such laws.

ITEM 3. PAST CONTACTS, TRANSACTIONS OR NEGOTIATIONS WITH THE SUBJECT COMPANY.

(a)-(b) The information set forth in the Introduction, Section 8 ("Certain Information Concerning the Purchaser and Sub"), Section 10 ("Background of the Offer; Contacts with the Company; the Merger Agreement and the Stock Option Agreement; Other Matters") and Section 11 ("Purpose of the Offer; Plans for the Company after the Offer and the Merger") of the Offer to Purchase is incorporated herein by reference.

ITEM 4. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

(a)-(b) The information set forth in Section 9 ("Source and Amount of Funds") of the Offer to Purchase is incorporated herein by reference.

(c) Not applicable.

ITEM 5. PURPOSE OF THE TENDER OFFER AND PLANS OR PROPOSALS OF THE BIDDER.

(a)-(e) The information set forth in the Introduction and Sections 10 ("Background of the Offer; Contacts with the Company; the Merger Agreement and the Stock Option Agreement; Other Matters") and

11 ("Purpose of the Offer; Plans for the Company after the Offer and the Merger") of the Offer to Purchase is incorporated herein by reference.

(f)-(g) The information set forth in Section 13 ("Effect of the Offer on the Market for the Shares; Exchange Listing and Exchange Act Registration") of the Offer to Purchase is incorporated herein by reference.

ITEM 6. INTEREST IN SECURITIES OF THE SUBJECT COMPANY.

(a) The information set forth in the Introduction and Section 8 ("Certain Information Concerning the Purchaser and Sub") of the Offer to Purchase is incorporated herein by reference.

(b) The information set forth in the Introduction and Section 8 ("Certain Information Concerning the Purchaser and Sub") of the Offer to Purchase is incorporated herein by reference.

ITEM 7. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO THE SUBJECT COMPANY'S SECURITIES.

The information set forth in the Introduction and Sections 8 ("Certain Information Concerning the Purchaser and Sub"), 10 ("Background of the Offer; Contacts with the Company; the Merger Agreement and the Stock Option Agreement; Other Matters") and 11 ("Purpose of the Offer; Plans for the Company after the Offer and the Merger") of the Offer to Purchase is incorporated herein by reference.

ITEM 8. PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED.

The information set forth in the Introduction and Section 16 ("Fees and Expenses") of the Offer to Purchase is incorporated herein by reference.

ITEM 9. FINANCIAL STATEMENTS OF CERTAIN BIDDERS.

The information set forth in Section 8 ("Certain Information Concerning the Purchaser and Sub") of the Offer to Purchase is incorporated herein by reference.

ITEM 10. ADDITIONAL INFORMATION.

(a) Not applicable.

(b)-(c) The information set forth in the Introduction and Sections 11 ("Purpose of the Offer; Plans for the Company after the Offer and the Merger") and 15 ("Certain Legal Matters; Regulatory Approvals") of the Offer to Purchase is incorporated herein by reference.

(d) The information set forth in Sections 13 ("Effect of the Offer on the Market for Shares; Exchange Listing and Exchange Act Registration") and 15 ("Certain Legal Matters; Regulatory Approvals") of the Offer to Purchase is incorporated herein by reference.

(e) The information set forth in Section 15 ("Certain Legal Matters; Regulatory Approvals") of the Offer to Purchase is incorporated herein by reference.

(f) The information set forth in the Offer to Purchase and the Letter of Transmittal, copies of which are attached hereto as Exhibits (a)(1) and (a)(2), respectively, is incorporated herein by reference.

ITEM 11. MATERIAL TO BE FILED AS EXHIBITS.

(a)(1) Offer to Purchase, dated December 16, 1994.

(2) Letter of Transmittal.

(3) Notice of Guaranteed Delivery.

(4) Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.

(5) Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.

(6) Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

(7) Text of Press Release, dated December 12, 1994, issued by The Williams Companies, Inc. and Transco Energy Company.

(8) Text of Press Release, dated December 16, 1994, issued by The Williams Companies, Inc.

(9) Form of tombstone advertisement, dated December 16, 1994.

(b) Commitment Letter, dated December 9, 1994, among The Williams Companies, Inc., Citibank, N.A., Chemical Bank, Bank of America National Trust and Savings Association and Canadian Imperial Bank of Commerce.

(c) (1) Agreement and Plan of Merger, dated as of December 12, 1994, by and among The Williams Companies, Inc., WC Acquisition Corp. and Transco Energy Company.

(2) Stock Option Agreement, dated as of December 12, 1994, by and between The Williams Companies, Inc. and Transco Energy Company.

(3) Confidentiality Agreement, dated October 10, 1994 between Transco Energy Company and The Williams Companies, Inc.

(d) Not applicable.

(e) Not applicable.

(f) None.

(g) (1) Complaint in Alpern v. Transco Energy Company, et al. (Del. Ch.) (C.A. No. 13918).

(2) Complaint in Weiss et al. v. Des Barres, et al. (Del. Ch.) (C.A. No. 13923).

(3) Complaint in Steiner v. Des Barres, et al. (Del. Ch.) (C.A. No. 13920).

(4) Complaint in Miller v. Des Barres, et al. (Del. Ch.) (C.A. No. 13922).

(5) Complaint in Rand et al. v. Des Barres, et al. (Del. Ch.) (C.A. No. 13925).

(6) Complaint in De Cesare v. Des Barres, et al. (Del. Ch.) (C.A. No. 13926).

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: December 16, 1994

The Williams Companies, Inc.

By: /s/ J. Furman Lewis

Name: J. Furman Lewis
Title: Senior Vice President
and General Counsel

EXHIBIT INDEX

EXHIBIT NUMBER		PAGE
(a)(1)	Offer to Purchase, dated December 16, 1994.	
(2)	Letter of Transmittal.	
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(4)	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.	
(5)	Letter to Clients for use by Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.	
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(3)	Confidentiality Agreement, dated October 10, 1994 between Transco Energy Company and The Williams Companies, Inc.	
(d)	Not applicable.	
(e)	Not applicable.	
(f)	None.	
(g)(1)	Complaint in Alpern v. Transco Energy Company, et al. (Del. Ch.) (C.A. No. 13918).	
(2)	Complaint in Weiss et al. v. Des Barres, et al. (Del. Ch.) (C.A. No. 13923).	
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(6)	Complaint in De Cesare v. Des Barres, et al. (Del. Ch.) (C.A. No. 13926).	

OFFER TO PURCHASE FOR CASH
UP TO 24,600,000 SHARES OF COMMON STOCK
(INCLUDING THE ATTACHED RIGHTS)

OF

TRANSCO ENERGY COMPANY

AT

$17.50 NET PER SHARE IN CASH

BY

THE WILLIAMS COMPANIES, INC.

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, JANUARY 17, 1995, UNLESS THE OFFER IS EXTENDED.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, AT LEAST 20,900,000 SHARES (REPRESENTING APPROXIMATELY 51% OF THE PRESENTLY OUTSTANDING SHARES) BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER. THE OFFER IS ALSO SUBJECT TO OTHER TERMS AND CONDITIONS CONTAINED IN THIS OFFER TO PURCHASE. SEE SECTION 14.

THE BOARD OF DIRECTORS OF TRANSCO ENERGY COMPANY HAS UNANIMOUSLY (WITH ONE DIRECTOR ABSENT) DETERMINED THAT THE OFFER AND THE MERGER, TAKEN TOGETHER, ARE FAIR TO, AND IN THE BEST INTERESTS OF, THE STOCKHOLDERS OF THE COMPANY, AND RECOMMENDS THAT HOLDERS OF SHARES OF COMMON STOCK ACCEPT THE OFFER AND TENDER THEIR SHARES PURSUANT TO THE OFFER.

IMPORTANT

Any stockholder desiring to tender all or any portion of such stockholder's shares of Common Stock, par value $0.50 per share (the "Shares"), of Transco Energy Company and the attached Company Rights (as hereinafter defined, and, unless the context otherwise requires, deemed to be included in all references to "Shares") should either (i) complete and sign the Letter of Transmittal (or a facsimile thereof) in accordance with the instructions in the Letter of Transmittal and mail or deliver it together with the certificate(s) representing tendered Shares, and any other required documents, to the Depositary or tender such Shares pursuant to the procedures for book-entry transfer set forth in Section 3 or (ii) request such stockholder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction for such stockholder. A stockholder whose Shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact such broker, dealer, commercial bank, trust company or other nominee if such stockholder desires to tender such Shares.

A stockholder who desires to tender Shares and whose certificates representing such Shares are not immediately available, or who cannot comply with the procedures for book-entry transfer described in this Offer to Purchase on a timely basis, may tender such Shares by following the procedures for guaranteed delivery set forth in Section 3.

Questions and requests for assistance, or for additional copies of this Offer to Purchase, the Letter of Transmittal or other tender offer materials, may be directed to the Information Agent or the Dealer Manager at their respective addresses and telephone numbers set forth on the back cover of this Offer to Purchase. Holders of Shares may also contact brokers, dealers, commercial banks and trust companies for assistance concerning the Offer.

The Dealer Manager for the Offer is:

SMITH BARNEY INC.

December 16, 1994

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To the Holders of Shares of Common Stock of
Transco Energy Company:

INTRODUCTION

The Williams Companies, Inc. (the "Purchaser"), a Delaware corporation, hereby offers to purchase up to 24,600,000 shares of Common Stock, par value $0.50 per share (the "Shares"), of Transco Energy Company, a Delaware corporation (the "Company"), together with the attached common share purchase rights (the "Company Rights," and, unless the context otherwise requires, deemed to be included in all references to "Shares"), at a price of $17.50 per Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which, as amended from time to time, together constitute the "Offer"). The Company has agreed in the Merger Agreement (as hereinafter defined), subject to the terms of the Merger Agreement, to effect a redemption of the Company Rights for $.05 per Company Right immediately prior to the Purchaser's acceptance for payment of Shares pursuant to the Offer, and that the redemption price in respect of Company Rights attached to Shares purchased pursuant to the Offer will be paid to and retained by the Purchaser.

Tendering stockholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the purchase of Shares pursuant to the Offer. The Purchaser will pay all charges and expenses of Smith Barney Inc., as Dealer Manager (in such capacity, the "Dealer Manager"), Chemical Bank, as Depositary (the "Depositary"), and Morrow & Co., as Information Agent (the "Information Agent"), incurred in connection with the Offer. See Section 16.

THE BOARD OF DIRECTORS OF THE COMPANY (THE "COMPANY BOARD") HAS UNANIMOUSLY DETERMINED (WITH ONE DIRECTOR ABSENT) THAT THE OFFER AND THE MERGER, TAKEN TOGETHER, ARE FAIR TO AND IN THE BEST INTERESTS OF, THE STOCKHOLDERS OF THE COMPANY AND RECOMMENDS THAT SUCH HOLDERS OF SHARES ACCEPT THE OFFER AND TENDER THEIR SHARES PURSUANT TO THE OFFER.

The Company has advised the Purchaser that Merrill Lynch, Pierce, Fenner, & Smith Incorporated ("Merrill Lynch") has delivered to the Company Board its opinion that, as of the date of the opinion, the consideration to be received by the stockholders of the Company (other than the Purchaser and its affiliates) pursuant to the Offer and the Merger, taken as a whole, is fair to such stockholders from a financial point of view. A copy of the opinion of Merrill Lynch, which sets forth the procedures followed, the factors considered and the assumptions made by Merrill Lynch, is contained in the Company's Solicitation/Recommendation Statement on Schedule 14D-9 (the "Schedule 14D-9"), which is being mailed to stockholders herewith.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, AT LEAST 20,900,000 SHARES BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER (THE "MINIMUM CONDITION"). THE OFFER IS ALSO SUBJECT TO THE EXPIRATION OR TERMINATION OF THE APPLICABLE WAITING PERIODS UNDER THE HSR ACT (AS HEREINAFTER DEFINED) AND TO OTHER TERMS AND CONDITIONS CONTAINED IN THIS OFFER TO PURCHASE. SEE SECTION 14.

The Minimum Condition requires that at least 20,900,000 Shares be validly tendered and not withdrawn before the expiration of the Offer. According to the Company, as of December 9, 1994, there were 40,927,847 Shares outstanding (including 216,900 Shares of restricted stock) and 3,321,628 Shares reserved for issuance upon exercise of then outstanding options to acquire Shares or in respect of outstanding restricted stock or deferred stock units under the Company's stock option plans. In addition, according to the Company, as of the same date, there were 2,979,900 shares of the Company's $4.75 series Cumulative Convertible Preferred Stock, stated value $50 per share (the "Company $4.75 Preferred Stock"), and 2,500,000 shares of the Company's $3.50 series Cumulative Convertible Preferred Stock, stated value $50 per share (the "Company $3.50 Preferred Stock" and, together with the Company $4.75 Preferred Stock, the "Company Preferred Stock"). According to the Company, each share of Company $4.75 Preferred Stock is currently convertible into .894 of a Share, and each share of Company $3.50 Preferred Stock is currently convertible into 2.5 Shares.

The Purchaser and the Company are filing with the Federal Trade Commission (the "FTC") and the Antitrust Division of the Department of Justice (the "Antitrust Division") Premerger Notification and Report Forms under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), with respect to the Offer and the Stock Option Agreement (as hereinafter defined). The waiting period under the HSR Act applicable to the Purchaser's acquisition of Shares will expire at 11:59 p.m., New York City time, on the fifteenth day following such filings, unless the waiting period is earlier terminated by the FTC and the Antitrust Division or extended by a request from the FTC or the Antitrust Division for additional information or documentary material prior to the expiration of the waiting period. See Section 15 for additional information regarding the HSR Act and other antitrust considerations.

Certain other conditions to consummation of the Offer are described in Section 14. The Purchaser expressly reserves the right in its sole discretion to waive any one or more of the conditions to the Offer, other than the Minimum Condition. See Section 14.

The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of December 12, 1994 (the "Merger Agreement"), by and among the Purchaser, WC Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of the Purchaser ("Sub"), and the Company. The Merger Agreement provides, among other things, that, as soon as practicable after the purchase of Shares pursuant to the Offer, the approval of the Merger (as hereinafter defined) by the stockholders of the Company, and the satisfaction of the other conditions set forth in the Merger Agreement and described herein, Sub will be merged with and into the Company (the "Merger") in accordance with the relevant provisions of the General Corporation Law of the State of Delaware ("Delaware Law"). Following consummation of the Merger, the Company will continue as the surviving corporation (the "Surviving Corporation") and a wholly-owned subsidiary of the Purchaser.

At the effective time of the Merger (the "Effective Time"), in the event that 24,600,000 Shares are purchased pursuant to the Offer, each Share that is issued and outstanding immediately prior to the Effective Time (other than Shares held in the treasury of the Company, Shares owned by the Purchaser or any direct or indirect wholly-owned subsidiary of the Purchaser ("Retired Shares"), or dissenting Shares (collectively, "Retired or Dissenting Shares")) will be converted into the right to receive .625 of a share of Common Stock, par value $1.00 per share, of the Purchaser (the "Purchaser Common Stock") and .3125 attached preferred stock purchase rights (the "Purchaser Rights"). In the event that less than 24,600,000 Shares, but at least 20,900,000 Shares, are purchased pursuant to the Offer, each Share that is issued and outstanding immediately prior to the Effective Time (other than Retired or Dissenting Shares) will be converted into the right to receive (i) an amount in cash (the "Per Share Cash Amount") equal to (x) the excess of (A) the product of (1) $17.50 or such higher price as may be paid in the Offer (the "Offer Price"), and (2) the excess of 24,600,000 over the number of Shares purchased pursuant to the Offer, over (B) the aggregate amount paid in the redemption of Company Rights not acquired pursuant to the Offer, divided by (y) the number of Shares outstanding immediately prior to the Effective Time (other than Retired Shares) and (ii) the fraction of a share of Purchaser Common Stock equal to (A) the product of (1) .625 and (2) the excess of the Offer Price over the Per Share Cash Amount, divided by (B) the Offer Price (such fractional amount of a share of Purchaser Common Stock, the "Conversion Number"), together with a fraction of attached Purchaser Rights equal to the Conversion Number divided by 2. See Sections 10 and 11.

In addition, also at the Effective Time, each issued and outstanding share of Company $4.75 Preferred Stock and each issued and outstanding share of Company $3.50 Preferred Stock (in each case other than shares that are owned by the Company as treasury stock, or owned by the Purchaser or any wholly-owned subsidiary of the Purchaser, or, to the extent appraisal rights are available to such holders, dissenting shares) will be converted into the right to receive one share of preferred stock of the Purchaser which, in the case of the Company $4.75 Preferred Stock, will be designated the Purchaser's $4.75 Series Cumulative Convertible Preferred Stock (the "Purchaser $4.75 Preferred Stock") and, in the case of the Company $3.50 Preferred Stock, will be designated the Purchaser's $3.50 Series Cumulative Convertible Preferred Stock (the "Purchaser $3.50 Preferred Stock" and, together with the Purchaser $4.75 Preferred Stock, collectively the

"Purchaser New Preferred Stock"). The Purchaser $4.75 Preferred Stock will be initially convertible into .5588 of a share of Purchaser Common Stock and the Purchaser $3.50 Preferred Stock will be initially convertible into 1.5625 shares of Purchaser Common Stock. Each will have the designation, preferences and rights set forth for such stock in the Merger Agreement.

THE OFFER DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OF THE PURCHASER. SUCH AN OFFER MAY BE MADE ONLY PURSUANT TO A PROSPECTUS.

Pursuant to the Merger Agreement and subject to compliance with applicable law and the receipt of any third party consents which may be necessary, the Purchaser has reserved the right to acquire shares of Purchaser Common Stock and of its existing preferred stock pursuant to its previously announced open market purchase programs. See Section 10. In addition, although the Purchaser has made no final determination in this regard, and subject to the receipt of any third party consents which may be necessary, the Purchaser expects that it will cause to be redeemed all of the shares of Purchaser $4.75 Preferred Stock to be issued in the Merger prior to the end of 1995.

The consummation of the Merger is subject to the satisfaction or waiver of certain conditions, including the approval and adoption of the Merger Agreement by the requisite vote of the stockholders of the Company. See Section 11. A proxy or information statement (which will also constitute a prospectus for the securities of the Purchaser issuable in the Merger as to which delivery of a prospectus is required) containing detailed information concerning the Merger will be furnished to holders of Shares in connection with a special meeting of stockholders to be called by the Company to vote on the Merger. The Purchaser will vote all Shares acquired pursuant to the Offer in favor of the Merger. Under the Company's Second Restated Certificate of Incorporation and Delaware Law, the affirmative vote of the holders of a majority of the outstanding Shares is required to approve and adopt the Merger Agreement and the Merger. It is expected that, if the Purchaser acquires 20,900,000 Shares, the minimum number of Shares to be purchased in the Offer, it will own a majority of the outstanding Shares and, accordingly, will have sufficient voting power to approve and adopt the Merger Agreement and the Merger without the vote of any other stockholder of the Company.

Simultaneously with entering into the Merger Agreement, the Purchaser and the Company entered into a Stock Option Agreement dated as of December 12, 1994 (the "Stock Option Agreement"), pursuant to which the Company granted to the Purchaser an option to purchase, upon the terms and subject to the conditions set forth therein, up to 7,500,000 previously unissued Shares at a price of $17.50 per Share. Under the terms of the Stock Option Agreement, the Company has the right, upon exercise of such option by the Purchaser, to deliver an amount in cash (not in excess of $2.00 per option Share) in lieu of the delivery of Shares. Based on the 40,927,847 Shares represented by the Company to be outstanding at December 9, 1994, the Purchaser beneficially owns approximately 15.5% of the Shares that would be outstanding assuming an exercise in full by the Purchaser of the Stock Option Agreement and a delivery of the related Shares by the Company thereunder. See Section 10.

The Offer is not being made to (nor will tenders be accepted from) the holders of shares of Company Preferred Stock. Accordingly, holders of shares of Company Preferred Stock desiring to tender Shares issuable upon conversion thereof must convert such shares into Shares in accordance with the terms thereof and then tender the Shares issued upon such conversion pursuant to the Offer. There can be no assurance that Shares issued upon such conversion will be received in time to allow the holders thereof to tender such Shares pursuant to the Offer. Based on the current conversion rates, the equivalent conversion price for each share of Company $3.50 Preferred Stock is $20.00 and the equivalent conversion price for each share of Company $4.75 Preferred Stock is $55.93, each of which exceeds the Offer Price of $17.50. Neither the Purchaser nor the Company is making any recommendation that holders of shares of Company Preferred Stock so convert their shares.

THIS OFFER TO PURCHASE AND THE LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION WHICH SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.

THE TENDER OFFER

1. TERMS OF THE OFFER; PRORATION. Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any extension or amendment), the Purchaser will accept for payment and pay for up to 24,600,000 Shares validly tendered prior to the Expiration Date (as hereinafter defined) and not withdrawn in accordance with Section 4. The term "Expiration Date" means 12:00 Midnight, New York City time, on Tuesday, January 17, 1995, unless and until the Purchaser, in its sole discretion (but subject to the terms and conditions of the Merger Agreement), shall have extended the period of time during which the Offer is open, in which event the term "Expiration Date" shall mean the latest time and date at which the Offer, as so extended by the Purchaser, shall expire.

Consummation of the Offer is conditioned upon, among other things, satisfaction of the Minimum Condition and the expiration or termination of the applicable waiting period under the HSR Act. If such conditions are not satisfied or any or all of the other events set forth in Section 14 shall have occurred or shall be determined by the Purchaser to have occurred prior to the Expiration Date, the Purchaser reserves the right (but subject to the terms and conditions of the Merger Agreement) to (i) decline to purchase any or all of the Shares tendered and terminate the Offer, and return all tendered Shares to tendering stockholders, (ii) waive or reduce the Minimum Condition or waive in whole or in part any or all of the other conditions and, subject to complying with applicable rules and regulations of the Securities and Exchange Commission (the "Commission"), purchase all Shares validly tendered, or (iii) extend the Offer and, subject to the right of stockholders to withdraw Shares until the Expiration Date, retain the Shares which have been tendered during the period or periods for which the Offer is extended. See Sections 10 and 14.

Upon the terms and subject to the conditions of the Offer, if more than 24,600,000 Shares are validly tendered and not withdrawn prior to the Expiration Date, the Purchaser will, upon the terms and subject to the conditions of the Offer, purchase 24,600,000 Shares on a pro rata basis (with adjustments to avoid purchases of fractional Shares) based upon the number of Shares validly tendered and not withdrawn prior to the Expiration Date.

Because of the difficulty of determining the precise number of Shares properly tendered and not withdrawn, if proration is required, the Purchaser does not expect to be able to announce the final proration factor until approximately seven New York Stock Exchange, Inc. (the "NYSE") trading days after the Expiration Date. Preliminary results of proration will be announced by press release as promptly as practicable after the Expiration Date. Stockholders may obtain such preliminary information from the Information Agent and may be able to obtain such information from their brokers. The Purchaser will not pay for any Shares accepted for payment pursuant to the Offer until the final proration factor is known.

The Purchaser expressly reserves the right, in its sole discretion (but subject to the terms and conditions of the Merger Agreement), at any time and from time to time, to extend for any reason the period of time during which the Offer is open, including the occurrence of any of the events specified in Section 14, by giving oral or written notice of such extension to the Depositary. During any such extension, all Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the rights of a tendering stockholder to withdraw its Shares. Pursuant to the terms of the Merger Agreement, and subject to the proration and other terms of the Offer and the Merger Agreement and the satisfaction of all the conditions referred to in Section 14, the Purchaser has agreed to accept for payment and pay for all Shares validly tendered and not withdrawn pursuant to the Offer as soon as practicable after the Expiration Date. See Sections 4 and 10.

Subject to the applicable regulations of the Commission, the Purchaser also expressly reserves the right, in its sole discretion (but subject to the terms and conditions of the Merger Agreement), at any time and from time to time, to (i) increase the price per Share payable pursuant to the Offer, (ii) increase on one occasion the number of Shares to be purchased in the Offer; provided, that (x) any increase in the number of Shares to be purchased which requires an extension of the Offer beyond its then applicable expiration date in accordance with applicable law must provide for an increase of at least 4,000,000 Shares and (y) any increase

in the number of Shares sought at a time when the average closing sale prices on the NYSE for shares of Purchaser Common Stock for the ten trading days immediately preceding the date of public notice of the increase exceeds $28.00 may only be made with the consent of the Company, (iii) to terminate the Offer and not accept for payment any Shares if any of the conditions referred to in Section 14 has not been satisfied or upon the occurrence of any of the events specified in Section 14 or (iv) to waive any condition (other than the Minimum Condition) or otherwise amend the Offer in any respect by giving oral or written notice of such delay, termination, waiver or amendment to the Depositary and by making a public announcement thereof. Subject to the terms of the Merger Agreement, the Purchaser has agreed, if such conditions have not been satisfied as of the then applicable expiration date of the Offer, that the Purchaser will extend the Offer from time to time until the earlier of the consummation of the Offer or March 16, 1995. See Section 10.

The Merger Agreement provides that, without the prior written consent of the Company, the Purchaser will not (i) decrease the price per Share payable pursuant to the Offer, (ii) decrease or (other than as described in the immediately preceding paragraph) increase the number of Shares to be purchased in the Offer, (iii) change the form of consideration payable in the Offer, (iv) add to or change the conditions of the Offer, (v) change or waive the Minimum Condition or (vi) make any other change in the terms or conditions of the Offer which is adverse to the holders of Shares. The Purchaser acknowledges that (i) Rule 14e-1(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires the Purchaser to pay the consideration offered or return the Shares tendered promptly after the termination or withdrawal of the Offer, and (ii) the Purchaser may not delay acceptance for payment of, or payment for, any Shares upon the occurrence of any of the events specified in Section 14 without extending the period of time during which the Offer is open.

Any such extension, delay, termination, waiver or amendment will be followed as promptly as practicable by public announcement thereof, such announcement in the case of an extension to be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Subject to applicable law (including Rules 14d-4(c), 14d-6(d) and 14e-1 under the Exchange Act, which require that material changes be promptly disseminated to stockholders in a manner reasonably designed to inform them of such changes) and without limiting the manner in which the Purchaser may choose to make any public announcement, the Purchaser shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a press release to the Dow Jones News Service.

If the Purchaser makes a material change in the terms of the Offer or the information concerning the Offer, or if it waives a material condition of the Offer, the Purchaser will extend the Offer to the extent required by Rules 14d-4(c), 14d-6(d) and 14e-1 under the Exchange Act. Subject to the conditions described above, the Purchaser reserves the right (but subject to the terms and conditions of the Merger Agreement) to accept for payment more than 24,600,000 Shares pursuant to the Offer. The Purchaser has no present intention of exercising such right.

Subject to the terms and conditions of the Merger Agreement, if, prior to the Expiration Date, the Purchaser should decide to increase or decrease the number of Shares being sought or to increase or decrease the consideration being offered in the Offer, such increase or decrease in the number of Shares being sought or such increase or decrease in the consideration being offered will be applicable to all stockholders whose Shares are accepted for payment pursuant to the Offer and, if at the time notice of any such increase or decrease in the number of Shares being sought or such increase or decrease in the consideration being offered is first published, sent or given to holders of such Shares, the Offer is scheduled to expire at any time earlier than the period ending on the tenth business day from and including the date that such notice is first so published, sent or given, the Offer will be extended at least until the expiration of such ten business day period. For purposes of the Offer a "business day" means any day other than a Saturday, Sunday or federal holiday and consists of the time period from 12:01 a.m. through 12:00 Midnight, New York City time.

The Company has provided the Purchaser with the Company's stockholder list and security position listings for the purpose of disseminating the Offer to holders of Shares. This Offer to Purchase and the related Letter of Transmittal will be mailed to record holders of Shares whose names appear on the Company's stockholder list and will be furnished, for subsequent transmittal to beneficial owners of Shares, to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing.

2. ACCEPTANCE FOR PAYMENT AND PAYMENT FOR SHARES. Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), the Purchaser will purchase, by accepting for payment, and will pay for, up to 24,600,000 Shares validly tendered prior to the Expiration Date (and not properly withdrawn in accordance with Section 4) as soon as practicable after the later to occur of (i) the Expiration Date and (ii) the satisfaction or waiver of the conditions set forth in Section 14. Any determination concerning the satisfaction of such terms and conditions shall be within the reasonable discretion of the Purchaser. See Section 14. Subject to the applicable rules of the Commission, the Purchaser expressly reserves the right (but subject to the terms and conditions of the Merger Agreement) to delay acceptance for payment of, or payment for, Shares pending receipt of any regulatory approval specified in Section 15 or in order to comply in whole or in part with any applicable law.

In all cases, payment for Shares purchased pursuant to the Offer will be made only after timely receipt by the Depositary of (i) the certificates evidencing such Shares (the "Share Certificates") or timely confirmation of a book-entry transfer (a "Book-Entry Confirmation") of such Shares, if such procedure is available, into the Depositary's account at The Depository Trust Company, the Midwest Securities Trust Company or the Philadelphia Depository Trust Company (each a "Book-Entry Transfer Facility" and, collectively, the "Book-Entry Transfer Facilities") pursuant to the procedure set forth in Section 3, (ii) the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, or an Agent's Message (as defined below) and (iii) any other documents required by the Letter of Transmittal.

The term "Agent's Message" means a message, transmitted by a Book-Entry Transfer Facility to, and received by, the Depositary and forming a part of a Book-Entry Confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgment from the participant in such Book-Entry Transfer Facility tendering the Shares, that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Purchaser may enforce such agreement against the participant.

Payment for the Shares accepted for payment pursuant to the Offer will be delayed in the event of proration due to the difficulty of determining the number of Shares validly tendered and not withdrawn. See Section 1.

For purposes of the Offer, the Purchaser will be deemed to have accepted for payment (and thereby purchased) tendered Shares validly tendered and not properly withdrawn if, as and when the Purchaser gives oral or written notice to the Depositary of the Purchaser's acceptance of such Shares for payment. Payment for Shares accepted pursuant to the Offer will be made by deposit of the aggregate purchase price therefor with the Depositary, which will act as agent for tendering stockholders for the purpose of receiving payment from the Purchaser and transmitting payment to such tendering stockholders. Under no circumstances will interest on the purchase price for Shares be paid by the Purchaser by reason of any delay in making such payment. Upon the deposit of funds with the Depositary for the purpose of making payments to tendering stockholders, the Purchaser's obligation to make such payment shall be satisfied and tendering stockholders must thereafter look solely to the Depositary for payment of amounts owed to them by reason of the acceptance for payment of Shares pursuant to the Offer. The Purchaser will pay any stock transfer taxes incident to the transfer to it of validly tendered Shares, except as otherwise provided in Instruction 6 of the Letter of Transmittal, as well as any charges and expenses of the Depositary, the Dealer Manager and the Information Agent.

If any tendered Shares are not accepted for payment for any reason pursuant to the terms and conditions of the Offer (including proration due to tenders of Shares pursuant to the Offer in excess of the maximum number of shares to be purchased pursuant to the Offer), or if Share Certificates are submitted evidencing more Shares than are tendered, Share Certificates evidencing unpurchased Shares will be returned, without expense to the tendering stockholder (or, in the case of Shares tendered by book-entry transfer into the Depositary's account at a Book-Entry Transfer Facility pursuant to the procedure set forth in Section 3, such Shares will be credited to an account maintained at such Book-Entry Transfer Facility), as promptly as practicable following the expiration or termination of the Offer.

3. PROCEDURES FOR TENDERING SHARES.

Valid Tender of Shares. In order for Shares to be validly tendered pursuant to the Offer, the Letter of Transmittal or a facsimile thereof, properly completed and duly executed, with any required signature guarantees, or an Agent's Message in connection with a book-entry delivery of Shares, and any other required documents, must be received by the Depositary at one of its addresses set forth on the back cover page of this Offer to Purchase prior to the Expiration Date and either (i) the Share Certificates evidencing tendered Shares must be received by the Depositary along with the Letter of Transmittal, or (ii) Shares must be tendered pursuant to the procedure for book-entry transfer described below and a Book-Entry Confirmation must be received by the Depositary, in each case prior to the Expiration Date, or (iii) the tendering stockholder must comply with the guaranteed delivery procedures described below.

THE METHOD OF DELIVERY OF SHARE CERTIFICATES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH ANY BOOK-ENTRY TRANSFER FACILITY, IS AT THE OPTION AND RISK OF THE TENDERING STOCKHOLDER, AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

Book-Entry Transfer. The Depositary will establish an account with respect to the Shares at each Book-Entry Transfer Facility for purposes of the Offer within two business days after the date of this Offer to Purchase, and any financial institution that is a participant in any of the Book-Entry Transfer Facilities' systems may make book-entry delivery of Shares by causing a Book-Entry Transfer Facility to transfer such Shares into the Depositary's account at a Book-Entry Transfer Facility in accordance with such Book-Entry Transfer Facility's procedures for transfer. However, although delivery of Shares may be effected through book-entry transfer at a Book-Entry Transfer Facility, the Letter of Transmittal or facsimile thereof, with any required signature guarantees, or an Agent's Message in connection with a book-entry delivery of Shares, and any other required documents, must, in any case, be transmitted to and received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date or the guaranteed delivery procedures described below must be complied with.

DELIVERY OF DOCUMENTS TO A BOOK-ENTRY TRANSFER FACILITY IN ACCORDANCE WITH THE BOOK-ENTRY TRANSFER FACILITY'S PROCEDURES DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

Signature Guarantees. Signatures on all Letters of Transmittal must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc. ("NASD") or a commercial bank or trust company having an office or correspondent in the United States (each of the foregoing being referred to as an "Eligible Institution"), except in cases where Shares are tendered (i) by a registered holder of Shares who has not completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the Letter of Transmittal, or (ii) for the account of an Eligible Institution. See Instruction 1 of the Letter of Transmittal.

If a Share Certificate is registered in the name of a person other than the signer of the Letter of Transmittal, or if payment is to be made, or a Share Certificate not accepted for payment or not tendered is to be returned, to a person other than the registered holder(s), then the Share Certificate must be endorsed or

accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear on the Share Certificate, with the signature(s) on such Share Certificate or stock powers guaranteed as described above. See Instructions 1 and 5 of the Letter of Transmittal.

Guaranteed Delivery. If a stockholder desires to tender Shares pursuant to the Offer and such stockholder's Share Certificates are not immediately available or time will not permit all required documents to reach the Depositary prior to the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis, such Shares may nevertheless be tendered if all the following conditions are satisfied:

(i) the tender is made by or through an Eligible Institution;

(ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by the Purchaser herewith, is received by the Depositary as provided below prior to the Expiration Date; and

(iii) in the case of a guarantee of Shares, the Share Certificates for all tendered Shares, in proper form for transfer, or a Book-Entry Confirmation, together with a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) with any required signature guarantee (or, in the case of a book-entry transfer, an Agent's Message) and any other documents required by such Letter of Transmittal, are received by the Depositary within five NYSE trading days after the date of execution of the Notice of Guaranteed Delivery.

Any Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, facsimile transmission or mail to the Depositary and must include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery.

Notwithstanding any other provision hereof, payment for Shares purchased pursuant to the Offer will, in all cases, be made only after timely receipt by the Depositary of (i) the Share Certificates evidencing such Shares, or a Book-Entry Confirmation of the delivery of such Shares, if available, (ii) a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) (or, in the case of a book-entry transfer, an Agent's Message) and (iii) any other documents required by the Letter of Transmittal.

Backup Federal Withholding Tax. Unless an exemption applies under the applicable law and regulations concerning "backup withholding" of federal income tax, the Depositary will be required to withhold, and will withhold, 31% of the gross proceeds otherwise payable to a stockholder or other payee with respect to Shares purchased pursuant to the Offer if the stockholder does not provide such stockholder's taxpayer identification number (social security number or employer identification number) and certify that such number is correct. Each tendering stockholder should complete and sign the main signature form and the Substitute Form W-9 included as part of the Letter of Transmittal, so as to provide the information and certification necessary to avoid backup withholding, unless an applicable exemption exists and is proved in a manner satisfactory to the Purchaser and the Depositary. See Instruction 10 of the Letter of Transmittal.

Appointment as Proxy. By executing a Letter of Transmittal as set forth above, a tendering stockholder irrevocably appoints designees of the Purchaser as such stockholder's attorneys-in-fact and proxies, in the manner set forth in the Letter of Transmittal, each with full power of substitution, to the full extent of such stockholder's rights with respect to the Shares tendered by such stockholder and accepted for payment by the Purchaser (and any and all non-cash dividends, distributions, rights, other Shares, or other securities issued or issuable in respect of such Shares on or after the date of this Offer to Purchase). All such proxies shall be considered coupled with an interest in the tendered Shares. This appointment will be effective if, when, and only to the extent that, the Purchaser accepts such Shares for payment pursuant to the Offer. Upon such acceptance for payment, all prior proxies given by such stockholder with respect to such Shares

and other securities will, without further action, be revoked, and no subsequent proxies may be given. The designees of the Purchaser will, with respect to the Shares and other securities for which the appointment is effective, be empowered to exercise all voting and other rights of such stockholder as they in their sole discretion may deem proper at any annual, special, adjourned or postponed meeting of the Company's stockholders, by written consent or otherwise, and the Purchaser reserves the right to require that, in order for Shares or other securities to be deemed validly tendered, immediately upon the Purchaser's acceptance for payment of such Shares the Purchaser must be able to exercise full voting rights with respect to such Shares. See Section 15.

Treatment of Company Rights. By executing a Letter of Transmittal as set forth above, a tendering stockholder confirms such stockholder's agreement that the amount paid by the Company in redemption of the Company Rights attached to Shares of such stockholders acquired pursuant to the Offer will be paid to and retained by the Purchaser. Amounts paid in redemption of Company Rights attached to other Shares are not affected by the foregoing and will be paid to holders of Company Rights in accordance with the terms of the Company's Rights Agreement, dated as of January 13, 1986, as amended (the "Company Rights Agreement").

Determination of Validity. All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tendered Shares pursuant to any of the procedures described above will be determined by the Purchaser, in its sole discretion, whose determination will be final and binding on all parties. The Purchaser reserves the absolute right to reject any or all tenders of any Shares determined by it not to be in proper form or if the acceptance for payment of, or payment for, such Shares may, in the opinion of the Purchaser's counsel, be unlawful. The Purchaser also reserves the absolute right, in its sole discretion, to waive any of the conditions of the Offer or any defect or irregularity in any tender with respect to Shares of any particular stockholder, whether or not similar defects or irregularities are waived in the case of other stockholders. No tender of Shares will be deemed to have been validly made until all defects and irregularities have been cured or waived.

The Purchaser's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and the instructions thereto) will be final and binding. None of the Purchaser, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or will incur any liability for failure to give any such notification.

The Purchaser's acceptance for payment of Shares tendered pursuant to the Offer will constitute a binding agreement between the tendering stockholder and the Purchaser upon the terms and subject to the conditions of the Offer, including such stockholder's agreement that such tender has been made in compliance with Rule 14e-4 promulgated under the Exchange Act which requires in substance that a tendering stockholder own all Shares tendered pursuant to the Offer.

4. WITHDRAWAL RIGHTS. Except as otherwise provided in this Section 4, tenders of Shares made pursuant to the Offer are irrevocable. Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date and, unless theretofore accepted for payment by the Purchaser pursuant to the Offer, may also be withdrawn at any time after February 13, 1995.

If the Purchaser extends the Offer, is delayed in its acceptance for payment of Shares or is unable to accept Shares for payment pursuant to the Offer for any reason, then, without prejudice to the Purchaser's rights under the Offer, the Depositary may, nevertheless, on behalf of the Purchaser, retain tendered Shares, and such Shares may not be withdrawn except to the extent that tendering stockholders are entitled to withdrawal rights as described in this Section 4. Any such delay will be by an extension of the Offer to the extent required by law.

For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder, if different from that of the person who tendered such Shares. If Share Certificates evidencing Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the release of such Share Certificates, the serial numbers shown on such Share Certificates must be submitted to the Depositary and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution, unless such Shares have been tendered for the account of an Eligible Institution. If Shares have been tendered pursuant to the procedure for book-entry transfer as set forth in Section 3, any notice of withdrawal must also specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares.

All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by the Purchaser, in its sole discretion, whose determination will be final and binding. None of the Purchaser, the Dealer Manager, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.

Any Shares properly withdrawn will thereafter be deemed to not have been validly tendered for purposes of the Offer. However, withdrawn Shares may be re-tendered at any time prior to the Expiration Date by following one of the procedures described in Section 3.

5. CERTAIN FEDERAL INCOME TAX CONSEQUENCES. The following discussion is a summary of the material federal income tax consequences of the Offer and the Merger to holders of Shares who hold the Shares as capital assets. The discussion set forth below is for general information only and may not apply to particular categories of holders of Shares subject to special treatment under the Internal Revenue Code of 1986, as amended (the "Code").

Consequences of the Offer and the Proposed Merger Generally. The Offer and the Merger will be taxable transactions for federal income tax purposes and may be taxable transactions for foreign, state and local income and other tax purposes as well. This will be the case whether a holder of Shares participates only in the Offer or only in the Merger or partly in both transactions.

In general, a stockholder of the Company who, pursuant to the Offer, exchanges Shares for cash will recognize capital gain or loss on the date of acceptance of Shares for payment in an amount equal to the difference between the amount of cash received (exclusive of cash attributable to the redemption price for Company Rights, as described below) and the stockholder's tax basis in the Shares accepted. The gain or loss will be long-term capital gain or loss if, as of such date, the holder thereof has held such Shares for more than one year.

In general, a stockholder of the Company who, pursuant to the Merger, exchanges Shares for Purchaser Common Stock (which includes attached Purchaser Rights) and cash (if any) will recognize capital gain or loss at the Effective Time in an amount equal to the difference between the fair market value of the Purchaser Common Stock (which includes attached Purchaser Rights) and cash (if any) received and the stockholder's tax basis in the Shares surrendered. The gain or loss will be long-term capital gain or loss if, as of such time, the holder thereof has held such Shares for more than one year.

The Company's redemption of the Company Rights will be a dividend taxable as ordinary income (to the extent of the Company's current or accumulated earnings and profits) to all holders of Shares, and the assignment of such redemption proceeds by a tendering stockholder to the Purchaser pursuant to the Offer will constitute an offset to the amount realized by the tendering stockholder pursuant to the Offer for federal income tax purposes.

Withholding. Unless a stockholder complies with certain reporting and/or certification procedures or is an exempt recipient under applicable provisions of the Code and Treasury Regulations, such stockholder may be subject to withholding tax of 31% with respect to payments received pursuant to the Offer and the Merger. Stockholders should consult their brokers to ensure compliance with such procedures. Foreign stockholders should consult with their own tax advisors regarding withholding taxes in general.

THE ABOVE DISCUSSION MAY NOT APPLY TO PARTICULAR CATEGORIES OF HOLDERS OF SHARES SUBJECT TO SPECIAL TREATMENT UNDER THE CODE, SUCH AS FOREIGN HOLDERS, QUALIFIED EMPLOYEE BENEFIT PLANS AND HOLDERS WHOSE SHARE WERE ACQUIRED PURSUANT TO THE EXERCISE OF AN EMPLOYEE STOCK OPTION OR OTHERWISE AS COMPENSATION. STOCKHOLDERS OF THE COMPANY ARE URGED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE SPECIFIC TAX CONSEQUENCES OF THE OFFER AND THE MERGER, INCLUDING ANY STATE, LOCAL OR OTHER TAX CONSEQUENCES OF THE OFFER AND THE MERGER.

Real Estate Transfer Taxes. The New York State Real Property Transfer Gains Tax, the New York State Real Estate Transfer Tax and the New York City Real Property Transfer Tax (collectively, the "Real Estate Transfer Taxes") are imposed on the transfer or acquisition, directly or indirectly, of controlling interests in an entity which owns interests in real property located in New York State or New York City, as the case may be. The Offer and the Merger may result in the taxable transfer of controlling interests in entities which own New York State or New York City real property for purposes of the Real Estate Transfer Taxes. Although any Real Estate Transfer Taxes could be imposed directly on the stockholders of the Company, the Purchaser and the Company will complete and file any necessary tax returns, and, as provided in the Merger Agreement, the Purchaser will pay all Real Estate Transfer Taxes that are imposed as a result of the Offer and the Merger. Upon receipt of the consideration for either the Offer or the Merger, each stockholder of the Company will be deemed to have agreed to be bound by the Real Estate Transfer Tax returns filed by the Purchaser and the Company.

6. PRICE RANGE OF SHARES; DIVIDENDS. The Shares are listed and principally traded on the NYSE and quoted under the symbol "E". The following table sets forth, for the quarters indicated, the high and low sales prices per Share on the NYSE and the amount of cash dividends per Share, all as reported by the Dow Jones News Service.

	MARKET PRICE		
	HIGH	LOW	DIVIDENDS
FISCAL YEAR ENDED DECEMBER 31, 1992:			
First Quarter	$20 5/8	$11	$ 0.15
Second Quarter	15 3/8	9 1/2	0.15
Third Quarter	17 7/8	13 7/8	0.15
Fourth Quarter	16 1/4	12	0.15
FISCAL YEAR ENDED DECEMBER 31, 1993:			
First Quarter	17	13	0.15
Second Quarter	16 7/8	13 7/8	0.15
Third Quarter	17 7/8	15 3/4	0.15
Fourth Quarter	18	13 7/8	0.15
FISCAL YEAR ENDED DECEMBER 31, 1994:			
First Quarter	16 7/8	14 1/8	0.15
Second Quarter	16 1/2	14	0.15
Third Quarter	16 1/4	14 1/2	0.15
Fourth Quarter (through December 15, 1994)	16 1/2	11 3/4	0.15

On December 9, 1994, the last full trading day prior to the announcement of the execution of the Merger Agreement and the Purchaser's intention to commence the Offer, the reported closing price per Share on the NYSE was $12 5/8. On December 15, 1994, the last full trading day prior to the commencement of the Offer, the reported closing price per Share on the NYSE was $16 1/4.

STOCKHOLDERS ARE URGED TO OBTAIN A CURRENT MARKET QUOTATION FOR THE SHARES.

7. CERTAIN INFORMATION CONCERNING THE COMPANY. The information concerning the Company contained in this Offer to Purchase, including financial information, has been furnished by the Company or has been taken from or based upon publicly available documents and records on file with the Commission and other public sources. Neither the Purchaser nor the Dealer Manager assumes any responsibility for the accuracy or completeness of the information concerning the Company contained in such documents and records or for any failure by the Company to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to the Purchaser or the Dealer Manager.

General. The Company is a Delaware corporation and its principal executive offices are located at 2800 Post Oak Boulevard, Houston, Texas 77056.

The Company is engaged primarily in the natural gas pipeline and the natural gas marketing businesses. The Company also has investments in coal mining and marketing operations, natural gas liquids processing, natural gas gathering and a nonoperating interest in a coalbed methane project in Alabama. The Company's pipeline business is conducted through Transcontinental Gas Pipe Line Corporation ("TGPL") and Texas Gas Transmission Corporation ("TXG"). These companies, which are regulated by the Federal Energy Regulatory Commission (the "FERC"), principally transport natural gas from the Gulf of Mexico and the Gulf Coast regions to markets in the eastern half of the United States through their respective 10,500 and 6,050 mile interstate pipeline systems. The Company's natural gas marketing business is conducted through Transco Gas Marketing Company ("TGMC"). TGMC, through agency agreements, manages all jurisdictional sales of TGPL and Texas Gas, except for the sale of gas purchased by Texas Gas under certain contracts, which is auctioned monthly. Jurisdictional sales are sales made to local distribution customers located, in the case of TGPL, in the eastern United States and, in the case of Texas Gas, in the midwestern United States. TGMC also manages all non-jurisdiction sales of Transco Energy Marketing Company ("TEMCO") and TXG Gas Marketing Company ("TXG Marketing"). TEMCO buys, arranges transportation for, and sells natural gas, primarily in the eastern and midwestern United States and Gulf Coast region. TXG Marketing markets natural gas, primarily to customers in the midwestern United States. The Company's coal business is conducted through Transco Coal Company ("TCC"). TCC is engaged in the surface and deep mining, preparation and marketing of various grades of bituminous steam coal. In addition, TCC purchases minimal amounts of coal from independent producers for resale to customers.

Certain Historical Financial Information. Set forth below is certain selected historical consolidated financial information relating to the Company and its subsidiaries which has been excerpted or derived from the audited consolidated financial information of the Company and the unaudited interim consolidated financial information of the Company. More comprehensive financial information is included in the Company's 1993 Annual Report on Form 10-K, the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 1994, and other documents filed by the Company with the Commission. The financial information that follows is qualified in its entirety by reference to such reports and other documents, including the financial statements, related notes and management's discussion and analysis contained therein. Such reports and other documents may be inspected and copies may be obtained from the offices of the Commission or the NYSE in the manner set forth below.

TRANSCO ENERGY COMPANY

SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1993	1992	1991	1994	1993
				(UNAUDITED)	
INCOME STATEMENT DATA:					
Operating revenues	$2,921.9	$2,692.3	$2,714.8	$2,134.7	$2,134.6
Operating income (loss)	146.3	183.7	(63.2)	206.1	136.1
Income (loss) from continuing operations	(35.4)	(52.0)	(162.7)	38.8	(12.1)
Income (loss) from discontinued operations	31.5	2.6	(4.7)	--	31.5
Net income (loss)	(3.9)	(49.3)	(167.4)	38.8	19.4
Common Stock Equity in Net Income (loss)	(29.0)	(75.1)	(193.1)	21.6	0.1
PER SHARE INFORMATION:					
Earnings (loss) per Share of Common Stock and Common Stock Equivalents	(0.74)	(2.35)	(6.58)	0.53	--

	AT DECEMBER 31, 1993	AT SEPTEMBER 30, 1994
		(UNAUDITED)
BALANCE SHEET DATA:		
Total assets	$4,080.5	$3,825.2
Total debt, including current portion	1,946.1	1,937.6
Preferred stock, net of issue expense (1)	340.6	337.1
Common stockholders' equity	391.3	404.3

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(1) Includes redeemable preferred stock of TGPL of $75.2 million and $71.8 million at December 31 and September 30, respectively, and Company Preferred Stock of $265.4 million and $265.3 million at December 31 and September 30, respectively.

Certain Projected Financial Information. In the course of its discussions with the Purchaser described in Section 10, the Company provided the Purchaser and its financial advisors with certain business and financial information which the Purchaser and the Company believe was not publicly available. Such information included, among other things, certain financial projections for 1994 through 1998 prepared by management of the Company as a long range plan, a selected summary of which is set forth below. The Company does not as a matter of course publicly disclose internal projections as to future revenues, earnings or financial condition.

The projections do not give effect to the Offer or the Merger and were predicated on certain assumptions, including the following: (i) increases over the period in total rate bases for TGPL and TXG from $1.51 billion and $525 million, respectively, for 1994 to $1.68 billion and $540 million, respectively, for 1998; (ii) a FERC-allowed rate of return for TGPL of 14.81% for 1994, 14.62% for 1995 and 14.25% for 1996 through 1998 and for TXG of 13.9% for 1994 and 14.25% for 1995 through 1998; (iii) a long-term borrowing rate of 9% for 1994 through 1997 and 9.5% for 1998; (iv) a prime interest rate of 7.5% in 1994 and 7.75% from 1995 through 1998; (v) an increase over the period in nominal crude oil prices and Gulf Coast spot gas prices from $18.00 per barrel and $2.10 per dekatherm respectively, for 1994 to $21.50 per barrel and $2.45 per dekatherm, respectively, for 1998; (vi) public offerings of Shares of $150 million at $15.00 per Share and of $170 million at $17.00 per Share in 1995 and 1997, respectively, with the proceeds being used to retire debt; and (vii) capital expenditures and investments of $228 million in 1994, $251 million in 1995, $234 million in 1996, $230 million in 1997 and $209 million in 1998 to be used, among other things, to maintain the existing pipelines and fund certain pipeline expansion in the Southeast, the Northeast and the Gulf Coast.

TRANSCO ENERGY COMPANY

SUMMARY OF LONG TERM PLAN
(IN MILLIONS, EXCEPT PER SHARE DATA)

	FOR THE YEAR ENDING DECEMBER 31,				
	1994	1995	1996	1997	1998
Operating Income	$296.7	$308.8	$322.6	$338.7	$368.0
Common Stock Equity in Net Income	$ 40.5	$ 42.1	$ 50.9	$ 66.7	$104.3
Earnings per Share of Common Stock and Common Stock Equivalents	$ 1.00	$ 0.92	$ 1.00	$ 1.19	$ 1.71
Cash Flow from Operating Activities	$ 84.7	$304.8	$300.9	$325.2	$361.4

In addition, such projections contemplated year-end debt-to-capital ratios of 73.3% for 1994, 68.4% for 1995, 68.6% for 1996, 61.4% for 1997 and 58.7% for 1998.

THE ESTIMATES AND ASSUMPTIONS UNDERLYING SUCH PROJECTIONS ARE INHERENTLY SUBJECT TO SIGNIFICANT ECONOMIC AND COMPETITIVE UNCERTAINTIES BEYOND THE COMPANY'S CONTROL AND WERE NOT PREPARED WITH A VIEW TO PUBLIC DISCLOSURE OR COMPLYING WITH PUBLISHED GUIDELINES OF THE COMMISSION OR THE GUIDELINES ESTABLISHED BY THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS. FOR THESE REASONS, AS WELL AS THE BASES ON WHICH SUCH PROJECTIONS WERE COMPILED, THERE CAN BE NO ASSURANCE THAT SUCH PROJECTIONS WILL BE REALIZED, OR THAT ACTUAL RESULTS WILL NOT BE HIGHER OR LOWER THAN THOSE ESTIMATED. THE INCLUSION OF SUCH PROJECTIONS HEREIN SHOULD NOT BE REGARDED AS AN INDICATION THAT THE COMPANY, THE PURCHASER OR ANY OTHER PERSON WHO RECEIVED SUCH INFORMATION CONSIDERS IT AN ACCURATE PREDICTION OF FUTURE EVENTS.

Other Information. The Company is subject to the information and reporting requirements of the Exchange Act and is required to file periodic reports and other information with the Commission relating to its business, financial condition and other matters. Information, as of particular dates, concerning the Company's directors and officers, their remuneration, stock options granted to them, the principal holders of the Company's securities, any material interests of such persons in transactions with the Company and other matters is required to be disclosed in proxy statements distributed to the Company's stockholders and filed with the Commission. These reports, proxy statements and other information should be available for inspection at the public reference facilities of the Commission located in Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and also should be available for inspection and copying at prescribed rates at the following regional offices of the Commission: Seven World Trade Center, New York, New York 10048; and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of this material may also be obtained by mail, upon payment of the Commission's customary fees, from the Commission's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549. Reports, proxy statements and other information concerning the Company should also be available for inspection at the offices of the NYSE, 20 Broad Street, New York, New York 10005. Except as otherwise noted in this Offer to Purchase, all of the information with respect to the Company and its affiliates set forth in this Offer to Purchase has been derived from publicly available information.

8. CERTAIN INFORMATION CONCERNING THE PURCHASER AND SUB.

The Purchaser. The Purchaser is a Delaware corporation. The principal executive offices of the Purchaser are located at One Williams Center, Tulsa, Oklahoma 74172.

The Purchaser, through subsidiaries, is engaged in the transportation and sale of natural gas and related activities, natural gas gathering and processing operations, the transportation of petroleum products and the long distance digital telecommunications business. The Purchaser's natural gas subsidiaries own and operate: (i) two interstate natural gas pipeline systems and have a 50 percent interest in a third; (ii) a common carrier petroleum products pipeline system; and (iii) natural gas gathering and processing facilities. The Purchaser's telecommunications subsidiary operates a nationwide digital fiber optic and microwave telecommunications system and offers data, voice and video-related products and services and customer premises equipment nationwide. In the third quarter of 1994, the Purchaser signed a definitive agreement to sell the network services portion of its telecommunications business (the "WNS Sale") to LDDS Communications, Inc. for $2.5 billion in cash. The WNS Sale is expected to close in early 1995. The Purchaser also has investments in the equity of certain other companies.

The Purchaser's interstate pipeline group consists of Northwest Pipeline Corporation ("Northwest Pipeline") and Williams Natural Gas Company ("Williams Natural Gas"), owners and operators of interstate natural gas pipeline systems, and the Purchaser's 50 percent interest in Kern River Gas Transmission Company ("Kern River"). Northwest Pipeline owns and operates an interstate natural gas pipeline system, including facilities for mainline transmission and gas storage. The system extends from the San Juan Basin in northwestern New Mexico and southwestern Colorado through Colorado, Utah, Wyoming, Idaho, Oregon

and Washington to a point on the Canadian border near Sumas, Washington. At December 31, 1993, Northwest Pipeline's system, having aggregate mainline deliverability of approximately 2.5 Bcf (or billion cubic feet) of gas per day, was composed of approximately 3,900 miles of mainline and branch transmission pipelines, and 42 mainline compressor stations with a combined capacity of approximately 290,000 horsepower. Williams Natural Gas is an interstate natural gas transmission company which owns and operates a natural gas pipeline system located in Colorado, Kansas, Missouri, Nebraska, Oklahoma, Texas and Wyoming. The system serves customers in seven states, including major metropolitan areas of Kansas and Missouri, its chief market areas. At December 31, 1993, the Williams Natural Gas system, having a mainline delivery capacity of approximately 2.2 Bcf of gas per day, was composed of approximately 6,200 miles of mainline and branch transmission and storage pipeline and 51 compressor stations having rated capacity totaling approximately 273,000 horsepower. Williams Natural Gas also operates nine underground storage fields with an aggregate certificated working gas storage capacity of 40 Bcf and an aggregate delivery capacity of 1.2 Bcf of gas per day. Kern River is an interstate natural gas transmission company which owns and operates a natural gas pipeline system extending from Wyoming through Utah and Nevada to California. Kern River is jointly owned and operated by Williams Western Pipeline Company, a subsidiary of the Purchaser, and a subsidiary of an unaffiliated company. The Kern River transmission system, which commenced operations in February 1992 following completion of construction, delivers natural gas primarily to enhanced oil-recovery fields in southern California. The system also transports natural gas for utilities, municipalities and industries in California, Nevada and Utah.

Williams Pipe Line Company, a wholly owned subsidiary of the Purchaser, operates a petroleum products pipeline system which covers an eleven-state area extending from Oklahoma in the south to North Dakota and Minnesota in the north and Illinois in the east. The system is operated as a common carrier offering transportation and terminalling services on a nondiscriminatory basis under published tariffs. The system transports crude oil and products, including gasolines, distillates, aviation fuels and LP-gases.

Williams Field Services Group, Inc., through subsidiaries, owns and/or operates both regulated and nonregulated natural gas gathering and processing facilities, markets natural gas and owns and operates natural gas leasehold properties.

The Purchaser is subject to the information and reporting requirements of the Exchange Act and is required to file reports and other information with the Commission relating to its business, financial condition and other matters. Information, as of particular dates, concerning the Purchaser's directors and officers, their remuneration, stock options granted to them, the principal holders of the Purchaser's securities, any material interests of such persons in transactions with the Purchaser and other matters is required to be disclosed in proxy statements distributed to the Purchaser's stockholders and filed with the Commission. These reports, proxy statements and other information should be available for inspection and copies may be obtained in the same manner as set forth for the Company in Section 7. The Purchaser Common Stock is listed on the NYSE, and reports, proxy statements and other information concerning the Purchaser should also be available for inspection at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

Set forth below are certain selected consolidated financial data with respect to the Purchaser and its subsidiaries for Purchaser's last three fiscal years, excerpted or derived from audited financial statements presented in the Purchaser's 1993 Annual Report on Form 10-K and from the unaudited financial statements contained in the Purchaser's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 1994, in each case filed by the Purchaser with the Commission. More comprehensive financial information is included in such reports and other documents filed by the Purchaser with the Commission. The financial information summary set forth below is qualified in its entirety by reference to those reports and other documents which have been filed with the Commission, which are incorporated herein by reference, and all the financial information, related notes and management's discussion and analysis contained therein.

The consolidated financial data set forth below with respect to results of operations has been restated to present WilTel's network services' operating results as discontinued operations. The WNS Sale, subject to various federal and state agency approvals, is expected to close in early 1995 and is expected to yield an estimated after-tax gain of at least $950 million.

THE WILLIAMS COMPANIES, INC.

SELECTED CONSOLIDATED FINANCIAL DATA
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1993	1992	1991	1994	1993
				(UNAUDITED)	
INCOME STATEMENT DATA:					
Total revenues	$1,793.4	$1,983.5	$1,704.5	$ 1,273.8	$ 1,373.0
Income from continuing operations	185.4	103.1	69.7	130.7	150.2
Income from discontinued operations	46.4	25.2	40.3	51.7	29.5
Net income	231.8	138.2	110.0	171.3	179.7

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1993	1992	1991	1994	1993
				(UNAUDITED)	
EARNINGS PER COMMON SHARE INFORMATION (FULLY DILUTED):					
Income from continuing operations	$ 1.71	$ .97	$ .69	$1.19	$1.39
Income from discontinued operations	.45	.28	.48	.49	.29
Extraordinary credit (loss)	--	.11	--	(.11)	--
Net income	2.16	1.36	1.17	1.57	1.68

	YEAR ENDED DECEMBER 31,		
	1994	1993	1992
CASH DIVIDENDS PER COMMON SHARE:			
First Quarter	$ .21	$ .19	$ .19
Second Quarter	.21	.19	.19
Third Quarter	.21	.19	.19
Fourth Quarter	.21	.21	.19

	AT DECEMBER 31,		AT SEPTEMBER 30,	
	1993	1992	1994	1993
			(UNAUDITED)	
BALANCE SHEET DATA:				
Property, plant and equipment--net	$ 3,679	$ 3,527	$ 3,049	$ 3,579
Total assets	5,020	4,982	4,907	4,937
Total current liabilities	733	978	739	661
Total stockholders' equity	1,724	1,518	1,748	1,687
Total liabilities and stockholders' equity	5,020	4,982	4,907	4,937

The name, citizenship, business address, principal occupation or employment and five-year employment history for each of the directors and executive officers of the Purchaser are set forth in Schedule I hereto.

Except as set forth in this Offer to Purchase, none of the Purchaser, or, to the best knowledge of the Purchaser, any of the persons listed in Schedule I hereto, or any associate or majority-owned subsidiary of such persons, beneficially owns any equity security of the Company, and none of the Purchaser, or, to the best knowledge of the Purchaser, any of the other persons referred to above, or any of the respective directors, executive officers or subsidiaries of any of the foregoing, has effected any transaction in any equity security of the Company during the past 60 days. The Purchaser has been advised that Mr. Brian O'Neill, President of Williams Natural Gas Company and North West Pipeline Corporation, beneficially owns 4,342 Shares, all of which Mr. O'Neill acquired more than 60 days prior to the date of this Offer to Purchase and as to which he has sole dispositive and voting power.

Except for the Merger Agreement and the Stock Option Agreement and as otherwise set forth in this Offer to Purchase, none of the Purchaser, or, to the best knowledge of the Purchaser, any of the persons listed in Schedule I hereto has any contract, arrangement, understanding or relationship with any other person with respect to any securities of the Company, including, without limitation, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any securities of the Company, joint ventures, loan or option arrangements, puts or calls, guaranties of loans, guaranties against loss or the giving or withholding of proxies. Except as set forth in this Offer to Purchase, none of the Purchaser, or, to the best knowledge of the Purchaser, any of the persons listed in Schedule I hereto has had any transactions with the Company, or any of its executive officers, directors or affiliates that would require reporting under the rules of the Commission.

Except as set forth in this Offer to Purchase, there have been no contacts, negotiations or transactions between the Purchaser and its subsidiaries, or, to the best knowledge of the Purchaser, any of the persons listed in Schedule I hereto, on the one hand, and the Company or its executive officers, directors or affiliates, on the other hand, concerning a merger, consolidation or acquisition, tender offer or other acquisition of securities, election of directors, or a sale or other transfer of a material amount of assets.

Sub. Sub is a newly incorporated Delaware corporation organized in connection with the Merger and has not carried on any activities other than in connection with the Merger. Sub's principal offices are located at One Williams Center, Tulsa, Oklahoma 74172. Until immediately prior to the Effective Time it is not expected that Sub will have any significant assets or liabilities or engage in activities other than those incident to its formation and capitalization and the transactions contemplated by the Merger. Due to the fact that Sub is newly formed and has minimal assets and capitalization, no meaningful financial information regarding Sub is available.

9. SOURCE AND AMOUNT OF FUNDS. The Purchaser estimates that the total amount of funds required to acquire the Shares pursuant to the Offer and the Merger and to pay related fees and expenses will be approximately $460 million. See Section 16.

The Purchaser plans to obtain the necessary funds from the proceeds of the WNS Sale. See Section 8. However, since the completion of the WNS Sale could be following consummation of the Offer, the Purchaser obtained commitments on December 9, 1994, from Citibank, N.A. ("Citibank"), Bank of America National Trust and Savings Association, Chemical Bank and Canadian Imperial Bank of Commerce to implement a Senior Revolving Credit Facility (the "Purchaser Credit Facility") for up to $1,200,000,000 to finance the acquisition of the Company, refinance existing debt of the Purchaser, pay transaction costs and provide working capital for the Purchaser. The term of the Purchaser Credit Facility will extend to December 31, 1995.

The Purchaser Credit Facility will provide for interest payable at the Applicable Margin above Citibank's Base Rate or, at the Purchaser's option, Citibank's Eurodollar Rate. Citibank's "Base Rate" is a fluctuating interest rate equal to the highest from time to time of (i) the rate of interest announced publicly by Citibank in New York as its base rate, (ii) 1/2 of 1% per annum above the latest three-week moving average of secondary market morning offering rates for three-month certificates of deposit of major U.S. money market banks, as determined weekly by Citibank and adjusted for the cost of reserves and estimated insurance assessments from the Federal Deposit Insurance Corporation, and (iii) a rate equal to 1/2 of 1% per annum above the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as determined for any day by Citibank. The "Applicable Margin" means 0% per annum for Base Rate borrowings and a 0.625% per annum for Eurodollar Rate borrowings based on the Purchaser's current public debt rating.

All net cash proceeds from the WNS Sale (after payment of amounts then payable under the U.S. $400,000,000 Credit Agreement dated as of September 2, 1994, between WTG Holdings, Inc., a subsidiary of the Purchaser, and Citibank) will be applied to the permanent reduction of the Purchaser Credit Facility. No final decisions have been made concerning the method the Purchaser will employ to repay such indebtedness

if the WNS Sale is not completed. Such decisions when made will be based on the Purchaser's review from time to time of the advisability of particular actions, as well as on prevailing interest rates and financial and other economic conditions.

10. BACKGROUND OF THE OFFER; CONTACTS WITH THE COMPANY; THE MERGER AGREEMENT AND THE STOCK OPTION AGREEMENT; OTHER MATTERS

BACKGROUND OF THE OFFER; CONTACTS WITH THE COMPANY

In July 1992, the Purchaser was contacted by representatives of the Company to explore the Purchaser's interest in a potential acquisition of the Company. The Purchaser requested additional business and financial information about the Company and entered into a confidentiality agreement with respect to the non-public information that was furnished to it. Following preliminary discussions, the Purchaser determined not to pursue a transaction with the Company at that time.

On September 9, 1994, Keith E. Bailey, Chairman, President and Chief Executive Officer of the Purchaser, at a social occasion with John P. DesBarres, Chairman, President and Chief Executive Officer of the Company, made a passing comment about the possibility of their considering a business combination of their respective companies, the Company to which Mr. DesBarres did not respond. At an informal meeting on September 30, 1994, Mr. Bailey advised Mr. DesBarres of the Purchaser's interest in considering a business coordinate with the Company and sought to determine the Company's interest in pursuing such discussions. Mr. DesBarres advised Mr. Bailey that the Company would be willing to consider pursuing discussions with the Purchaser.

On October 10, 1994, the Purchaser and the Company executed a mutual confidentiality agreement, pursuant to which they agreed to maintain the confidentiality of non-public information that was received from the other party. Over the next two months, each company's management and advisors conducted due diligence investigations of the other party.

At a meeting between Messrs. Bailey and DesBarres on November 23, 1994, Mr. Bailey proposed that the Purchaser acquire 51% of the Shares for $17.00 per Share in cash, with the remaining Shares acquired in a merger for (i) .55 of a share of Purchaser Common Stock and (ii) a contingent value right which would pay additional cash consideration of up to a maximum of $2.00 per right if the Purchaser Common Stock did not reach specified trading levels during any twenty consecutive trading days during a 12-18 month period. Mr. Bailey also indicated that the Purchaser would require a stock option and certain termination fees to be paid by the Company in connection with any transaction. Mr. Bailey also indicated that he would like Mr. DesBarres to become President and a Director of the Purchaser following the transaction. Mr. DesBarres responded that he wanted to defer any discussions about his future employment until after any transaction was finally agreed upon, and that in any event he needed to consider personal and career issues before making any decision.

On November 26, 1994, Mr. DesBarres, after consulting with the Company's financial advisor, advised Mr. Bailey that the proposed consideration was inadequate and that he was postponing the more extensive due diligence investigations that had been planned to commence on November 27, 1994 until the financial terms were more fully negotiated. After further discussions during the following week between Messrs. Bailey and DesBarres and their respective financial advisors, the Purchaser increased its proposal on December 2, 1994 to $17.50 per Share in cash for up to 55% of the outstanding Shares and .6 of a share of Purchaser Common Stock for each remaining Share acquired in the merger. The Purchaser rejected proposals by the Company's financial advisors for an adjustable exchange ratio in the merger within a range or "collar". The Purchaser also continued to demand as part of its proposal that the Company grant the Purchaser a stock option at $17.50 per Share for approximately 18% of the outstanding Shares with a $5 per Share cap on its value and a separate termination fee of $15 million. While Mr. DesBarres, after informal consultations with other Board members, advised Mr. Bailey that the proposal would require additional improvement, he agreed to let the due diligence investigation commence. Later that day, following further discussions with Mr. DesBarres, and based upon the relative prices of the Shares and the Purchaser Common Stock on

December 2, 1994, Mr. Bailey agreed to increase the exchange ratio to .625 assuming that negotiations were successfully completed. The Purchaser's counsel delivered drafts of the agreements to representatives of the Company on December 3, 1994.

Over the next few days, the parties continued to negotiate the proposal and the Purchaser agreed to increase the percentage of Shares acquired for cash to approximately 60%. In addition, the Purchaser replaced its demand for a $15 million termination fee with a provision for the Company to reimburse the Purchaser for its actual expenses (up to a maximum of $15 million) upon the occurrence of certain events, including if the Company terminates the Merger Agreement to accept a competing bid to acquire the Company.

Representatives of the Purchaser and the Company continued to negotiate the agreements over the next three days. On December 11, 1994, the Purchaser agreed to reduce the cap on the value of its option to $2 per option Share and agreed to the Company's request for the right to cancel the option following any exercise by the Purchaser for a cash payment not to exceed such cap. On December 11, 1994, the Boards of Directors of the Purchaser and the Company approved the Merger Agreement and the Stock Option Agreement. On December 12, 1994, the Merger Agreement and the Stock Option Agreement were executed and the parties issued a joint press release with respect thereto.

THE MERGER AGREEMENT

The following is a summary of the Merger Agreement, a copy of which is filed as an Exhibit to the Tender Offer Statement on Schedule 14D-1 (the "Schedule 14D-1") filed by the Purchaser with the Commission in connection with the Offer. Such summary is qualified in its entirety by reference to the Merger Agreement.

The Offer. The Purchaser has agreed in the Merger Agreement to accept Shares tendered pursuant to the Offer for payment on the earliest expiration date of the offer on which the Minimum Condition and the other conditions that are described in Section 14 hereof are satisfied. The Purchaser has also agreed, if such conditions are not so satisfied as of any expiration date but subject to its right under the circumstances described below to terminate the Offer and the Merger Agreement, to extend such expiration date from time to time until the earlier of the consummation of the Offer and 90 days following commencement of the Offer.

Under the Merger Agreement, the Purchaser has expressly reserved the right to (i) increase the price per Share payable pursuant to the Offer or (ii) increase on one occasion the number of Shares (and attached Rights) to be purchased in the Offer; provided, that (x) any increase in the number of Shares to be purchased which requires an extension of the Offer beyond its then applicable expiration date in accordance with applicable law must provide for an increase of at least 4,000,000 Shares and (y) any increase in the number of Shares sought at a time when the average closing sale prices on the NYSE for shares of Purchaser Common Stock for the ten trading days immediately preceding the date of public notice of the increase exceeds $28 may only be made with the consent of the Company. The Purchaser has agreed in the Merger Agreement that, without the prior written consent of the Company, the Purchaser will not (i) decrease the price per Share payable pursuant to the Offer, (ii) decrease or (other than as described in the immediately preceding sentence) increase the number of Shares to be purchased in the Offer, (iii) change the form of consideration payable in the Offer, (iv) add to or change the conditions of the Offer, (v) change or waive the Minimum Condition or (vi) make any other change in the terms or conditions of the Offer which is adverse to the holders of the Shares.

Company Board Representation by the Purchaser Following the Offer. The Company has agreed in the Merger Agreement that, effective upon payment by the Purchaser for the Shares accepted for payment pursuant to the Offer, the Purchaser will be entitled to designate two directors to the Company Board and the Company will take all necessary action to cause the Purchaser's designees to be elected or appointed to the Company Board including, without limitation, increasing the number of directors or seeking and accepting resignations of incumbent directors. In such connection, the Purchaser has agreed that (i) its designees will abstain from any action taken by the Company to amend or terminate the Merger Agreement or waive any action by the Purchaser, which actions will be effective with the approval of a majority of the remaining directors, and (ii) it will not effect any other changes to the Company Board prior to the Effective Time.

The Merger. The Merger Agreement provides that, upon the terms and subject to the conditions thereof, at the Effective Time, Sub will be merged with and into the Company in accordance with Delaware Law. As a result of the Merger, the separate corporate existence of Sub will cease and the Company will continue as the Surviving Corporation.

Upon consummation of the Merger each issued and then outstanding Share (other than Retired or Dissenting Shares) will be converted into the right to receive the Per Share Cash Amount, if any, and a fraction of a share of Purchaser Common Stock equal to the Conversion Number, together with a number of attached Purchaser Rights equal to the Conversion Number divided by 2.

In addition, also at the Effective Time, each issued and outstanding share of Company $4.75 Preferred Stock and each issued and outstanding share of Company $3.50 Preferred Stock (in each case other than shares that are owned by the Company as treasury stock, or owned by the Purchaser or any wholly-owned subsidiary of the Purchaser, or, to the extent appraisal rights are available to such holders, dissenting shares) will be converted into the right to receive one share of Purchaser $4.75 Preferred Stock or Purchaser $3.50 Preferred Stock, respectively.

Pursuant to the Merger Agreement, the Company shall call and hold a meeting of its stockholders (the "Stockholders' Meeting") as soon as practicable following consummation of the Offer for the purpose of considering and taking action on the Merger Agreement and the transactions contemplated thereby. The Merger Agreement requires the Company, through its Board of Directors, to recommend to its stockholders approval of the Merger and related matters; provided, however, that nothing contained in the Merger Agreement will require the Company Board to take any action or refrain from taking any action which the Board determines in good faith with the advice of counsel could reasonably be expected to result in a breach of its fiduciary duties under applicable law. The Purchaser has agreed to cause all Shares acquired by it pursuant to the Offer or the Stock Option Agreement to be represented at the Stockholders' Meeting and to be voted in favor of approval and adoption of the Merger Agreement and the Merger. If the Purchaser holds at least a majority of the Shares outstanding on the record date for establishing holders of Shares entitled to vote at the Stockholders' Meeting, the Purchaser will have sufficient voting power to approve the Merger, even if no other stockholder of the Company votes in favor of the Merger.

The Merger Agreement provides that the Company and the Purchaser, will each use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, in each case consistent with the fiduciary duties of their respective Boards of Directors as advised by counsel, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by the Merger Agreement and the Stock Option Agreement, including (i) the prompt preparation and filing with the Commission of the Purchaser's registration statement on Form S-4 (the "S-4") and the Company's proxy statement (the "Proxy Statement"), (ii) such actions as may be required to have the S-4 declared effective under the Securities Act and the Proxy Statement cleared by the Commission, in each case as promptly as practicable, and (iii) such actions as may be required to be taken under applicable state securities or blue sky laws in connection with the issuance of shares of Purchaser Common Stock (and the attached Purchaser Rights) and Purchaser New Preferred Stock pursuant to the Merger.

Pursuant to the Merger Agreement, the Purchaser has agreed to use its reasonable best efforts to list the Purchaser Common Stock (and attached Purchaser Rights) to be issued in the Merger on the NYSE and the Purchaser $4.75 Preferred Stock to be issued in the Merger to be listed on the NYSE or quoted on the NASDAQ (as hereinafter defined) National Market System, in each case not later than the Effective Time.

The Merger Agreement provides that, at the Effective Time, the Second Restated Certificate of Incorporation of the Company, as amended and restated substantially in the form set forth in an exhibit to the Merger Agreement, will be the Certificate of Incorporation of the Surviving Corporation. The Merger Agreement also provides that the By-laws of Sub, as in effect immediately prior to the Effective Time, will be the By-laws of the Surviving Corporation until amended in accordance with applicable law.

Representations and Warranties. The Merger Agreement contains various customary representations and warranties of the parties thereto including representations by the Company and the Purchaser as to the absence of certain changes or events concerning their respective businesses, compliance with law, litigation and other matters.

Certain Restrictions on Business Pending the Merger. The Company has agreed that prior to the Effective Time, unless otherwise consented to in writing by the Purchaser, the Company will, and will cause each of its subsidiaries to, conduct its operations only in the ordinary and usual course of business consistent with past practice and will use all reasonable efforts, and will cause each of its subsidiaries to use all reasonable efforts, to preserve intact its present business organization, keep available the services of its present officers and employees and preserve its relationships with licensors, licensees, customers, suppliers, employees and any others having business dealings with it, in each case in all material respects. Without limiting the generality of the foregoing, and except as otherwise expressly provided in the Merger Agreement, the Company will not, and will not permit any of the subsidiaries to, prior to the Effective Time, without the prior written consent of the Purchaser (which will not be unreasonably withheld): (i) adopt any amendment to its certificate of incorporation or by-laws or comparable organizational documents or to the Company Rights Agreement; (ii) except for issuances of capital stock of the Company's subsidiaries to the Company or a wholly owned subsidiary of the Company, issue, reissue, sell or pledge or authorize or propose the issuance, reissuance, sale or pledge of additional shares of capital stock of any class, or securities convertible into capital stock of any class, or any rights, warrants or options to acquire any convertible securities or capital stock, other than the issuance of Shares (and attached Company Rights) upon the exercise of stock options or vesting of restricted or deferred stock unit awards outstanding on December 12, 1994 or upon conversion of shares of Company Preferred Stock, in each case in accordance with their present terms; (iii) declare, set aside or pay any dividend or other distribution (whether in cash, securities or property or any combination thereof) in respect of any class or series of its capital stock, except that (a) the Company may continue to pay regular dividends on the Shares and shares of Company Preferred Stock consistent with past practice, (b) TGPL may continue to pay regular dividends and make annual sinking fund payments on its cumulative first preferred stock consistent with past practice and (c) any wholly-owned subsidiary of the Company may pay dividends and make distributions to the Company or any of the Company's wholly-owned subsidiaries; (iv) adjust, split, combine, subdivide, reclassify or redeem, purchase or otherwise acquire, or propose to redeem or purchase or otherwise acquire, any shares of its capital stock, other than pursuant to certain leases or in connection with tax withholding features under the Company's employee benefits plans; (v) (a) incur, assume or pre-pay any long-term debt or incur or assume any short-term debt, except that the Company and its subsidiaries may incur or pre-pay debt in the ordinary course of business consistent with past practice or the cash forecasts disclosure in the Merger Agreement under existing lines of credit and may repurchase any of the Company's 11 1/4% Notes due 1999 (the "Company Notes") in a manner consistent with the provisions of the Merger Agreement, (b) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person except in the ordinary course of business consistent with past practice, or (c) make any loans, advances or capital contributions to, or investments in, any other person except in the ordinary course of business consistent with past practice and except for loans, advances, capital contributions or investments between any wholly owned subsidiary and the Company or another wholly owned subsidiary; (vi) settle or compromise any suit or claim or threatened suit or claim relating to the transactions contemplated hereby; (vii) except for (a) increases in salary, wages and benefits of employees of the Company or its subsidiaries (other than executive or corporate officers of the Company) in accordance with past practice, (b) increases in salary, wages and benefits granted to employees of the Company or its subsidiaries (other than executive or corporate officers of the Company) in conjunction with promotions or other changes in job status consistent with past practice or required under existing agreements, (c) increases in salary, wages and benefits to employees of the Company pursuant to collective bargaining agreements entered into in the ordinary course of business consistent with past practice, and (d) the consummation of the pending merger of the Company's Tran$tock Employee Stock Ownership Plan ("the Tran$tock Plan") with the Company's Thrift Plan, increase the compensation or fringe benefits payable or to become payable to its directors, officers or employees

(whether from the Company or any of its subsidiaries), or pay any benefit not required by any existing plan or arrangement (including, the granting of, or waiver of performance or other vesting criteria under, stock options, stock appreciation rights, shares of restricted stock or deferred stock or performance units) or grant any severance or termination pay to (except pursuant to existing agreements or policies), or enter into any employment or severance agreement with, any director, officer or other key employee of the Company or any of its subsidiaries or establish, adopt, enter into, terminate or amend any collective bargaining, bonus, profit sharing, thrift, compensation, stock option, restricted stock, pension, retirement, welfare, deferred compensation, employment, termination, severance or other employee benefit plan, agreement, trust, fund, policy or arrangement for the benefit or welfare of any directors, officers or current or former employees, except to the extent such termination or amendment is required by applicable law; except that, in any case, benefits may be paid as they become payable; (viii) except as set forth in the Merger Agreement, acquire, sell, lease or dispose of any assets or securities which are material to the Company and its subsidiaries, or enter into any commitment to do any of the foregoing or enter into any material commitment or transaction outside the ordinary course of business consistent with past practice other than transactions between a wholly-owned subsidiary and the Company or another wholly owned subsidiary, (a) modify, amend or terminate any contract, (b) waive, release, relinquish or assign any contract (including any insurance policy) or other right or claim, or (c) cancel or forgive any indebtedness owed to the Company or its subsidiaries, other than in each case in a manner in the ordinary course of business consistent with past practice or which is not material to the business of the Company and its subsidiaries; (ix) make any tax election not required by law or settle or compromise any tax liability, in either case that is material to the Company and its subsidiaries; (x) change any of the accounting principles or practices used by it except as required by the Commission, the Financial Accounting Standards Board or the FERC under the Uniform System of Accounts; or (xi) agree in writing or otherwise to take any of the foregoing actions or any action which would make any representation or warranty in the Merger Agreement untrue or incorrect in any material respect.

The Purchaser has agreed that it will not, and will not permit any of its subsidiaries to, prior to the Effective Time, without the prior written consent of the Company (which will not be unreasonably withheld): (i) adopt any amendment to its certificate of incorporation or by-laws or comparable organizational documents; (ii) except for issuances of capital stock of the Purchaser's subsidiaries to the Purchaser or a wholly owned subsidiary of the Purchaser and except as set forth in the Merger Agreement, issue, reissue, sell or pledge or authorize or propose the issuance, reissuance, sale or pledge of additional shares of capital stock of any class, or securities convertible into capital stock of any class, or any rights, warrants or options to acquire any convertible securities or capital stock, other than the issuance of shares of Purchaser Common Stock upon the exercise of stock options or vesting of deferred stock awards outstanding on December 12, 1994 in accordance with their present terms; (iii) declare, set aside or pay any dividend or other distribution (whether in cash, securities or property or any combination thereof) in respect of any class or series of its capital stock, except that (a) the Purchaser may continue to pay regular cash dividends on the Purchaser Common Stock and any Purchaser preferred stock and (b) any subsidiary of the Purchaser may pay dividends or make distributions; (iv) other than purchases pursuant to its existing program to repurchase shares of Purchaser Common Stock for an aggregate purchase price of up to $800,000,000 and shares of certain Purchaser preferred stock for an aggregate purchase price of up to $100,000,000 (under which approximately $406.8 million and $6.4 million, respectively, of purchases had been made as of December 12, 1994) and in connection with the exercise of options under certain employee benefits plans of the Purchaser, adjust, split, combine, subdivide, reclassify or redeem, purchase or otherwise acquire, or propose to redeem or purchase or otherwise acquire, any shares of its capital stock; (v) except as set forth in the Merger Agreement, acquire, sell, lease or dispose of any assets or securities which are material to the Purchaser and its subsidiaries, or enter into any commitment to do any of the foregoing other than transactions between a wholly owned subsidiary and the Purchaser or another wholly owned subsidiary; (vi) settle or compromise any suit or claim or threatened suit or claim relating to the transactions contemplated hereby; (vii) change any of the accounting principles or practices used by it except as required by the Commission, the Financial Accounting Standards Board or the FERC under the Uniform Systems of Accounts; or (viii) agree in writing or otherwise

to take any of the foregoing actions or any action which would make any representation or warranty in the Merger Agreement untrue or incorrect in any material respect.

Acquisition Transactions. Under the Merger Agreement, the Company has agreed, subject to the matters described in the immediately succeeding paragraph, that it will not, nor will it permit its officers, directors, subsidiaries, representatives or agents, directly or indirectly, to do any of the following: (i) negotiate, undertake, authorize, propose or enter into, either as the proposed surviving, merged, acquiring or acquired corporation, any transaction (other than the Offer and the Merger) involving any disposition or other change of ownership of a substantial portion of the Company's stock or assets (an "Acquisition Transaction"); (ii) solicit or initiate the submission of a proposal or offer in respect of, or engage in negotiations concerning, an Acquisition Transaction; or (iii) furnish or cause to be furnished to any corporation, partnership, person or other entity or group (other than the other party and its representatives) (a "Person") any non-public information concerning the business, operations, properties or assets of the Company in connection with an Acquisition Transaction provided, nothing herein will prohibit the Company Board from taking and disclosing to the Company's stockholders a position with respect to a tender offer pursuant to Rules 14d-9 and 14e-2 promulgated under the Exchange Act. The Company has also agreed to inform the Purchaser by telephone within two business days of its receipt of any proposal or bid (including the terms thereof and the Person making such proposal or bid) in respect of any Acquisition Transaction.

Notwithstanding the restriction described in the immediately preceding paragraph, the Company and its officers, directors, subsidiaries, representatives and agents may engage in discussions or negotiations with, and may furnish information to, a third party who, or representatives of a third party who, makes a written proposal with respect to an Acquisition Transaction if (i) the Company Board determines in good faith after consultation with its financial advisors that such proposal may reasonably be expected to result in a transaction that is financially superior to the transactions contemplated by the Merger Agreement, or (ii) the Company Board determines in good faith with advice of outside counsel that failure to do so could reasonably be expected to result in a breach of its fiduciary duties under applicable law. If the Company accepts a proposal for or otherwise engages in any Acquisition Transaction (other than the Offer or the Merger), it will promptly pay to the Purchaser in reimbursement for the Purchaser's expenses an amount in cash (not to exceed $15,000,000) equal to the aggregate amount of the Purchaser's documented out-of-pocket expenses incurred in connection with pursuing the transactions contemplated by the Merger Agreement as certified in good faith by the Purchaser and with reasonable detail.

Indemnification and Directors' and Officers' Insurance. The Purchaser and the Company have agreed in the Merger Agreement that the Certificate of Incorporation of the Surviving Corporation or any successor by merger will contain the provisions with respect to indemnification which are set forth in the form of Third Restated Certificate of Incorporation of the Company included as an exhibit to the Merger Agreement, which provisions will not be amended, repealed or otherwise modified for a period of six years after the Effective Time provided that, in the event any claim is asserted or made within such six-year period, all rights to indemnification in respect of any such claim will continue until disposition of any and all such claims. The Merger Agreement further provides that, for a period of not less than six years after the Effective Time, the Purchaser will, or will cause the Surviving Corporation to provide, directors' and officers' liability insurance having substantially the same terms and conditions and providing at least the same coverage and amounts as the directors' and officers' liability insurance that is maintained by the Company at the Effective Time for all directors and officers of the Company and its subsidiaries who served as such at, or within one year prior to, the Effective Time. However, the Purchaser will not be required to pay an annual premium for such insurance in excess of the last annual premium paid by the Company prior to December 12, 1994 (but in such case will purchase as much coverage as possible for such amount).

Redemption of Company Rights. Under the Merger Agreement, the Company has agreed to redeem the Company Rights effective immediately prior to the Purchaser's acceptance for payment of Shares pursuant to the Offer and will not otherwise redeem the Company Rights, or amend or terminate the Company Rights Agreement, unless in each such case the Company Board determines in good faith with the

advice of outside counsel that complying with such covenant could reasonably be expected to result in a breach of its fiduciary duties under applicable law. The Company has agreed that the Offer will provide, and require that tendering stockholders confirm, that the Purchaser will be entitled to receive and retain the amounts paid in redemption of all Company Rights attached to Shares acquired pursuant to the Offer.

Company Benefit Plans. The Merger Agreement provides that, except as otherwise agreed with individual option holders, at the Effective Time, (i) each then outstanding option to purchase Shares (a "Company Stock Option") under the Company's stock incentive plans (the "Company Plans"), whether vested or unvested, will become fully exercisable and vested, (ii) each Company Stock Option which is then outstanding will be cancelled and (iii) in consideration of such cancellation, at the election of the option holder, which may be allocated to either or both elections, (a) the Company will pay to such holders of Company Stock Options an amount in respect thereof equal to the product of (x) the excess, if any, of the Offer Price over the respective exercise price thereof and (y) the number of Shares subject thereto, respectively, or (b) the Purchaser will issue an option as described below (a "Replacement Option").

The Replacement Option with respect to each Company Stock Option, the exercise price for which exceeds $35 per Share, will be an option to acquire, on the same terms and conditions as were applicable under such Company Stock Option (except that it will be subject to a vesting period ending on the first anniversary of the Effective Time), (i) an amount in cash equal to the product of $10.50 times the number of Shares purchasable under such Company Stock Option immediately prior to the Effective Time and (ii) the number of shares of Purchaser Common Stock equal to the product of .25 and the number of Shares purchasable under such Company Stock Option immediately prior to the Effective Time. The Purchaser will cause such options to continue to vest and to remain exercisable following the termination of the option holder's employment with the Purchaser and its affiliates in accordance with its past practice relative to the Purchaser's current employees; provided, that with respect to any employee of the Company or its subsidiaries at the Effective Time (a "Current Employee") whose employment with the Purchaser or its affiliates is terminated other than voluntarily by the employee or involuntarily for cause or as a result of retirement, the Purchaser will cause such options to continue to vest until the earlier of (i) six months following such termination and (ii) the end of the term of such option, as in effect immediately before such termination. All of the foregoing payments and issuances of shares in connection with such cancellations will be made either net of applicable withholding taxes or upon payment of required withholding taxes by the option holders.

The Replacement Option with respect to each Company Stock Option, the exercise price for which is less than or equal to $35 per Share, will be an option to acquire, on the same terms and conditions as were applicable under such Company Stock Option, the same number of shares of Purchaser Common Stock as the holder of such Company Stock Option would have been entitled to receive pursuant to the Merger had such holder exercised such option in full immediately prior to the Effective Time (not taking into account whether or not such option was in fact exercisable), at a price per share equal to (i) the aggregate exercise price for the Shares deemed otherwise purchasable pursuant to such Company Stock Option divided by (ii) the number of full shares of Purchaser Common Stock deemed purchasable pursuant to such Company Stock Option. All of the foregoing payments and issuances of shares in connection with such cancellations will be made either net of applicable withholding taxes or upon payment of required withholding taxes by the optionholders.

The Merger Agreement provides that the Company Plans will generally terminate as of the Effective Time and the provisions in any other plan, program or arrangement, providing for the issuance or grant of any other interest in respect of the capital stock of the Company or any of its subsidiaries will be deleted as of the Effective Time. The Merger Agreement also provides that the Company's other employee benefit plans, programs and policies other than salary (collectively, the "Employee Benefit Plans") in effect at the date of the Merger Agreement will, to the extent practicable, remain in effect until otherwise determined after the Effective Time and, to the extent such Employee Benefit Plans are not continued, the Purchaser will maintain Employee Benefit Plans with respect to employees of the Company and its subsidiaries which are no less favorable, in the aggregate, than the least favorable of: (i) those Employee Benefit Plans covering employees

of the Purchaser from time to time; (ii) those Employee Benefit Plans of the Company and its Subsidiaries that are in effect on the date of this Agreement other than the Tran$tock Plan; or (iii) Employee Benefit Plans that are reasonably competitive with respect to the industry in which the employer of the affected employees competes; provided, that in any event, until the first anniversary of the Effective Time, the Surviving Corporation will provide Current Employees with Employee Benefit Plans, other than a nonqualified, unfunded plan maintained primarily to provide deferred compensation benefits to a select group of "management or highly compensated employees" within the meaning of Sections 201, 301, and 401 of ERISA, that are no less favorable in the aggregate than those provided to Current Employees by the Company and for its Subsidiaries immediately before the Effective Time. In the case of benefit plans which are continued and under which the employees' interests are based upon Company Common Stock, such interests will be based on Parent Common Stock in an equitable manner.

In the Merger Agreement the Purchaser has agreed to cause the Surviving Corporation to (i) honor (a) in accordance with their terms all individual employment, severance, termination and indemnification agreements which by their express terms may not be unilaterally amended by the Company or any of its subsidiaries and (b) without modification all other specified employee severance plans, policies, employment and severance agreements and indemnification arrangements of the Company or any of its subsidiaries as such plans, policies, or agreements were in effect on the date of the Merger Agreement through the later of (x) December 31, 1995, (y) the termination date specified in such document or (z) the date agreed to by the Purchaser and the Company, (ii) waive any limitations regarding pre-existing conditions of Current Employees and their eligible dependents under any welfare or other employee benefit plans of the Purchaser and its affiliates in which they participate after the Effective Time (except to the extent that such limitations would have applied under the analogous plan of the Company and its subsidiaries immediately before the Effective Time), (iii) for all purposes under the post-retirement welfare benefit plans and policies of the Purchaser and its affiliates, treat Current Employees in the same manner as similarly situated employees of the Purchaser who were hired by the Purchaser before January 1, 1992 in accordance with the terms of such plans and policies as then in effect, as any such plans and policies are modified by the Purchaser or such affiliates from time to time, and (iv) for all other purposes under all Employee Benefit Plans applicable to employees of the Company and its subsidiaries, treat all service with the Company or any of its subsidiaries by Current Employees before the Closing as service with the Purchaser and its subsidiaries, except to the extent such treatment would result in duplication of benefits or would violate applicable law.

The Merger Agreement also provides that, except as otherwise agreed with individual restricted stockholders, at the Effective Time, each Share which immediately prior to the Effective Time was subject to restrictions on transfer, whether vested or unvested, will become fully vested and freely transferable and will be exchanged for unrestricted shares of Purchaser Common Stock (with attached Purchaser Rights) pursuant to the Merger Agreement.

Other Matters. In the Merger Agreement, the Company has agreed to declare a dividend on each share of the Company Preferred Stock to holders of record of such shares as of the close of the business day next preceding the Effective Time in an amount equal to the product of (i) a fraction, (x) the numerator of which equals the number of days between the payment date with respect to the most recent regular dividend paid by the Company and the Effective Time and (y) the denominator of which equals 91 and (ii) the amount of the regular quarterly dividend paid by the Company on the relevant series of Company Preferred Stock. The Company has also agreed (i) to promptly seek agreement, on terms reasonably acceptable to the Purchaser, of the banks party to the Company's revolving credit and letter of credit reimbursement agreements to (a) amend such agreements to provide that the execution by the Company of the Merger Agreement and the Stock Option Agreement and the purchase of Shares pursuant to the Offer or the Stock Option Agreement do not constitute an event permitting the banks which are parties thereto to accelerate the amounts outstanding under such agreements or establish cash collateral accounts (the "Bank Consents"), (b) amend such agreements to permit the consummation of the Merger, and (c) waive the interest rate increase otherwise applicable by reason of such events, (ii) to select the latest notice and repurchase dates permitted under the

indenture governing the Company Notes in respect of the "change of control" effected by consummation of the Offer and (iii) in the event that such repurchase date occurs prior to the Merger, to cooperate with the Purchaser in arranging financing on terms reasonably acceptable to the Purchaser to finance any required repurchase of Company Notes.

Conditions to the Merger. The obligations of Purchaser and the Company to consummate the Merger are subject to the satisfaction or, where legally permissible, waiver of various conditions, including that (i) the Purchaser has accepted for purchase and paid for Shares pursuant to the Offer; provided, that this condition will be deemed satisfied with respect to the Company if the Purchaser fails to purchase Shares pursuant to the Offer in violation of the terms of the Offer; (ii) the Merger Agreement (insofar as it relates to the Merger) and the Merger have been approved and adopted by the affirmative vote of the holders of Shares entitled to cast at least a majority of the total number of votes entitled to be cast by holders of Shares; (iii) any waiting period under the HSR Act applicable to the Merger has expired or been terminated; (iv) the S-4 has become effective under the Securities Act and is not the subject of any stop order or proceeding seeking a stop order and the Purchaser has received all material state securities or blue sky permits and other authorizations necessary to issue the shares of Purchaser Common Stock (and attached Purchaser Rights) and Purchaser New Preferred Stock pursuant to the Merger Agreement; (v) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Merger is in effect (each party agreeing to use all reasonable efforts to have any such order reversed or injunction lifted); (vi) the Purchaser Common Stock (and the attached Purchaser Rights) to be issued in the Merger has been approved for listing on the NYSE, subject to official notice of issuance; and (vii) no action, suit or proceeding by any governmental entity before any court or governmental or regulatory authority is pending against the Company, the Purchaser or Sub or any of their subsidiaries challenging the validity or legality of the transactions contemplated by the Merger Agreement other than actions, suits or proceedings as to which the Purchaser had actual knowledge at the time of acceptance for payment of Shares pursuant to the Offer or which, in the reasonable opinion of counsel to the party asserting such condition, do not have a substantial likelihood of resulting in a material adverse judgment.

The obligations of the Purchaser and Sub to effect the Merger and the transactions contemplated by the Merger Agreement are further subject to the Company not having failed to perform its material obligations required to be performed by it under the covenant described above relating to restrictions on business pending the Merger at or prior to the closing date of the Merger, other than any such failures to perform as to which the Purchaser had actual knowledge at the time of acceptance for payment of Shares pursuant to the Offer. The obligation of the Company to effect the Merger is subject to the Purchaser and Sub not having failed to perform their material obligations required to be performed by them under the covenant described above relating to restrictions on business pending the Merger at or prior to the closing date of the Merger, other than such failures to perform as to which the Company had actual knowledge at the time of acceptance of Payment for Shares pursuant to the Offer.

Termination; Fees and Expenses. The Merger Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of the Merger Agreement and the Merger by the stockholders of the Company; (i) by mutual consent of the Purchaser and the Company by action of their respective Boards of Directors (with any members of the Company Board who may hereafter be designated by the Purchaser abstaining); (ii) by the Company if (a) the Offer expires or is terminated without any Shares being purchased thereunder, or (b) the Purchaser fails to purchase validly tendered Shares in violation of the terms and conditions of the Offer or the Merger Agreement; (iii) by the Purchaser if, due to an occurrence which has made it reasonably impracticable to satisfy any of the conditions of the Offer set forth in Section 14 hereto at any time prior to the 90th day following the commencement of the Offer, the Purchaser (a) terminates the Offer or allows the Offer to expire without the purchase of any Shares thereunder, unless such termination or expiration has been caused by or resulted from the failure of the Purchaser to perform in any material respect any of its covenants and agreements contained in the Merger Agreement or the Offer, or (b) fails to pay for Shares pursuant to the Offer within 90 days after the date hereof, unless such failure to pay for such shares is caused by or results from the failure of the Purchaser to perform in any material respect

any of its covenants or agreements contained in the Merger Agreement or the Offer; (iv) by either the Purchaser or the Company if the Merger is not consummated before June 30, 1995 despite the good faith effort of such party to effect such consummation (unless solely by reason of the conditions relating to the absence of certain injunctions, restraining orders or litigation (in which case, if such litigation, restraining order or litigation was in existence at the time of consummation of the Offer, such date will be September 30, 1995) or the failure to so consummate the Merger by such date is due to the action or failure to act of the party seeking to terminate the Merger Agreement, which action or failure to act constitutes a breach of the Merger Agreement); (v) by either the Purchaser or the Company if any court of competent jurisdiction has issued an injunction permanently restraining, enjoining or otherwise prohibiting the consummation of the Offer or the Merger, which injunction has become final and non-appealable; (vi) prior to the expiration of the Offer, by the Purchaser if the Company rescinds its redemption of the Company Rights and all other conditions to consummation of the Offer are satisfied, or the Company Board withdraws, amends or modifies in a manner adverse to the Purchaser its favorable recommendation of the Offer or the Merger or promulgates any recommendation with respect to an Acquisition Transaction (including a determination to take no position) other than a recommendation to reject such Acquisition Transaction; or (vii) prior to the expiration of the Offer, by the Company if (a) (x) any of the representations and warranties of the Purchaser contained in the Merger Agreement were incorrect in any material respect when made or have since become, and at the time of termination remain, incorrect in any material respect, or (y) there has been a material breach on the part of the Purchaser in the covenants of the Purchaser set forth herein, or any failure on the part of the Purchaser to comply with its material obligations hereunder, or any other events or circumstances have occurred, such that, in any such case, the Purchaser could not satisfy on or prior to June 30, 1995, any of the conditions to the Company's obligations to effect the Merger, or (b) the Company receives a written offer with respect to an Acquisition Transaction and the Company Board, after consulting with its outside counsel and financial advisor, determines in good faith that such Acquisition Transaction is more favorable to the Company's stockholders than the transactions contemplated by the Merger Agreement and, not later than the time of such termination, the Company has paid the expense reimbursement described above.

In the event of termination of the Merger Agreement by either the Purchaser or the Company, the Merger Agreement will become void and there will be no liability or obligation on the part of the Purchaser, Sub or the Company or their respective officers or directors other than under certain provisions of the Merger Agreement relating to confidential treatment of non-public information and the payment of fees and expenses, except to the extent such termination results from the willful breach by a party of its covenants and agreements in the Merger Agreement. Under the Merger Agreement, all costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred by the Purchaser and the Company will be borne solely and entirely by the party which has incurred such costs and expenses, other than as described above with respect to reimbursement by the Company of expenses of the Purchaser under certain circumstances.

Amendment and Waiver. Subject to applicable law, the Merger Agreement may be amended by action taken by or on behalf of the respective Boards of Directors of the Purchaser or the Company at any time prior to the Effective Time. After approval of the Merger by the stockholders of the Company, no amendment which under applicable law may not be made without the approval of the stockholders of the Company, may be made without such approval. At any time prior to the Effective Time, either the Company or the Purchaser may (i) extend the time for the performance of any of the obligations or other acts of the other party, (ii) waive any inaccuracies in the representation and warranties of the other party contained in the Merger Agreement or in any document delivered pursuant thereto and (iii) waive compliance by the other party with any of the agreements or conditions contained therein, provided, that any representatives of the Purchaser on the Company Board will abstain from any such action to be taken by the Company.

THE STOCK OPTION AGREEMENT

The following is a summary of the Stock Option Agreement. A copy of the Stock Option Agreement is filed as an Exhibit to the Schedule l4D-1. Such summary is qualified in its entirety by reference to the Stock Option Agreement.

The Option. Pursuant to the Stock Option Agreement, the Company granted to the Purchaser the option (the "Option") to purchase, upon the terms and subject to the conditions provided for therein, to 7,500,000 Shares (the "Option Shares") at an exercise price of $17.50 per share (the "Option Purchase Price"). If not sooner exercised, the Option will expire fifteen business days following the termination of the Merger Agreement.

Exercise of the Option. Purchaser may exercise the Option, in whole or in part, at any time and from time to time following the occurrence of any of the following events (each a "Triggering Event"): (i) if the Company accepts a proposal for or otherwise engages in any Acquisition Transaction other than the Offer or the Merger; (ii) if the Company Board withdraws, amends or modifies in a manner adverse to the Purchaser its favorable recommendation of the Offer or the Merger; or (iii) (a) if any person publicly proposes an Acquisition Transaction and (b) the Offer has expired in accordance with its terms and the Merger Agreement and the Minimum Condition fails to be satisfied; provided, however, that no Triggering Event will occur if the Purchaser is in material breach of the Merger Agreement. No Triggering Event has occurred as of the date of this Offer to Purchase.

In the event that the Purchaser acquires any Option Shares and within one year following the date of purchase disposes of such shares (other than to a wholly owned subsidiary of the Purchaser) through a sale, exchange, transfer, merger or otherwise, for an amount per share which exceeds the Option Purchase Price by more than $2.00 (the "Option Cap"), the Purchaser will promptly return to the Company the amount of such excess and thereby effect an upward adjustment to the Option Purchase Price. The Purchaser will not sell or otherwise dispose of Option Shares except in compliance with the Securities Act and any applicable state securities law.

All payments made by the Purchaser to the Company in connection with the Option may be made, at the option of the Purchaser, either (a) by wire transfer or (b) by a certified or bank check or checks, in each case in immediately available funds.

Cancellation Rights. At any time the Option is exercisable, the Purchaser will have the right, upon prior written notice (a "Purchaser Cash-out Notice") to the Company specifying the date of the closing (the "Cancellation Closing") thereof (which date will not be earlier than ten business days nor later than twenty business days after the receipt by the Company of such Purchaser Cash-out Notice), to cause the Company to pay to the Purchaser, in consideration for the cancellation of all or that part of the Option to be cancelled, an aggregate cash cancellation price (the "Cancellation Price") equal to the product of (i) the number of Shares as to which the Option is to be cancelled, multiplied by (ii) the excess (but in no event more than the Option Cap) of (x) the Applicable Price (as defined below) over (y) the Option Purchase Price.

At any time after the Company receives an Exercise Notice pursuant to the Stock Option Agreement, the Company will have the right, upon prior written notice (a "Company Cash-out Notice" and, together with any Purchaser Cash-out Notice, a "Cash-out Notice") to the Purchaser not later than two business days prior to the applicable closing, specifying the date of the Cancellation Closing thereof (which will not be earlier than five business days nor later than fifteen business days after the receipt by the Purchaser of the applicable Company Cash-out Notice), to pay to the Purchaser in consideration for the cancellation of all or that part of the Option subject to such Exercise Notice, in lieu of delivering Option Shares, the Cancellation Price with respect to the Option Shares subject to such Exercise Notice.

The "Applicable Price" will mean the average of the high and low sales prices (but in no event less than $17.50) of the Shares as quoted on the NYSE, or if not so quoted on the NYSE, then the average of the high and low sales prices on the principal national securities exchange is which the Shares are then listed, and if not so listed on any national securities exchange, then the average of the high and low bid prices per Share as quoted on the NASDAQ, on the day prior to the date of the applicable Purchaser Cash-out Notice or the applicable Exercise Notice, as the case may be (the "Measurement Date"); provided, however, that if any person has entered into an agreement with the Company for an Acquisition Transaction, or an Acquisition

Transaction has otherwise been proposed, prior to the delivery of the applicable Cash-out Notice, the Applicable Price shall mean the average consideration proposed to be payable per outstanding Share pursuant to such Acquisition Transaction (or, if there is more than one such Acquisition Transaction, pursuant to the Acquisition Transaction which yields the greater average consideration) valued as of the Measurement Date (with any non-marketable securities included in such consideration being valued at the fair market value per share of such securities with such fair market value to be determined in good faith by an independent investment banking firm selected by the Company and the Purchaser).

OTHER MATTERS

Section 203 of the Delaware Law. As a Delaware corporation, the Company is subject to Section 203 ("Section 203") of the Delaware Law. Section 203 would prevent an "Interested Stockholder" (defined as a person beneficially owning 15% or more of a corporation's voting stock) from engaging in a "Business Combination" (as defined in Section 203) with a Delaware corporation for three years following the date such person became an Interested Stockholder unless: (i) before such person became an Interested Stockholder, the board of directors of the corporation approved the transaction in which such person became an Interested Stockholder or approved the Business Combination, (ii) upon consummation of the transaction which resulted in such person becoming an Interested Stockholder, the Interested Stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced (excluding stock held by directors who are also officers and employee stock ownership plans that do not provide for confidential voting by plan participants), or (iii) following the transaction in which such person became an Interested Stockholder, the Business Combination is (x) approved by the board of directors of the corporation and (y) authorized at a meeting of stockholders by the affirmative vote of the holders of 66 2/3% of the outstanding voting stock of the corporation not owned by the Interested Stockholder. In accordance with the provisions of Section 203, the Company Board has approved the transactions contemplated by the Merger Agreement and the Stock Option Agreement, thereby exempting such transactions from such provisions.

Article Eighth of the Company's Restated Certificate of Incorporation. Under Article Eighth of the Company's Second Restated Certificate of Incorporation, certain extraordinary transactions require the prior approval of at least 80% of the directors then in office or the vote of at least 80% of the outstanding stock of the Company entitled to vote thereon or compliance with specified procedural requirements. In accordance with Article Eighth, the Company Board of Directors by a vote of not less than 80% of the directors then in office approved the transactions contemplated by the Merger Agreement and the Stock Option Agreement, thereby exempting such transactions from such provisions.

Redemption by Holders of Company and Subsidiary Preferred Stock. The Certificates of Designation, Preferences and Rights of the Company $4.75 Preferred Stock and the Company $3.50 Preferred Stock provide that in the event (i) any person is or becomes the owner of 30% or more of the outstanding common stock of the Company or (ii) individuals who constitute the Continuing Directors (as defined therein) cease for any reason to constitute at least a majority of the Company Board (each a "Change of Control"), each holder of such preferred stock shall have the right, at the holder's option, to require the Company to redeem all or any number of such holder's shares, unless such Change of Control has been approved by the Continuing Directors prior to or within 21 days after the date on which such Change in Control shall have occurred. At its meeting on December 11, 1994, the Company Board approved the transactions contemplated by the Merger Agreement and the Stock Option Agreement such that the redemption rights will not be triggered by such transactions.

The Certificate of Designation, Preferences and Rights of TGPL's Cumulative Preferred Stock, $8.75 Series provides that in the event (x) (i) any person is or becomes the owner of 30% or more of the outstanding common stock or (ii) individuals who constitute the Continuing Directors (as defined therein) cease for any reason to constitute at least a majority of the Company Board (each a "Change of Control") and (y) the prevailing credit ratings of TGPL's senior debt securities is reduced below investment grade on any date within 90 days following a Change in Control as a result thereof, each holder of such preferred stock shall

have the right, at the holder's option, to require TGPL to redeem all or any number of such holder's shares of such preferred stock, unless such Change of Control has been approved by the Continuing Directors prior to or within 21 days after the date on which such Change in Control has occurred. At its meeting on December 11, 1994, the Company Board approved the transactions contemplated by the Merger Agreement and the Stock Option Agreement, and the Board of Directors of TGPL will act by written consent to approve such transactions, such that the redemption rights will not be triggered by such transactions.

The Company Rights Agreement. At its meeting on December 11, 1994, the Company Board approved the deferral of the Distribution Date, as defined in the Rights Agreement, with the effect that none of the transactions contemplated by the Merger Agreement or the Stock Option Agreement will result in a Distribution Date, other than an exercise of the Stock Option Agreement following which the Purchaser beneficially owns 20% or more of the outstanding Shares. In addition, pursuant to the Merger Agreement, the Company has agreed to redeem all outstanding Company Rights prior to the Purchaser's acceptance for payment of Shares pursuant to the Offer, at a redemption price of $.05 per Company Right, and will not otherwise redeem the Company Rights or amend or terminate the Company Rights Agreement, unless in each such case the Company Board determines in good faith with the advice of outside counsel that failure to do so could reasonably be expected to result in a breach of its fiduciary duties under applicable law. The Company agreed in the Merger Agreement that the Offer will provide, and require that tendering stockholders confirm, that the Purchaser will be entitled to receive and retain the amounts paid in redemption of all Company Rights attached to Shares acquired pursuant to the Offer.

11. PURPOSE OF THE OFFER; PLANS FOR THE COMPANY AFTER THE OFFER AND THE MERGER.

Purpose of the Offer. The purpose of the Offer and the Merger is for the Purchaser to acquire control of, and ultimately the entire equity interest in, the Company. The purpose of the Merger is for the Purchaser to acquire all Shares not purchased pursuant to the Offer. Upon consummation of the Merger, the separate corporate existence of Sub shall cease, and the Company will continue as the surviving corporation and a wholly-owned subsidiary of the Purchaser. The Offer is being made pursuant to the Merger Agreement.

Under Delaware Law, the approval of the Board and the affirmative vote of the holders of a majority of the outstanding Shares is required to approve and adopt the Merger Agreement and the transactions contemplated thereby, including the Merger. The Company Board has unanimously (with one director absent) approved and adopted the Merger Agreement and the transactions contemplated thereby. Thus, the only remaining required corporate action of the Company is the approval and adoption of the Merger Agreement and the transactions contemplated thereby by the affirmative vote of the holders of a majority of the Shares. Accordingly, if the Minimum Condition is satisfied, the Purchaser expects that it will have sufficient voting power to cause the approval and adoption of the Merger Agreement and the transactions contemplated thereby without the affirmative vote of any other stockholder of the Company.

In the Merger Agreement, the Company has agreed to convene a meeting of its stockholders as promptly as practicable following consummation of the Offer for the purpose of considering and taking action on the Merger Agreement and the transactions contemplated thereby. The Purchaser has agreed that all Shares acquired by it pursuant to the Offer or the Stock Option Agreement will be voted in favor of the Merger Agreement and the transactions contemplated thereby.

Appraisal Rights and Other Matters. No appraisal rights are available to holders of Shares in connection with the Offer and no appraisal rights will be available to holders of Shares in the Merger unless a portion of the consideration to be paid in the Merger is cash. See Section 10. The Commission has adopted Rule 13e-3 under the Exchange Act which is applicable to certain "going private" transactions and which may under certain circumstances be applicable to the Merger following the purchase of Shares pursuant to the Offer or the Stock Option Agreement. Rule 13e-3 requires, among other things, that certain financial information concerning the Company and certain information relating to the fairness of the proposed transaction and the

consideration offered to minority stockholders in such transaction be filed with the Commission and disclosed to stockholders prior to consummation of the transaction.

Plans for the Company. The Purchaser presently intends to maintain and expand the existing business of the Company and to promptly pursue new business opportunities made available as a result of the Merger. Due to its highly leveraged capital structure, the Company has been unable to take full advantage of numerous growth opportunities in its fast-growing markets which would enable it to maintain and enhance its natural competitive edge. The Purchaser expects to be able to finance, on reasonable terms, the capital investment necessary to exploit these opportunities, as well as additional opportunities to access the abundant and long-lived natural gas supplies connected to some of the Purchaser's existing natural gas pipeline assets. The Purchaser also anticipates that the Company or the Purchaser or both, through their respective subsidiaries, will promptly expand non-regulated activities in the geographical areas served by the Company's pipeline subsidiaries. It is expected that the capital structures of the Company and its natural gas pipeline subsidiaries will be restructured as soon as reasonably practicable so as, among other things, to eliminate or modify some or all of the more onerous restrictions in their financing agreements. One result of this capital restructuring is expected to be somewhat greater ratemaking flexibility for the natural gas pipeline subsidiaries, as well as an overall lower cost of capital. The Purchaser intends to aggressively continue the Company's program of disposing of non-core assets.

The Merger Agreement provides that the officers of the Company will continue to be the officers of the Surviving Corporation. While the Purchaser has no firm plans to immediately replace the management of the Company or its subsidiaries, it is expected that a realignment of functions resulting, among other things, from the Company's becoming a wholly-owned subsidiary of the Purchaser will occur following the Merger in order to realize operating efficiencies and savings in general and administrative costs.

12. DIVIDENDS AND DISTRIBUTIONS. Except as contemplated by the Merger Agreement (including, without limitation, the making of the Offer) and the Stock Option Agreement, the Company has agreed that neither it nor any of its subsidiaries will, between the date of the Merger Agreement and the Effective Time, directly do any of the following without the prior written consent of the Purchaser, which consent will not be unreasonably withheld: (a) except for issuances of capital stock of the Company's subsidiaries to the Company or a wholly-owned subsidiary of the Company, issue, reissue, sell or pledge or authorize or propose the issuance, reissuance, sale or pledge of additional shares of capital stock of any class, or securities convertible into capital stock of any class, or any rights, warrants or options to acquire any convertible securities or capital stock, other than the issuance of Shares (and attached Company Rights) upon the exercise of stock options or vesting of restricted or deferred stock unit awards outstanding on the date of the Merger Agreement or upon conversion of Company Preferred Stock, in each case in accordance with their present terms; (b) declare, set aside or pay any dividend or other distribution (whether in cash, securities or property or any combination thereof) in respect of any class or series of its capital stock, except that (i) the Company may continue to pay regular dividends on the Shares and shares of Company Preferred Stock consistent with past practice, (ii) TGPL may continue to pay regular dividends and make annual sinking fund payments on its cumulative first preferred stock consistent with past practice and (iii) any wholly-owned subsidiary of the Company may pay dividends and make distributions to the Company or any of the Company's wholly-owned subsidiaries; or (c) adjust, split, combine, subdivide, reclassify or redeem, purchase or otherwise acquire, or propose to redeem or purchase or otherwise acquire, any shares of its capital stock, other than pursuant to certain specified transactions or in connection with tax withholding features under certain of the Company's employee incentive compensation.

13. EFFECT OF THE OFFER ON THE MARKET FOR THE SHARES; EXCHANGE LISTING AND EXCHANGE ACT REGISTRATION. The purchase of Shares pursuant to the Offer will reduce the number of Shares that might otherwise trade publicly and could reduce the number of holders of Shares, which could adversely affect the liquidity and market value of the remaining Shares held by the public.

According to the NYSE's published guidelines, the NYSE would consider delisting the Shares if, among other things, the number of record holders of at least 100 Shares should fall below 1,200, the number of publicly held Shares (exclusive of holdings of officers, directors and their families and other concentrated holdings of 10% or more ("NYSE Excluded Holdings")) should fall below 600,000 or the aggregate market value of publicly held Shares (exclusive of NYSE Excluded Holdings) should fall below $5,000,000. If, as a result of the purchase of Shares pursuant to the Offer, the Stock Option Agreement or otherwise, the Shares no longer meet the requirements of the NYSE for continued listing and the listing of the Shares is discontinued, the market for the Shares could be adversely affected.

If the NYSE were to delist the Shares, it is possible that the Shares would continue to trade on another securities exchange or in the over-the-counter market and that price or other quotations would be reported by such exchange or through the National Association of Securities Dealers Automated Quotation System ("NASDAQ") or other sources. The extent of the public market therefor and the availability of such quotations would depend, however, upon such factors as the number of stockholders and/or the aggregate market value of such securities remaining at such time, the interest in maintaining a market in the Shares on the part of securities firms, the possible termination of registration under the Exchange Act as described below, and other factors. The Purchaser cannot predict whether the reduction in the number of Shares that might otherwise trade publicly would have an adverse or beneficial effect on the market price for or marketability of the Shares or whether it would cause future market prices to be greater or less than the price paid to a holder of the Shares pursuant to the Offer.

The Shares are currently "margin securities", as such term is defined under the rules of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), which has the effect, among other things, of allowing brokers to extend credit on the collateral of such securities. Depending upon factors similar to those described above regarding listing and market quotations, following the Offer it is possible that the Shares might no longer constitute "margin securities" for purposes of the margin regulations of the Federal Reserve Board, in which event such Shares could no longer be used as collateral for loans made by brokers.

The Shares are currently registered under the Exchange Act. Such registration may be terminated upon application of the Company to the Commission if the Shares are not listed on a national securities exchange and there are fewer than 300 record holders of the Shares. The termination of registration of the Shares under the Exchange Act would substantially reduce the information required to be furnished by the Company to holders of Shares and to the Commission and would make certain provisions of the Exchange Act, such as the short-swing profit recovery provisions of Section 16(b), the requirement of furnishing a proxy statement in connection with stockholders' meetings pursuant to Section 14(a), and the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions, no longer applicable to the Shares. In addition, "affiliates" of the Company and persons holding "restricted securities" of the Company may be deprived of the ability to dispose of such securities pursuant to Rule 144 promulgated under the Securities Act of 1933.

If registration of the Shares under the Exchange Act were terminated, the Shares would no longer be "margin securities" or be eligible for NASDAQ reporting.

14. CERTAIN CONDITIONS OF THE OFFER. Notwithstanding any other provision of the Offer, the Purchaser will not be required to accept for payment or, subject to applicable rules and regulations of the Commission, including Rule 14e-1(c) under the Exchange Act, to pay for any Shares tendered pursuant to the Offer, and may, subject to the provisions of Section 1.1 of the Merger Agreement, terminate the Offer or postpone the acceptance for payment of, Shares tendered, if as of the expiration of the Offer (as the Offer may have been

extended pursuant to Section 1.1 of the Merger Agreement) (i) the Minimum Condition shall not have been satisfied, (ii) the waiting period under the HSR Act applicable to the Offer and the Merger have not expired or been terminated or (iii) at any time on or after December 12, 1994 and prior to the time of payment for such Shares any one or more of the events listed in the paragraphs below have occurred and be continuing:

(a) there has been any action taken, or any statute, rule, regulation, judgment, order or injunction promulgated, enacted, entered or deemed applicable to the Offer or the Merger, by any state or United States federal governmental authority or by any domestic court that (i) makes the acceptance for payment of or payment for Shares illegal or otherwise prohibiting consummation of the Offer or the Merger, (ii) renders the Purchaser unable to accept for payment, pay for or purchase the Shares, (iii) imposes material limitations on the ability of the Purchaser to acquire or hold, transfer or dispose of, or effectively to exercise any of its material rights of ownership of, the Shares, including, without limitation, the right to vote the Shares purchased by it on all matters properly presented to the stockholders of the Company, (iv) as a result of the Offer or the Merger, requires the Purchaser, the Company, or any of their respective subsidiaries or affiliates to dispose of or hold separate all or any material portion of their respective businesses, assets or properties or imposing any material limitations on the ability of any such entities to conduct their respective businesses and own such assets and properties, or (v) as a result of the Offer or the Merger, imposes any limitations on the ability of the Purchaser or any of its subsidiaries effectively to control in any material respect the business or operations of the Company or any of its subsidiaries;

(b) there has been instituted or are pending any action, proceeding or counterclaim by or before any U.S. federal or state court or governmental, administrative or regulatory agency or authority, or any other person, in each case that has a substantial likelihood of success, seeking to restrain or prohibit the making of the Offer or the Merger, seeking to obtain any damages material to the Purchaser and its subsidiaries taken as a whole as a result thereof or seeking to prohibit the ownership by the Purchaser or any of its subsidiaries of the Shares or of any material portion of their businesses or assets, or to compel the Purchaser, the Company or any of their affiliates to dispose of or hold separate all or a material portion of any of their business or assets, in each case as a result of the Offer or the Merger;

(c) there has occurred (i) any general suspension of, or limitation on prices for, trading in securities on the NYSE, (ii) a decline of at least 25% in either the Dow Jones Average of Industrial Stocks or the Standard & Poor's 500 Index from December 12, 1994, (iii) the declaration of a banking moratorium or any suspension of payments in respect of banks in the United States, (iv) any limitation by any governmental authority on, or any other event which could reasonably be expected to have a material adverse effect on, the extension of credit by banks or other lending institutions, which limitation or other event is reasonably likely to materially affect the ability of the Purchaser to pay for the Shares, or (v) in the case of any of the foregoing existing at the time of the commencement of the Offer, a material acceleration or worsening thereof;

(d) any material adverse change has occurred since December 12, 1994 in the business, assets, results of operation or financial condition of the Company and its subsidiaries taken as a whole, other than changes arising from general economic or industry conditions, or a failure by the banks which are parties to the Company's revolving credit and letter of credit reimbursement agreements to have provided the Bank Consents;

(e) the Company has breached or failed to perform in any material respect any of its material obligations under the Merger Agreement, including without limitation a failure to cause the Company Rights to be redeemed as provided for therein;

(f) the representations and warranties of the Company contained in the Merger Agreement were not true and correct in all material respects when made or have since ceased to be true and correct in all material respects and remain incorrect at the expiration date of the Offer;

(g) the Merger Agreement has been terminated in accordance with its terms; and

(h) the Purchaser and the Company have agreed that the Purchaser will amend or terminate the Offer;

which, in the reasonable judgment of the Purchaser with respect to each and every matter referred to above and regardless of the circumstances (including any action or inaction by the Purchaser) giving rise to any such condition, makes it inadvisable to proceed with the Offer or with such acceptance for payment or such payment.

The foregoing conditions are for the benefit of the Purchaser and, except or as otherwise provided in the Merger Agreement, may be waived by the Purchaser in whole or in part at any time and from time to time in its reasonable discretion. The failure by the Purchaser at any time to exercise any of the foregoing rights will not be deemed a waiver of any right and each right will be deemed an ongoing right which may be asserted by the Purchaser at any time and from time to time.

15. CERTAIN LEGAL MATTERS; REGULATORY APPROVALS.

General. Based upon its examination of publicly available information with respect to the Company and the review of certain information furnished by the Company to the Purchaser and discussions of representatives of the Purchaser with representatives of the Company during the Purchaser's investigation of the Company, the Purchaser is not aware of any license or other regulatory permit that appears to be material to the business of the Company and its subsidiaries, taken as a whole, which might be adversely affected by the acquisition of Shares by the Purchaser pursuant to the Offer or the Stock Option Agreement or the Merger or, except as set forth below, of any approval or other action by any domestic (federal or state) or foreign governmental, administrative or regulatory authority or agency which would be required prior to the acquisition of Shares by the Purchaser pursuant to the Offer or the Stock Option Agreement or prior to the Merger. Should any such approval or other action be required, it is the Purchaser's present intention to seek such approval or action. The Purchaser does not currently intend, however, to delay the purchase of Shares tendered pursuant to the Offer pending the outcome of any such action or the receipt of any such approval. There can be no assurance that any such approval or other action, if needed, would be obtained without substantial conditions or that adverse consequences might not result to the business of the Company or the Purchaser or that certain parts of the businesses of the Company or the Purchaser might not have to be disposed of or held separate or other substantial conditions complied with in order to obtain such approval or other action or in the event that such approval was not obtained or such other action was not taken. The Purchaser's obligation under the Offer to accept for payment and pay for Shares is subject to certain conditions, including conditions relating to the legal matters discussed in this Section 15. See Section 14.

Antitrust Compliance. Under the HSR Act and the rules that have been promulgated thereunder by the FTC, certain acquisition transactions may not be consummated unless certain information has been furnished to the Antitrust Division and the FTC and certain waiting period requirements have been satisfied. Pursuant to such requirements, the Purchaser and the Company are making the initial filings under the HSR Act and the waiting period thereunder will expire at 11:59 p.m., New York City time, on the fifteenth day following such filings, unless earlier terminated. Prior to such time, the Antitrust Division or the FTC may extend the waiting period by requesting additional information or documentary material relevant to the acquisitions. If such a request is made, the waiting period will be extended until 11:59 p.m., New York City time, on the tenth day after substantial compliance by the Purchaser with such request.

The FTC and the Antitrust Division frequently scrutinize the legality under the antitrust laws of transactions such as the proposed acquisition of Shares by the Purchaser pursuant to the Offer. At any time before or after the purchase of Shares pursuant to the Offer by the Purchaser, the FTC or the Antitrust Division could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the purchase of Shares pursuant to the Offer or seeking the divestiture of Shares purchased by the Purchaser or the divestiture of substantial assets of the Purchaser and the Company or their respective subsidiaries. Private parties and state attorneys general may also bring legal action under federal or state antitrust laws under certain circumstances. Based upon an examination of information available to the Purchaser relating to the businesses in which the Purchaser and the Company and their respective subsidiaries are engaged, the Purchaser believes that the Offer will not violate the antitrust laws. Nevertheless, there can be no assurance that a challenge to the Offer on antitrust grounds will not be made or, if such a challenge is made, what the result would be. See Section 14.

State Takeover Statutes. The Company is incorporated under the laws of the State of Delaware. In general, Section 203 of the Delaware Law prevents an "interested stockholder" (generally a person who owns or has the right to acquire 15% or more of a corporation's outstanding voting stock, or an affiliate or associate thereof) from engaging in a "business combination" (defined to include mergers and certain other transactions) with a Delaware corporation for a period of three years following the date such person became an interested stockholder unless, among other things, prior to such date the board of directors of the corporation approved either the business combination or the transaction in which the interested stockholder became an interested stockholder. On December 11, 1994, prior to the execution of the Merger Agreement and the Stock Option Agreement, the Company Board by the unanimous vote of all directors present at a meeting held on such date, approved the Merger Agreement and the Stock Option Agreement and determined that the Offer and the Merger, taken together, are fair to, and in the best interests of, the stockholders of the Company. Accordingly, Section 203 is inapplicable to the Offer and the Merger.

A number of other states have adopted laws and regulations applicable to attempts to acquire securities of corporations which are incorporated, or have substantial assets, stockholders, principal executive offices or principal places of business, or whose business operations otherwise have substantial economic effects, in such states. In 1982, in Edgar v. MITE Corp., the Supreme Court of the United States invalidated on constitutional grounds the Illinois Business Takeover Statute, which, as a matter of state securities law, made takeovers of corporations meeting certain requirements more difficult. However, in 1987 in CTS Corp. v. Dynamics Corp. of America, the Supreme Court held that the State of Indiana may, as a matter of corporate law, and, in particular, with respect to those aspects of corporate law concerning corporate governance, constitutionally disqualify a potential acquiror from voting on the affairs of a target corporation without the prior approval of the remaining stockholders. The state law before the Supreme Court was by its terms applicable only to corporations that had a substantial number of stockholders in the state and were incorporated there.

The Company, directly or through subsidiaries, conducts business in a number of states throughout the United States, some of which have enacted takeover laws. The Purchaser does not know whether any of these laws will, by their terms, apply to the Offer and has not complied with any such laws. Should any person seek to apply any state takeover law, the Purchaser will take such action as then appears desirable, which may include challenging the validity or applicability of any such statute in appropriate court proceedings. In the event it is asserted that one or more state takeover laws is applicable to the Offer and the Merger, and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer, the Purchaser might be required to file certain information with, or receive approvals from, the relevant state authorities. In addition, if enjoined, the Purchaser might be unable to accept for payment any Shares tendered pursuant to the Offer, or be delayed in continuing or consummating the Offer. In such case, the Purchaser may not be obligated to accept for payment any Shares tendered. See Section 14.

Federal Reserve Board Regulations. Federal Reserve Board Regulations G, T, U and X (the "Margin Regulations") promulgated by the Federal Reserve Board place restrictions on the amount of credit that may be extended for the purpose of purchasing margin stock (including the Shares) if such credit is secured directly or indirectly by margin stock. The Purchaser believes that the financing of the acquisition of the Shares will be in compliance with the Margin Regulations. A challenge to the financing arrangements in respect of the Offer alleging a violation of the Margin Regulations could, if adversely determined, impair the Purchaser's ability to obtain financing for the Offer and the Merger.

New Jersey Industrial Site Recovery Act. The New Jersey Industrial Site Recovery Act ("ISRA"), P.L. 1993 c.139, requires that a "Negative Declaration" or a "Remedial Action Workplan" be filed with and approved by the New Jersey Department of Environmental Protection ("NJDEP") as a precondition to the "transfer" of an "industrial establishment." Prerequisites for the approval of a Negative Declaration or Remedial Action Workplan include the filing of detailed information about environmental conditions at the "industrial establishment." In certain cases, the NJDEP may require (i) soil and ground water sampling, (ii) submission and implementation of a Remedial Action Workplan for any contamination above a certain

threshold level at the "industrial establishments," and (iii) a financial guarantee, such as a remediation trust fund, environmental insurance policy, line of credit, or self-guarantee, of the implementation of the Remedial Action Workplan. The NJDEP, in circumstances deemed appropriate, has in the past entered into "Remediation Agreements" with the owner or operator of an "industrial establishment" subject to ISRA pursuant to which consummation of a "transfer" of such "industrial establishment" was allowed prior to full compliance with the requirements of ISRA, provided that the owner or operator (i) agrees to a schedule for compliance and (ii) gives the NJDEP a financial guarantee of such compliance.

The Purchaser has been advised that the consummation of the Offer may constitute a "transfer" as defined by ISRA. If the consummation of the Offer is a covered "transfer" and if any of the Company's facilities in the State of New Jersey are "industrial establishments" as defined by ISRA, the requirements of ISRA would be applicable. If the Company determines that the consummation of the Offer will trigger ISRA with respect to one or more of its facilities, the Company intends to make timely filings in accordance with the requirements of the law.

Certain Litigation. On December 12, 1994, two purported class actions were filed in the Delaware Court of Chancery captioned, Steiner v. DesBarres, et al., Del. Ch., C.A. No. 13920 in which the Company, the Purchaser and eight directors of the Company were named as defendants, and Alpern v. Transco Energy Co., et al., Del. Ch., C.A. No. 13918 in which the Purchaser and seven directors of the Company were named as defendants. On December 13, 1994, two additional purported class actions were filed, captioned, Miller v. DesBarres et al., Del. Ch., C.A. No. 13922 and Weiss v. DesBarres, et al., Del. Ch., C.A. No. 13923, in which the Company and seven directors of the Company were named as defendants. On December 14, 1994, two additional purported class actions were filed in the Delaware Court of Chancery captioned, DeCesare v. DesBarres, et al., Del. Ch. C.A. No. 13926 in which the Company, the Purchaser and eight directors were named as defendants and Rand, et al. v. DesBarres et al., Del. Ch. C.A. No. 13925, in which the Company and seven directors were named as defendants. Among other things, all of the complaints allege: that the directors of the Company breached their fiduciary duties in connection the Merger Agreement, including the Option granted under the Stock Option Agreement. The complaints further allege that the Purchaser has aided and abetted the Company directors' alleged breaches of fiduciary duty. The complaints seek, among other relief, an injunction against the Offer and the Merger.

The Purchaser believes that the lawsuits are without merit, and intends to vigorously defend the actions.

16. FEES AND EXPENSES. Except as set forth below, the Purchaser will not pay any fees or commissions to any broker, dealer or other person for soliciting tenders of Shares pursuant to the Offer.

Smith Barney Inc. ("Smith Barney") is acting as the Dealer Manager in connection with the Offer and as financial advisor to the Purchaser in connection with its effort to acquire the Company. The Purchaser has agreed to pay Smith Barney for its services the following fees: (i) a merger agreement execution fee of $1,125,000, payable upon execution of the Merger Agreement; (ii) a dealer manager fee of $1,125,000, payable at such time as the Purchaser accepts for payment and purchases in excess of 50% of the outstanding Shares; and (iii) a transaction fee of $4,500,000 (against which the prior fees, to the extent previously paid, will be credited), payable promptly upon consummation of certain specified transactions concerning the Company, including the purchase of at least 50% of the outstanding Shares pursuant to the Offer. The Purchaser has also agreed to reimburse Smith Barney for its reasonable out-of-pocket expenses (including the reasonable fees and expenses of its legal counsel) incurred in connection with its engagement, and to indemnify Smith Barney and certain related persons against certain liabilities and expenses in connection with its engagement, including certain liabilities under the federal securities laws. Smith Barney has rendered various investment banking and other advisory services to the Purchaser and its affiliates in the past and is expected to continue to render such services, for which it has received and will continue to receive customary compensation from the Purchaser and its affiliates. In the ordinary course of business, Smith Barney may actively trade the equity and debt securities of the Purchaser and the Company for its own account or for the account of customers and, accordingly, may at any time hold a long or short position in such securities.

The Purchaser has retained Morrow & Co. to act as the Information Agent in connection with the Offer. The Information Agent may contact holders of Shares by mail, telephone, facsimile, telegraph and personal interviews and may request brokers, dealers and other nominee stockholders to forward materials relating to the Offer to beneficial owners of Shares. The Information Agent will receive reasonable and customary compensation for its services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection therewith, including certain liabilities under the federal securities laws.

In addition, Chemical Bank has been retained as the Depositary. The Depositary has not been retained to make solicitations or recommendations in its role as Depositary. The Depositary will receive reasonable and customary compensation for its services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection therewith, including certain liabilities under the federal securities laws. Brokers, dealers, commercial banks and trust companies will be reimbursed by the Purchaser for customary mailing and handling expenses incurred by them in forwarding offering material to their customers.

17. MISCELLANEOUS. The Purchaser is not aware of any jurisdiction where the making of the Offer is prohibited by any administrative or judicial action pursuant to any valid state statute. If the Purchaser becomes aware of any valid state statute prohibiting the making of the Offer or the acceptance of the Shares pursuant thereto, Purchaser will make a good faith effort to comply with such state statute. If, after such good faith effort, the Purchaser cannot comply with any such state statute, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Shares in such state. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of the Purchaser by the Dealer Manager or one or more registered brokers or dealers which are licensed under the laws of such jurisdiction.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION ON BEHALF OF THE PURCHASER NOT CONTAINED IN THIS OFFER TO PURCHASE OR IN THE LETTER OF TRANSMITTAL AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

The Purchaser has filed with the Commission the Schedule 14D-1, together with exhibits, pursuant to Rule 14d-3 of the General Rules and Regulations under the Exchange Act, furnishing certain additional information with respect to the Offer, and may file amendments thereto. The Schedule 14D-1 and any amendments thereto, including exhibits, may be inspected at, and copies may be obtained from, the same places and in the same manner as set forth in Section 7 (except that they will not be available at the regional offices of the Commission).

The Williams Companies, Inc.

December 16, 1994

SCHEDULE I

INFORMATION CONCERNING THE DIRECTORS
AND EXECUTIVE OFFICERS OF THE PURCHASER

1. Executive Officers of the Purchaser. The names, ages, positions and election dates of the executive officers of the Purchaser are set forth below. Unless otherwise indicated, the current business address for each individual listed below is One Williams Center, Tulsa, Oklahoma 74172. Each such person is a citizen of the United States.

NAME AND AGE	PRESENT PRINCIPAL OCCUPATION OR EMPLOYMENT AND FIVE-YEAR EMPLOYMENT HISTORY
Keith E. Bailey (52)	May 1994-Present, Chairman of the Board; January 1994-Present, Chief Executive Officer; 1992-Present, President; Director and Executive Vice President for more than last five years.
John C. Bumgarner, Jr. (52)	Senior Vice President--Corporate Development and Planning for more than last five years.
James R. Herbster (53)	1992-Present, Senior Vice President--Administration; 1990-1992, Vice President and General Manager--Williams Information Services; Vice President--Operations--Williams Western Group for more than last five years.
J. Furman Lewis (60)	Senior Vice President and General Counsel for more than last five years.
Jack D. McCarthy (51)	1992-Present, Senior Vice President--Finance (Chief Financial Officer); Vice President and Treasurer for more than last five years.
Gary R. Belitz (45)	1992-Present, Controller (Principal Accounting Officer); Assistant Controller for more than last five years.
Stephen L. Cropper (44)	President--Williams Pipe Line, for more than last five years; 1993-Present, President--Williams Energy Ventures.
Lloyd A. Hightower (60)	1993-Present, President--Williams Field Services; Senior Vice President and General Manager--Williams Western Group for more than last five years.
Howard E. Janzen (40)	December 1, 1994-Present, Chairman of the Board--Vyvx; 1993--December 1, 1994, Senior Vice President and General Manager--Williams Natural Gas; Vice President--Operations--Williams Pipe Line for more than last five years.
Brian E. O'Neill (59)	President--Williams Natural Gas for more than last five years; January 1994-Present, President--Northwest Pipeline Corporation.
Roy A. Wilkens (51)	President--Williams Telecommunications Group for more than last five years.

2. Directors of the Purchaser. The names, ages, positions and election dates of the directors of the Purchaser (other than directors who are also executive officers of the Purchaser) are set forth below together with a current business address for each. Each such person is a citizen of the United States.

NAME	AGE	POSITIONS AND OFFICE HELD	HELD OFFICE SINCE
Harold W. Andersen...... 2822 Woodmen Tower Omaha, NE 68102	71	Mr. Andersen is contributing editor and a director and former Chairman and Chief Executive Officer of The Omaha World-Herald Company. Mr. Andersen is also a director of Avenor, Inc. and American Business Information.	1988
Ralph E. Bailey......... 695 E. Main Street Stamford, CT 06901	70	Retired Chairman and Chief Executive Officer of Conoco, Inc., Mr. Bailey is currently Chairman of United Meridian Corporation, a publicly traded independent oil and gas exploration and production company, and Chairman and Chief Executive Officer of American Bailey Corporation, a private holding company with interests in manufacturing and mining, and has been for more than five years. Mr. Bailey is also a director of General Signal Corporation and The Rowan Companies, Inc.	1988
Glenn A. Cox............ 401 S.E. Dewey Suite 318 Bartlesville, OK 74003	65	Mr. Cox was President and Chief Operating Officer of Phillips Petroleum Company, a company engaged in the exploration, production, refining and marketing of petroleum and in the manufacture and distribution of a wide variety of chemicals, until his retirement in 1991. Mr. Cox is also a director of BOK Financial Corporation, Helmerich & Payne, Inc. and Union Texas Petroleum Holdings, Inc.	1992
Thomas H. Cruikshank.... 3600 Lincoln Plaza 500 N. Akard St. Dallas, TX 75201	63	Mr. Cruikshank is Chairman of the Board and Chief Executive Officer of Halliburton Company, a diversified oil field services, engineering and construction company. He has been an executive of Halliburton for more than five years. Mr. Cruikshank is also a director of The Goodyear Tire & Rubber Company.	1990
Ervin S. Duggan......... 1320 Braddock Place 6th Floor Alexandria, VA 22314-1698	55	Mr. Duggan is the President and Chief Executive Officer of Public Broadcasting Service, the network and program distribution company of America's 346 public television stations. A former journalist and White House aide, he was a Federal Communications Commissioner from 1990 until February 1994. From 1981 to 1990, Mr. Duggan managed Ervin S. Duggan Associates, a provider of communications and consulting services to large corporate clients.	1994

NAME	AGE	POSITIONS AND OFFICE HELD	HELD OFFICE SINCE
Robert J. LaFortune..... 427 S. Boston Suite 2104 Tulsa, OK 74103	67	Mr. LaFortune is, and has been for more than five years, an investor and an oil and gas operator. Mr. LaFortune is also a director of BOK Financial Corporation.	1978
James C. Lewis.......... 1751 E. 71st Street Tulsa, OK 74136	62	Mr. Lewis is Chairman of the Board of Optimus Corporation, Tulsa, Oklahoma, an investment company, and has been for more than five years. Mr. Lewis is also a director of CFT, Inc.	1978
Jack A. MacAllister..... 9785 Maroon Circle Suite 332 Englewood, CO 80112	67	Mr. MacAllister is Chairman Emeritus of U S WEST, Inc., a telecommunications company. Mr. MacAllister retired as Chairman of the Board of U S WEST in 1992. He served as the Chief Executive Officer of U S WEST from 1982 to 1990. Mr. MacAllister is also a director of TELUS Corporation/AGT Limited.	1994
James A. McClure........ P. O. Box 2720 Boise, ID 83701	70	Mr. McClure is President of McClure, Gerard & Neuenschwander, Inc., a Washington, D.C., based government relations consulting firm, and is of counsel to the law firm of Givens, Pursley & Huntley, Boise, Idaho. He was a U.S. Senator from Idaho from 1973 to 1990. Mr. McClure is also a director of Boise Cascade Corporation and Coeur d'Alene Mines Corporation.	1991
Peter C. Meinig......... 5810 E. Skelly Dr. Suite 1000 Tulsa, OK 74135	55	Mr. Meinig is Chairman of ElectroCom Automation, Inc., an Arlington, Texas, based company engaged in the design, manufacture and integration of high-speed automated document processing systems and has been for more than five years. Mr. Meinig is also President and Chief Executive Officer of HM International, Inc., a privately owned diversified manufacturing and management company.	1993
Kay A. Orr.............. 1610 Brent Blvd. Lincoln, NE 68506	55	Mrs. Orr served as Governor of Nebraska from 1987 to 1991. Mrs. Orr is also a director of ServiceMaster, a company that provides services to homeowners.	1991
Gordon R. Parker........ 1700 Lincoln Street Suite 2800 Denver, CO 80203	59	Mr. Parker is Chairman of the Board of Newmont Mining Corporation, a company engaged in the exploration for, and the operation and management of, precious metal properties. He has been an executive of Newmont for more than five years. Mr. Parker is also Chairman and a director of Newmont Gold Company.	1987
Joseph H. Williams...... One Williams Center Tulsa, OK 74172	61	Mr. Williams served as Chairman of the Board of the Purchaser from 1979 to May 19, 1994, and Chief Executive Officer from 1979 through 1993. Mr. Williams is also a director of Prudential Insurance Company and Flint Industries, Inc.	1969

Facsimile copies of the Letter of Transmittal, properly completed and duly signed, will be accepted. The Letter of Transmittal, certificates for the Shares and any other required documents should be sent by each stockholder of the Company or his broker, dealer, commercial bank, trust company or other nominee to the Depositary as follows:

The Depositary for the Offer is:

CHEMICAL BANK

By Hand/Overnight Courier:	Facsimile Transmission: (212) 629-8015 (212) 629-8016 (For Eligible Institutions Only)	By Mail:
Chemical Bank 55 Water Street Room 234--2nd Floor New York, New York 10041-0199 Attention: Reorganization Department	Confirm by Telephone (212) 946-7137	Chemical Bank Reorganization Department P.O. Box 3085 GPO Station New York, New York 10116-3085

Any questions or requests for assistance or additional copies of the Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery may be directed to the Information Agent or the Dealer Manager at their respective telephone numbers and locations listed below. You may also contact your broker, dealer, commercial bank or trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:

MORROW & CO., INC.

909 Third Avenue New York, NY 10022 (212) 754-8000	14755 Preston Road, Suite 725 Dallas, TX 75240 (214) 788-0977

Banks & Brokers Call Toll Free 1-800-662-5200
All Others Call Toll Free 1-800-566-9058

The Dealer Manager for the Offer is:

SMITH BARNEY INC.

1345 Avenue of the Americas
New York, New York 10105
(212) 698-3612

LETTER OF TRANSMITTAL

TO TENDER SHARES OF COMMON STOCK

OF

TRANSCO ENERGY COMPANY

AT

$17.50 NET PER SHARE

PURSUANT TO THE OFFER TO PURCHASE DATED DECEMBER 16, 1994

BY

THE WILLIAMS COMPANIES, INC.

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, JANUARY 17, 1995, UNLESS THE OFFER IS EXTENDED

THE DEPOSITARY FOR THE OFFER IS:

CHEMICAL BANK

By Hand/Overnight Courier:	Facsimile Transmission: (212) 629-8015 (212) 629-8016 (For Eligible Institutions Only)	By Mail:
Chemical Bank 55 Water Street Room 234--2nd Floor New York, New York 10041-0199	Confirm by Telephone (212) 946-7137	Chemical Bank Reorganization Department P.O. Box 3085 GPO Station New York, New York 10116-3085

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TRANSMISSION OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

This Letter of Transmittal is to be used either if certificates evidencing Shares (as defined below) are to be forwarded herewith or, unless an Agent's Message (as defined in the Offer to Purchase) is utilized, if delivery of Shares is to be made by book-entry transfer to the account maintained by the Depositary at The Depository Trust Company, the Midwest Securities Trust Company or the Philadelphia Depository Trust Company (each, a "Book-Entry Transfer Facility" and, collectively, the "Book-Entry Transfer Facilities") pursuant to the procedures set forth in Section 3 of the Offer to Purchase. Stockholders whose certificates evidencing Shares are not immediately available or who cannot deliver confirmation of the book-entry transfer of their Shares into the Depositary's account at a Book-Entry Transfer Facility ("Book-Entry Confirmation") and all other documents required hereby to the Depositary on or prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase) must tender their Shares according to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase. See Instruction 2. Delivery of documents to a Book-Entry Transfer Facility does not constitute delivery to the Depositary.

[_] CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE DEPOSITARY WITH A BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING:

Name of Tendering Institution:
Check Box of Book-Entry Transfer Facility:

[_] The Depository Trust Company
[_] Midwest Securities Trust Company
[_] Philadelphia Depository Trust Company
Account Number
Transaction Code Number

[_] CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING:

Name(s) of Registered Owner(s):
Date of Execution of Notice of Guaranteed Delivery:
Name of Institution that Guaranteed Delivery:

If Delivered by Book-Entry Transfer, Check Box of Book-Entry Transfer Facility:

[_] The Depository Trust Company
[_] Midwest Securities Trust Company
[_] Philadelphia Depository Trust Company
Account Number
Transaction Code Number

DESCRIPTION OF SHARES TENDERED

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN, IF BLANK)	CERTIFICATE(S) TENDERED (ATTACH ADDITIONAL LIST IF NECESSARY)		
	CERTIFICATE NUMBER(S)*	TOTAL NUMBER OF SHARES REPRESENTED BY CERTIFICATE(S)	NUMBER OF SHARES TENDERED**
	TOTAL SHARES		

* Need not be completed by stockholders tendering by book-entry transfer.
** Unless otherwise indicated, it will be assumed that all Shares being delivered to the Depositary are being tendered. See Instruction 4.

The names and addresses of the registered holders should be printed, if not already printed above, exactly as they appear on the certificates representing Shares tendered hereby. The certificates and number of Shares that the undersigned wishes to tender should be indicated in the appropriate boxes.

NOTE: SIGNATURES MUST BE PROVIDED BELOW.

PLEASE READ CAREFULLY THE ACCOMPANYING INSTRUCTIONS.

Ladies and Gentlemen:

The undersigned hereby tenders to The Williams Companies, Inc. (the "Purchaser"), a Delaware corporation, the above described shares of common stock, par value $.50 per share (the "Shares"), of Transco Energy Company, a Delaware corporation (the "Company"), and attached common share purchase rights (the "Company Rights" and, unless the context otherwise requires, deemed to be included in all references to "Shares") pursuant to the Purchaser's offer to purchase up to 24,600,000 Shares at a price of $17.50 per Share, net to the seller in cash without interest upon the terms and subject to the conditions set forth in the Offer to Purchase, dated December 16, 1994 (the "Offer to Purchase"), receipt of which is hereby acknowledged, and in this Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"). The Offer is being made pursuant to an Agreement and Plan of Merger (the "Merger Agreement"), dated as of December 12, 1994, between the Purchaser, WC Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of the Purchaser and the Company. The Purchaser reserves the right to transfer or assign in whole or from time to time in part, to one or more of its affiliates the right to purchase Shares tendered pursuant to the Offer.

Subject to, and effective upon, acceptance for payment of the Shares tendered herewith in accordance with the terms and subject to the conditions of the Offer, the undersigned hereby sells, assigns, and transfers to, or upon the order of, the Purchaser all right, title and interest in and to all the Shares that are being tendered hereby (and any and all other Shares or other securities issued or issuable in respect thereof on or after December 12, 1994) and irrevocably constitutes and appoints the Depositary the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares (and any such other Shares or securities) with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (a) deliver certificates for such Shares (and any such other Shares or securities), or transfer ownership of such Shares (and any such other Shares or securities) on the account books maintained by a Book-Entry Transfer Facility, together in either such case with all accompanying evidences of transfer and authenticity, to or upon the order of the Purchaser upon receipt by the Depositary, as the undersigned's agent, of the purchase price (adjusted, if appropriate, as provided in the Offer to Purchase), (b) present such Shares (and any such other Shares or securities) for transfer on the books of the Company and (c) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares (and any other such Shares or securities), all in accordance with the terms of the Offer.

If, on or after December 12, 1994, the Company should declare or pay, other than as specifically permitted under the Merger Agreement, any cash or stock dividend or other distribution on or issue any rights with respect to the Shares, payable or distributable to stockholders of record on a date before the transfer to the name of the Purchaser or its nominee or transferee on the Company's stock transfer records of the Shares accepted for payment pursuant to the Offer, then, subject to the provisions of Section 14 of the Offer to Purchase, (i) the purchase price per Share payable by the Purchaser pursuant to the Offer will be reduced by the amount of any such cash dividend or cash distribution and (ii) the whole of any such non-cash dividend, distribution or right will be received and held by the tendering stockholder for the account of the Purchaser and shall be required to be promptly remitted and transferred by each tendering stockholder to the Depositary for the account of the Purchaser, accompanied by appropriate documentation of transfer. Pending such remittance, the Purchaser will be entitled to all rights and privileges as owner of any such non-cash dividend, distribution or right and may withhold the entire purchase price or deduct from the purchase price the amount of value thereof, as determined by the Purchaser in its sole discretion.

By executing this Letter of Transmittal, the undersigned hereby confirms the undersigned's agreement that the amount paid by the Company in redemption of the Company Rights attached to Shares of such stockholder acquired pursuant to the Offer will be paid to and retained by the Purchaser.

The undersigned hereby irrevocably appoints J. Furman Lewis and David Higbee and each of them or any other designees of the Purchaser, the attorneys-in-fact and proxies of the undersigned, each with full power of substitution to the full extent of such stockholder's rights with respect to tendered Shares (and any and all other Shares or securities or rights issued or issuable in respect thereof on or after December 12, 1994), to vote in such manner as each such attorney and proxy or his substitute shall in his sole discretion deem proper, and otherwise act (including without limitation pursuant to written consent) with respect to all the Shares tendered hereby which have been accepted for payment by the Purchaser prior to the time of such vote or action, which the undersigned is entitled to vote at any meeting of stockholders (whether annual or special and whether or not an adjourned meeting) of the Company, or otherwise. This proxy is coupled with an interest in the Company and in the Shares and is irrevocable and is granted in consideration of, and is effective when, if and to the extent that the Purchaser accepts such Shares for payment pursuant to the Offer. Such acceptance for payment shall revoke, without further action, all prior proxies granted by the undersigned at any time with respect to such Shares (and any such other Shares or other securities) and no subsequent proxies will be given (and if given will be deemed not to be effective) with respect thereto by the undersigned. The undersigned acknowledges that in order for Shares to be deemed validly tendered, immediately upon the acceptance for payment of such Shares, the Purchaser or the Purchaser's designee must be able to exercise full voting and other rights of a record and beneficial holder with respect to such Shares.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Shares tendered hereby (and any and all other Shares or other securities issued or issuable in respect thereof on or after December 12, 1994), that the undersigned own(s) the Shares tendered hereby within the meaning of Rule 14e-4 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that such tender of shares complies with Rule 14e-4 under the Exchange Act, and that, when the same are accepted for payment by the Purchaser, the Purchaser will acquire good, marketable and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances and the same will not be subject to any adverse claim. The undersigned, upon request, will execute and deliver any additional documents deemed by the Depositary or the Purchaser to be necessary or desirable to complete or confirm the sale, assignment and transfer of the Shares tendered hereby (and any and all such other Shares or other securities).

All authority herein conferred or agreed to be conferred in this Letter of Transmittal shall not be affected by, and shall survive, the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and personal and legal representatives of the undersigned. Except as stated in the Offer to Purchase, this tender is irrevocable provided that Shares tendered pursuant to the Offer may be withdrawn at any time prior to the Expiration Date.

The undersigned understands that tenders of Shares pursuant to any one of the procedures described in Section 3 of the Offer to Purchase and in the instructions hereto will constitute a binding agreement between the undersigned and the Purchaser upon the terms and subject to the conditions of the Offer. The undersigned recognizes that under certain circumstances set forth in the Offer to Purchase, Purchaser may not be required to accept for payment any of the Shares tendered hereby.

Unless otherwise indicated herein under "Special Payment Instructions," please issue the check for the purchase price and/or any certificates for Shares not tendered or accepted for payment in the name(s) of the undersigned. Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail the check for the purchase price and/or return any certificates for Shares not tendered or accepted for payment (and accompanying documents, as appropriate) to the undersigned at the address shown below the undersigned's signature. In the event that both the Special Delivery Instructions and the Special Payment Instructions are completed, please issue the check for the purchase price and/or any certificates for Shares not tendered or accepted for payment in the name of, and deliver such check and/or return such certificates to the person or persons so indicated. Stockholders delivering Shares by book-entry transfer may request that

any Shares not accepted for payment be returned by crediting such account maintained at a Book-Entry Transfer Facility as such stockholder may designate by making an appropriate entry under "Special Payment Instructions." The undersigned recognizes that the Purchaser has no obligation pursuant to the Special Payment Instructions to transfer any Shares from the name of the registered holder thereof if the Purchaser does not accept for payment any of the Shares so tendered.

SPECIAL PAYMENT INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6, AND 7)

To be completed ONLY if certificates for Shares not tendered or not purchased and/or the check for the purchase price of Shares purchased are to be issued in the name of someone other than the undersigned, or if Shares delivered by book-entry transfer which are not purchased are to be returned by credit to an account maintained at a Book-Entry Transfer Facility other than that designated above.

Issue check and/or certificates to:

Name ______________________________
(PLEASE PRINT)

Address ___________________________

____
(ZIP CODE)

____
(TAXPAYER IDENTIFICATION OR SOCIAL SECURITY NUMBER)
(ALSO COMPLETE SUBSTITUTE FORM W-9 BELOW)

[_] Credit unpurchased Shares delivered by book-entry transfer to the Book-Entry Transfer Facility account set forth below.

Check appropriate box:

[_] The Depository Trust Company
[_] Midwest Securities Trust Company
[_] Philadelphia Depository Trust Company

____
(ACCOUNT NUMBER)

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if certificates for Shares not tendered or not purchased and/or the check for the purchase price of Shares purchased are to be sent to someone other than the undersigned, or to the undersigned at an address other than that shown above.

Mail check and/or certificates to:

Name_______________________________
(PLEASE PRINT)

Address ___________________________

____
(ZIP CODE)

SIGN HERE
(COMPLETE SUBSTITUTE FORM W-9 ON REVERSE)

....

....
SIGNATURE(S) OF HOLDER(S) OF SHARES

Dated: ....

(Must be signed by registered holder(s) exactly as name(s) appear(s) on stock certificate(s) or on a security position listing or by person(s) authorized to become registered holder(s) by certificates and documents transmitted herewith. If signature is by trustees, executors, administrators, guardians, attorneys-in-fact, agents, officers of corporations or others acting in a fiduciary or representative capacity, please provide the following information. See Instruction 5.)

Name(s)..

....
(PLEASE PRINT)

Capacity (full title)..

Address..

....
(INCLUDE ZIP CODE)

Area Code and Telephone Number...............................

Tax Identification or
Social Security No...
(COMPLETE SUBSTITUTE FORM W-9 ON REVERSE)

GUARANTEE OF SIGNATURE(S)
(SEE INSTRUCTIONS 1 AND 5)

Authorized Signature...

Name...
(PLEASE PRINT)

Title..

Name of Firm...

Address..
(INCLUDE ZIP CODE)

Area Code and Telephone Number...............................

Dated: ....

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. Guarantee of Signatures. No signature guarantee on this Letter of Transmittal is required (i) if this Letter of Transmittal is signed by the registered holder of the Shares (which term, for purposes of this document, shall include any participant in a Book-Entry Transfer Facility whose name appears on a security position listing as the owner of Shares) tendered herewith, unless such holder has completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the reverse hereof, or (ii) if such Shares are tendered for the account of a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office or correspondent in the United States (each of the foregoing being referred to as an "Eligible Institution"). In all other cases, all signatures on this Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 5.

2. Delivery of Letter of Transmittal and Certificates. This Letter of Transmittal is to be completed by stockholders either if certificates are to be forwarded herewith or if tenders of Shares are to be made pursuant to the procedures for delivery by book-entry transfer set forth in Section 3 of the Offer to Purchase. Certificates for all physically tendered Shares, or any Book-Entry Confirmation of Shares, as the case may be, as well as a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof), with any required signature guarantees, and any other documents required by this Letter of Transmittal, or an Agent's Message (as defined below), in connection with a book-entry transfer, must be transmitted to and received by the Depositary at one of its addresses set forth herein prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase). If a stockholder's certificates for Shares are not immediately available or time will not permit all required documents to reach the Depositary prior to the Expiration Date or the procedure for book-entry transfer cannot be completed on a timely basis, such stockholder's Shares may nevertheless be tendered by properly completing and duly executing the Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. Pursuant to such procedure, (i) such tender must be made by or through an Eligible Institution, (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by the Purchaser, must be received by the Depositary prior to the Expiration Date, and (iii) in the case of a guarantee of Shares, the certificates for all tendered Shares, in proper form for transfer, or a Book-Entry Confirmation, together with a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) with any required signature guarantee (or, in the case of a book-entry transfer, an Agent's Message) and any other documents required by such Letter of Transmittal, are received by the Depositary within five New York Stock Exchange, Inc. trading days after the date of execution of the Notice of Guaranteed Delivery. The term "Agent's Message" means a message, transmitted by a Book-Entry Transfer Facility to, and received by, the Depositary and forming a part of a Book-Entry Confirmation, which states that such Book-Entry Transfer Facility has received an express acknowledgement from the participant in such Book-Entry Transfer Facility tendering the Shares, that such participant has received and agrees to be bound by the terms of the Letter of Transmittal and that the Purchaser may enforce such agreement against the participant.

THE METHOD OF DELIVERY OF THIS LETTER OF TRANSMITTAL, THE CERTIFICATE FOR SHARES AND ALL OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH ANY BOOK-ENTRY TRANSFER FACILITY, IS AT THE OPTION AND RISK OF THE TENDERING STOCKHOLDER, AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY. EXCEPT AS OTHERWISE PROVIDED IN THIS INSTRUCTION 2, THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY.

No alternative, conditional or contingent tenders will be accepted and no fractional Shares will be purchased. All tendering stockholders, by execution of this Letter of Transmittal (or a manually signed facsimile thereof), waive any right to receive any notice of the acceptance of their Shares for payment.

3. Inadequate Space. If the space provided herein is inadequate, the certificate numbers and/or the number of Shares should be listed on a separate signed schedule attached hereto.

4. Partial Tenders. (Not applicable to stockholders who tender by book-entry transfer.) If fewer than all the Shares evidenced by any certificate submitted are to be tendered, fill in the number of Shares which are to be tendered in the box entitled "Description of Shares Tendered." In such case, new certificate(s) for the remainder of the Shares that were evidenced by your old certificate(s) will be sent to you, unless otherwise provided in the appropriate box on this Letter of Transmittal, as soon as practicable after the Expiration Date. All Shares represented by certificates delivered to the Depositary will be deemed to have been tendered unless otherwise indicated.

5. Signatures on Letter of Transmittal, Stock Powers and Endorsements. If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond exactly with the name(s) as written on the face of the certificate(s) without alteration, enlargement or any change whatsoever.

If any of the Shares tendered hereby are owned of record by two or more joint owners, all such owners must sign this Letter of Transmittal.

If any tendered Shares are registered in different names on several certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of certificates.

If this Letter of Transmittal or any certificates or stock powers are signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to the Purchaser of such person's authority so to act must be submitted.

When this Letter of Transmittal is signed by the registered owner(s) of the Shares listed and transmitted hereby, no endorsement of certificates or separate stock powers are required unless payment or certificates for Shares not tendered or purchased are to be issued to a person other than the registered owner(s). Signatures on such certificates or stock powers must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered owner(s) of the Shares listed, the certificates must be endorsed or accompanied by appropriate stock powers, in either case signed exactly as the name(s) of the registered holder(s) appear on the certificates. Signatures on such certificates or stock powers must be guaranteed by an Eligible Institution.

6. Stock Transfer Taxes. Except as set forth in this Instruction 6, the Purchaser will pay or cause to be paid any stock transfer taxes with respect to the transfer and sale of purchased Shares to it or its order pursuant to the Offer. If payment of the purchase price is to be made, or if certificates for Shares not tendered or purchased are to be registered in the name of, any person other than the registered holder, or if tendered certificates are registered in the name of any person other than the person(s) signing this Letter of Transmittal, the amount of any stock transfer taxes (whether imposed on the registered holder or such person) payable on account of the transfer to such person will be deducted from the purchase price unless satisfactory evidence of the payment of such taxes or exemption therefrom is submitted.

EXCEPT AS PROVIDED IN THIS INSTRUCTION 6, IT WILL NOT BE NECESSARY FOR TRANSFER TAX STAMPS TO BE AFFIXED TO THE CERTIFICATES LISTED IN THIS LETTER OF TRANSMITTAL.

7. Special Payment and Delivery Instructions. If a check and/or certificates for unpurchased Shares are to be issued in the name of a person other than the signer of this Letter of Transmittal or if a check is to be sent and/or such certificates are to be returned to someone other than the signer of this Letter of Transmittal or to an address other than that shown above, the appropriate boxes on this Letter of Transmittal should be completed. Stockholders tendering Shares by book-entry transfer may request that Shares not

purchased be credited to such account maintained at a Book-Entry Transfer Facility as such stockholder may designate hereon. If no such instructions are given, such Shares not purchased will be returned by crediting the account at the Book-Entry Transfer Facility designated above.

8. Requests for Assistance or Additional Copies. Requests for assistance may be directed to the Dealer Manager or the Information Agent at the addresses set forth below. Additional copies of the Offer to Purchase, this Letter of Transmittal, the Notice of Guaranteed Delivery and the Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 may be obtained from the Dealer Manager or the Information Agent at the address set forth below or from your broker, dealer, commercial bank or trust company.

9. Waiver of Conditions. The conditions of the Offer may be waived, in whole or in part, by the Purchaser, in its sole discretion, at any time and from time to time, in the case of any Shares tendered.

10. 31% Backup Withholding; Substitute Form W-9. Under federal income tax laws, a stockholder whose tendered Shares are accepted for payment is required to provide the Depositary with such stockholder's correct taxpayer identification number ("TIN") on Substitute Form W-9 below and certify under penalties of perjury that such number is correct and that such stockholder is not subject to backup withholding. If the Depositary is not provided with the correct TIN and certifications are not provided, the Internal Revenue Service may subject the stockholder or other payee to a $50 penalty. In addition, payments that are made to such stockholder or other payee with respect to Shares purchased pursuant to the Offer may be subject to 31% backup withholding.

Certain stockholders (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order for a foreign individual to qualify as an exempt recipient, the stockholder must submit a Form W-8, signed under penalties of perjury, attesting to that individual's exempt status. A Form W-8 can be obtained from the Depositary. See the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9" for more instructions.

If backup withholding applies, the Depositary is required to withhold 31% of any such payments made to the stockholder or other payee. Backup withholding is not an additional tax. Rather, the tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained from the Internal Revenue Service.

To prevent backup withholding on payments that are made to a stockholder with respect to Shares purchased pursuant to the Offer, the stockholder is required to notify the Depositary of such stockholder's correct TIN by completing a Substitute Form W-9 certifying (a) that the TIN provided on Substitute Form W-9 is correct (or that such stockholder is awaiting a TIN), and (b) that (i) such stockholder has not been notified by the Internal Revenue Service that such stockholder is subject to backup withholding as a result of a failure to report all interest or dividends or (ii) the Internal Revenue Service has notified such stockholder that such stockholder is no longer subject to backup withholding.

The stockholder is required to give the Depositary the social security number or employee identification number of the record holder of the Shares tendered hereby. If the Shares are in more than one name or are not in the name of the actual owner, consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 for additional guidance on which number to report. The tendering stockholder may write "applied for" on the box in Part I of the Substitute Form W-9 if the tendering stockholder has not been issued a TIN and has applied for a TIN or intends to apply for a TIN in the near future. If "applied for" is written in the box in Part I, the stockholder or other payee must also complete the Certification of the form in order to avoid backup withholding. Notwithstanding that the

tendering stockholder writes "applied for" in the box in Part I and completes the Certification, the Depositary will retain 31% of all payments made prior to the time a properly certified TIN is provided to the Depositary. The Depositary will refund any amounts so retained if the Depositary receives a properly certified TIN from the tendering stockholder within 60 days after the date of the original Substitute Form W-9 (and such tendering stockholder was not subject to backup withholding during that period).

11. Lost, Destroyed or Stolen Certificates. If any certificate(s) representing Shares has been lost, destroyed or stolen, the stockholder should promptly notify the Depositary. The stockholder will then be instructed as to the steps that must be taken in order to replace the certificate(s). This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost or destroyed certificates have been followed.

IMPORTANT: THIS LETTER OF TRANSMITTAL (OR A FACSIMILE THEREOF), PROPERLY COMPLETED AND DULY EXECUTED, TOGETHER WITH CERTIFICATES OR CONFIRMATION OF BOOK-ENTRY TRANSFER AND ALL OTHER REQUIRED DOCUMENTS OR THE NOTICE OF GUARANTEED DELIVERY, MUST BE RECEIVED BY THE DEPOSITARY AT ONE OF ITS ADDRESSES SET FORTH HEREIN PRIOR TO THE EXPIRATION DATE.

TO BE COMPLETED BY ALL TENDERING STOCKHOLDERS
(SEE INSTRUCTION 10)

PAYER'S NAME: CHEMICAL BANK

SUBSTITUTE FORM W-9 DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE	PART I--PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	Social Security Number OR Employer Identification Number --------------------- (If awaiting TIN write "Applied For")
PAYER'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER (TIN)	PART II--For Payees exempt from backup withholding, see the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 and complete as instructed therein.	

CERTIFICATION--Under penalties of perjury, I certify that:

(1) The number shown on this form is my correct Taxpayer Identification Number (or a Taxpayer Identification Number has not been issued to me) and either (a) I have mailed or delivered an application to receive a Taxpayer Identification Number to the appropriate Internal Revenue Service ("IRS") or Social Security Administration office or (b) I intend to mail or deliver an application in the near future. I understand that if I do not provide a Taxpayer Identification Number within sixty (60) days, 31% of all reportable payments made to me thereafter will be withheld until I provide a number, and

(2) I am not subject to backup withholding either because (a) I am exempt from backup withholding, (b) I have not been notified by the IRS that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding.

CERTIFICATE INSTRUCTIONS--You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2). (Also see instructions in the enclosed Guidelines.)

SIGNATURE ___________________________________ DATE __________________________

NOTE: FAILURE TO COMPLETE AND RETURN THIS FORM MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

Questions and requests for assistance or additional copies of the Offer to Purchase, the Letter of Transmittal and other tender offer materials may be directed to the Information Agent or the Dealer Manager as set forth below:

The Information Agent for the Offer is:

MORROW & CO., INC.

909 Third Avenue
New York, New York 10022
212-754-8000

14755 Preston Road-Suite 725
Dallas, Texas 75240
214-788-0977

Banks and Brokers Call Toll Free 1-800-662-5200
All Others Call Toll Free 1-800-566-9058

The Dealer Manager for the Offer is:

SMITH BARNEY INC.

1345 Avenue of the Americas
New York, New York 10105

(212) 698-3612

NOTICE OF GUARANTEED DELIVERY
FOR
TENDER OF SHARES OF COMMON STOCK
OF
TRANSCO ENERGY COMPANY
TO
THE WILLIAMS COMPANIES, INC.
(NOT TO BE USED FOR SIGNATURE GUARANTEES)

This Notice of Guaranteed Delivery, or one substantially in the form hereof, must be used to accept the Offer (as defined below) if (i) certificates ("Share Certificates") representing shares of Common Stock, par value $0.50 per share (the "Shares"), of Transco Energy Company, a Delaware corporation, together with the attached common share purchase rights (the "Rights"), are not immediately available, (ii) time will not permit all required documents to reach Chemical Bank, as Depositary (the "Depositary"), prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase (as defined below)) or (iii) the procedure for delivery by book-entry transfer cannot be completed on a timely basis. Unless the context otherwise requires, all references to "Shares" shall be deemed to include the attached Rights. This Notice of Guaranteed Delivery may be delivered by hand or mail or transmitted by telegram or facsimile transmission to the Depositary. See Section 3 of the Offer to Purchase.

The Depositary for the Offer is:

CHEMICAL BANK

By Hand/Overnight Courier:	Facsimile Transmission:	By Mail:
Chemical Bank 55 Water Street Room 234--2nd Floor New York, New York 10041-0199	(212) 629-8015 (212) 629-8016 (For Eligible Institutions Only)	Chemical Bank Reorganization Department P.O. Box 3085 GPO Station
Attention: Reorganization Department	Confirm by Telephone: (212) 946-7137	New York, New York 10116-3085

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TRANSMISSION OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

THIS FORM IS NOT TO BE USED TO GUARANTEE SIGNATURES. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN "ELIGIBLE INSTITUTION" UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED IN THE SIGNATURE BOX ON THE LETTER OF TRANSMITTAL.

LADIES AND GENTLEMEN:

The undersigned hereby tenders to The Williams Companies, Inc., a Delaware corporation, upon the terms and subject to the conditions set forth in the Offer to Purchase dated December 16, 1994 and the related Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"), receipt of which is hereby acknowledged, the number of Shares indicated below pursuant to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase.

Number of Shares: __________________ Signature(s) _______________________

Name(s) of Record Holder(s) ________ ____________________________________

____________________________________ Dated: ______________________________

Please Type or Print

Address(es) ________________________

____
Zip Code

Area Code and Tel. No. _____________

Certificate No(s). (if available)

____

____

Check ONE box if Shares will be tendered by book-entry transfer:

[_] The Depository Trust Company
[_] Midwest Securities Trust Company
[_] Philadelphia Depository Trust Company

Account Number: ____________________

GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, a firm that is a member of a registered national securities exchange or of the National Association of Securities Dealers Inc., or which is a commercial bank or trust company having an office or correspondent in the United States, hereby (a) represents that the tender of Shares effected hereby complies with Rule 14e-4 under the Securities Exchange Act of 1934, as amended, and (b) guarantees delivery to the Depositary, at one of its addresses set forth above, of certificates representing the Shares tendered hereby in proper form for transfer, or confirmation of book-entry transfer of such Shares into the Depositary's accounts at The Depository Trust Company, the Midwest Securities Trust Company or the Philadelphia Depository Trust Company, in each case with delivery of a properly completed and duly executed Letter of Transmittal (or facsimile thereof), and any other required documents, within five New York Stock Exchange, Inc. trading days after the date hereof.

The Eligible Institution that completes this form must communicate the guarantee to the Depositary and must deliver the Letter of Transmittal and certificates for Shares to the Depositary within the time period shown herein. Failure to do so could result in a financial loss to such Eligible Institution.

Name _______________________________ Area Code and Tel. No. _____________
Please Type or Print

Name of Firm _______________________ Authorized Signature _________________

____________________________________ ______________________________________
Title

Address ____________________________ Date _________________________________

____
Zip Code

NOTE: DO NOT SEND CERTIFICATES FOR SHARES WITH THIS NOTICE. CERTIFICATES SHOULD BE SENT WITH YOUR LETTER OF TRANSMITTAL.

OFFER TO PURCHASE FOR CASH
UP TO 24,600,000 SHARES OF COMMON STOCK
(Including the Attached Rights)

OF

TRANSCO ENERGY COMPANY

AT

$17.50 NET PER SHARE

BY

THE WILLIAMS COMPANIES, INC.

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, JANUARY 17, 1995, UNLESS THE OFFER IS EXTENDED.

December 16, 1994

To Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees:

We have been engaged by The Williams Companies, Inc., a Delaware corporation (the "Purchaser"), to act as Dealer Manager in connection with the Purchaser's offer to purchase up to 24,600,000 shares of Common Stock, par value $0.50 per share (the "Shares"), of Transco Energy Company (the "Company"), and the attached common share purchase rights (the "Company Rights" and, unless the context otherwise requires, deemed to be included in all references to "Shares"), at a purchase price of $17.50 per Share, net to the seller in cash without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase dated December 16, 1994 (the "Offer to Purchase") and the related Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer") enclosed herewith.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION OF THE OFFER AT LEAST 20,900,000 SHARES (REPRESENTING APPROXIMATELY 51% OF THE PRESENTLY OUTSTANDING SHARES).

For your information and for forwarding to your clients for whom you hold Shares registered in your name or in the name of your nominee, or who hold Shares registered in their own names, we are enclosing the following documents:

1. Offer to Purchase;

2. Letter of Transmittal to be used by holders of Shares in accepting the Offer and tendering Shares;

3. A letter from the Chairman of the Company and the Solicitation/Recommendation Statement on Schedule 14D-9 of the Company;

4. A letter which may be sent to your clients for whose account you hold Shares registered in your name or in the name of your nominees, with space provided for obtaining such clients' instructions with regard to the Offer;

5. Notice of Guaranteed Delivery to be used to accept the Offer if certificates for Shares are not immediately available or time will not permit all required documents to reach the Depositary by the Expiration Date (as defined in the Offer to Purchase) or if the procedure for book-entry transfer cannot be completed on a timely basis;

6. Guidelines of the Internal Revenue Service for Certification of Taxpayer Identification Number on Substitute Form W-9; and

7. Return envelope addressed to the Depositary.

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), the Purchaser will accept for payment and pay for up to 24,600,000 Shares which are validly tendered prior to the Expiration Date and not theretofore properly withdrawn when, as and if the Purchaser gives oral or written notice to the Depositary of the Purchaser's acceptance of such Shares for payment pursuant to the Offer. Payment for Shares purchased pursuant to the Offer will in all cases be made only after timely receipt by the Depositary of certificates for such Shares, or timely confirmation of a book-entry transfer of such Shares into the Depositary's account at The Depository Trust Company, the Midwest Securities Company or the Philadelphia Depository Trust Company, pursuant to the procedures described in Section 3 of the Offer to Purchase, a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) or an Agent's Message in connection with a book-entry transfer, and all other documents required by the Letter of Transmittal.

The Purchaser will not pay any fees or commissions to any broker or dealer or other person (other than the Dealer Manager) in connection with the solicitation of tenders of Shares pursuant to the Offer. The Purchaser will, however, upon request, reimburse you for customary mailing and handling expenses incurred by you in forwarding the enclosed materials to your clients.

The Purchaser will pay or cause to be paid any transfer taxes payable on the transfer of Shares to it, except as otherwise provided in Instruction 6 of the enclosed Letter of Transmittal.

WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. PLEASE NOTE THAT THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, JANUARY 17, 1995, UNLESS THE OFFER IS EXTENDED.

In order to take advantage of the Offer, a duly executed and properly completed Letter of Transmittal (or facsimile thereof), with any required signature guarantees and any other required documents, should be sent to the Depositary, and certificates representing the tendered Shares should be delivered or such Shares should be tendered by book-entry transfer, all in accordance with the Instructions set forth in the Letter of Transmittal and the Offer to Purchase.

If holders of Shares wish to tender, but it is impracticable for them to forward their certificates or other required documents prior to the expiration of the Offer, a tender may be effected by following the guaranteed delivery procedures specified under Section 3, "Procedure for Tendering Shares" in the Offer to Purchase.

Any inquiries you may have with respect to the Offer should be addressed to the Dealer Manager or the Information Agent at their respective addresses and telephone numbers set forth on the back cover page of the Offer to Purchase.

Additional copies of the enclosed materials may be obtained from the undersigned by calling (212) 698-3612 or from the Information Agent, Morrow & Co., Inc., by calling (212) 741-5511, or from brokers, dealers, commercial banks or trust companies.

Very truly yours,

Smith Barney Inc.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY PERSON AS AN AGENT OF THE PURCHASER, THE DEPOSITARY, THE INFORMATION AGENT OR THE DEALER MANAGER, OR ANY AFFILIATE OF ANY OF THE FOREGOING, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE DOCUMENTS ENCLOSED AND THE STATEMENTS CONTAINED THEREIN.

OFFER TO PURCHASE FOR CASH
UP TO 24,600,000 SHARES OF COMMON STOCK
(Including the Attached Rights)

OF

TRANSCO ENERGY COMPANY

AT

$17.50 NET PER SHARE

BY

THE WILLIAMS COMPANIES, INC.

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, JANUARY 17, 1995, UNLESS THE OFFER IS EXTENDED.

To Our Clients:

Enclosed for your consideration is an Offer to Purchase dated December 16, 1994 (the "Offer to Purchase") and a Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer") relating to an offer by The Williams Companies, Inc., a Delaware corporation (the "Purchaser"), to purchase up to 24,600,000 shares of Common Stock, par value $0.50 per share (the "Shares"), of Transco Energy Company, a Delaware corporation (the "Company"), and the attached common share purchase rights (the "Company Rights" and, unless the context otherwise requires, deemed to be included in all references to "Shares"), at a purchase price of $17.50 per Share, net to the seller in cash without interest, upon the terms and subject to the conditions set forth in the Offer. We are the holder of record of the Shares held by us for your account. A TENDER FOR SUCH SHARES CAN BE MADE ONLY BY US AS THE HOLDER OF RECORD AND PURSUANT TO YOUR INSTRUCTIONS. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER SHARES HELD BY US FOR YOUR ACCOUNT.

We request instructions as to whether you wish to tender any or all of such Shares held by us for your account, pursuant to the terms and conditions set forth in the Offer.

Your attention is invited to the following:

1. The tender price is $17.50 per Share, net to the seller in cash without interest. The redemption amount of $.05 per Company Right to be paid in redemption of the Company Rights attached to Shares acquired pursuant to the Offer will be paid to and retained by the Purchaser.

2. The Offer, proration period and withdrawal rights will expire at 12:00 midnight, New York City time, on Tuesday, January 17, 1995, unless the Offer is extended.

3. The Offer is being made for up to 24,600,000 Shares. If more than 24,600,000 Shares are validly tendered prior to the Expiration Date (as defined in the Offer to Purchase) and not withdrawn, the Purchaser will, upon the terms and subject to the conditions of the Offer, accept such Shares for payment on a pro rata basis, with adjustments to avoid purchases of fractional shares, based upon the number of Shares validly tendered prior to the Expiration Date and not withdrawn.

4. The Offer is conditioned upon, among other things, there being validly tendered and not withdrawn prior to the expiration of the Offer at least 20,900,000 Shares (representing approximately 51% of the presently outstanding Shares) and the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, having expired or been terminated.

5. Stockholders who tender Shares will not be obligated to pay brokerage commissions, solicitation fees or, except as set forth in Instruction 6 of the Letter of Transmittal, transfer taxes on the purchase of Shares by the Purchaser pursuant to the Offer.

The Purchaser is not aware of any state where the making of the Offer is prohibited by administrative or judicial action pursuant to any valid state statute. If the Purchaser becomes aware of any valid state statute prohibiting the making of the Offer or the acceptance of Shares pursuant thereto, the Purchaser will make a good faith effort to comply with any such state statute. If, after such good faith effort, the Purchaser cannot comply with any such state statute, the Offer will not be made to (nor will tenders be accepted from or on behalf of) the holders of Shares in such state. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of the Purchaser by the Dealer Manager or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

If you wish to have us tender any or all of your Shares, please complete, sign and return to us the form set forth below. An envelope to return your instructions to us is enclosed. Your instructions to us should be forwarded in ample time to permit us to submit a tender on your behalf prior to the expiration of the Offer. If you authorize the tender of your Shares, all such Shares will be tendered unless otherwise specified on the instruction form set forth below.

INSTRUCTIONS WITH RESPECT TO THE OFFER
TO PURCHASE FOR CASH SHARES OF COMMON STOCK

OF

TRANSCO ENERGY COMPANY

The undersigned acknowledge(s) receipt of your letter and the enclosed Offer to Purchase dated December 16, 1994 and the related Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer") relating to the offer by The Williams Companies, Inc., a Delaware corporation (the "Purchaser"), to purchase up to 24,600,000 shares of Common Stock, par value $0.50 per share (the "Shares"), of Transco Energy Company, a Delaware corporation, and the attached common share purchase rights (the "Company Rights" and deemed to be included in all references to "Shares").

This will instruct you to tender to the Purchaser the number of Shares indicated below (or if no number is indicated below, all Shares) held by you for the account of the undersigned, on the terms and subject to the conditions set forth in the Offer.

NUMBER OF SHARES TO BE TENDERED:*

____________________________ SHARES

Account Number: _____________________

Dated: ______________________________

SIGN HERE

____

____

Signature(s)

____

____

Please type or print name(s)

____

____

Please type or print address

____

Area Code and Telephone Number

____

Taxpayer Identification or Social Security Number

- --------

* Unless otherwise indicated, it will be assumed that all of your Shares held by us for your account are to be tendered.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

SECTION REFERENCES ARE TO THE INTERNAL REVENUE CODE.

Purpose of Form--A person who is required to file an information return with the IRS must obtain your correct TIN to report income paid to you, real estate transactions, mortgage interest you paid, the acquisition or abandonment of secured property, or contributions you made to an IRA. Use Form W-9 to furnish your correct TIN to the requester (the person asking you to furnish your TIN) and, when applicable, (1) to certify that the TIN you are furnishing is correct (or that you are waiting for a number to be issued), (2) to certify that you are not subject to backup withholding, and (3) to claim exemption from backup withholding if you are an exempt payee. Furnishing your correct TIN and making the appropriate certifications will prevent certain payments from being subject to backup withholding.

Note: If a requester gives you a form other than W-9 to request your TIN, you must use the requester's form.

How To Obtain a TIN--If you do not have a TIN, apply for one immediately. To apply, get Form SS-5, Application for a Social Security Card (for individuals), from your local office of the Social Security Administration, or Form SS-4, Application for Employer Identification Number (for businesses and all other entities), from your local IRS office.

To complete Form W-9 if you do not have a TIN, write "Applied for" in the space for the TIN in Part I, sign and date the form, and give it to the requester. Generally, you will then have 60 days to obtain a TIN and furnish it to the requester. If the requester does not receive your TIN within 60 days, backup withholding, if applicable, will begin and continue until you furnish your TIN to the requester. For reportable interest or dividend payments, the payer must exercise one of the following options concerning backup withholding during this 60-day period. Under option (1), a payer must backup withhold on any withdrawals you make from your account after 7 business days after the requester receives this form back from you. Under option (2), the payer must backup withhold on any reportable interest or dividend payments made to your account, regardless of whether you make any withdrawals. The backup withholding under option (2) must begin no later than 7 business days after the requester receives this form back. Under option (2), the payer is required to refund the amounts withheld if your certified TIN is received within the 60-day period and you were not subject to backup withholding during that period.

Note: Writing "Applied for" on the form means that you have already applied for a TIN OR that you intend to apply for one in the near future.

As soon as you receive your TIN, complete another Form W-9, include your TIN, sign and date the form, and give it to the requester.

What Is Backup Withholding?--persons making certain payments to you after 1992 are required to withhold and pay to the IRS 31% of such payments under certain conditions. This is called "backup withholding". Payments that could be subject to backup withholding include interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee compensation, and certain payments from fishing boat operators, but do not include real estate transactions.

If you give the requester your correct TIN, make the appropriate certifications, and report all your taxable interest and dividends on your tax return, your payments will not be subject to backup withholding. Payments you receive will be subject to backup withholding if:

1. You do not furnish your TIN to the requester, or

2. The IRS notifies the requester that you furnished an incorrect TIN, or

3. You are notified by the IRS that you are subject to backup withholding because you failed to report all your interest and dividends on your tax return (for reportable interest and dividends only), or

4. You do not certify to the requester that you are not subject to backup withholding under 3 above (for reportable interest and dividend accounts opened after 1983 only), or

5. You do not certify your TIN. This applies only to reportable interest, dividend, broker, or barter exchange accounts opened after 1983, or broker accounts considered inactive in 1983.

Except as explained in 5 above, other reportable payments are subject to backup withholding only if 1 or 2 above applies. Certain payees and payments are exempt from backup withholding and information reporting. See Payees and Payments Exempt From Backup Withholding, below, and Example Payees and Payments under Specific Instructions, below, if you are an exempt payee.

Payees and Payments Exempt From Backup Withholding--The following is a list of payees exempt from backup withholding and for which no information reporting is required. For interest and dividends, all listed payees are exempt except item (9). For broker transactions, payees listed in (1) through (13) and a person registered under the Investment Advisers Act of 1940 who regularly acts as a broker are exempt. Payments subject to reporting under sections 6041 and 6041A are generally exempt from backup withholding only if made to payees described in items (1) through (7), except a corporation that provides medical and health care services or bills and collects payments for such services is not exempt from backup withholding or information reporting. Only payees described in items (2) through (6) are exempt from backup withholding for barter exchange transactions, patronage dividends, and payments by certain fishing boat operators.

(1) A corporation. (2) An organization exempt from tax under section 501(a), or an IRA, or a custodial account under section 403(b)(7). (3) The United States or any of its agencies or instrumentalities. (4) A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities. (5) A foreign government or any of its political subdivisions, agencies, or instrumentalities. (6) An international organization or any of its agencies or instrumentalities. (7) A foreign central bank of issue. (8) A dealer in securities or commodities required to register in the United States or a possession of the United States. (9) A futures commission merchant registered with the Commodity Futures Trading Commission. (10) A real estate investment trust. (11) An entity registered at all times during the tax year under the Investment Company Act of 1940. (12) A common trust fund operated by a bank under section 584(a). (13) A financial institution. (14) A middleman known in the investment community as a nominee or listed in the most recent publication of the American Society of Corporate Secretaries, Inc., Nominee List. (15) A trust exempt from tax under section 664 or described in section 4947.

Payments of dividend and patronage dividends generally not subject to backup withholding include the following:

- Payments to nonresident aliens subject to withholding under section 1441.
- Payments to partnerships not engaged in a trade or business in the United States and that have at least one nonresident partner.
- Payments of patronage dividends not paid in money.
- Payments made by certain foreign organizations.

Payments of interest generally not subject to backup withholding include the following:

- Payments of interest on obligations issued by individuals.

Note: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payer's trade or business and you have not provided your correct TIN to the payer.

- Payments of tax-exempt interest (including exempt-interest dividends under section 852).
- Payments described in section 6049(b)(5) to nonresident aliens.

. Payments on tax-free covenant bonds under section 1451.

. Payments made by certain foreign organizations.

Mortgage interest paid by you.

Payments that are not subject to information reporting are also not subject to backup withholding. For details, see sections 6041, 6041A(a), 6042, 6044, 6045, 6049, 6050A, and 6050N, and their regulations.

PENALTIES

Failure To Furnish TIN--If you fail to furnish your correct TIN to a requester, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil Penalty for False Information With Respect to Withholding.--If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a $500 penalty.

Criminal Penalty for Falsifying Information.--Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs.--If the requester discloses or uses TINs in violation of Federal law, the requester may be subject to civil and criminal penalties.

SPECIFIC INSTRUCTIONS

Name.--If you are an individual, you must generally provide the name shown on your social security card. However, if you have changed your last name, for instance, due to marriage, without informing the Social Security Administration of the name change, please enter your first name, the last name shown on your social security card, and your new last name.

If you are a sole proprietor, you must furnish your individual name and either your SSN or EIN. You may also enter your business name or "doing business as" name on the business name line. Enter your name(s) as shown on your social security card and/or as it was used to apply for your EIN on Form SS-4.

SIGNING THE CERTIFICATION.

1. Interest, Dividend, and Barter Exchange Accounts Opened Before 1984 and Broker Accounts Considered Active During 1983. You are required to furnish your correct TIN, but you are not required to sign the certification.

2. Interest, Dividend, Broker, and Barter Exchange Accounts Opened After 1983 and Broker Accounts Considered Inactive During 1983. You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

3. Real Estate Transactions. You must sign the certification. You may cross out item 2 of the certification.

4. Other Payments. You are required to furnish your correct TIN, but you are not required to sign the certification unless you have been notified of an incorrect TIN. Other payments include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services, payments to a nonemployee for services (including attorney and accounting fees), and payments to certain fishing boat crew members.

5. Mortgage Interest Paid by You, Acquisition or Abandonment of Secured Property, or IRA Contributions. You are required to furnish your correct TIN, but you are not required to sign the certification.

6. Exempt Payees and Payments. If you are exempt from backup withholding, you should complete this form to avoid possible erroneous backup withholding. Enter your correct TIN in Part I, write "EXEMPT" in the block in Part II, and sign and date the form. If you are a nonresident alien or foreign entity not subject to backup withholding, give the requester a complete Form W-8, Certificate of Foreign Status.

7. TIN "Applied for." Follow the instructions under How To Obtain a TIN, on page 1, and sign and date this form.

Signature.--For a joint account, only the person whose TIN is shown in Part I should sign.

Privacy Act Notice.--Section 6109 requires you to furnish your correct TIN to persons who must file information returns with the IRS to report interest, dividends, and certain other income paid to you, mortgage interest you paid, the acquisition or abandonment of secured property, or contributions you made to an IRA. The IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. You must provide your TIN whether or not you are required to file a tax return. Payers must generally withhold 31% of taxable interest, dividend, and certain other payments to a payee who does not furnish a TIN to a payer. Certain penalties may also apply.

WHAT NAME AND NUMBER TO GIVE THE REQUESTER

For this type of account:	Give name and SSN of:
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account(1)
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
4.a. The usual revocable savings trust (grantor is also trustee)	The grantor-trustee(1)
b. So-called trust account that is not a legal or valid trust under state law	The actual owner(1)
5. Sole proprietorship	The owner(3)

For this type of account:	Give name and EIN of:
6. Sole proprietorship	The owner(3)
7. A valid trust, estate, or pension trust	Legal entity(4)
8. Corporate	The corporation
9. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
10. Partnership	The partnership
11. A broker or registered nominee	The broker or nominee
12. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district or prison)	The public entity

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(1) List first and circle the name of the person whose number you furnish.
(2) Circle the minor's name and furnish the minor's SSN.
(3) Show your individual name. You may also enter your business name. You may use your SSN or EIN.
(4) List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title).

Note: If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

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THE WILLIAMS COMPANIES AND TRANSCO ANNOUNCE MERGER AGREEMENT

HOUSTON (Dec. 12, 1994) -- The Williams Companies, Inc. and Transco Energy Company announced today that they have entered into a merger agreement. Under the agreement, Williams will make a cash tender offer to acquire up to 24.6 million shares, or 60 percent, of Transco's common stock and related common stock purchase rights for $17.50 per share and right. The cash tender offer will be followed by a stock merger in which shares of Transco common stock not purchased in the tender offer will be exchanged for 0.625 shares of Williams' common stock. The merger agreement has been approved by Williams' board of directors and by Transco's board of directors.

The total value of the cash tender offer and merger, including the exchange of new series of Williams convertible preferred stock for Transco's two outstanding series of convertible preferred stock and including Transco's outstanding indebtedness is estimated at $3.0 billion. At $17.50 per Transco common share, the cash tender offer represents a 38.6 percent premium to the closing price of Transco's common stock on Friday Dec. 9, 1994.

Under the agreement, Williams will begin the cash tender offer on Friday, Dec. 16, which will expire at midnight, Eastern Standard Time, On Jan. 17, 1995, unless extended by Williams. The tender offer will be conditioned on, among other things, the tender of no fewer than 20,900,000 shares, or 51 percent of Transco's common stock, expiration of Hart-Scott-Rodino Act waiting period, and other customary conditions. Following completion of the tender offer, a newly formed subsidiary of Williams will be merged into Transco, with Transco continuing as a wholly owned subsidiary of The Williams Companies.

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In the merger, outstanding shares of Transco $4.75 Cumulative Convertible Preferred Stock would be converted into the right to receive an equal number of shares of a new series of Williams $4.75 Cumulative Convertible Preferred Stock convertible into .5588 Williams common shares and otherwise having substantially equivalent rights. Also in the merger, Transco $3.50 Cumulative Convertible Preferred Stock would be converted into the right to receive an equal number of shares of a new series of Williams $3.50 Cumulative Convertible Preferred Stock convertible into 1.5625 Williams common shares and otherwise having substantially equivalent rights.

In the event that more than 24.6 million shares are validly tendered, and not withdrawn, and shares are accepted for payment by Williams, shares purchased will be subject to proration in accordance with applicable law. As part of the transaction, Williams and Transco have entered into a stock option agreement providing for a grant of an option to Williams to purchase following the occurrence of specified events, at $17.50 per share, up to 7.5 million additional shares of Transco common stock. If Williams exercises the stock option, Transco has the right, in lien of delivering Transco common shares, to cancel the option for a cash payment not to exceed $2 per option share. Transco has also agreed under certain circumstances to reimburse Williams for its expenses, subject to a maximum limitation.

Merrill Lynch & Co. represented Transco in the transaction. Smith Barney, Inc. represented Williams in the transaction and will act as dealer manager in the cash tender offer. No soliciting dealer fees will be paid. Neither this news release nor the offer constitutes an offer to sell or a solicitation of an offer to buy any securities. Any offer may only be made by means of a prospectus.

Transco, listed on the New York Stock Exchange under the symbol E, owns and operates TGPL, Texas Gas and Transco Gas Marketing Company (TGMC). Transco also has investments in other energy assets.

TGPL, headquartered in Houston, owns and operates 10,500 miles of pipeline extending from the Gulf of Mexico through the South and along the Eastern Seaboard to New York City. Its primary customers are natural gas and electric utility companies in the East and Northeast.

Texas Gas, headquartered in Owensboro, Ky., owns and operates 6,100 miles of pipeline extending from the Louisiana Gulf Coast up the Mississippi River Valley to Indiana and Ohio. In addition to serving markets in this area, Texas Gas also serves the Northeast through connections with other pipelines.

TGMC buys, sells and arranges transportation for natural gas primarily in the eastern and midwestern United States and Gulf Coast region, processes natural gas and sells natural gas liquids.

Williams, listed on the NYSE under the symbol WMB, owns and operates: Northwest Pipeline Corporation, a 3,900-mile interstate natural gas pipeline system serving the Pacific Northwest; Williams Natural Gas Company, a 6,200-mile interstate natural gas pipeline serving the heart of the U.S.; Williams Pipe Line Company, an 8,800-mile interstate petroleum products pipeline system serving 11 central U.S. states; Williams Field Services Group, which gathers and processes natural gas, primarily in the western U.S.; Williams Energy Ventures, which provides a broad range of financial and information-based services to the energy industry and develops new investment opportunities; WilTel, a national telecommunications company that specializes in serving businesses; and 50 percent interest in Kern River Gas Transmission Company, a 930-mile interstate natural gas pipeline system linking southwestern Wyoming with southern California.

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At Williams, contact:	Media Inquiries:	Jim Gipson	(918) 588-2111
	Analyst Inquiries:	Linda Lawson	(918) 588-2087

[MAP APPEARS HERE]

Dec. 16, 1994

Jim Gipson   (918) 588-2111 (Media)
Linda Lawson (918) 588-2087 (Investors)

Williams makes SEC filing to purchase up to 60 percent of Transco's stock

TULSA -- The Williams Companies, Inc. today filed with the Securities and Exchange Commission definitive documents pursuant to which it is making a cash tender offer to acquire up to 24.6 million shares, or about 60 percent, of Transco Energy Company's common stock and common stock purchase rights for $17.50 per share and right.

The tender offer, announced Monday, begins today and runs through midnight, Eastern time, on Jan. 17, 1995, unless extended by Williams. Williams' obligation to purchase shares pursuant to the tender offer is subject to, among other things, the valid tender and non-withdrawal at the expiration date of the offer at least 20.9 million shares, or approximately 51 percent of Transco's common stock.

The information agent for the tender offer is Morrow & Co., Inc., (800)566-9058. The dealer-manager is Smith Barney Inc. (212)698-3612.

When successful, the tender offer will be followed by the merger of a subsidiary of Williams with Transco, with Transco ultimately becoming a wholly owned subsidiary of Williams.

The boards of directors of both companies unanimously approved the transaction at separate meetings on Dec. 11. The merger could be completed as soon as the end of the first quarter of 1995.

"The offer documents are being mailed to Transco shareholders, and any Transco shareholder having questions about the offer or needing assistance is encouraged to contact Morrow & Co. or Smith Barney," said Keith E. Baily, chairman, president and chief executive officer of Williams.

Bailey noted there has been considerable discussion in the investment and natural gas communities about the pending acquisition by Williams, which operates three interstate natural gas

pipelines, major natural gas gathering and processing facilities and other gas assets in America's West, of Transco, which operates two major interstate gas systems east of the Mississippi River that serve the Midwest, South, Southeast and Northeast.

He also said both companies' initial limited ability to fully discuss details of why both boards enthusiastically supported the transaction has been partially eased due to today's filing, but is still somewhat restricted due to certain laws and regulations.

"I can say that the strategic fit of the gas systems of these two companies is outstanding," Bailey said. "The combined companies' pipeline systems have access to the premier natural gas supply areas in North America -- Oklahoma, Kansas, Texas, the Rockies, the San Juan Basin and western Canada and the Gulf Coast.

"The combined companies would put most of the vital natural gas markets in the country -- from California to New York -- within realistic reach of the longest-lived, lowest-cost gas supplies in America, "he said. "I really see this as a case of 'one-plus-one equals three' for us, and for producers and consumers."

The documents filed with the SEC today say that Williams plans to "maintain and expand" the existing core natural gas businesses of Transco and to "promptly pursue" new business opportunities made available as a result of the merger, which include expanding development of market projects in Transco's Northeast and Southeast market areas.

"Due to Transco's highly leveraged balance sheet, it has been unable over the past several years to take advantage of numerous opportunities in the fast-growing markets it serves and to build on its competitive edge," Bailey said. "This is juxtaposed to Williams' demonstrated track record over the past several years in the West, where we have committed the talent and capital to fully and efficiently compete for all of the demand within reach."

He noted that natural gas demand in the area of the country served by Transco's system is growing significantly faster than the national average.

He said Williams expects to be able to support the capital investment necessary to aggressively pursue opportunities in the eastern U.S. as well as "opportunities to provide Transco's markets with access to the long-lived supplies attached to our existing systems."

Bailey noted it has long been a stated strategic goal of Williams to gain effective access to the same markets served by Transco.

"We would immediately begin seeking additional investment opportunities across Transco's service area in both regulated and unregulated areas, and are very optimistic that we will be able to add substantially to projects already identified by Transco," he said.

Bailey said much of Williams' earnings growth is linked to the company's ability to grow

its asset base.

"We believe the capital opportunities resulting from this transaction can be fully exploited without impacting our existing capital programs, thus accelerating our rate of capital deployment. Further developing opportunity in Transco's service area should, in turn, stimulate additional investments across our existing natural gas businesses.

"To best accomplish our objectives, we will also move to overhaul the capital structure of Transco and its pipelines as quickly as possible," Bailey said. "Among the many things we intend to accomplish is to eliminate or modify some or all of the more onerous restrictions in Transco's financing agreements. We would expect the cost of financing for the combined company to improve due to Williams' investment-grade status.

"This should result in rate-making flexibility in Tranco's pipeline operations," he said.

Bailey also said both companies' possess active marketing, price risk management and information-based products and services that, when given the opportunity to compete for new business around an expanded platform of pipeline systems, "should add an additional element to the value of the transaction."

Although specific decisions have not been made, he said Williams expects to aggressively continue divesting non-core assets.

The Williams Companies, listed on the New York Stock Exchange under the symbol WMB, consists of Northwest Pipeline Corporation, Williams Natural Gas Company, Williams Field Services Group, Williams Pipe Line Company, Williams Energy Ventures and WilTel.

Transco, listed on the NYSE under the symbol E, consists of Transcontinental Gas Pipe Line Corporation, Texas Gas Transmission Company, Transco Gas Marketing Company and other energy assets.

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares. The Offer is made solely by the Offer to Purchase dated December 16, 1994 and the related Letter of Transmittal and is being made to all holders of Shares. The Purchaser is not aware of any state where the making of the Offer is prohibited by administrative or judicial action pursuant to any valid state statute. If the Purchaser becomes aware of any valid state statute prohibiting the making of the Offer or the acceptance of Shares pursuant thereto, the Purchaser will make a good faith effort to comply with such state statute. If, after such good faith effort, the Purchaser cannot comply with such state statute, the Offer will not be made to (nor will tenders be accepted from or on behalf of) holders of Shares in such state. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of the Purchaser by Smith Barney Inc. or one or more registered brokers or dealers licensed under the laws of such jurisdiction.

Notice of Offer to Purchase for Cash
Up to 24,600,000 Shares of Common Stock
(Including the Attached Rights)
of
Transco Energy Company
at
$17.50 Net Per Share
by
The Williams Companies, Inc.

The Williams Companies, Inc., a Delaware corporation (the "Purchaser"), is offering to purchase up to 24,600,000 shares of Common Stock, par value $0.50 per share (the "Shares"), of Transco Energy Company, a Delaware corporation (the "Company"), together with the attached common share purchase rights (the "Company Rights"), at a price of $17.50 per Share (and attached Company Right), net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase dated December 16, 1994 (the "Offer to Purchase") and in the related Letter of Transmittal (together, the "Offer"). The Company has agreed in the Merger Agreement (as defined below) to effect a redemption of the Company Rights for $.05 per Company Right immediately prior to the Purchaser's acceptance for payment of Shares pursuant to the Offer. The redemption price in respect of Company Rights attached to Shares purchased pursuant to the Offer will be paid to and retained by the Purchaser. Unless the context otherwise requires, references herein to "Shares" shall be deemed to include the attached "Company Rights." Following the Offer, the Purchaser intends to effect the Merger described below.

THE OFFER, PRORATION PERIOD AND WITHDRAWAL RIGHTS WILL EXPIRE at 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, JANUARY 17, 1995, UNLESS THE OFFER IS EXTENDED.

The Offer is conditioned upon, among other things, at least 20,900,000 Shares (representing approximately 51% of the presently outstanding Shares) being validly tendered and not withdrawn prior to the expiration of the Offer.

The purpose of the Offer is to acquire 24,600,000 Shares as a first step in acquiring the entire equity interest in the Company. The Offer is being made pursuant to an Agreement and Plan of Merger, dated as of December 12, 1994 (the "Merger Agreement"), among the Purchaser, WC Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of the Purchaser ("Sub"), and the Company. The Merger Agreement provides, among other things, that as soon as practicable after the purchase of Shares pursuant to the Offer, the approval of the stockholders of the Company and the satisfaction of certain other conditions, Sub will be merged with and into the Company (the "Merger"). Following consummation of the Merger, the Company will continue as the surviving corporation (the "Surviving Corporation") and as a subsidiary of the Purchaser. At the effective time of the Merger (the "Effective Time"), each Share issued and outstanding immediately prior to the Effective Time (other than Shares held in the treasury of the Company, Shares owned by the Purchaser or any direct or indirect wholly-owned subsidiary of the Purchaser, or dissenting Shares (collectively, "Retired or Dissenting Shares")) will be converted into the right to receive .625 shares of Common Stock, par value $1.00 per share, of the Purchaser (the "Purchaser Common Stock"), including .3125 preferred stock purchase rights attached thereto (the "Purchaser Rights"). In the event that less than 24,600,000 Shares, but at least 20,900,000 Shares, are purchased pursuant to the Offer, each Share that is issued and outstanding immediately prior to the Effective Time (other than Retired or Dissenting Shares) will be converted into the right to receive (i) an amount in cash (the "Per Share Cash Amount") equal to (x) the excess of (A) the product of (1) $17.50 or such higher amount as may be paid in the Offer (the "Per Share Amount") and (2) the excess of 24,600,000 over the number of Shares purchased pursuant to the Offer, over (B) the aggregate amount paid in the redemption of Company Rights not acquired

pursuant to the Offer, divided by (y) the number of Shares outstanding immediately prior to the Effective Time (other than Retired or Dissenting Shares) and (ii) the fraction of a share of Purchaser Common Stock equal to (A) the product of (1) .625 and (2) the excess of the Per Share Amount over the Per Share Cash Amount, divided by (B) the Per Share Amount (such fractional amount of a share of Purchaser Common Stock, the "Conversion Number"), together with a fraction of attached Purchaser Rights equal to the Conversion Number divided by 2. The Offer does not constitute an offer to sell or a solicitation of an offer to buy any securities of the Purchaser. Such an offer may be made only pursuant to a prospectus.

The Board of Directors of the Company has unanimously (with one director absent) determined that the Offer and the Merger, taken together, are fair to, and in the best interests of, the stockholders of the Company, and recommends that holders of Shares accept the Offer and tender their Shares pursuant to the Offer.

For purposes of the Offer, the Purchaser will be deemed to have accepted for payment (and thereby purchased) Shares validly tendered and not properly withdrawn as, if and when the Purchaser gives oral or written notice to Chemical Bank (the "Depositary") of the Purchaser's acceptance for payment of such Shares pursuant to the Offer. Upon the terms and subject to the conditions of the Offer, payment of Shares accepted for payment pursuant to the Offer will be made by deposit of the purchase price therefor with the Depositary, which will act as agent for tendering stockholders for the purpose of receiving payments from the Purchaser and transmitting such payments to tendering stockholders whose Shares have been accepted for payment. Under no circumstances will interest on the purchase price for Shares be paid, regardless of any delay in making such payment. In all cases, payment for Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Depositary of (i) the certificates evidencing such Shares (the "Share Certificates") or timely confirmation of a book-entry transfer of such Shares, if such procedure is available, into the Depositary's account at one of the Book-Entry Transfer

Facilities (as defined in Section 2 of the Offer to Purchase) pursuant to the procedure set forth in Section 3 of the Offer to Purchase, (ii) the Letter of Transmittal (or facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message (as defined in Section 2 of the Offer to Purchase) and (iii) any other documents required under the Letter of Transmittal.

The Purchaser expressly reserves the right, in its sole discretion (but subject to the terms and conditions of the Merger Agreement), at any time and from time to time, to extend for any reason the period of time during which the Offer is open, including the occurrence of any condition specified in Section 14 of the Offer to Purchase, by giving oral or written notice of such extension to the Depositary. Any such extension will be followed as promptly as practicable by public announcement thereof, such announcement to be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date of the Offer. During any such extension, all Shares previously tendered and not withdrawn will remain subject to the Offer, subject to the rights of a tendering stockholder to withdraw such stockholder's Shares.

If more than 24,600,000 Shares are validly tendered prior to the Expiration Date (as defined in the Offer to Purchase) and not withdrawn, the Purchaser will, upon the terms and subject to the conditions of the Offer, accept such Shares for payment on a pro rata basis, with adjustments to avoid purchases of fractional Shares, based upon the number of Shares validly tendered prior to the Expiration Date and not withdrawn.

Tenders of Shares made pursuant to the Offer are irrevocable except that such Shares may be withdrawn at any time prior to 12:00 Midnight, New York City time, on Tuesday, January 17, 1995 (or the latest time and date at which the Offer, if extended by the Purchaser, shall expire) and, unless theretofore accepted for payment by the Purchaser pursuant to the Offer, may also be withdrawn at any time after February 13, 1995. For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of the Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of such Shares, if different from that of the person who tendered such Shares. If Share Certificates evidencing Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the release of such Share Certificates, the serial numbers shown on such Share Certificates must be submitted to the Depositary and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution (as defined in Section 3 of the Offer to Purchase), unless such Shares have been tendered for the account of an Eligible Institution. If Shares have been tendered pursuant to the procedure for book-entry transfer as set forth in Section 3 of the Offer to Purchase, any notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares. All questions as to the form and validity (including the time of receipt) of any notice of withdrawal will be determined by the Purchaser, in its sole discretion, whose determination will be final and binding.

The information required to be disclosed by Rule 14d-6(e)(1)(vii) of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended, is contained in the Offer to Purchase and is incorporated herein by reference.

The Company has provided the Purchaser with the Company's stockholder list and security position listings for the purpose of disseminating the Offer to holders of Shares. The Offer to Purchase and the related Letter of Transmittal will be mailed to record holders of Shares whose names appear on the Company's stockholder list and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

The Offer to Purchase and the related Letter of Transmittal contain important information which should be read before any decision is made with respect to the Offer.

Questions and requests for assistance or for additional copies of the Offer to Purchase and the related Letter of Transmittal and other tender offer materials may be directed to the Information Agent or the Dealer Manager as set forth below, and copies will be furnished promptly at the Purchaser's expense. No fees or commissions will be paid to brokers, dealers or other persons (other than the Information Agent and the Dealer Manager) for soliciting tenders of Shares pursuant to the Offer.

The Information Agent for the Offer is:

MORROW & CO., INC.

909 Third Avenue
New York, New York 10022
212-754-8000

14755 Preston Road-Suite 725
Dallas, Texas 75240
214-788-0977

Banks and Brokers Call Toll Free: 1-800-662-5200
All Others Call Toll Free: 1-800-566-9058

The Dealer Manager for the Offer is:

Smith Barney Inc.

1345 Avenue of the Americas
New York, New York 10105
(212) 698-3612

December 16, 1994

CITIBANK, N.A

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

CHEMICAL BANK

CANADIAN IMPERIAL BANK OF COMMERCE

December 9, 1994

The Williams Companies, Inc.
One Williams Center
Tulsa, Oklahoma 74172

Project Green

Ladies and Gentlemen:

Based on our discussions concerning the proposed acquisition of a publicly-held Delaware corporation code-named "Green" (the "Company") by The Williams Companies, Inc., a Delaware corporation ("Williams") (the "Transaction"), Citibank, N.A. ("Citibank"), Bank of America National Trust and Savings Association ("BofA"), Chemical Bank ("Chemical") and Canadian Imperial Bank of Commerce ("CIBC") are pleased to provide you with financing commitments for, and to agree to act as co-administrative agents (the "Administrative Agents") in connection with, the senior debt facility described below and on the attached Annex (the "Senior Facility").

As the Administrative Agents understand the transaction, you will, pursuant to a merger agreement to be entered into with the Company, offer to acquire through a tender offer (the "Tender Offer") up to 60% of the shares of the Company's outstanding common stock and attached rights, $0.50 par value (the "Company Stock") for an amount in cash per share not in excess of the amount previously disclosed to us, but in any event for not fewer than sufficient shares of Company Stock to enable Williams, voting without any other shareholders of the Company, to approve a merger of a newly formed subsidiary of Williams with the Company. As promptly as practicable after the closing of the Tender Offer, such subsidiary will consummate a merger (the "Merger") with the Company in which the Company will be the surviving corporation (the "Surviving Corporation"). The aggregate cash portion paid for the Company Stock in the Tender Offer and the Merger shall not exceed 60% of such Stock, with the balance of such Stock to be payable solely in common stock of Williams.

You have asked that Citibank, BofA, Chemical and CIBC each provide you with a commitment in the amount of $300,000,000, for aggregate commitments of $1,200,000,000, representing the entire amount of the Senior Facility.

Subject to the satisfaction of the conditions contained in this Commitment Letter and your acceptance hereof, Citibank, BofA, Chemical and CIBC each commits to lend up to $300,000,000 of the financing for the Transaction, on the terms and conditions referred to herein and in the attached Annex.

Please note, however, that the terms and conditions of these commitments are not limited to those set forth herein or in the attached Annex. Those matters that are not covered or made clear herein or in the attached Annex are subject to mutual agreement of the parties. The terms and conditions of these commitments may be modified only in writing. In addition, these commitments are subject to (a) the preparation, execution and delivery of mutually acceptable loan documentation, including a credit agreement incorporating substantially the terms and conditions outlined herein and in the attached Annex, (b) the absence of (i) a material adverse change in the business, condition (financial or otherwise), operations, performance, properties or prospects of Williams, the Company or any of their subsidiaries since December 31, 1993, provided that the non-occurrence of the WilTel Sale (as defined in the attached Annex) shall not, in and of itself, be deemed to constitute such a material adverse change, and (ii) any material adverse change in loan syndication or financial or capital market conditions generally from those currently in effect, and (c) the accuracy and completeness of all representations that you make to us and all information that you furnish to us in connection with these commitments. The respective commitments of Citibank, BofA, Chemical and CIBC set forth in this letter will terminate on January 31, 1995 or such later date as may be agreed between the Administrative Agents and the Borrower (provided that in no event shall the commitments hereunder be extended beyond March 31, 1995), unless the initial borrowing under the Senior Facility shall have occurred on or before such date.

In addition to the fees described on the attached Annex, you agree to pay the nonrefundable fees set forth in the fee letter dated the date hereof with Citibank and Citicorp Securities, Inc., an affiliate of Citibank and the fee letter dated the date hereof with Citibank, BofA, Chemical and CIBC, (collectively, the "Fee Letters").

Upon notice to you from the Arrangers (as defined under the paragraph "Arrangers" in the attached Annex) of their intention to commence a general syndication of the Senior Facility, the Arrangers will syndicate the financing for the Transaction to additional Lenders with a corresponding reduction in the commitments of the Administrative Agents. Citicorp Securities will manage all aspects of the syndication in consultation with the other Arrangers, including the timing of all offers to potential Lenders and the acceptance of commitments, the amounts offered and the compensation provided.

You agree to take all action as the Arrangers may reasonably request to assist it in forming a syndicate acceptable to them. Your assistance in forming such a syndicate shall include but not be limited to: (i) making senior management and representatives of the

Company available to participate in information meetings with potential Lenders at such times and places as the Arrangers may reasonably request; (ii) using your best efforts to ensure that the syndication efforts benefit from your lending relationships; and (iii) providing the Arrangers with all information reasonably deemed necessary by them to successfully complete the syndication, including, without limitation, a summary of the operating prospects (including financial projections) of the Company.

Upon notice to you from the Arrangers of their intention to commence a general syndication of the Senior Facility, to ensure an orderly and effective syndication of the Senior Facility, you agree that until the termination of the syndication (as evidenced by written notification received by you from the Arrangers), you will not, and will not permit any of your affiliates to, syndicate or issue, attempt to syndicate or issue, announce or authorize the announcement of the syndication or issuance of, or engage in discussions concerning the syndication or issuance of, any debt facility or debt security (including any renewals thereof) in the commercial bank market, without the prior written consent of the Arrangers; *provided, however*, that the foregoing shall not limit your ability to issue commercial paper, other short-term debt programs currently in place, equity or public debt securities or incur debt pursuant to the $100,000,000 production payment financing currently contemplated with NationsBank, N.A. or in connection with the construction loan contemplated to be borrowed from the First National Bank of Omaha for purposes of constructing an ethanol plant.

You agree that no additional agents, co-agents or arrangers will be appointed, or other titles conferred, without the consent of the Arrangers. You agree that no Lender will receive any compensation of any kind for its participation in the Senior Facility, except as expressly provided for in the Commitment Letter or the Fee Letters.

You agree to indemnify and hold harmless each Administrative Agent, each Arranger, each Lender (as defined under the paragraph "*Lenders*" in the attached Annex) and each of their affiliates and their officers, directors, employees, agents and advisors (each, an "*Indemnified Party*") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with the Transaction or any similar transaction and any of the other transactions contemplated thereby or the Senior Facility and any other financings or any use made or proposed to be made with the proceeds thereof, whether or not such investigation, litigation or proceeding is brought by you, your shareholders or creditors or an Indemnified Party or an Indemnified Party is otherwise a party thereto and whether or not the Transaction is consummated, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's

gross negligence or willful misconduct. You also agree that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to you or your security holders or creditors arising out of, related to or in connection with the Transaction, except (a) to the extent that such liability is found in a final non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct and (b) for direct, as opposed to consequential, damages for breach of the obligations of the Administrative Agents hereunder to negotiate in good faith definitive documentation for the financing for the Transaction on the terms set forth herein and in the attached Annex.

You should be aware that the Administrative Agents or their respective affiliates may be providing financing or other services to parties whose interests may conflict with yours. However, be assured that, consistent with the longstanding policy of each of the Administrative Agents to hold in confidence the affairs of their respective customers, the Administrative Agents will not furnish confidential information obtained from you to any of their respective other customers. By the same token, the Administrative Agents will not make available to you confidential information that any of them has obtained or may obtain from any other customer.

You agree that this Commitment Letter is for your confidential use only and will not be disclosed by you to any person other than your accountants, attorneys and other advisors, and then only in connection with the Transaction and on a confidential basis, except that, following your acceptance hereof, you may make public disclosure of the existence and amount of the commitments of the Administrative Agents hereunder, you may file a copy of this Commitment Letter in any public record in which it is required by law to be filed and you may make such other public disclosures of the terms and conditions hereof as you are required by law, in the opinion of your counsel, to make.

In issuing their respective commitments, the Administrative Agents are relying on the accuracy of the information furnished to them by you or on your behalf. The obligations of the Administrative Agents under this Commitment Letter and of any Lender that issues a commitment for the Senior Facility are made solely for your benefit and may not be relied upon or enforced by any other person or entity.

This Commitment Letter shall be governed by, and construed in accordance with, the laws of the State of New York. Delivery of an executed counterpart of this Commitment Letter by telecopier shall be effective as delivery of a manually executed counterpart of this Commitment Letter. You and each of the Administrative Agents hereby irrevocably waive all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this Commitment Letter, the transactions contemplated hereby or the actions of any Administrative Agent in the negotiation, performance or enforcement hereof.

Please evidence your acceptance of the provisions of this Commitment Letter, the attached Annex and the other matters referred to above by signing the enclosed copy of this Commitment Letter and returning it to the undersigned at or before 10:00 A.M. (New York City time) on December 12, 1994, the time at which the commitments of Citibank, BofA, Chemical and CIBC set forth above (if not so accepted prior thereto) will expire. By accepting this Commitment Letter, you agree to pay that portion of the respective fees then payable under the Fee Letters at or before 5:00 P.M. (New York City time) on December 12, 1994.

Very truly yours,

CITIBANK, N.A.	BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION
By ------------------------	By ---------------------------------
Title:	Title:
CHEMICAL BANK	CANADIAN IMPERIAL BANK OF COMMERCE
By ------------------------	By ---------------------------------
Title:	Title:

ACCEPTED this -------------- day of December, 1994

THE WILLIAMS COMPANIES, INC.

By ----------------------------

Title:

PRIVILEGED AND
CONFIDENTIAL
==============

ANNEX

Summary of Terms

CAPITALIZED TERMS NOT OTHERWISE DEFINED
HEREIN HAVE THE MEANINGS SET FORTH IN THE
LETTER TO WHICH THIS ANNEX IS ATTACHED

Borrower:	The Williams Companies, Inc., a Delaware corporation.
Administrative Agents:	Citibank, Bank of America National Trust and Savings Association, Chemical Bank and Canadian Imperial Bank of Commerce.
Arrangers:	Citicorp Securities, Inc. and affiliates of the other Administrative Agents as designated by them.
Lenders:	Citibank, N.A. ("Citibank"), the other financial institutions acting as Administrative Agents and other financial institutions acceptable to them. Citibank will manage all aspects of the syndication of the Senior Facility, including the timing of all offers to potential Lenders and the acceptance of commitments, the amounts offered and the compensation provided. If a syndication is commenced, prior to receipt of notice from the Arrangers that the syndication of the Senior Facility has been completed, no Lender may assign any part of its share thereof to any other potential Lender. Following receipt of notice from the Arrangers that the syndication of the Senior Facility has been completed, each Lender may assign all or any part of its share thereof to one or more other financial institutions that are Eligible Assignees (to be defined in the loan documentation), and upon such assignment such financial institutions shall become Lenders for all purposes under the loan documentation. The Borrower shall cooperate with the Arrangers in the syndication of the Senior Facility and shall provide and cause its

advisors to provide all information reasonably deemed necessary by the Arrangers to complete a successful syndication.

Senior Facility:	Up to $1,200,000,000 at any time outstanding as a Senior Revolving Credit Facility, provided, however, that the Senior Facility shall be automatically and permanently reduced at closing by the amount of the commitments to remain outstanding after the closing under the $600,000,000 Credit Agreement dated as of December 23, 1992 among the Borrower and certain of its subsidiaries, the lenders parties thereto and Citibank, as agent for such lenders (the "Existing Agreement").
Purpose:	To finance the acquisition of the Company (the "Transaction"), refinance certain existing debt of the Borrower, pay transaction costs and provide working capital for the Borrower.
Availability:	In multiple drawings from time to time upon and following the consummation of the Transaction, in an amount of $10,000,000 or an integral multiple of $5,000,000 in excess thereof, on three business days' notice for Eurodollar Rate borrowings and on same day notice for Base Rate borrowings. No more than 5 separate borrowings may be outstanding at any time.
Closing Date:	On or before January 31, 1995 or such later date as may be agreed between the Administrative Agents and the Borrower (provided that in no event shall the Closing Date occur later than March 31, 1995).
Amortization:	Fully revolving until final maturity at the end of the earlier to occur of the 364th day after the closing of the Senior Facility and December 31, 1995.
Optional Commitment Reduction:	The Borrower may, upon at least three business days' notice, terminate or cancel, in whole or in part, the unused portion of the Senior Facility; provided, however, that each partial reduction shall be in an amount of $10,000,000 or an integral multiple of $5,000,000 in excess thereof.
Optional Prepayment:	The Borrower may, upon at least three business days' notice and at the end of any applicable interest period, prepay, in full or in part, the Senior Facility; provided, however, that each partial

prepayment shall be in an amount of $10,000,000 or an integral multiple of $5,000,000 in excess thereof.

Mandatory Prepayment and Commitment Reduction: All net cash proceeds from the sale of the stock of Williams Telecommunications Group, Inc., a wholly owned subsidiary of the Borrower (the "WilTel Sale") (after payment of amounts then payable under the U.S.$400,000,000 Credit Agreement dated as of September 2, 1994 between WTG Holdings, Inc. and Citibank) or from the sale of assets (other than the sale of inventory in the ordinary course of business) in any transaction or series of transactions in an amount exceeding $25,000,000 shall be applied to the permanent reduction of the Senior Facility.

Interest: Payable at the Applicable Margin above Citibank's Base Rate (360 day basis) or, at the Borrower's option, Citibank's Eurodollar Rate (adjusted for reserves). Interest based on the Base Rate shall be payable quarterly in arrears.

Interest based on the Eurodollar Rate shall be payable in arrears at the earlier of the end of the applicable interest period and quarterly. Eurodollar Rate borrowings shall be available for 1, 2, 3 or 6 month interest periods. Citibank's "Base Rate" is a fluctuating interest rate equal to the highest from time to time of (i) the rate of interest announced publicly by Citibank in New York as its base rate, (ii) 1/2 of 1% per annum above the latest three-week moving average of secondary market morning offering rates for three-month certificates of deposit of major U.S. money market banks, as determined weekly by Citibank and adjusted for the cost of reserves and estimated insurance assessments from the FDIC and (iii) a rate equal to 1/2 of 1% per annum above the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as determined for any day by Citibank.

The "Applicable Margin" means 0% per annum for Base Rate borrowings and a percentage per annum for Eurodollar Rate borrowings based on the Borrower's public debt rating as set forth in the Existing Agreement.

During the continuance of any default under the loan documentation, the Applicable Margin shall increase by 2% per annum.

Unused Commitment Fee: A percentage per annum based on the Borrower's public debt rating as set forth in the Existing Agreement, to be paid on the unused portion of each Lender's commitment from the date of acceptance of such Lender's commitment, payable on (a) the closing of the Senior Facility and quarterly in arrears thereafter and (b) the date (whether before or after the closing) of termination of the commitments.

Conditions Precedent to Initial Extension of Credit: Those customarily found in credit agreements for financings of this nature and others appropriate in the judgment of the Administrative Agents for this transaction, including, without limitation, the following:

(a) The Lenders shall be satisfied with the final terms and conditions of the Transaction, including, without limitation, the Tender Offer, and with the proposed terms and conditions of the Merger; the Lenders shall be satisfied with all legal and tax aspects of the Transaction (including, without limitation, the Tender Offer and the Merger); and all documentation relating to the Transaction, including, without limitation, the Tender Offer, the Merger, the offer to purchase the Company Stock (the "Offer to Purchase"), the merger agreement to be entered into between Williams and the Company (the "Merger Agreement"), shall be in form and substance satisfactory to the Lenders and the price per share and number of shares to be acquired shall be as set forth in the Merger Agreement.

(b) The Tender Offer shall have been consummated strictly in accordance with the terms of the Offer to Purchase and the Merger Agreement, without any waiver or amendment not consented to by the Lenders of any term, provision or condition set forth therein, and in compliance with all applicable laws, and the Lenders

shall be satisfied in their sole discretion that the restrictions in Section 203 of the Delaware General Corporation Law and any supermajority charter provisions are not applicable to the purchase of the Company Stock or the Merger or that any conditions to avoiding the restrictions contained therein have been satisfied.

(c) The Company's Board of Directors shall have redeemed the Common Stock Purchase Rights issued pursuant to the Company's Rights Agreement or the Lenders shall otherwise be satisfied that such Rights are not applicable to the Tender Offer or the Merger. The Company's Board of Directors shall have approved the Tender Offer and the Merger and recommended that its shareholders tender their Company Stock pursuant to the Tender Offer, and such recommendation shall not have been withdrawn or qualified. The Merger Agreement shall be in full force and effect and shall not have been terminated.

(d) All documentation relating to the Senior Facility, including a credit agreement incorporating substantially the terms and conditions outlined herein, shall be in form and substance satisfactory to the Lenders.

(e) The Borrower shall have used its best efforts to cause the existing credit facilities of the Borrower and the Company to be amended to permit the Transaction and the other transactions contemplated hereby on terms satisfactory to the Lenders pursuant to documentation satisfactory in form and substance to the Lenders, and such existing credit facilities shall have been so amended or repaid in full and terminated.

(f) The Lenders shall be satisfied with the corporate and legal structure and capitalization of the Borrower, including, without limitation, the charter and bylaws of the Borrower and each agreement or instrument relating thereto.

(g) There shall have occurred no material adverse change in the business, condition (financial or otherwise), operations, performance, properties or prospects of the Borrower, the Company or any of their subsidiaries, provided that the non-occurrence of the WilTel Sale shall not, in and of itself, be deemed to constitute such a material adverse change, and all information provided by or on behalf of the Borrower to the Lenders prior to their commitment (the "Pre-Commitment Information") shall be true and correct in all material aspects.

(h) There shall exist no action, suit, investigation, litigation or proceeding pending or threatened in any court or before any arbitrator or governmental instrumentality that (i) would be reasonably likely to have a material adverse effect on the business, condition (financial or otherwise), operations, performance, properties or prospects of the Borrower or any of its subsidiaries other than the litigation described in the Pre-Commitment Information (the "Disclosed Litigation") (it being understood that no determination has yet been made as to whether such Disclosed Litigation would be reasonably likely to have such a material adverse effect) or (ii) purports to affect the Transaction or the Senior Facility, and there shall have been no adverse change in the status, or financial effect on the Borrower or any of its subsidiaries, of the Disclosed Litigation from that described in the Pre-Commitment Information).

(i) All governmental and third party consents and approvals necessary in connection with the Transaction and the Senior Facility shall have been obtained (without the imposition of any conditions that are not acceptable to the Lenders) and shall remain in effect; all applicable waiting periods shall have expired without any action being taken by any competent authority; and no law or regulation shall be applicable in the judgment of the Lenders that restrains, prevents or imposes materially adverse conditions upon the Transaction or the Senior Facility.

(j) All loans made by the Lenders to the Borrower or any of its affiliates shall be in full compliance with the Federal Reserve's Margin Regulations.

(k) The Lenders shall be satisfied that the Borrower will be able to meet its obligations under all employee and retiree welfare plans, that the Borrower's employee benefit plans are, in all material respects, funded in accordance with the minimum statutory requirements, that no material "reportable event" (as defined in ERISA, but excluding events for which reporting has been waived) has occurred as to any such employee benefit plan and that no termination of, or withdrawal from, any such employee benefit plan has occurred or is contemplated that could result in a material liability.

(l) The Lenders shall be satisfied with the amount, parties, terms and conditions and prospects for performance of all agreements then in existence for the WilTel Sale after the closing of the Senior Facility.

(m) The Lenders shall be satisfied that the amount of committed equity and debt financing shall be sufficient to meet the financing requirements of the Transaction.

(n) The Lenders shall have received such financial, business and other information regarding the Company and its subsidiaries as they shall have requested, including, without limitation, information as to possible contingent liabilities, tax matters, environmental matters, obligations under ERISA and welfare plans, collective bargaining agreements and other arrangements with employees, annual financial statements dated December 31, 1993, interim financial statements dated the end of the most recent fiscal quarter for which financial statements are available (or, in the event the Lenders' due diligence review reveals material changes since such financial statements, as of a later date within 45 days of the closing of the Senior Facility), pro forma financial statements as to the Borrower and forecasts for the three years following the closing of the Facility prepared by management of the Borrower, in a form satisfactory to

the Lenders, of balance sheets, income statements and cash flow statements.

(o) The Lenders shall have received (i) satisfactory opinions of counsel to the Borrower, of counsel to the Agent and of local counsel to the Lenders as to the transactions contemplated hereby (including, without limitation, the tax aspects thereof and compliance with all applicable securities laws) and (ii) such corporate resolutions, certificates and other documents as the Lenders shall reasonably request.

(p) There shall exist no default under any of the loan documentation, and the representations and warranties of the Borrower and its subsidiaries therein shall be true and correct immediately prior to, and after giving effect to, such extension of credit.

(q) All accrued fees and expenses of the Agent and the Lenders (including the fees and expenses of counsel to the Agent) shall have been paid.

Conditions Precedent to Subsequent Extensions of Credit: There shall exist no default under any of the loan documentation, and the representations and warranties of the Borrower and its subsidiaries therein shall be true and correct immediately prior to, and after giving effect to, such extension of credit.

Representations and Warranties: Those customarily found in credit agreements for financings of this nature and others appropriate in the judgment of the Administrative Agents for this transaction, including, without limitation, representations and warranties as to the solvency of the Borrower and of the Borrower and its subsidiaries on a consolidated basis and the absence of any material adverse change in the business, condition (financial or otherwise), operations, performance, properties or prospects of the Borrower or any of its subsidiaries.

Covenants: Those negative, affirmative and financial covenants customarily found in credit agreements for financings of this nature and others appropriate in the judgment of the Administrative Agents for this transaction, including, without limitation, the following:

(a) Comply with laws (including, without limitation, ERISA and environmental laws), pay taxes, maintain appropriate and adequate insurance, preserve corporate existence, permit inspection of properties, books and records, keep books in accordance with GAAP and maintain properties.

(b) Perform obligations under leases, related documents, material contracts and other agreements.

(c) Conduct all transactions with affiliates on terms comparable to those contained in the Existing Agreement.

(d) Financial covenants consisting of tangible net worth of at least $1.25 Billion at December 31, 1994 and at least $2.25 Billion at March 31, 1995 and thereafter and leverage to be determined.

(e) Within 45 days after the end of each fiscal quarter, furnish quarterly consolidated and consolidating balance sheets, income statements and statements of cash flow of the Borrower and its subsidiaries certified by the Borrower's chief financial officer (which certification may be subject to year-end audit adjustments) and certificates as to compliance with the loan documents. Within 90 days after the end of each fiscal year, furnish audited financial statements of the Borrower and its subsidiaries and annual consolidating financial statements of the Borrower and its subsidiaries. No later than 30 days after the end of each fiscal year, furnish the annual business plan of the Borrower and its subsidiaries and furnish forecasts prepared by management of the Borrower, in each case in form and detail satisfactory to the Lenders, of balance sheets, income statements and cash flow statements on a monthly basis for the next 12 months and on an annual basis for each of the following years until the scheduled final maturity of the

Senior Facility. Promptly after request, furnish all other business and financial information that any Lender through the Agent may reasonably request.

(f) Not create or permit any liens (with customary exceptions); not create or permit any debt or guarantees, other than the Senior Facility, trade debt and existing debt of the Borrower and its subsidiaries acceptable to the Lenders and other debt baskets to be mutually agreed upon; not create or permit lease obligations beyond limits to be set forth in the loan documentation; not merge or consolidate with any person; not dispose of assets, other than the WilTel Sale, sales of assets in the ordinary course of business and other exceptions to be mutually agreed upon; not make investments beyond limits to be set forth in the loan documentation; not pay any dividends or make any other distributions to shareholders beyond limits to be set forth in the loan documentation; and not make capital expenditures beyond limits to be set forth in the loan documentation.

(g) Not change the nature of its business, its charter or bylaws or its accounting policies or reporting practices.

(h) Not prepay, redeem, purchase, defease or otherwise satisfy prior to maturity, or make any payment in violation of any subordination terms of, any debt, with exceptions to be mutually agreed upon.

(i) Not amend or modify the terms of any debt, any related documents or any material contracts.

(j) Not agree to give a negative pledge in favor of any person, other than the Lenders.

(k) Not agree to limit dividends from or debt owing to subsidiaries, except to the extent already so limited.

(l) Not become a general partner in any partnership, other than through a special purpose vehicle.

Events of Default: Those customarily found in credit agreements for financings of this nature and others appropriate in the judgment of the Administrative Agents for this transaction, including, without limitation: failure to pay principal or interest or fees when due; any representation or warranty proving to have been materially incorrect when made; failure to perform or observe covenants (with agreed upon grace periods when customary and appropriate); cross-defaults to other indebtedness; bankruptcy defaults; material judgment defaults; impairment of loan documentation; change in ownership or control; or ERISA defaults.

Expenses: The Borrower shall pay all of the Agent's reasonable due diligence, syndication (including printing, distribution and bank meetings), transportation, computer, duplication, appraisal, audit, insurance, consultant, search, filing and recording fees and all other reasonable out-of-pocket expenses incurred by the Agent (including the reasonable fees and expenses of counsel to the Agent) whether or not any of the transactions contemplated hereby are consummated, as well as all reasonable expenses of the Agent in connection with the administration of the loan documentation. The Borrower shall also pay the reasonable expenses of the Lenders in connection with the enforcement of any of the loan documentation.

Indemnity: The Borrower will indemnify and hold harmless each Administrative Agent, each Arranger, each Lender and each of their affiliates and their officers, directors, employees, agents and advisors (each, an "Indemnified Party") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of, or in connection with the preparation for a defense of, any investigation, litigation or proceeding arising out of, related to or in connection with the Transaction, whether or not such investigation, litigation or proceeding is brought by the Borrower, its shareholders or creditors or an Indemnified Party or an Indemnified Party is otherwise a party thereto and whether or not the Transaction is consummated, except to the extent such claim, damage, loss,

liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct.

Required Lenders:	66-2/3%.
Assignments and Participations:	Assignments must be in a minimum amount of $5,000,000, other than in the case of an assignment to a Lender or an assignment of the entirety of a Lender's interest in the Senior Facility. No participation shall include voting rights, other than for reductions or postponements of amounts payable or releases of all or substantially all of the collateral.
Miscellaneous:	Standard yield protection (including compliance with risk-based capital guidelines, increased costs, payments free and clear of withholding taxes and interest period breakage indemnities), eurodollar illegality and similar provisions.
Governing Law:	New York.

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AGREEMENT AND PLAN OF MERGER

Dated as of December 12, 1994

by and among

THE WILLIAMS COMPANIES, INC.,

WC ACQUISITION CORP.

and

TRANSCO ENERGY COMPANY

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of December 12, 1994 (this "Agreement"), by and among The Williams Companies, Inc., a Delaware corporation ("Parent"), WC Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Parent ("Sub"), and Transco Energy Company, a Delaware corporation (the "Company").

WHEREAS, the respective Boards of Directors of Parent and the Company have determined that the acquisition of the Company by Parent would be advantageous and beneficial to their respective corporations and stockholders, and that such transaction is consistent with and in furtherance of such entities' respective long-term business strategies;

WHEREAS, in furtherance thereof, it is proposed that Parent will make a cash tender (the "Offer") to acquire up to 24,600,000 shares of the Company's common stock, par value $.50 per share (the "Company Common Stock"), together with attached Company Rights (as defined in Section 4.2), for $17.50 per share of Company Common Stock (and attached Right) (such amount, or any greater amount per share pursuant to the Offer, being

hereinafter referred to as the "Per Share Amount"), net to the seller in cash, in accordance with the terms and subject to the conditions provided herein and in the Offer Documents (as defined in Section 1.1(b));

WHEREAS, it is proposed that, following consummation of the Offer, there be a merger of Sub with and into the Company (the "Merger") with the Company surviving as a subsidiary of Parent (the "Surviving Corporation"); and

WHEREAS, as a condition to the willingness of Parent to enter into this Agreement, Parent has required that the Company agree, and in order to induce Parent to enter into this Agreement, the Company has entered into concurrently with the execution of this Agreement a Stock Option Agreement (the "Stock Option Agreement") providing for a grant of an option to Parent to purchase, at a per share price of $17.50 per share and otherwise upon the terms and conditions provided for therein, up to 7,500,000 shares of Company Common Stock.

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein, the parties hereto agree as follows:

ARTICLE I

THE TENDER OFFER

Section 1.1 The Offer.

(a) Provided that this Agreement has not been terminated in accordance with Section 8.1, Parent will commence the Offer as promptly as practicable after the date hereof, but in no event later than December 16, 1994. The obligation of Parent to accept for payment any shares of Company Common Stock (and attached Company Rights) tendered pursuant to the Offer will be only subject to the satisfaction of the conditions set forth in Annex I hereto. Parent expressly reserves the right to (i) increase the Per Share Amount or (ii) increase on one occasion the number of shares of Company Common Stock (and attached Company Rights) to be purchased in the Offer; provided, that (x) any increase in the number of shares to be purchased which requires an extension of the Offer beyond its then applicable expiration date in accordance with applicable law must provide for an increase of at least 4,000,000 shares and (y) any increase in the number of shares sought at a time when the average closing sale prices on the New York Stock Exchange (the "NYSE") for shares of Parent Common Stock (as defined in Section 3.1(d)) for the ten trading days immediately preceding the date of public notice of the increase

exceeds $28.00 may only be made with the consent of the Company. Without the prior written consent of the Company, Parent will not (i) decrease the Per Share Amount, (ii) decrease or (other than as permitted by the immediately preceding sentence) increase the number of shares of Company Common Stock to be purchased in the Offer, (iii) change the form of consideration payable in the Offer, (iv) add to or change the conditions to the Offer set forth in Annex I hereto, (v) change or waive the Minimum Condition (as defined in Annex I hereto) or (vi) make any other change in the terms or conditions of the Offer which is adverse to the holders of shares of Company Common Stock. The conditions set forth in Annex I are for the benefit of Parent, and may be asserted by Parent or, subject to the immediately preceding sentence, may be waived by Parent, in whole or in part, at any time and from time to time in its discretion. The Offer will be made by means of an offer to purchase (the "Offer to Purchase") containing the terms set forth in this Agreement and only the conditions set forth in Annex I hereto. Subject to the terms of the Offer and this Agreement and the satisfaction of all the conditions of the Offer set forth in Annex I hereto as of any expiration date, Parent will accept for payment and pay for all shares of Company Common Stock (and attached Company Rights) validly ten-

dered and not withdrawn pursuant to the Offer as soon as practicable after such expiration date of the Offer. Subject to Section 8.1, if the conditions set forth in Annex I hereto are not satisfied or, to the extent permitted by this Agreement, waived by Parent, as of the date the Offer would otherwise have expired, Parent will extend the Offer from time to time until the earlier of the consummation of the Offer or the date which is 90 days from the commencement of the Offer.

(b) On the date of commencement of the Offer, Parent will file with the Securities and Exchange Commission (the "SEC") a Tender Offer Statement on Schedule 14D-1 (together with all amendments and supplements thereto, the "Schedule 14D-1") with respect to the Offer. The Schedule 14D-1 will contain (including as an exhibit) or will incorporate by reference the Offer to Purchase (or portions thereof) and forms of the related letter of transmittal and summary advertisement (which Schedule 14D-1, Offer to Purchase and other documents, together with any supplements or amendments thereto, are referred to herein collectively as the "Offer Documents"). Parent will disseminate the Offer to Purchase, related Letter of Transmittal and other related Offer Documents to holders of shares of the Company Common Stock. Each of Parent and the Company will promptly correct any information

provided by it for use in the Offer Documents that becomes false or misleading in any material respect and Parent will take all steps necessary to cause the Schedule 14D-1 as so corrected to be filed with the SEC and the other Offer Documents as so corrected to be disseminated to holders of shares of Company Common Stock, in each case as and to the extent required by applicable law. Parent will provide the Company and its counsel in writing with any comments Parent or its counsel may receive from the SEC or its staff with respect to the Offer Documents promptly after the receipt of such comments. Parent and its counsel will provide the Company and its counsel with a reasonable opportunity to participate in all communications with the SEC and its staff, including any meetings and telephone conferences relating to the Offer Documents, the Offer, the Merger or this Agreement.

Section 1.2 Company Action.

(a) The Company hereby consents to the Offer. The Company will file with the SEC, as promptly as practicable after the filing by Parent of the Schedule 14D-1, a Solicitation/Recommendation Statement on Schedule 14D-9 (the "Schedule 14D-9") reflecting the recommendation of the Company's Board of Directors that holders of shares of Company Common Stock tender their shares pursuant to

the Offer and will disseminate the Schedule 14D-9 as required by Rule 14d-9 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), subject to the fiduciary duties of the Board of Directors of the Company under applicable laws as advised by counsel. Each of the Company and Parent will promptly correct any information provided by it for use in the Schedule 14D-9 that becomes false or misleading in any material respect, and the Company will further take all steps necessary to cause the Schedule 14D-9 as so corrected to be filed with the SEC and disseminated to holders of shares of Company Common Stock, in each case as and to the extent required by applicable law. The Company will provide Parent and its counsel in writing with any comments the Company or its counsel may receive from the SEC or its staff with respect to the Schedule 14D-9 promptly after the receipt of such comments. The Company and its counsel will provide Parent and its counsel with a reasonable opportunity to participate in all communications with the SEC and its staff, including any meetings and telephone conferences relating to the Schedule 14D-9, the Merger or this Agreement.

(b) The Company will (i) promptly furnish Parent with mailing labels containing the names and addresses of all record holders of shares of Company

Common Stock as of a recent date and of those persons becoming record holders after such date, together with copies of all security position listings and computer files and all other information in the Company's control regarding the beneficial owners of shares of Company Common Stock that Parent may reasonably request and (ii) furnish to Parent such other assistance as Parent or its agents may reasonably request in communicating the Offer to holders of shares of Company Common Stock.

(c) Subject to the requirements of law, and except for such steps as are necessary to disseminate the Offer Documents, Parent will, and will cause each of its subsidiaries to, hold in confidence the information contained in any of such labels and lists, use such information only in connection with the Offer and, if this Agreement is terminated, deliver to the Company all copies of, and extracts or summaries from, such information then in their possession.

(d) Effective upon payment by Parent for all shares of Company Common Stock accepted for payment pursuant to the Offer, Parent will be entitled to designate two directors on the Company's Board of Directors, and the Company will take all action necessary to cause Parent's designees to be elected or appointed to the Company's Board of Directors, including, without limita-

tion, increasing the number of directors or seeking and accepting resignations of incumbent directors. Such designees will abstain from any action proposed to be taken by the Company to amend or terminate this Agreement or waive any action by Parent, which actions will be effective with the approval of a majority of the remaining directors. Parent agrees not to effect any other changes in the Board of Directors of the Company prior to the Effective Time.

ARTICLE II

THE MERGER

Section 2.1 Effective Time of the Merger. Upon the terms and subject to the conditions hereof, a certificate of merger (the "Certificate of Merger") and the Certificates of Designation (as defined in Section 3.1(c)) will be duly prepared, executed and acknowledged by the Surviving Corporation and thereafter delivered to the Secretary of State of the State of Delaware, for filing as provided in the Delaware General Corporation Law (the "DGCL"), as soon as practicable on the Closing Date (as defined in Section 2.2). The Merger will become effective upon the filing of the Certificate of Merger with the Secretary of State of the State of Delaware (the "Effective Time").

Section 2.2 Closing. Unless this Agreement is terminated and the transactions contemplated herein abandoned pursuant to Section 8.1 and assuming the satisfaction or waiver of the conditions set forth in Article VII, the closing of the Merger (the "Closing") will take place at 10:00 a.m. on a date to be specified by the parties, which will be no later than the second business day following the date of the meeting of the Company's stockholders called for the purpose of voting on matters with respect to this Agreement (the "Closing Date"), at the offices of Skadden, Arps, Slate, Meagher & Flom, 919 Third Avenue, New York, New York 10022, unless another date or place is agreed to in writing by the parties hereto.

Section 2.3 Effects of the Merger. The Merger will have the effects set forth in the DGCL. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time, all the properties, rights, privileges, powers and franchises of the Company and Sub will vest in the Surviving Corporation, and all debts, liabilities and duties of the Company and Sub shall become the debts, liabilities and duties of the Surviving Corporation.

Section 2.4 Certificate of Incorporation and By-Laws.

(a) The Restated Certificate of Incorporation of the Company in effect at the Effective Time will be the Restated Certificate of Incorporation of the Surviving Corporation, as amended and restated substantially in the form set forth in Exhibit 2.4 hereto, until amended in accordance with applicable law.

(b) The By-Laws of Sub in effect at the Effective Time will be the By-Laws of the Surviving Corporation until amended in accordance with applicable law.

Section 2.5 Directors. The directors of Sub at the Effective Time will be the initial directors of the Surviving Corporation, each to hold office from the Effective Time in accordance with the Restated Certificate of Incorporation and By-Laws of the Surviving Corporation and until his or her successor is duly elected and qualified.

Section 2.6 Officers. The officers of the Company at the Effective Time will be the initial officers of the Surviving Corporation, each to hold office from the Effective Time in accordance with the Restated Certificate of Incorporation and By-Laws of the Surviving Corporation and until his or her successor is duly ap-

pointed and qualified.

ARTICLE III

CONVERSION OF SECURITIES; DISSENTING SHARES

Section 3.1 Conversion of Capital Stock. As of the Effective Time, by virtue of the Merger and without any action on the part of the holder of any shares of capital stock of the Company or the holder of any capital stock of Sub:

(a) Each issued and outstanding share of the capital stock, par value $.0l per share, of Sub will be converted into and become one fully paid and nonassessable share of Common Stock, par value $.0l per share, of the Surviving Corporation.

(b) All shares of capital stock of the Company that are owned by the Company as treasury stock and any shares of Company Common Stock or Company Preferred Stock owned by Parent, Sub or any other wholly owned Subsidiary (as hereinafter defined) of Parent will be cancelled and retired and will cease to exist and no stock of Parent or other consideration will be delivered in exchange therefor. As used in this Agreement, the word "Subsidiary" means, with respect to any party, any corporation or other organization, whether incorporated or unincorporated, of which (i) such party or any other

Subsidiary of such party is a general partner (excluding partnerships, the general partnership interests of which held by such party or any Subsidiary of such party do not have a majority of the voting interest in such partnership) or (ii) at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the Board of Directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such party, by any one or more of its Subsidiaries, or by such party and one or more of its Subsidiaries. References to a wholly owned subsidiary of an entity include a subsidiary all of the common equity of which is owned directly or through "wholly owned" subsidiaries by such entity.

(c) Subject to Section 3.2(e), each issued and outstanding share of the $4.75 series Cumulative Convertible Preferred Stock, stated value $50 per share (the "Company $4.75 Preferred Stock"), of the Company (other than shares to be cancelled in accordance with Section 3.1(b) and Dissenting Shares (as defined in Section 3.3)) and each issued and outstanding share of the $3.50 series Cumulative Convertible Preferred Stock, stated value $50 per share (the "Company $3.50 Preferred Stock" and, together with the Company $4.75 Preferred

Stock, the "Company Preferred Stock"), of the Company (other than shares to be cancelled in accordance with Section 3.1(b) and Dissenting Shares) will be converted into the right to receive (in accordance with Section 3.2(b)) one share of preferred stock of Parent which, in the case of the Company $4.75 Preferred Stock, will be designated Parent's $4.75 Series Cumulative Convertible Preferred Stock (the "Parent $4.75 Preferred Stock") and be convertible initially into .5588 of a share of Parent Common Stock and otherwise have the designation, preferences and rights set forth in the Form of Certificate of Designation, Preferences and Rights of Parent $4.75 Preferred Stock attached hereto as Exhibit 3.2(c)-1 (the "$4.75 Certificate of Designation") and, in the case of the Company $3.50 Preferred Stock, will be designated Parent's $3.50 Series Cumulative Convertible Preferred Stock (the "Parent $3.50 Preferred Stock" and, together with the Parent $4.75 Preferred Stock, collectively the "Parent New Preferred Stock") and be initially convertible into 1.5625 shares of Parent Common Stock and otherwise have the designation, preferences and rights set forth in the Form of Certificate of Designation, Preferences and Rights of Parent $3.50 Preferred Stock attached hereto as Exhibit 3.2(c)-2 (together with the $4.75 Certificate of Designation, the "Certificates of Designa-

tion"). All shares of Company Preferred Stock, when converted in accordance with this Section 3.1(c), will no longer be outstanding and will automatically be cancelled and retired and will cease to exist, and each holder of a certificate representing any such shares will cease to have any rights with respect thereto, except the right to receive the shares of Parent Preferred Stock and any cash or other property to be issued or paid in consideration therefor upon the surrender of such certificate in accordance with Section 3.2, without interest, and the right to receive any dividend which such holder is entitled to be paid pursuant to Section 6.17.

(d) Subject to Section 3.2(e), each issued and outstanding share of Company Common Stock (other than shares to be cancelled in accordance with Section 3.1(b) and Dissenting Shares) will be converted into the right to receive (in accordance with Section 3.2(b)) (i) an amount in cash (the "Per Share Cash Amount"), equal to (x) the excess, if any, of (A) the product of (1) the Per Share Amount and (2) the excess, if any, of 24,600,000 over the number of shares of Company Common Stock purchased pursuant to the Offer, over (B) the aggregate amount paid in the redemption of Company Rights not acquired pursuant to the Offer, divided by (y) the number of shares of Company Common Stock outstanding

immediately prior to the Effective Time (other than shares to be cancelled in accordance with Section 3.1(b)) and (ii) (x) if the Per Share Cash Amount is $0.00, .625 of a share of Common Stock, $1.00 par value per share (the "Parent Common Stock"), of Parent or (y) if the Per Share Cash Amount exceeds $0.00, the fraction of a share of Parent Common Stock equal to (A) the product of (1) .625 and (2) the excess of the Per Share Amount over the Per Share Cash Amount, divided by (B) the Per Share Amount (such fractional amount of a share of Parent Common Stock under clause (ii)(x) or (ii)(y), as the case may be, the "Conversion Number"), in each case together with a number of attached Parent Rights (as defined in Section 5.2)) equal to the Conversion Number divided by 2. In the event that between the date of this Agreement and the Effective Time the outstanding shares of Company Common Stock or Parent Common Stock are changed into a different number of shares or a different class, by reason of any stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares, the Conversion Number (and number of attached Parent Rights), the conversion rates applicable to the shares of Parent New Preferred Stock issuable in the Merger, and the amount of cash payable in respect of fractional shares pursuant to Section 3.2(e) will be

correspondingly adjusted to reflect such stock dividend, subdivision, reclassification, recapitalization, split, combination or exchange of shares. All shares of Company Common Stock, when converted in accordance with this Section 3.1(d), will no longer be outstanding and will automatically be cancelled and retired and will cease to exist, and each holder of a certificate representing any such shares will cease to have any rights with respect thereto, except the right to receive any Per Share Cash Amount, the shares of Parent Common Stock (and attached Parent Rights) and any cash or other property to be issued or paid in consideration therefor upon the surrender of such certificate in accordance with Section 3.2, without interest.

Section 3.2 Exchange of Certificates and Cash.

(a) Promptly following the Effective Time, Parent will deposit, or will cause to be so deposited, with First Chicago Trust Company of New York or another bank or trust company designated by Parent and reasonably acceptable to the Company (the "Exchange Agent") for the benefit of the holders of shares of Company Common Stock and Company Preferred Stock (other than any Dissenting Shares), any Per Share Cash Amount for such shares and certificates evidencing the shares of Parent Common Stock and Parent New Preferred Stock pay-

able or issuable pursuant to Section 3.1 in exchange for outstanding shares of Company Common Stock and Company Preferred Stock, as the case may be (such certificates, together with any cash or other dividends or distributions declared or made, and any other cash or other property paid or issued through redemption, merger or otherwise, with respect thereto, being hereinafter collectively referred to as the "Exchange Fund"). Subject to Section 3.2(g), the Exchange Agent will deliver any Per Share Cash Amount and the shares of Parent Common Stock (and attached Parent Rights) and Parent New Preferred Stock to holders of shares of Company Common Stock and Company Preferred Stock, as the case may be (other than any Dissenting Shares), in accordance with Section 3.2(b) and the Exchange Fund will not be used for any other purpose. Except as contemplated by Section 3.2(c), any interest, dividends or other income earned on the investment of cash or other property held in the Exchange Fund will be for the account of Parent.

(b) As soon as practicable after the Effective Time, Parent will cause the Exchange Agent to mail to each holder of record of a certificate or certificates which immediately prior to the Effective Time represented outstanding shares of Company Common Stock or Company Preferred Stock (the "Certificates") whose

shares were converted pursuant to Section 3.1 (i) a letter of transmittal (which will be in such form and have such provisions as Parent and the Company may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for any Per Share Cash Amount and certificates representing shares of Parent Common Stock (and attached Parent Rights) or Parent New Preferred Stock, as the case may be. Upon surrender of a Certificate for cancellation to the Exchange Agent or to such other agent or agents as may be appointed by Parent and Sub, together with such letter of transmittal, duly executed, the holder of such Certificate will be entitled to receive in exchange therefor (x) any Per Share Cash Amount payable in respect of such Certificate, (y) a certificate representing that number of whole shares of Parent Common Stock (and attached Parent Rights) or Parent New Preferred Stock, as the case may be, which such holder has the right to receive pursuant to the provisions of this Article III, and (z) cash in lieu of fractional shares of Parent Common Stock (and attached Parent Rights) to which such holder is entitled pursuant to Section 3.2(e) (any Per Share Cash Amount, the shares of Parent Common Stock (and attached Parent Rights) and cash described in clauses (x), (y) and (z) above being collectively referred to

herein as the "Common Stock Merger Consideration", the shares of Parent New Preferred Stock described in clause (y) above being collectively referred to herein as the "Preferred Stock Merger Consideration" and the Common Stock Merger Consideration and the Preferred Stock Merger Consideration being collectively referred to herein as the "Merger Consideration") and the Certificate so surrendered will forthwith be cancelled. In the event of a transfer of ownership of Company Common Stock or Company Preferred Stock which is not registered in the transfer records of the Company, any Per Share Cash Amount and the certificates representing the proper number of shares of Parent Common Stock (and attached Parent Rights) or Parent New Preferred Stock may be paid or issued to a transferee if the Certificate representing such Company Common Stock or Company Preferred Stock is presented to the Exchange Agent, accompanied by all documents required to evidence and effect such transfer, together with evidence that any applicable stock transfer taxes have been paid and the payment of any required transfer taxes. Until surrendered as contemplated by this Section 3.2, each Certificate will be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the relevant Merger Consideration.

(c) No dividends or other distributions declared or made, or any other cash or other property paid or issued through redemption, merger or otherwise, after the Effective Time with respect to shares of Parent Common Stock or Parent New Preferred Stock with a record date after the Effective Time will be paid to the holder of any unsurrendered Certificate with respect to the shares of Parent Common Stock or Parent New Preferred Stock which such holder is entitled to receive upon the surrender thereof in accordance with this Section 3.2. Subject to the effect of applicable laws, following surrender of any such Certificate, there will be paid to the record holder of the certificates representing whole shares of Parent Common Stock or Parent New Preferred Stock issued in exchange therefor, without interest, (i) the amount of dividends or other distributions, or other cash or property paid or issued through redemption, merger or otherwise, with a record date after the Effective Time theretofore paid or issued with respect to such whole shares of Parent Common Stock or Parent New Preferred Stock, and (ii) at the appropriate payment date, the amount of dividends or other distributions, or other cash or property paid or issued through redemption, merger or otherwise, with a record date after the Effective Time but prior to such surrender and a payment date

subsequent to surrender payable with respect to such whole shares of Parent Common Stock or Parent New Preferred Stock.

(d) The Merger Consideration paid as provided above, together with any dividends, other distributions or other property paid pursuant to Section 3.2(c), will be deemed to have been issued in full satisfaction of all rights pertaining to such shares of Company Common Stock or Company Preferred Stock, as the case may be, and there will be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Company Common Stock or Company Preferred Stock which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation for any reason, they will be cancelled and exchanged as provided in this Article III.

(e) No certificate or scrip representing fractional shares of Parent Common Stock will be issued upon the surrender for exchange of Certificates, and such fractional share interests will not entitle the owner thereof to vote or to any rights of a stockholder of Parent. In lieu of the issuance of any fractional shares of Parent Common Stock pursuant to Section 3.1(d), a cash adjustment will be paid to any holder of Company Common

Stock in respect of any such fractional shares that would otherwise be issuable to such holder in an amount equal to (i) the product of (x) the fraction of a share of Parent Common Stock to which such holder would otherwise be entitled to receive pursuant to Section 3.1(d) (after taking into account all shares of Company Common Stock then held of record by such holder) and (y) the Per Share Amount, divided by (ii) .625.

(f) Neither Parent nor the Company will be liable to any holder of shares of Company Common Stock, Company Preferred Stock, Parent Common Stock (or attached Parent Rights) or Parent New Preferred Stock for any such shares (or dividends or distributions with respect thereto) or cash delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(g) Any portion of the Exchange Fund that remains undistributed to the holders of shares of Company Common Stock and Company Preferred Stock for one year after the Effective Time will be delivered to Parent, upon demand, and any holders of shares of Company Common Stock and Company Preferred Stock who have not theretofore complied with this Article III will thereafter look only to Parent for the Merger Consideration and any unpaid dividends and distributions payable pursuant to

Section 3.2(c) to which they are entitled pursuant to this Article III.

(h) Parent or the Exchange Agent will be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement to any holder of shares of Company Common Stock or Company Preferred Stock such amounts as Parent or the Exchange Agent is required to deduct and withhold with respect to the making of such payment under the Internal Revenue Code of 1986, as amended (the "Code"), or any provision of state, local or foreign tax law. To the extent that amounts are so withheld by Parent or the Exchange Agent, such withheld amounts will be treated for all purposes of this Agreement as having been paid to the holder of the shares of Company Common Stock or Company Preferred Stock in respect of which such deduction and withholding was made by Parent or the Exchange Agent.

Section 3.3 Dissenting Shares. If required by the DGCL but only to the extent required thereby, shares of Company Common Stock and Company Preferred Stock which are issued and outstanding immediately prior to the Effective Time and which are held by holders of such shares of Company Common Stock and Company Preferred Stock, as the case may be, who have properly exercised appraisal rights with respect thereto in accordance with

Section 262 of the DGCL (the "Dissenting Shares") will not be converted into or be exchangeable for the right to receive the relevant Merger Consideration, and holders of such shares of Company Common Stock and Company Preferred Stock will be entitled to receive payment of the appraised value of such shares of Company Common Stock and Company Preferred Stock, as the case may be, in accordance with the provisions of such Section 262 unless and until such holders fail to perfect or effectively withdraw or lose their rights to appraisal and payment under the DGCL. If, after the Effective Time, any such holder fails to perfect or effectively withdraws or loses such right, such shares of Company Common or Company Preferred Stock will thereupon be treated as if they had been converted into and to have become exchangeable for, at the Effective Time, the right to receive the Merger Consideration and any unpaid dividends and distributions payable pursuant to Section 3.2(c) to which the holder of such shares of Company Common Stock or Company Preferred Stock is entitled, without any interest thereon. The Company will give Parent prompt notice of any demands received by the Company for appraisal of shares of Company Common Stock or Company Preferred Stock and, prior to the Effective Time, Parent will have the right to participate in all negotiations and proceedings with respect to such de-

mands. Prior to the Effective Time, the Company will not, except with the prior written consent of Parent, make any payment with respect to, or settle or offer to settle, any such demands.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent and Sub as follows:

Section 4.1 Organization.

(a) Each of the Company and each Material Company Subsidiary (as defined below) is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted, except where the failure to be so organized, existing or in good standing or to have such power and authority would not, individually or in the aggregate, have a material adverse effect on the Company and its Subsidiaries. As used in this Agreement, any reference to any event, change or effect being material or having a material adverse effect on or with respect to an entity (or such entity and its subsidiaries) means such event,

change or effect which is materially adverse to the business, assets, results of operations or financial condition of such entity (or, if with respect to such entity and its subsidiaries, such group of entities taken as a whole). The Company and each Material Company Subsidiary is duly qualified or licensed to do business and in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not, individually or in the aggregate, have a material adverse effect on the Company and its Subsidiaries.

(b) Each of Transcontinental Gas Pipe Line Corporation ("TGPL"), Texas Gas Transmission Corporation, Transco Gas Marketing Company, Transco Coal Company and Transco Gas Company is referred to herein as a "Material Company Subsidiary."

(c) The Company has heretofore made available to Parent a complete and correct copy of the charter and by-laws or comparable organizational documents, each as amended to date, of the Company and each Material Company Subsidiary. Such charters, by-laws and comparable organizational documents are in full force and effect. Neither the Company nor any Material Company

Subsidiary is in violation of any provision of its charter, by-laws or comparable organizational documents, except for such violations that would not, individually or in the aggregate, have a material adverse effect on the Company and its Subsidiaries.

Section 4.2 Capitalization. As of the date of this Agreement, the authorized capital stock of the Company consists of (i) 150,000,000 shares of Company Common Stock of which, as of December 9, 1994, 40,927,847 shares (including 216,900 shares of restricted stock) were issued and outstanding and 514,444 shares were held in treasury, (ii) 15,000,000 shares of Cumulative Preferred Stock, without par value, of which, as of December 9, 1994, 2,979,900 shares of Company $4.75 Preferred Stock were issued and outstanding, 2,500,000 shares of Company $3.50 Preferred Stock were issued and outstanding, 4,848,484 shares of the Company's Cumulative Convertible Preferred Stock, 9.25% Series were authorized but none outstanding all such shares ever outstanding having been repurchased by the Company, and none of which shares were held in treasury, and (iii) 2,000,000 shares of Cumulative Second Preferred Stock, without par value, of which no shares are issued and outstanding. As of December 9, 1994, 56,850,563 shares of Company Common Stock were reserved for issuance in accordance with the

Rights Agreement, dated as of January 13, 1986, by and between the Company and First Chicago Trust Company, as amended most recently as of January 24, 1991 (collectively, the "Company Rights Agreement"), pursuant to which the Company has issued rights (the "Company Rights") to purchase shares of Company Common Stock. Also as of December 9, 1994, the Company had reserved for issuance (i) 2,664,031 shares of Company Common Stock for conversion of Company $4.75 Preferred Stock at a conversion ratio of .894 of a share of Company Common Stock for each share of Company $4.75 Preferred Stock, (ii) 6,295,000 shares of Company Common Stock for conversion of Company $3.50 Preferred Stock at a conversion ratio of 2.5 shares of Company Common Stock for each share of Company $3.50 Preferred Stock, (iii) 3,321,628 shares of Company Common Stock upon exercise of then outstanding options or in respect of outstanding restricted stock or restricted or deferred stock units under the Company's stock option plans (the "Company Plans"), (iv) 1,077,906 shares of Company Common Stock in respect of future grants of options, restricted stock or restricted or deferred stock units which may be made pursuant to the Company Plans, and (v) as of December 11, 1994, 7,500,000 shares of Company Common Stock issuable upon exercise by Parent of the Stock Option Agreement. Since December 9, 1994, the

Company has not issued any shares of its capital stock, except for issuances of Company Common Stock upon the exercise of options or vesting of restricted stock or deferred stock unit awards granted under the Company Plans which were outstanding on December 9, 1994 and upon conversion of shares of Company Preferred Stock, and has not repurchased, redeemed or otherwise retired any shares of its capital stock other than (i) pursuant to Section 14.07 of the Lease Agreement, dated September 1, 1993, between Corpus Christi Transmission Company, a general partnership, and Corpus Christi Industrial Pipeline Company, a general partnership, as lessor, and Corpus Christi Natural Gas Company, as lessee (the "Corpus Christi Lease"), or (ii) in connection with tax withholding features under the Company Plans. All the outstanding shares of the Company's capital stock are, and all shares which may be issued pursuant to the Company Plans, upon conversion of Company Preferred Stock or upon exercise of the Stock Option Agreement will be, when issued and paid for in accordance with the respective terms thereof, duly authorized, validly issued, fully paid and nonassessable and not subject to any preemptive rights of third parties in respect thereto. As of the date of this Agreement, no bonds, debentures, notes or other indebtedness having the right to vote under ordi-

nary circumstances (or convertible into securities having such right to vote) ("Voting Debt") of the Company or any of its Subsidiaries are issued or outstanding. Except as set forth above and on Section 4.2 of the Disclosure Schedule delivered by the Company to Parent pursuant to this Agreement (the "Company Disclosure Schedule"), as of the date of this Agreement, there are no existing options, warrants, calls, subscriptions or other rights or other agreements or commitments of any character relating to the issued or unissued capital stock or Voting Debt of the Company or any of its Subsidiaries or obligating the Company or any of its Subsidiaries to issue, transfer or sell or cause to be issued, transferred or sold any shares of capital stock or Voting Debt of, or other equity interests in, the Company or of any of its Subsidiaries or securities convertible into or exchangeable for such shares or equity interests or obligating the Company or any of its Subsidiaries to grant, extend or enter into any such option, warrant, call, subscription or such other right, agreement or commitment. As of the date of this Agreement, there are no outstanding contractual obligations of the Company or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of the Company or any of its Subsidiaries, other than (i) pursuant to the Stock Option Agreement,

(ii) pursuant to the Corpus Christi Lease, (iii) in connection with tax withholding features under the Company Plans, (iv) forfeitures of restricted stock in accordance with its terms, and (v) in connection with the "change of control" put provisions of the Company Preferred Stock and the preferred stock of TGPL (the "Subsidiary Preferred Stock"). Each of the outstanding shares of capital stock of each of the Company's Subsidiaries is duly authorized, validly issued, fully paid, nonassessable and free of any preemptive rights in respect thereto, and, except as set forth on Section 4.2 of the Company Disclosure Schedule, such shares are owned by the Company or by a Subsidiary of the Company free and clear of any lien, claim, option, charge, security interest, limitation on voting rights and encumbrance of any kind, except as would not have a material adverse effect on the Company and its Subsidiaries.

Section 4.3 Authority. The Company has the requisite corporate power and authority to execute and deliver this Agreement and the Stock Option Agreement and to consummate the transactions contemplated hereby and thereby, subject to, with respect to the Merger, the approval and adoption of this Agreement and the Merger by the affirmative vote of the holders of Company Common Stock entitled to cast at least a majority of the total

number of votes entitled to be cast by holders of Company Common Stock. The execution, delivery and performance of this Agreement and the Stock Option Agreement by the Company and the consummation by the Company of the Merger and of the other transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of the Company and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or the Stock Option Agreement or to consummate the transactions so contemplated, other than, with respect to the Merger, the approval and adoption of this Agreement and the Merger by the affirmative vote of the holders of Company Common Stock entitled to cast at least a majority of the total number of votes entitled to be cast by holders of Company Common Stock, and the filing and recordation of the Certificate of Merger with the Secretary of State of the State of Delaware. Each of this Agreement and the Stock Option Agreement has been duly executed and delivered by the Company and, assuming this Agreement and the Stock Option Agreement, as the case may be, constitutes a valid and binding obligation of Parent and Sub, as the case may be, constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

Section 4.4 Consents and Approvals; No Violations.

(a) Except as set forth on Section 4.4 of the Company Disclosure Schedule and except for filings, permits, authorizations, notices, consents and approvals as may be required under, and other applicable requirements of, the Exchange Act, the Securities Act of 1933, as amended (the "Securities Act"), the Trust Indenture Act of 1939, as amended (the "TIA"), the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), the DGCL, certain state takeover statutes, state securities or blue sky laws, and state environmental laws, neither the execution, delivery or performance of this Agreement or the Stock Option Agreement by the Company nor the consummation by the Company of the transactions contemplated hereby or thereby and compliance by the Company with any of the provisions hereof or thereof will (i) conflict with or result in any breach of any provisions of the certificate of incorporation or by-laws or comparable organizational documents of the Company or any Material Company Subsidiary, (ii) require any filing with, or permit, authorization, consent or approval of, any court, arbitral tribunal, administrative agency or commission or other governmental or other regulatory authority or agency (a "Governmental

Entity") (except where the failure to obtain such permits, authorizations, consents or approvals or to make such filings would not prevent consummation of the Offer or the Merger in any material respect and would not, individually or in the aggregate, have a material adverse effect on the Company and its Subsidiaries, (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration) under, or result in the creation of any lien or other encumbrance on any property or asset of the Company or any of its Subsidiaries pursuant to, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which the Company or any of its Subsidiaries is a party or by which any of them or any of their properties or assets may be bound or (iv) violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Company or any of its Subsidiaries or by which any property or asset of the Company or any of its Subsidiaries is bound or affected, except, in the case of clauses (iii) and (iv), for violations, breaches, defaults or other occurrences which would not prevent consummation of the Offer or the Merger in any material

respect and would not, individually or in the aggregate, have a material adverse effect on the Company and its Subsidiaries.

(b) Except as disclosed in the Company SEC Documents (as defined in Section 4.5) filed prior to the date of this Agreement or as set forth on Section 4.4 of the Company Disclosure Schedule, to the best knowledge of the Company, neither the Company nor any of its Subsidiaries is in default under or in violation of (i) any order, writ, injunction, decree, statute, rule or regulation of any Governmental Entity applicable to the Company or any of its Subsidiaries or by which any of them or any of their properties or assets may be bound or (ii) any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which the Company or any of its Subsidiaries is a party or by which any of them or any of their properties or assets may be bound or affected, except in each case for any such defaults or violations which would not have a material adverse effect on the Company and its Subsidiaries.

(c) To the best knowledge of the Company, except as disclosed in the Company SEC Documents filed prior to the date of this Agreement or as set forth on Section 4.4 of the Company Disclosure Schedule, the

Company and its Subsidiaries are in compliance with all applicable statutes, ordinances, rules and regulations of any Governmental Entity relating to environmental matters, and the Company is not aware of circumstances, which establish a likely basis for a contingent liability, or a likely basis for the assertion of any such liability, relating to any environmental matters against the Company or any of its Subsidiaries, including the discharge, disposal, treatment, storage, accumulation, transport, release, potential release, leakage, spillage or other actions by the Company or any of its Subsidiaries or any third party for whom the Company or any of its Subsidiaries is responsible with respect to hazardous waste, toxic substances, hazardous substances or other pollutants or contaminants, except for any such failures to comply or circumstances which have not had and since December 31, 1993 would not have a material adverse effect on the Company and its Subsidiaries.

Section 4.5 <u>SEC Reports and Financial Statements.</u> Since January 1, 1991, the Company has filed with the SEC all forms, reports and documents required to be filed by it under the Exchange Act or the Securities Act, and has heretofore made available to Parent true and complete copies of all such forms, reports and documents (as they have been amended since the time of their fil-

ing, collectively, the "Company SEC Documents"). The Company SEC Documents, including without limitation any financial statements or schedules included therein, at the time filed, and any forms, reports or other documents filed by the Company with the SEC after the date of this Agreement, (a) did not at the time they were filed, or will not at the time they are filed, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading and (b) complied or will be prepared in compliance in all material respects with the applicable requirements of the Exchange Act or the Securities Act, as the case may be. The financial statements of the Company included in the Company SEC Documents comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or, in the case of the unaudited statements, to normal audit adjustments) and fairly present (subject, in the case of the unaudited statements, to normal audit adjustments)

the consolidated financial position of the Company and its consolidated Subsidiaries as at the dates thereof and the consolidated results of their operations and cash flows for the periods then ended. Except as reflected, reserved against or otherwise disclosed in the financial statements of the Company included in the Company SEC Documents or as otherwise disclosed in the Company SEC Documents, in each case filed prior to the date of this Agreement, or as set forth on Section 4.5 of the Company Disclosure Schedule, to the best knowledge of the Company, as of the date hereof, neither the Company nor any of its Subsidiaries had any liabilities or obligations (absolute, accrued, fixed, contingent or otherwise) material to the Company and its Subsidiaries, other than liabilities incurred in the ordinary course of business consistent with past practice.

Section 4.6 Information in Disclosure Documents and Registration Statement.

(a) Neither the Schedule 14D-9 nor any of the information supplied by the Company and any of its Subsidiaries specifically for inclusion in the Offer Documents will, at the respective times the Schedule 14D-9 or the Offer Documents are filed with the SEC or are first published, sent or given to stockholders, as the case may be, contain any untrue statement of a material

fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which there was made, not misleading. The Schedule 14D-9 will comply as to form in all material respects with the applicable requirements of the Exchange Act and the applicable rules and regulations thereunder.

(b) None of the information supplied or to be supplied by the Company from time to time in writing specifically for inclusion or incorporation by reference in the registration statement on Form S-4 to be filed with the SEC by Parent in connection with the issuance of shares of Parent Common Stock (and attached Parent Rights) and, if required, Parent New Preferred Stock in the Merger or to holders of Company Stock Options (as defined in Section 6.10(b)) (the "S-4") will, at the time it becomes effective under the Securities Act and at the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(c) The proxy or information statement relating to the meeting of the Company's stockholders to be held in connection with the Merger (as it may be

amended from time to time, the "Proxy Statement") will not, at the date mailed to the Company's stockholders and at the time of the meeting of stockholders to be held in connection with the Merger, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Proxy Statement will, when filed with the SEC by the Company, comply as to form in all material respects with the provisions of the Exchange Act and the rules and regulations thereunder.

(d) Notwithstanding the foregoing, the Company makes no representation with respect to statements made in any of the foregoing documents based on information supplied by Parent or Sub specifically for inclusion therein.

Section 4.7 Litigation. Except as disclosed in the Company SEC Documents filed prior to the date of this Agreement or in Section 4.7 of the Company Disclosure Schedule, there is as of the date hereof no suit, claim, action, proceeding or investigation pending or, to the best knowledge of the Company, threatened, against the Company or any of its Subsidiaries before any Governmental Entity which, individually or in the aggregate,

would have a material adverse effect on the Company and its Subsidiaries or a material adverse effect on the ability of the Company to consummate the transactions contemplated by this Agreement or by the Stock Option Agreement. Except as disclosed in the Company SEC Documents filed prior to the date of this Agreement, neither the Company nor any of its Subsidiaries is subject to any outstanding order, writ, injunction or decree which, individually or in the aggregate, would have a material adverse effect on the Company and its Subsidiaries or a material adverse effect on the ability of the Company to consummate the transactions contemplated hereby or by the Stock Option Agreement.

Section 4.8 No Material Adverse Change; Material Agreements. Except as disclosed in the Company SEC Documents filed prior to the date of this Agreement or as set forth on Section 4.8 of the Company Disclosure Schedule, (i) since December 31, 1993, there has not been any action which would be prohibited under Section 6.1 were it to occur after the date of this Agreement or any material adverse change in the assets, business, results of operations or financial condition of the Company and its Subsidiaries, other than changes arising from general economic or industry conditions, and (ii) as of the date of this Agreement, neither the Company nor any of its

Subsidiaries has become a party to any agreement or amendment to an existing agreement which would be required to be filed by the Company as an exhibit to its next Annual Report on Form l0-K. Except as set forth on Section 4.8 of the Company Disclosure Schedule, the transactions contemplated by this Agreement or the Stock Option Agreement or both will not constitute a "change of control" under, require the consent from or the giving of notice to a third party pursuant to, or accelerate vesting or repurchase rights under the terms, conditions or provisions of any (i) note, bond, mortgage, indenture, license, lease, contract, agreement or other instrument or obligation to which the Company or any of its Subsidiaries is a party or by which any of them or any of their properties or assets may be bound, except where the adverse consequences resulting from such change of control or where the failure to obtain such consents or provide such notices would not, individually or in the aggregate, have a material adverse effect on the Company and its Subsidiaries; provided, however, that the foregoing exception will not be applicable to any (i) note, bond, mortgage, indenture, contract, agreement or other instrument or obligation relating to indebtedness for borrowed money of the Company or any of its Subsidiaries with an outstanding principal amount of less than

$5,000,000 or (ii) employment, compensation, termination or severance agreement, or other instrument or obligation of the Company or any of its Subsidiaries. The total amounts payable to the executives identified on Section 4.8 of the Company Disclosure Schedule, as a result of the transactions contemplated by this Agreement and/or any subsequent employment termination (excluding any cash-out or acceleration of options and restricted stock but including any "gross-up" payments with respect thereto), based on compensation data applicable as of the date hereof, calculated assuming effective tax rates of 39.6%, and including, without limitation, amounts payable pursuant to Termination Agreements, Severance Agreements and the Senior Executive Special Bonus and Retention Plan and any "gross-up" payments, will not exceed the amount set forth on such schedule.

Section 4.9 Taxes.

(a) The Company and each of its Subsidiaries has duly filed all federal, state, local and foreign income Tax Returns (as defined in Section 4.9(b)) required to be filed by it, and all other material Tax Returns required to be filed by it, and all other material Tax Returns required to be filed by it except in the case of such other Tax Returns where the failure to so file will not have a material adverse effect on the

Company and its Subsidiaries, and except as set forth in Section 4.9 of the Company Disclosure Schedule the Company, in all material respects, has duly paid or caused to be paid all Taxes (as defined in Section 4.9(b)) shown to be due on such Tax Returns in respect of the periods covered by such returns and has made adequate provision in the Company's financial statements for payment of all Taxes anticipated to be payable in respect of all taxable periods or portions thereof ending on or before the date hereof. Section 4.9 of the Company Disclosure Schedule lists the periods through which the Tax Returns required to be filed by the Company have been examined by the Internal Revenue Service (the "IRS") or other appropriate taxing authority, or the period during which any assessments may be made by the IRS or other appropriate taxing authority has expired. Except as set forth on Section 4.9 of the Company Disclosure Schedule, all material deficiencies and assessments asserted as a result of such examinations or other audits by federal, state, local or foreign taxing authorities have been paid, fully settled or adequately provided for in the Company's financial statements, and no issue or claim has been asserted in writing for Taxes by any taxing authority for any prior period, the adverse determination of which would result in a deficiency which would have a material adverse

effect on the Company and its Subsidiaries, other than those heretofore paid or provided for in the Company's Financial statements. Except as set forth on Section 4.9 of the Company Disclosure Schedule, there are no outstanding agreements or waivers extending the statutory period of limitation applicable to any Tax Return of the Company or its Subsidiaries. Neither the Company nor any of its Subsidiaries has filed a consent pursuant to Section 341(f) of the Code or agreed to have Section 341(f)(2) of the Code apply to any disposition of a subsection (f) asset (as such term is defined in Section 341(f)(2) of the Code) owned by the Company or any of its Subsidiaries. Except as set forth on Section 4.9 of the Company Disclosure Schedule, neither the Company nor any of its Subsidiaries is a party to any agreement, contract or arrangement that could result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code. Except as set forth on Section 4.9 of the Company Disclosure Schedule, neither the Company nor any of its Subsidiaries (i) has been a member of a group filing consolidated returns for federal income tax purposes, or (ii) is a party to a tax sharing or tax indemnity agreement or any other agreement of a similar nature that remains in effect.

(b) For purposes of this Agreement, the term "Taxes" means all taxes, charges, fees, levies or other assessments, including, without limitation, income, gross receipts, excise, property, sales, transfer, license, payroll, withholding, capital stock and franchise taxes, imposed by the United States or any state, local or foreign government or subdivision or agency thereof, including any interest, penalties or additions thereto. For purposes of this Agreement, the term "Tax Return" means any report, return or other information or document required to be supplied to a taxing authority in connection with Taxes.

Section 4.10 Opinion of Financial Advisor. The Company has received the opinion of Merrill Lynch & Co., its financial advisor, to the effect that, as of December 11, 1994, the consideration to be received in the Offer and the Merger, taken as a whole, by the Company's stockholders is fair to the Company's stockholders from a financial point of view.

Section 4.11 Company Rights Agreement. Assuming the accuracy of the representation contained in Section 5.10 (without giving effect to the knowledge qualification thereof), none of the transactions contemplated in this Agreement or the Stock Option Agreement or both will result in a "Distribution Date" as defined in

the Company Rights Agreement, other than an exercise of the Stock Option Agreement following which Parent beneficially owns 20% or more of the outstanding shares of Company Common Stock.

Section 4.12 DGCL Section 203. Assuming the accuracy of Parent's representation contained in Section 5.10 (without giving effect to the knowledge qualification thereof), the Board of Directors of the Company has approved the transaction to be effected in accordance with this Agreement and the Stock Option Agreement, which will result in Parent becoming an "interested stockholder" within the meaning of paragraph (a)(1) of Section 203 of the DGCL.

Section 4.13 Change in Control Provisions. Other than as set forth on Section 4.13 of the Company Disclosure Schedule, the Board of Directors of the Company has taken all actions necessary to render inoperative to the Offer, the Merger and the other transactions contemplated by this Agreement and the Stock Option Agreement the redemption rights afforded to the holders of the Company Preferred Stock and the Subsidiary Preferred Stock or to the holders of or trustees under indentures relating to indebtedness of the Company or any of its subsidiaries in the event of a "change in control" as defined in the respective Certificates of Designa-

tions, Preferences and Rights governing the Company Preferred Stock and the Subsidiary Preferred Stock or in the related indentures or other debt agreements, as the case may be.

Section 4.14 Vote Required. The affirmative vote of the holders of a majority of the outstanding shares of Company Common Stock entitled to vote with respect to the Merger is the only vote of the holders of any class or series of the Company's capital stock necessary to approve the Merger and the transactions contemplated hereby or by the Stock Option Agreement. Assuming the accuracy of Parent's representations contained in Section 5.10 (without giving effect to the knowledge qualification thereof), the Board of Directors of the Company has taken all action necessary to render inoperative to the Offer, the Merger and the other transactions contemplated by this Agreement and by the Stock Option Agreement the voting requirements of Article EIGHTH of the Company's Restated Certificate of Incorporation.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PARENT AND SUB

Parent and Sub represent and warrant to the Company as follows:

Section 5.1 Organization.

(a) Each of Parent and each Material Parent Subsidiary (as defined below) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted, except where the failure to be so organized, existing or in good standing or to have such power and authority would not, individually or in the aggregate, have a material adverse effect on Parent and its Subsidiaries taken as a whole. Parent and each Material Parent Subsidiary is duly qualified or licensed to do business and in good standing in each jurisdiction in which the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not, individually or in the aggregate, have a material adverse effect on Parent and its Subsidiaries.

(b) Each of Northwest Pipeline Corporation, Williams Natural Gas Company, Williams Field Services Group, Inc., Williams Pipe Line Company and WilTel

Communications Systems, Inc. is referred to herein as a "Material Parent Subsidiary."

(c) Parent has heretofore made available to the Company a complete and correct copy of the charter and by-laws or comparable organizational documents, each as amended to date, of Parent and each Material Parent Subsidiary. Such charters, by-laws and comparable organizational documents are in full force and effect. Neither Parent nor any Material Parent Subsidiary is in violation of any provision of its charter, by-laws or comparable organizational documents, except for such violations that would not, individually or in the aggregate, have a material adverse effect on Parent and its Subsidiaries.

Section 5.2 Capitalization. As of the date of this Agreement, the authorized capital stock of Parent consists of (i) 240,000,000 shares of Parent Common Stock of which, as of September 30, 1994, 100,904,625 shares were issued and outstanding (excluding 3,442,189 shares then held by WTG Holdings, Inc., a wholly-owned subsidiary of Parent), and (ii) 30,000,000 shares of preferred stock, $1.00 per share (the "Parent Preferred Stock", which term, as the context requires, includes the Parent New Preferred stock), of Parent of which, as of September 30, 1994, 4,000,000 shares of Parent's $2.21 Cumulative

Preferred Stock were issued and outstanding. As of September 30, 1994, 400,000 shares of Parent Preferred Stock were reserved for issuance in accordance with the Amended and Restated Rights Agreement, dated as of July 12, 1988, by and between Parent and First Chicago Trust Company of New York (collectively, the "Parent Rights Agreement"), pursuant to which Parent has issued rights (the "Parent Rights") to purchase shares of Parent Preferred Stock, with each share of Parent Common Stock having one-half attached Parent Right. Also as of September 30, 1994, Parent had reserved for issuance (i) 2,838,491 shares of Parent Common Stock upon exercise of then outstanding options or in respect of then outstanding deferred stock awards under Parent's employee benefit plans (the "Parent Plans"), (ii) 3,208,171 shares of Parent Common Stock in respect of future purchases or awards under the Parent Plans, and (iii) shares of Parent capital stock (which could include shares of Parent Common Stock, Parent Preferred Stock or both) with an initial offering price not to exceed $400,000,000. Since September 30, 1994, Parent has not issued any shares of its capital stock, except for issuances of Parent Common Stock under the Parent Plans, and Parent and its Subsidiaries have not repurchased, redeemed or otherwise retired any shares of its capital stock, other than 406,112

shares of Parent Common Stock and 258,800 shares of Parent Preferred Stock acquired by Parent and 9,941,788 shares of Parent Common Stock acquired by WTG Holdings, Inc. (in each case as of November 30, 1994) in the open market. No shares of Parent Common Stock or Parent Preferred Stock have been acquired by Parent or its subsidiaries during the period commencing December 1, 1994 through the date hereof. All the outstanding shares of Parent's capital stock are, and all shares of Parent Common Stock and Parent New Preferred Stock which are to be issued pursuant to the Merger will be, when issued in exchange for shares of Company Common Stock and Company Preferred Stock in accordance with the respective terms thereof and the provisions of this Agreement, duly authorized, validly issued, fully paid and nonassessable and not subject to any preemptive rights of third parties in respect thereto. Parent has reserved and will keep available for issuance a number of authorized but unissued shares of Parent Common Stock and Parent New Preferred Stock equal to the maximum number of shares of Parent Common Stock and Parent New Preferred Stock that may become issuable pursuant to the Merger and, following the Merger, upon conversion of the shares of Parent New Preferred Stock into Parent Common Stock, in each case in accordance with conversion rates as in effect as of the

date hereof. As of the date of this Agreement, no Voting Debt of Parent or any of its Subsidiaries is issued or outstanding. As of the date of this Agreement, except as indicated herein, there are no existing options, warrants, calls, subscriptions or other rights or other agreements or commitments of any character relating to the issued or unissued capital stock or Voting Debt of Parent or any of its Subsidiaries or obligating Parent or any of its Subsidiaries to issue, transfer or sell or cause to be issued, transferred or sold any shares of capital stock or Voting Debt of, or other equity interests in, Parent or of any of its Subsidiaries or securities convertible into or exchangeable for such shares or equity interests or obligating Parent or any of its Subsidiaries to grant, extend or enter into any such option, warrant, call, subscription or other right, agreement or commitment. As of the date of this Agreement, there are no outstanding contractual obligations of Parent or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of Parent or any of its Subsidiaries. Each of the outstanding shares of capital stock of each of the Parent's Subsidiaries is duly authorized, validly issued, fully paid and nonassessable, and such shares as are owned by Parent or by a Subsidiary of Parent are free and clear of

any lien, claim, option, charge, security interest, limitation on voting rights and encumbrance of any kind, except as would not have a material adverse effect on Parent and its Subsidiaries. As of the date of this Agreement, the authorized capital stock of Sub consists of 100 shares of Common Stock, par value $.0l per share, all of which are validly issued, fully paid and nonassessable and are owned by Parent.

Section 5.3 Authority. Parent and Sub each have the requisite corporate power and authority to execute and deliver this Agreement and the Stock Option Agreement and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement and the Stock Option Agreement by each of Parent and Sub and the consummation by Sub of the Merger and by Parent and Sub of the other transactions contemplated hereby and thereby have been duly authorized by all necessary corporate action on the part of Parent and Sub and no other corporate proceedings on the part of Parent or Sub (including stockholder action) are necessary to authorize this Agreement or the Stock Option Agreement or to consummate the transactions so contemplated, other than the filing and recordation of the Certificate of Merger and Certificates of Designation, Preferences and Rights with respect to the Parent New

Preferred Stock with the Secretary of State of the State of Delaware. Each of this Agreement and the Stock Option Agreement has been duly executed and delivered by each of Parent and Sub and, assuming each of this Agreement and the Stock Option Agreement, as the case may be, constitutes a valid and binding obligation of the Company, constitutes a valid and binding obligation of each of Parent and Sub, enforceable against them in accordance with its terms.

Section 5.4 Consents and Approvals; No Violations.

(a) Except for filings, permits, authorizations, notices, consents and approvals as may be required under, and other applicable requirements of, the Exchange Act, the Securities Act, the TIA, the HSR Act, the DGCL, certain state takeover statutes, state securities or blue sky laws, and state environmental laws, neither the execution, delivery or performance of this Agreement by Parent and Sub nor the consummation by Parent and Sub of the transactions contemplated hereby nor compliance by Parent and Sub with any of the provisions hereof will (i) conflict with or result in any breach of any provision of the respective certificates of incorporation or by-laws or comparable organizational documents of Parent or any Material Parent Subsidiary,

(ii) require any filing with, or permit, authorization, consent or approval of, any Governmental Entity (except where the failure to obtain such permits, authorizations, consents or approvals or to make such filings would not prevent consummation of the Merger in any material respect and would not, individually or in the aggregate, have a material adverse effect on Parent and its Subsidiaries), (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, amendment, cancellation or acceleration) under, or result in the creation of any lien or other encumbrance on any property or asset of Parent or any of its Subsidiaries pursuant to, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, license, lease, contract, agreement or other instrument or obligation to which Parent or any of its Subsidiaries is a party or by which any of them or any of their properties or assets may be bound or (iv) violate any order, writ, injunction, decree, statute, rule or regulation applicable to Parent or any of its Subsidiaries or by which any property or asset of Parent or any of its Subsidiaries is bound or affected, except, in the case of clauses (iii) and (iv), for violations, breaches, defaults or other occurrences which would not prevent

consummation of the Merger in any material respect and would not, individually or in the aggregate, have a material adverse effect on Parent and its Subsidiaries.

(b) Except as disclosed in the Parent SEC Documents (as defined in Section 5.5) filed prior to the date of this Agreement, to the best knowledge of Parent, neither Parent nor any Material Parent Subsidiary is in default under or in violation of (i) any order, writ, injunction, decree, statute, rule or regulation of any Governmental Entity applicable to Parent or any of its Subsidiaries or by which any of them or any of their properties or assets may be bound or (ii) any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which Parent or any of its Subsidiaries is a party or by which any of them or any of their properties or assets may be bound or affected, except in each case for any such defaults or violations which have not had and are not likely to have a material adverse effect on Parent and its Subsidiaries.

(c) To the best knowledge of Parent, except as disclosed in the Parent SEC Documents filed prior to the date of this Agreement, Parent and its Subsidiaries are in compliance with all applicable statutes, ordinances, rules and regulations of any Governmental Entity relating to environmental matters, and Parent is

not aware of circumstances which establish a likely basis for a contingent liability, or a likely basis for the assertion of any such liability, relating to any environmental matters, against Parent or any of its Subsidiaries including the discharge, disposal, treatment, storage, accumulation, transport, release, potential release, leakage, spillage or other actions by Parent or any of its Subsidiaries or any third party for whom Parent or any of its Subsidiaries is responsible with respect to hazardous waste, toxic substances, hazardous substances or other pollutants or contaminants, except for any such failures to comply or circumstances which have not had since December 31, 1993 and would not have a material adverse effect on Parent and its Subsidiaries.

Section 5.5 SEC Reports and Financial Statements. Since January 1, 1991, Parent has filed with the SEC all forms, reports and other documents required to be filed by it under the Exchange Act or the Securities Act and has heretofore made available to the Company true and complete copies of all such forms, reports and documents (as they have been amended since the time of their filing, collectively, the "Parent SEC Documents"). The Parent SEC Documents, including without limitation any financial statements or schedules included therein, at the time filed, and any forms, reports or other documents

filed by Parent with the SEC after the date of this Agreement, (a) did not at the time they were filed, or will not at the time they are filed, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading and (b) complied or will be prepared in compliance in all material respects with the applicable requirements of the Exchange Act or the Securities Act, as the case may be. The financial statements of Parent included in the SEC Documents comply as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or, in the case of the unaudited statements, to normal audit adjustments) and fairly present (subject, in the case of the unaudited statements, to normal audit adjustments) the consolidated financial position of Parent and its consolidated Subsidiaries as at the dates thereof and the consolidated results of their operations and cash flows for the periods then ended. Except as reflected, reserved against or

otherwise disclosed in the financial statements of Parent included in the Parent SEC Documents or as otherwise disclosed in the Parent SEC Documents, in each case filed prior to the date of this Agreement, to the best knowledge of Parent, as of the date hereof, neither Parent nor any of its Subsidiaries had any liabilities or obligations (absolute, accrued, fixed, contingent or otherwise) material to Parent and its Subsidiaries, other than liabilities incurred in the ordinary course of business consistent with past practice.

Section 5.6 Information in Disclosure Documents and Registration Statement.

(a) None of the Offer Documents nor any of the information supplied by Parent or any of its Subsidiaries specifically for inclusion in the Schedule 14D-9 will, at the respective times the Offer Documents (including any amendments or supplements thereto) or the Schedule 14D-9 are filed with the SEC or are first published, sent or given to stockholders, as the case may be, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements included therein, in light of the circumstances under which they were made, not misleading. The Offer Documents will comply as to form in all material respects with the applicable requirements of the

Exchange Act and the applicable rules and regulations thereunder.

(b) The S-4 will not, at the time it becomes effective under the Securities Act and at the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The S-4 will, when filed with the SEC by Parent, comply as to form in all material respects with the provisions of the Securities Act and the rules and regulations thereunder.

(c) None of the information supplied by Parent or Sub from time to time in writing specifically for inclusion or incorporation by reference in the Proxy Statement will, at the date mailed to the Company's stockholders and at the time of the meeting of stockholders to be held in connection with the Merger, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

(d) Notwithstanding the foregoing, Parent and Sub make no representation with respect to statements made in any of the foregoing documents based on infor-

mation supplied by the Company specifically for inclusion therein.

Section 5.7 Litigation. Except as disclosed in the Parent SEC Documents filed prior to the date of this Agreement, there is as of the date hereof no suit, claim, action, proceeding or investigation pending or, to the best knowledge of Parent, threatened, against Parent or any of its Subsidiaries before any Governmental Entity which, individually or in the aggregate, would have a material adverse effect on Parent and its Subsidiaries or a material adverse effect on the ability of Parent or Sub to consummate the transactions contemplated by this Agreement. Except as disclosed in the Parent SEC Documents filed prior to the date of this Agreement, neither Parent nor any of its Subsidiaries is subject to any outstanding order, writ, injunction or decree which, individually or in the aggregate, would have a material adverse effect on Parent and its Subsidiaries or a material adverse effect on the ability of Parent or Sub to consummate the transactions contemplated hereby.

Section 5.8 No Material Adverse Change; Material Agreements. Except as disclosed in the Parent SEC Documents filed prior to the date of this Agreement, (i) since December 31, 1993, there has not been any action which would be prohibited under Section 6.2 were it to

occur after the date of this Agreement or any material adverse change in the assets, business, results of operations or financial condition of Parent and its Subsidiaries, other than changes arising from general economic or industry conditions, and (ii) as of the date of this Agreement, neither Parent nor any of its Subsidiaries has become a party to any agreement or amendment to an existing agreement which would be required to be filed by Parent as an exhibit to its next Annual Report on Form 10-K. The transactions contemplated by this Agreement will not constitute a "change of control" under, require the consent from or the giving of notice to a third party pursuant to, or accelerate vesting or repurchase rights under the terms, conditions or provisions of any note, bond, mortgage, indenture, license, lease, contract, agreement or other instrument or obligation to which Parent or any of its Subsidiaries is a party or by which any of them or any of their properties or assets may be bound, except where the adverse consequences resulting from such change of control or where the failure to obtain such consents or provide such notices would not, individually or in the aggregate, have a material adverse effect on Parent and its Subsidiaries; provided, however, that the foregoing exception will not be applicable to any (i) note, bond, mortgage, indenture, contract, agree-

ment or other instrument or obligation relating to indebtedness for borrowed money of Parent or any of its Subsidiaries with an outstanding principal amount of less than $5,000,000 or (ii) employment, compensation, termination or severance agreement, contract or other obligation of Parent or any of its Subsidiaries.

Section 5.9 Taxes. Parent and each of its Subsidiaries has duly filed all federal, state, local and foreign income Tax Returns required to be filed by it, and all other material Tax Returns required to be filed by it, except in the case of such other Tax Returns where the failure to file will not have a material adverse effect on Parent and its Subsidiaries, and Parent, in all material respects, has duly paid or caused to be paid all Taxes shown to be due on such Tax Returns in respect of the periods covered by such returns and has made adequate provision in Parent's financial statements for payment of all Taxes anticipated to be payable in respect of all taxable periods or portions thereof ending on or before the date hereof. Section 5.9 of the Disclosure Schedule delivered by Parent to the Company pursuant to this Agreement (the "Parent Disclosure Schedule") lists the taxable periods through which the income Tax Returns required to be filed by Parent have been examined by the IRS or other appropriate tax authority, or the period

during which any assessments may be made by the IRS or other tax authority has expired. All material deficiencies and assessments asserted as a result of such examinations or other audits by federal, state, local or foreign taxing authorities have been paid, fully settled or adequately provided for in Parent's financial statements and no issue or claim has been asserted in writing for Taxes by any taxing authority for any prior period, the adverse determination of which would result in a deficiency which would have a material adverse effect on Parent and its Subsidiaries, other than those heretofore paid or provided for in Parent's financial statements. Except as set forth on Section 5.9 of the Parent Disclosure Schedule, there are no outstanding agreements or waivers extending the statutory period of limitation applicable to any income Tax Return of Parent or its Subsidiaries.

Section 5.10 Parent Not an Interested Stockholder or an Acquiring Person. As of the date of this Agreement, neither Parent nor, to the best knowledge of Parent, any of its affiliates is an "Interested Stockholder" as such term is defined in Section 203 of the DGCL, or an "Acquiring Person" as such term is defined in the Company Rights Agreement.

Section 5.11 Interim Operations of Sub. Sub was formed solely for the purpose of engaging in the transactions contemplated hereby, has engaged in no other business activities and has conducted its operations only as contemplated hereby.

Section 5.12 Financing. Parent and Sub have, or will obtain on a timely basis, all of the funds necessary to consummate the Offer and the Merger.

Section 5.13 Purchase of Option Shares. The Purchaser will acquire any shares of Company Common Stock pursuant to the Stock Option Agreement for its own account and not with a view to distribution thereof.

ARTICLE VI

COVENANTS

Section 6.1 Conduct of Business of the Company. Except as contemplated by this Agreement or with the prior written consent of Parent, which consent is hereby given with respect to actions described in Section 6.1 of the Company Disclosure Schedule, during the period from the date of this Agreement to the Effective Time, the Company will, and will cause each of its Subsidiaries to, conduct its operations only in the ordinary and usual course of business consistent with past practice and will use all reasonable efforts, and will cause each of its

Subsidiaries to use all reasonable efforts, to preserve intact its present business organization, keep available the services of its present officers and employees and preserve its relationships with licensors, licensees, customers, suppliers, employees and any others having business dealings with it, in each case in all material respects. Without limiting the generality of the foregoing, and except as otherwise expressly provided in this Agreement, the Company will not, and will not permit any of the Subsidiaries to, prior to the Effective Time, without the prior written consent of Parent, not to be unreasonably withheld:

(a) adopt any amendment to its certificate of incorporation or by-laws or comparable organizational documents or to the Company Rights Agreement;

(b) except for issuances of capital stock of the Company's Subsidiaries to the Company or a wholly-owned Subsidiary of the Company, issue, reissue, sell or pledge or authorize or propose the issuance, reissuance, sale or pledge of additional shares of capital stock of any class, or securities convertible into capital stock of any class, or any rights, warrants or options to acquire any convertible securities or capital stock, other than the issuance of shares of Company Common Stock (and attached Company Rights) upon the exercise of stock

options or vesting of restricted or deferred stock unit awards outstanding on the date of this Agreement or upon conversion of Company Preferred Stock, in each case in accordance with their present terms;

(c) declare, set aside or pay any dividend or other distribution (whether in cash, securities or property or any combination thereof) in respect of any class or series of its capital stock, except that (i) the Company may continue to pay regular dividends on the Company Common Stock and Company Preferred Stock consistent with past practice, (ii) TGPL may continue to pay regular dividends and make annual sinking fund payments on its cumulative first preferred stock consistent with past practice and (iii) any wholly owned Subsidiary of the Company may pay dividends and make distributions to the Company or any of the Company's wholly owned Subsidiaries;

(d) adjust, split, combine, subdivide, reclassify or redeem, purchase or otherwise acquire, or propose to redeem or purchase or otherwise acquire, any shares of its capital stock, other than pursuant to the Corpus Christi Lease or in connection with tax withholding features under the Company Plans;

(e) (i) incur, assume or pre-pay any long-term debt or incur or assume any short-term debt, except that the Company and its Subsidiaries may incur or pre-pay debt in the ordinary course of business consistent with past practice or the cash forecasts disclosure on Schedule 6.1 of the Company Disclosure Schedule under existing lines of credit and may repurchase any of the Company's 11 1/4% Notes due 1999 (the "Company Notes") in a manner consistent with the provisions of Section 6.18, (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person except in the ordinary course of business consistent with past practice, or (iii) make any loans, advances or capital contributions to, or investments in, any other person except in the ordinary course of business consistent with past practice and except for loans, advances, capital contributions or investments between any wholly owned Subsidiary and the Company or another wholly owned Subsidiary;

(f) settle or compromise any suit or claim or threatened suit or claim relating to the transactions contemplated hereby;

(g) except for (i) increases in salary, wages and benefits of employees of the Company or its

Subsidiaries (other than executive or corporate officers of the Company) in accordance with past practice, (ii) increases in salary, wages and benefits granted to employees of the Company or its Subsidiaries (other than executive or corporate officers of the Company) in conjunction with promotions or other changes in job status consistent with past practice or required under existing agreements, (iii) increases in salary, wages and benefits to employees of the Company pursuant to collective bargaining agreements entered into in the ordinary course of business consistent with past practice, and (iv) the consummation of the pending merger of the Company's Tran$tock Employee Stock Ownership Plan with the Company's Thrift Plan, increase the compensation or fringe benefits payable or to become payable to its directors, officers or employees (whether from the Company or any of its Subsidiaries), or pay any benefit not required by any existing plan or arrangement (including, the granting of, or waiver of performance or other vesting criteria under, stock options, stock appreciation rights, shares of restricted stock or deferred stock or performance units) or grant any severance or termination pay to (except pursuant to existing agreements or policies), or enter into any employment or severance agreement with, any director, officer or other key employee of

the Company or any of its Subsidiaries or establish, adopt, enter into, terminate or amend any collective bargaining, bonus, profit sharing, thrift, compensation, stock option, restricted stock, pension, retirement, welfare, deferred compensation, employment, termination, severance or other employee benefit plan, agreement, trust, fund, policy or arrangement for the benefit or welfare of any directors, officers or current or former employees, except to the extent such termination or amendment is required by applicable law; provided, however, that nothing herein will be deemed to prohibit the payment of benefits as they become payable;

(h) except as set forth in Section 6.1 of the Company Disclosure Schedule, acquire, sell, lease or dispose of any assets or securities which are material to the Company and its Subsidiaries, or enter into any commitment to do any of the foregoing or enter into any material commitment or transaction outside the ordinary course of business consistent with past practice other than transactions between a wholly owned Subsidiary and the Company or another wholly owned Subsidiary;

(i) (i) modify, amend or terminate any contract, (ii) waive, release, relinquish or assign any contract (including any insurance policy) or other right or claim, or (iii) cancel or forgive any indebtedness

owed to the Company or its Subsidiaries, other than in each case in a manner in the ordinary course of business consistent with past practice or which is not material to the business of the Company and its Subsidiaries;

(j) make any tax election not required by law or settle or compromise any tax liability, in either case that is material to the Company and its Subsidiaries;

(k) change any of the accounting principles or practices used by it except as required by the SEC, the Financial Accounting Standards Board or the Federal Energy Regulatory Commission under the Uniform System of Accounts; or

(l) agree in writing or otherwise to take any of the foregoing actions or any action which would make any representation or warranty in this Agreement untrue or incorrect in any material respect.

Section 6.2 Conduct of Business of Parent. Except as contemplated by this Agreement, Parent will not, and will not permit any of its Subsidiaries to, prior to the Effective Time, without the prior written consent of the Company, not to be unreasonably withheld:

(a) adopt any amendment to its certificate of incorporation or by-laws or comparable organizational documents;

(b) except for issuances of capital stock of Parent's Subsidiaries to Parent or a wholly-owned Subsidiary of Parent and except as set forth on Section 6.2 of the Parent Disclosure Schedule, issue, reissue, sell or pledge or authorize or propose the issuance, reissuance, sale or pledge of additional shares of capital stock of any class, or securities convertible into capital stock of any class, or any rights, warrants or options to acquire any convertible securities or capital stock, other than the issuance of shares of Parent Common Stock upon the exercise of stock options or vesting of deferred stock awards outstanding on the date of this Agreement in accordance with their present terms;

(c) declare, set aside or pay any dividend or other distribution (whether in cash, securities or property or any combination thereof) in respect of any class or series of its capital stock, except that (i) Parent may continue to pay regular cash dividends on the Parent Common Stock and the Parent Preferred Stock and (ii) any Subsidiary of Parent may pay dividends or make distributions;

(d) other than purchases pursuant to its existing program to repurchase shares of Parent Common Stock for an aggregate purchase price of up to $800,000,000 and shares of Parent Preferred Stock for an

aggregate purchase price of up to $100,000,000 (under which approximately $406.8 million and $6.4 million, respectively, of purchases have been made as of the date hereof) and in connection with the exercise of options under the Parent Plans, adjust, split, combine, subdivide, reclassify or redeem, purchase or otherwise acquire, or propose to redeem or purchase or otherwise acquire, any shares of its capital stock;

(e) except as set forth on Section 6.2 of the Parent Disclosure Schedule, acquire, sell, lease or dispose of any assets or securities which are material to Parent and its Subsidiaries, or enter into any commitment to do any of the foregoing other than transactions between a wholly owned Subsidiary and Parent or another wholly owned Subsidiary;

(f) settle or compromise any suit or claim or threatened suit or claim relating to the transactions contemplated hereby;

(g) change any of the accounting principles or practices used by it except as required by the SEC, the Financial Accounting Standards Board or the Federal Energy Regulatory Commission under the Uniform Systems of Accounts; or

(h) agree in writing or otherwise to take any of the foregoing actions or any action which would

make any representation or warranty in this Agreement untrue or incorrect in any material respect.

Section 6.3 Reasonable Best Efforts. Subject to the terms and conditions of this Agreement, each of the parties hereto will use its reasonable best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, in each case consistent with the fiduciary duties of their respective Boards of Directors as advised by counsel, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement or the Stock Option Agreement, including (i) the prompt preparation and filing with the SEC of the S-4 and the Proxy Statement, (ii) such actions as may be required to have the S-4 declared effective under the Securities Act and the Proxy Statement cleared by the SEC, in each case as promptly as practicable, including by consulting with each other as to, and responding promptly to, any SEC comments with respect thereto, and (iii) such actions as may be required to be taken under applicable state securities or blue sky laws in connection with the issuance of shares of Parent Common Stock (and the attached Parent Rights) and Parent New Preferred Stock contemplated hereby. Each party will promptly consult with the other with respect to, provide any neces-

sary information with respect to and provide the other (or its counsel) copies of, all filings made by such party with any Governmental Entity in connection with this Agreement and the transactions contemplated hereby. In addition, if at any time prior to the Effective Time any event or circumstance relating to either the Company or Parent or any of their respective Subsidiaries, or any of their respective officers or directors, should be discovered by the Company or Parent, as the case may be, and which should be set forth in an amendment or supplement to the S-4 or the Proxy Statement, the discovering party will promptly inform the other party of such event or circumstance.

Section 6.4 Letter of the Company's Accountants. Following receipt by Arthur Andersen LLP, the Company's independent auditors, of an appropriate request from Parent pursuant to Statement on Auditing Standards ("SAS") No. 72, the Company will use its reasonable best efforts to cause to be delivered to Parent a letter of Arthur Andersen LLP, dated a date within two business days before the date on which the S-4 will become effective and addressed to Parent, in form and substance reasonably satisfactory to Parent and customary in scope and substance for letters delivered by independent public accountants in connection with registration statements

similar to the S-4, which letter will be brought down to the Effective Time.

Section 6.5 Letter of Parent's Accountants. Following receipt by Ernst & Young, LLP, Parent's independent auditors, of an appropriate request from the Company pursuant to SAS No. 72, Parent will use its reasonable best efforts to cause to be delivered to the Company a letter of Ernst & Young, LLP., dated a date within two business days before the date on which the S-4 will become effective and addressed to the Company, in form and substance reasonably satisfactory to the Company and customary in scope and substance for letters delivered by independent public accountants in connection with registration statements similar to the S-4, which letter will be brought down to the Effective Time.

Section 6.6 Access to Information. Upon reasonable notice, the Company and Parent will each (and will cause each of their respective Subsidiaries to) afford to the officers, employees, accountants, counsel and other representatives of the other, access, during normal business hours during the period prior to the Effective Time, to all its properties, facilities, books, contracts, commitments and records and other information as reasonably requested by such party and, during such period, each of the Company and Parent will (and will

cause each of their respective Subsidiaries to) furnish promptly to the other (a) a copy of each report, schedule, registration statement and other document filed or received by it during such period pursuant to the requirements of United States federal securities laws or regulations, and (b) all other information concerning its business, properties and personnel as such other party may reasonably request. The parties will hold any such information which is nonpublic in confidence in accordance with the terms of the Confidentiality Agreement, dated October 10, 1994, between Parent and the Company (the "Confidentiality Agreement"), and in the event of termination of this Agreement for any reason each party will promptly comply with the terms of the Confidentiality Agreement.

Section 6.7 Company Stockholders Meeting. The Company will call a meeting of its stockholders for the purpose of voting upon this Agreement (insofar as it relates to the Merger), the Merger and related matters and use its reasonable best efforts to hold such meeting as soon as practicable following consummation of the Offer. The Company will, through its Board of Directors, recommend to its stockholders approval of such matters; provided, however, that nothing contained in this Section 6.7 will require the Board of Directors of the Company to

take any action or refrain from taking any action which the Board determines in good faith with advice of counsel could reasonably be expected to result in a breach of its fiduciary duties under applicable law. Parent agrees to cause all shares of Company Common Stock acquired by it pursuant to the Offer or pursuant to the Stock Option Agreement or both to be represented at such meeting of the Company's stockholders and to be voted at such meeting in favor of the approval and adoption of this Agreement (insofar as it relates to the Merger) and the Merger and the other transactions contemplated hereby.

Section 6.8 Stock Exchange Listing. Parent will use its reasonable best efforts to cause (a) the Parent Common Stock (and attached Parent Rights) to be issued in the Merger to be approved for listing on the NYSE and (b) the Parent $4.75 Preferred Stock to be issued in the Merger to be approved for listing on the NYSE or for trading on the NASDAQ National Market System, in each such case not later than the Effective Time, subject to official notice of issuance.

Section 6.9 Company Plans.

(a) On or prior to the Effective Time, the Company and its Board of Directors (or a committee thereof) will take all action necessary to implement the provisions contained in Sections 6.9(b) and 6.9(c).

(b) Except as otherwise agreed with individual option holders, at the Effective Time, (i) each then outstanding option to purchase shares of Company Common Stock (a "Company Stock Option") under the Company Plans, whether vested or unvested, will become fully exercisable and vested, (ii) each Company Stock Option which is then outstanding will be cancelled and (iii) in consideration of such cancellation, at the election of the option holder, which may be allocated to either or both elections, (x) the Company will pay to such holders of Company Stock Options an amount in respect thereof equal to the product of (A) the excess, if any, of the Per Share Amount over the respective exercise price thereof and (B) the number of shares of Company Common Stock subject thereto, respectively, or (y) Parent will issue an option described in Section 6.9(c) or 6.9(d), as applicable (a "Replacement Option").

(c) The Replacement Option with respect to each Company Stock Option, the exercise price for which exceeds $35 per share, will be an option to acquire, on the same terms and conditions as were applicable under such Company Stock Option (except that it will be subject to a vesting period ending on the first anniversary of the Effective Time), (A) an amount in cash equal to the product of $10.50 times the number of shares

of Company Common Stock purchasable under such Company Stock Option immediately prior to the Effective Time and (B) the number of shares of Parent Common Stock equal to the product of .25 and the number of shares of Company Common Stock purchasable under such Company Stock Option immediately prior to the Effective Time. Parent will cause such options to continue to vest and to remain exercisable following the termination of the option holder's employment with Parent and its affiliates in accordance with its past practice relative to Parent's current employees; *provided*, that with respect to any Current Employee whose employment with Parent or its affiliates is terminated other than voluntarily by the employee or involuntarily for cause or as a result of retirement, Parent will cause such options to continue to vest until the earlier of (i) six months following such termination and (ii) the end of the term of such Option, as in effect immediately before such termination. All of the foregoing payments and issuances of shares in connection with such cancellations will be made either net of applicable withholding taxes or upon payment of required withholding taxes by the option holders.

(d) The Replacement Option with respect to each Company Stock Option, the exercise price for which is less than or equal to $35 per share, will be an

option to acquire, on the same terms and conditions as were applicable under such Company Stock Option, the same number of shares of Parent Common Stock as the holder of such Company Stock Option would have been entitled to receive pursuant to the Merger had such holder exercised such option in full immediately prior to the Effective Time (not taking into account whether or not such option was in fact exercisable), at a price per share equal to (A) the aggregate exercise price for the shares of Company Common Stock deemed otherwise purchasable pursuant to such Company Stock Option divided by (B) the number of full shares of Parent Common Stock deemed purchasable pursuant to such Company Stock Option. All of the foregoing payments and issuances of shares in connection with such cancellations will be made either net of applicable withholding taxes or upon payment of required withholding taxes by the optionholders.

(e) Except as provided herein or as otherwise agreed to by the parties, and to the extent permitted by the Company Plans, (i) the Company Plans will terminate as of the Effective Time and the provisions in any other plan, program or arrangement, providing for the issuance or grant of any other interest in respect of the capital stock of the Company or any of its Subsidiaries will be deleted as of the Effective Time and

(ii) the Company will use all reasonable efforts to ensure that following the Effective Time no holder of Company Stock Options or any participant in the Company Plans or any other plans, programs or arrangements will have any right thereunder to acquire any equity securities of the Company, the Surviving Corporation or any Subsidiary thereof.

(f) The Company will use reasonable efforts to obtain an agreement substantially in the form attached to Section 6.9(f) of the Company Disclosure Schedule on or prior to the date of commencement of the Offer with the employee identified on such Schedule.

Section 6.10 Other Employee Benefit Plans.

(a) Except as otherwise contemplated by this Agreement, the employee benefit plans (as defined in Section 3(3) of ERISA) and other employee plans, programs and policies other than salary (collectively, the "Employee Benefit Plans") of the Company and its Subsidiaries in effect at the date of this Agreement will, to the extent practicable, remain in effect until otherwise determined after the Effective Time and, to the extent such Employee Benefit Plans are not continued, Parent will maintain Employee Benefit Plans with respect to employees of the Company and its Subsidiaries which are no less favorable, in the aggregate, than the least favor-

able of: (i) those Employee Benefit Plans covering employees of Parent from time to time; (ii) those Employee Benefit Plans of the Company and its Subsidiaries that are in effect on the date of this Agreement other than the Tran$tock Plan; or (iii) Employee Benefit Plans that are reasonably competitive with respect to the industry in which the employer of the affected employees competes; *provided*, that in any event, until the first anniversary of the Effective Time, the Surviving Corporation will provide individuals who are employees of the Company and its Subsidiaries as of the Effective Time ("Current Employees") with Employee Benefit Plans, other than a nonqualified, unfunded plan maintained primarily to provide deferred compensation benefits to a select group of "management or highly compensated employees" within the meaning of Sections 201, 301, and 401 of ERISA, that are no less favorable in the aggregate than those provided to Current Employees by the Company and for its Subsidiaries immediately before the Closing Date. In the case of benefit plans which are continued and under which the employees' interests are based upon Company Common Stock, such interests will be based on Parent Common Stock in an equitable manner.

(b) Without limiting the generality of Section 6.10(a), Parent will cause the Surviving Corpora-

tion to (i) honor (A) in accordance with their terms all individual employment, severance, termination and indemnification agreements which by their express terms may not be unilaterally amended by the Company or any of its Subsidiaries and (B) without modification all other employee severance plans, policies, employment and severance agreements and indemnification arrangements of the Company or any of its Subsidiaries that are set forth in Section 6.10(b)(i) of the Company Disclosure Schedule as such plans, policies, or agreements are in effect on the date of this Agreement through the later of (1) December 31, 1995, (2) the termination date specified in such document or (3) the date specified in Section 6.10(b)(i) of the Company Disclosure Schedule, (ii) waive any limitations regarding pre-existing conditions of Current Employees and their eligible dependents under any welfare or other employee benefit plans of Parent and its affiliates in which they participate after the Effective Time (except to the extent that such limitations would have applied under the analogous plan of the Company and its subsidiaries immediately before the Effective Time), (iii) for all purposes under the post-retirement welfare benefit plans and policies of Parent and its affiliates, treat Current Employees in the same manner as similarly situated employees of Parent who were hired by Parent

before January 1, 1992 in accordance with the terms of such plans and policies as then in effect, as any such plans and policies are modified by Parent or such affiliates from time to time, and (iv) for all other purposes under all Employee Benefit Plans applicable to employees of the Company and its subsidiaries, treat all service with the Company or any of its subsidiaries by Current Employees before the Closing as service with Parent and its Subsidiaries, except to the extent such treatment would result in duplication of benefits or would violate applicable law.

(c) Except as otherwise agreed with individual restricted stockholders, at the Effective Time, each share of Company Common Stock which immediately prior to the Effective Time was subject to restrictions on transfer, whether vested or unvested, will become fully vested and freely transferable and will be exchanged for unrestricted shares of Parent Common Stock (with attached Parent Rights) pursuant to Section 3.1(d).

(d) Parent will cause the Surviving Corporation or its successor by merger to continue in full force and effect for a period of not less than six years from the Effective Time the indemnification provisions contained in Article Eighth of the Third Restated Certificate of Incorporation attached as Exhibit 2.4

hereto provided that, in the event any claim is asserted or made within such six-year period, all rights to indemnification in respect of any such claim will continue until disposition of any and all such claims. For a period of six years after the Effective Time, Parent will, or will cause the Company to, provide directors' and officers' liability insurance having substantially the same terms and conditions and providing at least the same coverage and amounts as the directors' and officers' liability insurance maintained by the Company at the Effective Time for all directors and officers of the Company and its Subsidiaries, who served as such at or within one year prior to the Effective Time, provided that Parent will not be required to pay an annual premium for such insurance in excess of the last annual premium paid prior to the date hereof (but in such case will purchase as much coverage as possible for such amount).

Section 6.11 Exclusivity.

(a) Except as provided in Section 6.11(b), until the earlier of the termination of this Agreement pursuant to Section 8.1 or the purchase of shares of Company Common Stock pursuant to the Offer, the Company will not, nor will it permit its officers, directors, Subsidiaries, representatives or agents, directly or indirectly, to, do any of the following: (i) nego-

tiate, undertake, authorize, propose or enter into, either as the proposed surviving, merged, acquiring or acquired corporation, any transaction (other than the Offer and the Merger) involving any disposition or other change of ownership of a substantial portion of the Company's stock or assets (an "Acquisition Transaction"); (ii) solicit or initiate the submission of a proposal or offer in respect of, or engage in negotiations concerning, an Acquisition Transaction; or (iii) furnish or cause to be furnished to any corporation, partnership, person or other entity or group (other than the other party and its representatives) (a "Person") any non-public information concerning the business, operations, properties or assets of the Company in connection with an Acquisition Transaction; *provided*, nothing herein will prohibit the Company's Board of Directors from taking and disclosing to the Company's stockholders a position with respect to a tender offer pursuant to Rules 14d-9 and 14e-2 promulgated under the Exchange Act. The Company will inform Parent by telephone within two business days of its receipt of any proposal or bid (including the terms thereof and the Person making such proposal or bid) in respect of any Acquisition Transaction.

(b) Notwithstanding anything else contained in this Section 6.11, the Company and its offi-

cers, directors, subsidiaries, representatives and agents may engage in discussions or negotiations with, and may furnish information to, a third party who, or representatives of a third party who, makes a written proposal with respect to an Acquisition Transaction if (i) the Company's Board of Directors determines in good faith after consultation with its financial advisors that such proposal may reasonably be expected to result in a transaction that is financially superior to the transactions contemplated by this Agreement, or (ii) the Board of Directors of the Company determines in good faith with advice of outside counsel that failure to do so could reasonably be expected to result in a breach of its fiduciary duties under applicable law. If the Company accepts a proposal for or otherwise engages in any Acquisition Transaction (other than the Offer or the Merger), it will promptly pay to Parent in reimbursement for Parent's expenses an amount in cash (not to exceed $15,000,000) equal to the aggregate amount of Parent's documented out-of-pocket expenses incurred in connection with pursuing the transactions contemplated by this Agreement as certified in good faith by Parent and with reasonable detail.

Section 6.12 Fees and Expenses. Whether or not the Merger is consummated, all costs and expenses in-

curred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such expenses.

Section 6.13 Brokers or Finders. Each of Parent and the Company represents, as to itself, its Subsidiaries and its affiliates, that no agent, broker, investment banker, financial advisor or other firm or person is or will be entitled to any brokers' or finder's fee or any other commission or similar fee in connection with any of the transactions contemplated by this Agreement or the Stock Option Agreement except Merrill Lynch & Co., whose fees and expenses will be paid by the Company in accordance with the Company's agreement with such firm, a copy of which has been provided to Parent, and Smith Barney Inc., whose fees and expenses will be paid by Parent in accordance with Parent's agreement with such firm, a copy of which has been provided to the Company, and each of Parent and the Company will indemnify and hold the other harmless from and against any and all claims, liabilities or obligations with respect to any other brokers' or finders' fees, commissions or expenses asserted by any person on the basis of any act or statement alleged to have been made by such party or its Subsidiary or affiliate.

Section 6.14 Company Rights Agreement. The Company will redeem the Company Rights effective immediately prior to Parent's acceptance for payment of shares of Company Common Stock pursuant to the Offer and will not otherwise redeem the Company Rights, or amend or terminate the Company Rights Agreement, unless in each such case the Board determines in good faith with the advice of outside counsel that complying with any such covenant could reasonably be expected to result in a breach of its fiduciary duties under applicable law. The Company agrees that the Offer will provide, and require that tendering stockholders confirm, that Parent will be entitled to receive and retain the amounts paid in redemption of all Company Rights attached to shares of Company Common Stock acquired pursuant to the Offer.

Section 6.15 Rule 145. The Company will use its reasonable best efforts to cause all persons who, at the time of the meeting of the Company's stockholders to approve the Merger, may be deemed to be affiliates of the Company as that term is used in Rule 145 under the Securities Act and who will become the beneficial owners of Parent Common Stock (and attached Parent Rights) and Parent New Preferred Stock pursuant to the Merger to execute "affiliates' letters" in customary form prior to the Effective Time. Parent and the Surviving Corporation

will use their reasonable efforts to comply with the provisions of Rule 144(c) under the Securities Act in order that such affiliates may resell such Parent Common Stock (and attached Parent Rights) and Parent New Preferred Stock pursuant to Rule 145(d) under the Securities Act.

Section 6.16 Notification of Certain Matters. The Company will give prompt notice to Parent, and Parent will give prompt notice to the Company, of (a) the occurrence, or non-occurrence, of any event the occurrence, or non-occurrence, of which would be likely to cause (i) any representation or warranty contained in this Agreement to be untrue or inaccurate in any material respect or (ii) any covenant, condition or agreement contained in this Agreement not to be complied with or satisfied in any material respect and (b) any failure of the Company or Parent, as the case may be, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder in any material respect; provided, however, that the delivery of any notice pursuant to this Section 6.16 will not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

Section 6.17 Interim Company Preferred Stock Dividend. The Company will declare a dividend on each

share of the Company Preferred Stock to holders of record of such shares as of the close of the business day next preceding the Effective Time in an amount equal to the product of (i) a fraction, (x) the numerator of which equals the number of days between the payment date with respect to the most recent regular dividend paid by the Company and the Effective Time and (y) the denominator of which equals 91 and (ii) the amount of the regular quarterly dividend paid by the Company on the relevant series of Company Preferred Stock.

Section 6.18 Company Debt Agreements. The Company will (a) promptly seek agreement, on terms reasonably acceptable to Parent, of the banks party to the Company's revolving credit and letter of credit reimbursement agreements to (i) amend such agreements to provide that the execution by the Company of this Agreement and the Stock Option Agreement and the purchase of shares of Company Common Stock pursuant to the Offer or the Stock Option Agreement do not constitute an event permitting the banks which are parties thereto to accelerate the amounts outstanding under such agreements or establish cash collateral accounts, (ii) amend such agreements to permit the consummation of the Merger, and (iii) waive the interest rate increase otherwise applicable by reason of such events, (b) select the latest

notice and repurchase dates permitted under the indenture governing the Company Notes in respect of the "change of control" effected by consummation of the Offer and (c) in the event that such repurchase date occurs prior to the Merger, cooperate with Parent in arranging financing on terms reasonably acceptable to Parent to finance any required repurchase of Company Notes.

ARTICLE VII
CONDITIONS

Section 7.1 Conditions to Each Party's Obligation To Effect the Merger. The respective obligations of the parties to effect the Merger will be subject to the satisfaction, on or prior to the Closing Date, of the following conditions:

(a) Offer. Parent has accepted for purchase and paid for shares of Company Common Stock pursuant to the Offer; provided, that this condition will be deemed satisfied with respect to Parent if Parent will have failed to purchase shares of Company Common Stock pursuant to the Offer in violation of the terms of the Offer.

(b) Stockholder Approval. This Agreement (insofar as it relates to the Merger) and the Merger have been approved and adopted by the affirmative vote of the

holders of Company Common Stock entitled to cast at least a majority of the total number of votes entitled to be cast by holders of Company Common Stock.

(c) HSR Approval. Any waiting period under the HSR Act applicable to the Merger has expired or been terminated.

(d) Registration Statement. The S-4 has become effective under the Securities Act and is not the subject of any stop order or proceeding seeking a stop order. Parent has received all material state securities or blue sky permits and other authorizations necessary to issue the shares of Parent Common Stock (and attached Parent Rights) and Parent New Preferred Stock pursuant to this Agreement.

(e) No Injunctions or Restraints. No temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Merger is in effect (each party agreeing to use all reasonable efforts to have any such order reversed or injunction lifted).

(f) Listing Matters. The Parent Common Stock (and the attached Parent Rights) has been approved for listing on the NYSE, subject to official notice of issuance.

(g) No Action. No action, suit or proceeding by any Governmental Entity before any court or governmental or regulatory authority is pending against the Company, Parent or Sub or any of their Subsidiaries challenging the validity or legality of the transactions contemplated by this Agreement other than actions, suits or proceedings as to which Parent had actual knowledge at the time of acceptance for payment of shares of Company Common Stock pursuant to the Offer or which, in the reasonable opinion of counsel to the party asserting such condition, do not have a substantial likelihood of resulting in a material adverse judgment.

Section 7.2 Conditions of Obligations of Parent and Sub. The obligations of Parent and Sub to effect the Merger are further subject to the Company not having failed to perform its material obligations required to be performed by it under Section 6.1 at or prior to the Closing Date, other than any such failures to perform as to which Parent had actual knowledge at the time of acceptance for payment of shares of Company Common Stock pursuant to the Offer.

Section 7.3 Conditions of Obligations of the Company. The obligation of the Company to effect the Merger is further subject to Parent and Sub not having failed to perform their material obligations required to

be performed by them under Section 6.2 at or prior to the Closing Date, other than any such failures to perform as to which the Company had actual knowledge at the time of acceptance of payment for shares of Company Common Stock pursuant to the Offer.

ARTICLE VIII

TERMINATION AND AMENDMENT

Section 8.1 Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of the matters presented in connection with the Merger by the stockholders of the Company:

(a) by mutual consent of Parent and the Company by action of their respective Boards of Directors (with any members of the Board of Directors of the Company who may hereafter be designated by Parent abstaining);

(b) by the Company if (i) Parent fails to commence the Offer as provided in Section 1.1, (ii) the Offer expires or is terminated without any shares of Company Common Stock being purchased thereunder, or (iii) Parent fails to purchase validly tendered shares of Company Common Stock in violation of the terms and conditions of the Offer or this Agreement;

(c) by Parent if, due to an occurrence which has made it reasonably impracticable to satisfy any of the conditions of the Offer set forth in Annex I hereto at any time prior to the 90th day following the commencement of the Offer, Parent (i) terminates the Offer or allows the Offer to expire without the purchase of any shares of Company Common Stock thereunder, unless such termination or expiration has been caused by or resulted from the failure of Parent to perform in any material respect any of its covenants and agreements contained in this Agreement or the Offer, or (ii) fails to pay for shares of Company Common Stock pursuant to the Offer within 90 days after the date hereof, unless such failure to pay for such shares is caused by or results from the failure of Parent to perform in any material respect any of its covenants or agreements contained in this Agreement or the Offer;

(d) by either Parent or the Company if the Merger is not consummated before June 30, 1995 despite the good faith effort of such party to effect such consummation (unless solely by reason of the conditions provided for in Section 7.1(e), and 7.1(g) (in which case such date will be September 30, 1995) or the failure to so consummate the Merger by such date is due to the action or failure to act of the party seeking to termi-

nate this Agreement, which action or failure to act constitutes a breach of this Agreement);

(e) by either Parent or the Company if any court of competent jurisdiction has issued an injunction permanently restraining, enjoining or otherwise prohibiting the consummation of the Offer or the Merger, which injunction has become final and non-appealable;

(f) prior to the expiration of the Offer, by Parent if the Company rescinds its redemption of the Company Rights and all other conditions to consummation of the Offer are satisfied, or the Board of Directors of the Company withdraws, amends or modifies in a manner adverse to Parent its favorable recommendation of the Offer or the Merger or promulgates any recommendation with respect to an Acquisition Transaction (including a determination to take no position) other than a recommendation to reject such Acquisition Transaction; or

(g) prior to the expiration of the Offer, by the Company if (i) (A) any of the representations and warranties of Parent contained in this Agreement were incorrect in any material respect when made or have since become, and at the time of termination remain, incorrect in any material respect, or (B) there has been a material breach on the part of Parent in the covenants of Parent set forth herein, or any failure on the part of Parent to

comply with its material obligations hereunder, or any other events or circumstances have occurred, such that, in any such case, Parent could not satisfy on or prior to June 30, 1995, any of the conditions to the Closing set forth in Sections 7.1 or 7.3, or (ii) the Company receives a written offer with respect to an Acquisition Transaction and the Board of Directors of the Company, after consulting with its outside counsel and financial advisor, determines in good faith that such Acquisition Transaction is more favorable to the Company's stockholders than the transactions contemplated by this Agreement and, not later than the time of such termination, the Company has paid the expense reimbursement required by Section 6.11(b).

Section 8.2 Effect of Termination. In the event of a termination of this Agreement by either the Company or Parent as provided in Section 8.1, this Agreement will forthwith become void and there will be no liability or obligation on the part of Parent, Sub or the Company or their respective officers or directors, other than (a)(i) the provisions of the last sentence of Section 6.11(b), which will survive for a period of one year from the date of any such termination if and only if (A) Parent has not received the payment pursuant to Section 6.11(b) and (B) such termination of this Agreement is

pursuant to Section 8.1(b)(ii) by reason of the Minimum Condition having failed to be satisfied, Section 8.1(c) by reason of the failure to satisfy the conditions set forth in paragraph (e) or (f) of Annex I hereto, Section 8.1(f) or Section 8.1(g)(ii), (ii) Sections 6.12 and 6.13, and (iii) the last sentence of Section 6.6, and (b) to the extent that such termination results from the willful breach by a party hereto of any of its covenants or agreements set forth in this Agreement.

ARTICLE IX
MISCELLANEOUS

Section 9.1 Nonsurvival of Representations and Warranties. None of the representations and warranties in this Agreement or in any instrument delivered pursuant to this Agreement will survive the Effective Time.

Section 9.2 Amendment. This Agreement may be amended by the parties hereto, by action taken or authorized by their respective Boards of Directors, at any time before or after approval of the matters presented in connection with the Merger by the stockholders of the Company, but, after any such approval, no amendment will be made which by law requires further approval by such stockholders without such further approval. This Agree-

ment may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 9.3 Extension; Waiver. At any time prior to the Effective Time, the parties hereto, by action taken or authorized by the respective Boards of Directors, may to the extent legally allowed, (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (iii) waive compliance with any of the agreements or conditions contained here. Any agreement on the part of a party hereto to any such extension or waiver will be valid only if set forth in a written instrument signed on behalf of such.party.

Section 9.4 Notices. All notices and other communications hereunder will be in writing and will be deemed given if delivered personally, telecopied (which is confirmed) or mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as is specified by like notice):

(a) if to Parent or Sub, to
The Williams Companies, Inc.
One Williams Center
Tulsa, Oklahoma 74172
Attention: Chief Executive Officer
Telecopy No.: (918) 588-2334

with a copy to

J. Furman Lewis
Senior Vice President
and General Counsel
One Williams Center
Tulsa, Oklahoma 74172
Telecopy No.: (918) 588-2334

and

Randall H. Doud
Skadden, Arps, Slate, Meagher & Flom
919 Third Avenue
New York, New York 10022
Telecopy No.: (212) 735-2000

and

(b) if to the Company, to

Transco Energy Company
2800 Post Oak Boulevard, 21st Floor
Houston, Texas 77056
Attention: Chief Executive Officer
Telecopy No.: (713) 439-4269

with a copy to

David E. Varner
Transco Energy Company
2800 Post Oak Boulevard
Houston, Texas 77056
Telecopy No: (713) 439-4269

and

Eric S. Robinson
Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019-6118
Telecopy No.: (212) 403-2000

Section 9.5 Interpretation. When a reference is made in this Agreement to Sections, such reference will be to a Section of this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement they will be deemed to be followed by the words "without limitation." The phrases "the date of this Agreement," "the date hereof" and terms of similar import, unless the context otherwise requires, will be deemed to refer to December 12, 1994. References to "debt" in Sections 6.1(e) will not include accrued expenses or trade payables.

Section 9.6 Counterparts. This Agreement may be executed in two or more counterparts, all of which will be considered one and the same agreement and will become effective when two or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

Section 9.7 Entire Agreement; No Third Party Beneficiaries. This Agreement (including the documents and the instruments referred to herein), the Stock Option Agreement and the Confidentiality Agreement (a) constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof and thereof, and (b) other than Sections 3.2 and 6.10(d), are not intended to confer upon any person other than the parties hereto and thereto any rights or remedies hereunder or thereunder.

Section 9.8 Governing Law. This Agreement will be governed and construed in accordance with the laws of the State of Delaware applicable to contracts made, executed, delivered and performed wholly within the State of Delaware, without regard to any applicable conflicts of law. The Company, Parent and Subsidiary hereby (w) submit to the jurisdiction of any State and Federal courts sitting in Delaware with respect to matters arising out of or relating hereto, (x) agree that all claims with respect to such matters may be heard and determined in an action or proceeding in such Delaware State or Federal court and no other court, (y) waive the defense of an inconvenient forum, and (z) agree that a final judgment in any such action or proceeding will be conclu-

sive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

Section 9.9 Specific Performance. The parties hereto agree that if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, irreparable damage would occur, no adequate remedy at law would exist and damages would be difficult to determine, and that the parties will be entitled to specific performance of the terms hereof, in addition to any other remedy at law or equity.

Section 9.10 Publicity. Except as otherwise required by law or the rules of the NYSE, for so long as this Agreement is in effect, neither the Company nor Parent will, or will permit any of its Subsidiaries to, issue or cause the publication of any press release or other public announcement with respect to the transactions contemplated by this Agreement without having consulted with the other party.

Section 9.11 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder will be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties, except that Sub may assign, in its sole discretion, any or all

rights, interests and obligations hereunder to any direct or indirect wholly owned Subsidiary of Parent incorporated under the laws of the State of Delaware. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

Section 9.12 Validity. The invalidity or unenforceability of any provision of this Agreement or the Stock Option Agreement will not affect the validity or enforceability of any other provisions hereof or thereof, which will remain in full force and effect.

Section 9.13 Taxes. Any liability arising out of the New York State Real Property Gains Tax and any other tax imposed by any domestic or foreign taxing authority with respect to the property of the Company due with respect to the Offer or the Merger will be borne by Parent and expressly will not be a liability of the stockholders of the Company.

IN WITNESS WHEREOF, Parent, Sub and the Company have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

THE WILLIAMS COMPANIES, INC.

By: /s/ Keith E. Bailey

Name: Keith E. Bailey
Title: Chairman, President & Chief Executive Officer

WC ACQUISITION CORP.

By: /s/ J. Furman Lewis

Name: J. Furman Lewis
Title: Vice President, Assistant Secretary and Assistant Treasurer

TRANSCO ENERGY COMPANY

By: /s/ John P. DesBarres

Name: John P. DesBarres
Title: Chairman of the Board, President and Chief Executive Officer

Exhibit 2.4

THIRD RESTATED CERTIFICATE OF INCORPORATION

OF

TRANSCO ENERGY COMPANY

Transco Energy Company, a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. The name of the corporation is Transco Energy Company, and the name under which the corporation was originally incorporated is Transco Companies, Inc.

2. The date of filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware was June 18, 1973. A Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on June 13, 1980. A Second Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on August 3, 1983.

3. This Third Restated Certificate of Incorporation was duly adopted in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware (the "GCL").

4. The text of the Second Restated Certificate of Incorporation as amended, restated or supplemented heretofore and as hereby amended is hereby restated to read as herein set forth in full:

FIRST: The name of the Corporation is Transco Energy Company (hereinafter the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at that address is The Corporation Trust Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the GCL.

FOURTH: The total number of shares of stock which the Corporation shall have authority to issue is 100 shares of Common Stock, each having a par value of $0.01.

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

(1) The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

(2) The directors shall have concurrent power with the stockholders to make, alter, amend, change, add to or repeal the By-Laws of the Corporation.

(3) The number of directors of the Corporation shall be as from time to time fixed by, or in the manner provided in, the By-Laws of the Corporation. Election of directors need not be by written ballot unless the By-Laws so provide.

(4) No director shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the GCL or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this Article FIFTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modifi-

cation with respect to acts or omissions occurring prior to such repeal or modification.

(5) In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the GCL, this Restated Certificate of Incorporation, and any By-Laws adopted by the stockholders; provided, however, that no By-Laws hereafter adopted by the stockholders shall invalidate any prior act of the directors which would have been valid if such By-Laws had not been adopted.

SIXTH: Meetings of stockholders may be held within or without the State of Delaware, as the By-Laws may provide. The books of the Corporation may be kept (subject to any provision contained in the GCL) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the By-Laws of the Corporation.

SEVENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

EIGHTH: The following indemnification and other provisions shall be in effect:

(1) Subject to Section 3 of this Article EIGHTH, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint

venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct was unlawful.

(2) Subject to Section 3 of this Article EIGHTH, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such

expenses which the Court of Chancery of the State of Delaware or such other court shall deem proper.

(3) Any indemnification under this Article EIGHTH (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Director, officer, employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article EIGHTH, as the case may be. Such determination shall be made (i) by the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to such action, suit or proceeding, or (ii) if such a quorum is not obtainable, or, even if obtainable a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders. To the extent, however, that a Director, officer, employee or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred in connection therewith, without the necessity of authorization in the specific case.

(4) For purposes of any determination under Section 3 of this Article EIGHTH, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe such person's conduct was unlawful, if such person's action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to such person by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant by an appraiser or other expert selected with reasonable care by the

Corporation or another enterprise. The term "another enterprise" as used in this Section 4 shall mean any other corporation or any partnership, joint venture, trust or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 1 or 2 of this Article EIGHTH, as the case may be.

(5) Notwithstanding any contrary determination in the specific case under Section 3 of this Article EIGHTH, and notwithstanding the absence of any determination thereunder, any Director, officer, employee or agent may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article EIGHTH. The basis of such indemnification by a court shall be a determination by such court that indemnification of the Director, officer, employee or agent is proper in the circumstances because such person has met the applicable standards of conduct set forth in Sections 1 and 2 of this Article EIGHTH, as the case may be. Notice of any application for indemnification pursuant to this Section 5 shall be given to the Corporation promptly upon the filing of such application.

(6) Expenses by an officer or Director incurred in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the Director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article EIGHTH.

Such expenses incurred by other employees and agents shall be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

(7) The indemnification and advancement of expenses provided by or granted pursuant to this Article EIGHTH shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any By-law, agreement, contract, vote of stockholders or disinterested Directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Sections 1 and 2 of this Article EIGHTH shall be made to the fullest extent permitted by law. The provisions of this Article EIGHTH shall not be deemed to preclude the indemnification of any person who is not specified in Sections 1 or 2 of this Article EIGHTH but whom the Corporation has the power or obligation to indemnify under the provisions of the General Corporation Law of the State of Delaware or otherwise.

(8) The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article EIGHTH.

(9) A. For purposes of this Article EIGHTH, reference to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint

venture, trust or other enterprise, shall stand in the same position under the provisions of this Article EIGHTH with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

B. For purposes of this Article EIGHTH, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a Director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such Director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article EIGHTH.

(10) The indemnification and advancement of expenses provided by, or granted pursuant to, this Article EIGHTH shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

IN WITNESS WHEREOF, Transco Energy Corporation has caused this Third Restated Certificate of Incorporation to be signed by its ____________ and its ____________ and has caused its corporate seal to be hereunto affixed, this ____ day of _________, 1995.

TRANSCO ENERGY COMPANY

By ----------------------------

Attest: ------------------------

EXHIBIT 3.2(c)-1

FORM OF CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS

OF THE

CUMULATIVE CONVERTIBLE PREFERRED STOCK, $4.75 SERIES ($1 Par Value)

OF

THE WILLIAMS COMPANIES, INC.

____

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

____

The undersigned DOES HEREBY CERTIFY that the following resolution was duly adopted on _________ __, 1995, by the Board of Directors (the "Board") of The Williams Companies, Inc., a Delaware corporation (hereinafter called the "Corporation"), in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware:

RESOLVED that pursuant to authority expressly granted to and vested in the Board by provisions of the Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), the issuance of a series of Preferred Stock, par value $1 per share (the "Preferred Stock"), which shall consist of up to 2,990,000 of the _________ shares of Preferred Stock which the Corporation now has authority to issue, be, and the same hereby is, authorized, and the powers, designations, preferences and relative, participating, optional or other special

rights, and the qualifications, limitations or restrictions thereof, of the shares of such series (in addition to the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, set forth in the Certificate of Incorporation which may be applicable to the Preferred Stock) are fixed as follows:

(i) The designation of such series of the Preferred Stock authorized by this resolution shall be the $4.75 Cumulative Convertible Preferred Stock (the "$4.75 Preferred Stock"). The total number of shares of the $4.75 Preferred Stock shall be 2,990,000.

(ii) Holders of shares of $4.75 Preferred Stock will be entitled to receive, when and as declared by the Board out of assets of the Corporation legally available for payment, an annual cash dividend of $4.75 per share, payable in quarterly installments on February 1, May 1, August 1 and November 1, commencing [the first such date following the Effective Time] (each a "dividend payment date"). Dividends on the $4.75 Preferred Stock will be cumulative from the date of initial issuance of shares of $4.75 Preferred Stock. Dividends will be payable to holders of record as they appear on the stock books of the Corporation on such record dates, not more than 60 days nor less than 10 days preceding the payment dates thereof, as shall be fixed by the Board. When dividends are not paid in full upon the $4.75 Preferred Stock and any other Parity Preferred Stock (as defined in paragraph (ix)), all dividends declared upon shares of Parity Preferred Stock will be declared pro rata so that in all cases the amount of dividends declared per share on the $4.75 Preferred Stock and such other Parity Preferred Stock shall bear to each other the same ratio that accumulated and unpaid dividends per share on the shares of $4.75 Preferred Stock and such other Parity Preferred Stock bear to each other. Except as set forth in the preceding sentence, unless full cumulative dividends on the $4.75 Preferred Stock have been paid, no dividends (other than in Common Stock of the Corporation) may be paid or declared and set aside for payment or other distribution made upon the Common Stock or on any other stock of the Corporation ranking junior to or on a

parity with the $4.75 Preferred Stock as to dividends, nor may any Common Stock or any other stock of the Corporation ranking junior to or on a parity with the $4.75 Preferred Stock as to dividends be redeemed, purchased or otherwise acquired for any consideration (or any payment made to or available for a sinking fund for the redemption of any shares of such stock; *provided*, *however*, that any moneys theretofore deposited in any sinking fund with respect to any Preferred Stock of the Corporation in compliance with the provisions of such sinking fund may thereafter be applied to the purchase or redemption of such Preferred Stock in accordance with the terms of such sinking fund regardless of whether at the time of such application full cumulative dividends upon shares of the $4.75 Preferred Stock outstanding to the last dividend payment date shall have been paid or declared and set apart for payment) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to the $4.75 Preferred Stock as to dividends). Dividends payable on the $4.75 Preferred Stock for any period less than the full dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months.

(iii) The shares of $4.75 Preferred Stock shall rank prior to the shares of Common Stock and of any other class of stock of the Corporation ranking junior to the $4.75 Preferred Stock upon liquidation, so that in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the $4.75 Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to its stockholders, whether from capital, surplus or earnings, before any distribution is made to holders of shares of Common Stock or any other such junior stock, (A) in the case of an involuntary liquidation, dissolution or winding up, an amount equal to $50 per share or (B) in the case of a voluntary liquidation, dissolution or winding up, the then applicable Redemption Price (as defined in paragraph (iv) below) (as the case may be, the "Liquidation Preference" of a share of $4.75 Preferred Stock), in each case plus an amount equal to all dividends (whether or not earned or declared) accumulated and unpaid on the shares of $4.75 Preferred Stock to the date of final distribution. After payment of the full amount of the Liquidation Preference and such dividends, the holders of shares of

$4.75 Preferred Stock will not be entitled to any further participation in any distribution of assets by the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of shares of Parity Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributable among such holders ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were payable in full. For the purposes hereof, neither a consolidation or merger of the Corporation with or into any other corporation, nor a merger of any other corporation with or into the Corporation, nor a sale or transfer of all or any part of the Corporation's assets for cash or securities shall be considered a liquidation, dissolution or winding up of the Corporation.

(iv) The $4.75 Preferred Stock will be redeemable, in whole at any time or from time to time in part at the option of the Corporation, upon not less than 30 nor more than 60 days' notice, at the following redemption prices (the "Redemption Prices") per share if redeemed during the twelve-month period ending November 1 of the year indicated below; plus, in each case, all dividends accrued and unpaid on the $4.75 Preferred Stock up to the date fixed for redemption:

Year	Redemption Price Per Share
1995	$ 50.475
After 1995	50.000

In the event that the Corporation determines to redeem fewer than all of the outstanding shares of the $4.75 Preferred Stock, the shares to be redeemed shall be determined by lot or a substantially equivalent method.

If a notice of redemption has been given pursuant to this paragraph (iv) and if, on or before the date fixed for redemption, the funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares so called

for redemption, then, notwithstanding that any certificates for such shares have not been surrendered for cancellation, on the redemption date dividends shall cease to accrue on the shares of $4.75 Preferred Stock to be redeemed, and at the close of business on the redemption date the holders of such shares shall cease to be stockholders with respect to such shares and shall have no interest in or claims against the Corporation by virtue thereof and shall have no voting or other rights with respect to such shares, except the right to receive the moneys payable upon such redemption, without interest thereon, upon surrender (and endorsement, if required by the Corporation) of their certificates, and the shares evidenced thereby shall no longer be outstanding. Subject to applicable escheat laws, any moneys so set aside by the Corporation and unclaimed at the end of two years from the redemption date shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of the amounts payable upon such redemption. Any interest accrued on funds so deposited shall be paid to the Corporation from time to time.

(v) The holders of shares of $4.75 Preferred Stock shall have no voting rights whatsoever, except for any voting rights to which they may be entitled under the laws of the State of Delaware, and except as follows:

(I) If and whenever at any time or times dividends payable on the $4.75 Preferred Stock or on any other Preferred Stock shall have been in arrears and unpaid in an aggregate amount equal to or exceeding the amount of dividends payable thereon for six quarterly periods, then the holders of the Preferred Stock shall have, in addition to the other voting rights set forth herein, the exclusive right, voting separately as a class, to elect two directors of the Corporation, such directors to be in addition to the number of directors constituting the Board immediately prior to the accrual of such right, the remaining directors to be elected by the other class or classes of stock entitled to vote therefor at each meeting of stockholders held for the purpose of electing directors. Such voting right shall

continue until such time as all cumulative dividends accumulated on all the Preferred Stock having cumulative dividends shall have been paid in full and until any noncumulative dividends payable on all the Preferred Stock having noncumulative dividends shall have been paid regularly for at least one year, at which time such voting right of the holders of the Preferred Stock shall terminate, subject to revesting at such time as there shall occur each and every subsequent event of default of the character indicated above.

Whenever such voting right shall have vested, such right may be exercised initially either at a special meeting of the holders of the Preferred Stock, called as hereinafter provided, or at any annual meeting of stockholders held for the purpose of electing directors, and thereafter at each successive annual meeting.

At such time when such voting right shall have vested in the holders of the Preferred Stock, and if such right shall not already have been initially exercised, a proper officer of the Corporation shall, upon the written request of the holders of record of 10 percent in number of shares of the Preferred Stock then outstanding, addressed to the Secretary of the Corporation, call a special meeting of the holders of the Preferred Stock and of any other class or classes of stock having voting power with respect thereto for the purpose of electing directors. Such meeting shall be held at the earliest practicable date upon the notice required for annual meetings of stockholders at the place for holding of annual meetings of stockholders of the Corporation, or, if none, at a place designated by the Secretary of the Corporation. If such meeting shall not be called by the proper officers of the Corporation within 30 days after the personal service of such written request upon the Secretary of the Corporation, or within 30 days after mailing the same within the United States of America, by registered mail,

addressed to the Secretary of the Corporation at its principal office (such mailing to be evidenced by the registry receipt issued by the postal authorities), then the holders of record of 10 percent in number of shares of the Preferred Stock then outstanding may designate in writing one of their number to call such meeting at the expense of the Corporation, and such meeting may be called by such person so designated upon the notice required for annual meetings of stockholders and shall be held at the same place as is elsewhere provided for in this subparagraph (I). Any holder of the Preferred Stock shall have access to the stock books of the Corporation for the purpose of causing a meeting of stockholders to be called pursuant to the provisions of this paragraph. Notwithstanding the provisions of this paragraph, however, no such special meeting shall be called during a period within 90 days immediately preceding the date fixed for the next annual meeting of stockholders.

At any meeting held for the purpose of electing directors at which the holders of the Preferred Stock shall have the right to elect directors as provided herein, the presence in person or by proxy of the holders of 33-1/3 percent of the then outstanding shares of the Preferred Stock shall be required and be sufficient to constitute a quorum of the Preferred Stock for the election of directors by the Preferred Stock. At any such meeting or adjournment thereof (A) the absence of a quorum of the holders of the Preferred Stock shall not prevent the election of directors other than those to be elected by the holders of the Preferred Stock and the absence of a quorum or quorums of the holders of other classes of capital stock entitled to elect such other directors shall not prevent the election of directors to be elected by the holders of the Preferred Stock and (B) in the absence of a quorum of the holders of any class of stock entitled to vote for the election of directors, a majority of the holders present in person or by proxy of such class shall have the power to

adjourn the meeting for the election of directors which the holders of such class are entitled to elect, from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

The directors elected pursuant to this subparagraph (I) shall serve until the next annual meeting or until their respective successors shall be elected and shall qualify; *provided, however*, that when the right of the holders of the Preferred Stock to elect directors as herein provided shall terminate, the terms of office of all persons so elected by the holders of the Preferred Stock shall terminate, and the number of directors of the Corporation shall thereupon be such number as may be provided in the By-laws of the Corporation irrespective of any increase made pursuant to this subparagraph (I).

So long as any shares of $4.75 Preferred Stock are outstanding, the By-laws of the Corporation shall contain provisions ensuring that the number of directors of the Corporation shall at all times be such that the exercise, by the holders of shares of $4.75 Preferred Stock and the holders of other Preferred Stock, of the right to elect directors under the circumstances provided in this subparagraph (I) will not contravene any provisions of the Corporation's Certificate of Incorporation or By-laws.

(II) So long as any shares of the $4.75 Preferred Stock remain outstanding, the Corporation will not, either directly or indirectly or through merger or consolidation with any other corporation, without the affirmative vote at a meeting or the written consent with or without a meeting of the holders of at least 66-2/3 percent in number of shares of the $4.75 Preferred Stock then outstanding, (A) create any class or classes of stock ranking prior to or on a parity with the $4.75 Preferred Stock either as to dividends or upon liquidation or increase the authorized

number of shares of any class or classes of stock ranking prior to or on a parity with the $4.75 Preferred Stock either as to dividends or upon liquidation, or create or authorize any obligation or security convertible into shares of stock of any class ranking prior to or on a parity with the Preferred Stock either as to dividends or upon liquidation, but may, without such consent, create or authorize obligations or securities convertible into shares of Preferred Stock or (B) amend, alter or repeal any of the provisions of the Certificate of Incorporation (including this resolution) so as to affect adversely the preferences, special rights or powers of the $4.75 Preferred Stock or of the holders thereof.

(vi) Except as provided in paragraph (v)(II), no consent of the holders of the $4.75 Preferred Stock shall be required for (a) the creation of any indebtedness of any kind of the Corporation, (b) the creation, or increase or decrease in the amount, of any class or series of stock of the Corporation not ranking prior to or on a parity with the $4.75 Preferred Stock or (c) any increase or decrease in the amount of authorized Common Stock or any increase, decrease or change in the par value thereof or in any other terms thereof.

(vii) Subject to the provisions of paragraph (iv) hereof, the Board reserves the right by subsequent amendment of this resolution from time to time to increase or decrease the number of shares which constitute the $4.75 Preferred Stock (but not below the number of shares thereof then outstanding) and in other respects to amend this resolution within the limitations provided by law, this resolution and the Certificate of Incorporation.

(viii) At the option of the holder thereof and upon surrender thereof for conversion to the Corporation at the office of the Transfer Agent of the Corporation's Common Stock in the Borough of Manhattan, the City of New York or in the City of Tulsa, each share of $4.75 Preferred Stock will be convertible (or if such share is called or surrendered for redemption, then in respect of such share to and including, but not after, the redemption date) into fully paid and nonassessable shares

of Common Stock at the initial conversion rate of .5588 of a share of Common Stock for each share of $4.75 Preferred Stock, the conversion rate being subject to adjustment as hereinafter provided:

(I) In case the Corporation shall (A) pay a dividend in shares of its capital stock, (B) subdivide its outstanding shares of Common Stock into a greater number of shares, (C) combine its outstanding shares of Common Stock into a smaller number of shares, or (D) issue by reclassification of its shares of Common Stock any shares of its capital stock, the conversion rate in effect immediately prior thereto shall be adjusted so that the holder of a share of $4.75 Preferred Stock surrendered for conversion after the record date fixing stockholders to be affected by such event shall be entitled to receive upon conversion the number of such shares of Common Stock which he would have been entitled to receive after the happening of such event had such share of $4.75 Preferred Stock been converted immediately prior to such record date. Such adjustment shall be made whenever any of such events shall happen, but shall also be effective retroactively as to shares of $4.75 Preferred Stock converted between such record date and the date of the happening of any such event.

(II) In case the Corporation shall issue rights or warrants to all holders of its Common Stock entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the Current Market Price Per Share (as defined in subparagraph (IV) below) of Common Stock at the record date mentioned below, the number of shares of Common Stock into which each share of $4.75 Preferred Stock shall thereafter be convertible shall be determined by multiplying the number of shares of Common Stock into which such share of $4.75 Preferred Stock was theretofore convertible by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of

additional shares of Common Stock offered for subscription or purchase, and the denominator of which shall be the number of the shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such Current Market Price Per Share. Such adjustment shall be made whenever such rights or warrants are issued, but shall also be effected retroactively as to shares of $4.75 Preferred Stock converted between the record date for the determination of stockholders entitled to receive such rights or warrants and the date such rights or warrants are issued.

(III) In case the Corporation shall distribute to all holders of its Common Stock evidences of its indebtedness or assets (excluding any cash dividend or distribution made out of current or retained earnings) or rights to subscribe other than as set forth in subparagraph (II) above, then in each such case the number of shares of Common Stock into which each share of $4.75 Preferred Stock shall thereafter be convertible shall be determined by multiplying the number of shares of Common Stock into which such share was theretofore convertible by a fraction, the numerator of which shall be the Current Market Price Per Share of the Common Stock on the record date fixed by the Board for such distribution, and the denominator of which shall be such Current Market Price Per Share of the Common Stock less the then fair market value (as determined by the Board, whose determination shall be conclusive) of the portion of the assets, evidences of indebtedness or subscription rights so distributed applicable to one share of the Common Stock. Such adjustment shall be made whenever any such distribution is made, but shall also be effective retroactively as to shares of $4.75 Preferred Stock converted between the record date for the determination of stockholders entitled to receive such

distribution and the date such distribution is made.

(IV) For the purpose of any computation under subparagraphs (II) and (III) above and (VI) below, the "Current Market Price Per Share" of Common Stock at any date shall be deemed to be the average of the daily closing prices for the 15 consecutive trading days commencing 20 trading days before the day in question. The closing price for each day shall be reported on the New York Stock Exchange-Composite Transactions Tape or as reported by any successor central market system.

(V) No adjustment in the conversion rate shall be required unless such adjustment would require an increase or decrease of at least 1% in such rate; provided, however, that any adjustments which by reason of this subparagraph (V) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this paragraph (viii) shall be made to the nearest one-hundredth of a share.

(VI) No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon the conversion of any share of $4.75 Preferred Stock. If the conversion thereof results in a fraction, an amount equal to such fraction multiplied by the Current Market Price Per Share of Common Stock (as defined in subparagraph (IV) above) as of the conversion date shall be paid to such holder in cash by the Corporation.

(VII) In case the Corporation shall enter into any consolidation, merger or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in each such case each share of $4.75 Preferred Stock remaining outstanding at the time of consummation of such transaction shall thereafter be convertible into the kind and

amount of such stock or securities, cash and/or other property receivable upon consummation of such transaction by a holder of the number of shares of Common Stock into which such shares of $4.75 Preferred Stock might have been converted immediately prior to consummation of such transaction, assuming in each case that such holder of Common Stock failed to exercise rights of election, if any, as to the kind or amount of securities, cash or other property receivable upon consummation of such transaction (provided that if the kind or amount of securities, cash or other property receivable upon consummation of such transaction is not the same for each non-electing share, then the kind and amount of securities, cash or other property receivable upon consummation of such transaction for each non-electing share shall be deemed to be the kind and amount as receivable per share by a plurality of the non-electing shares).

(VIII) In the event of any Change in Control (as hereinafter defined) of the Corporation, each holder of $4.75 Preferred Stock shall have the right, at the holder's option, to require the Corporation to redeem all or any number of such holder's shares of $4.75 Preferred Stock during the period (the "Exercise Period") beginning on the 30th day and ending on the 90th day after the date of such Change in Control at the Redemption Price, plus accrued and unpaid dividends to the date fixed for redemption; provided, however, that such redemption right shall not be applicable in the case of any Change in Control of the Corporation which shall have been duly approved by the Continuing Directors (as hereinafter defined) during the period (the "Approval Period") prior to or within 21 days after the date on which such Change in Control shall have occurred. As used herein, (a) "Acquiring Person" means any Person who is or becomes the Beneficial Owner, directly or indirectly, of 10% or more of the outstanding Common Stock, (b) "Beneficial Owner" has the meaning ascribed to such term in Rule 13d-3 adopted pursuant to

the Securities Exchange Act of 1934, as amended, (c) a "Change in Control" of the Corporation shall be deemed to have occurred at such time as (i) any Person is or becomes the Beneficial Owner, directly or indirectly, of 30% or more of the outstanding Common Stock or (ii) individuals who constitute the Continuing Directors cease for any reason to constitute at least a majority of the Board, (d) "Continuing Director" means any member of the Board who is not affiliated with an Acquiring Person and who was a member of the Board immediately prior to the time that the Acquiring Person became an Acquiring Person and any successor to a Continuing Director who is not affiliated with the Acquiring Person and is recommended to succeed a Continuing Director by a majority of Continuing Directors who are then members of the Board, and (e) "Person" means any individual, corporation, partnership, limited partnership, association, joint-stock company, trust, unincorporated organization, syndicate or group (as such terms are used in Section 13d-3 adopted pursuant to the Securities Exchange Act of 1934, as amended) or government or political subdivision thereof.

On or before the seventh day after the termination of the Approval Period, the Corporation shall mail to all holders of record of the $4.75 Preferred Stock as of the last day of the Approval Period, at their respective addresses as the same shall appear on the books of the Corporation as of such date, a notice disclosing (i) the Change in Control, (ii) whether or not the Continuing Directors have approved the Change in Control, and (iii) if the Continuing Directors have not approved the Change in Control, the respective dates on which the Exercise Period commences and ends, the redemption price per share of the $4.75 Preferred Stock applicable hereunder and the procedure which the holder must follow to exercise the redemption right provided above. The Corporation shall cause a copy of such notice to be published in a newspaper of general circulation in the Borough of Manhattan, New

York. To exercise such redemption right, a holder of the $4.75 Preferred Stock must deliver during the Exercise Period written notice to the Corporation (or an agent designated by the Corporation for such purpose) of the holder's exercise of such redemption right, and, to be valid, any such notice of exercise must be accompanied by each certificate evidencing shares of the $4.75 Preferred Stock with respect to which the redemption right is being exercised, duly endorsed for transfer. On or prior to the seventh day after the close of the Exercise Period, the Corporation shall accept for payment all shares of $4.75 Preferred Stock properly surrendered to the Corporation (or an agent designated by the Corporation for such purpose) during the Exercise Period for redemption in connection with the valid exercise of such redemption right and shall cause payment to be made in cash for such shares of $4.75 Preferred Stock.

(ix) For the purposes of this resolution, any stock of any class or classes of the Corporation shall be deemed to rank:

(a) prior to shares of the $4.75 Preferred Stock, either as to dividends or upon liquidation, if the holders of stock of such class or classes shall be entitled by the terms thereof to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of shares of the $4.75 Preferred Stock;

(b) on a parity with shares of the $4.75 Preferred Stock, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the $4.75 Preferred Stock, if the holders of stock of such class or classes shall be entitled by the terms thereof to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority of one over the other as between the holders of such stock and

the holders of shares of $4.75 Preferred Stock (the term "Parity Preferred Stock" being used to refer to any stock on a parity with the shares of $4.75 Preferred Stock, either as to dividends or upon liquidation as the context may require); and

(c) junior to shares of the $4.75 Preferred Stock, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of the $4.75 Preferred Stock shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of stock of such class or classes.

(x) The $4.75 Preferred Stock shall rank on a parity with the $2.21 Cumulative Preferred Stock, par value $1 per share, of the Corporation and the Cumulative Convertible Preferred Stock, $3.50 Series, par value $1 per share, of the Corporation, in each case as to dividends and upon liquidation. The $4.75 Preferred Stock shall rank prior to the Series A Junior Participating Preferred Stock, par value $1 per share, and all other shares of capital stock of the Corporation outstanding at the time of issuance of the $4.75 Preferred Stock.

IN WITNESS WHEREOF, The Williams Companies, Inc. has caused this Certificate to be made under the seal of the Corporation and signed by ________________, _____________________, and attested by ____________, ___________, this _____ day of ___________, 1995.

THE WILLIAMS COMPANIES, INC.

[SEAL]

Attest: By: --

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EXHIBIT 3.2(c)-2

FORM OF CERTIFICATE OF DESIGNATION,
PREFERENCES AND RIGHTS
OF THE

CUMULATIVE CONVERTIBLE
PREFERRED STOCK, $3.50 SERIES
($1 Par Value)

OF

THE WILLIAMS COMPANIES, INC.

Pursuant to Section 151 of the

General Corporation Law of the State of Delaware

The undersigned DOES HEREBY CERTIFY that the following resolution was duly adopted on _________ __, 1995, by the Board of Directors (the "Board") of The Williams Companies, Inc., a Delaware corporation (hereinafter called the "Corporation"), in accordance with the provisions of Section 151 of the General Corporation Law of the State of Delaware:

RESOLVED that pursuant to authority expressly granted to and vested in the Board by provisions of the Restated Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), the issuance of a series of Preferred Stock, par value $1 per share (the "Preferred Stock"), which shall consist of up to 2,500,000 of the _________ shares of Preferred Stock which the Corporation now has authority to issue, be, and the same hereby is, authorized, and the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or

restrictions thereof, of the shares of such series (in addition to the powers, designations, preferences and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions thereof, set forth in the Certificate of Incorporation which may be applicable to the Preferred Stock) are fixed as follows:

(i) The designation of such series of the Preferred Stock authorized by this resolution shall be the $3.50 Cumulative Convertible Preferred Stock (the "$3.50 Preferred Stock"). The total number of shares of the $3.50 Preferred Stock shall be 2,500,000.

(ii) Holders of shares of $3.50 Preferred Stock will be entitled to receive, when and as declared by the Board out of assets of the Corporation legally available for payment, an annual cash dividend of $3.50 per share, payable in quarterly installments on February 1, May 1, August 1 and November 1, commencing [the first such date following the Effective Time] (each a "dividend payment date"). Dividends on the $3.50 Preferred Stock will be cumulative from the date of initial issuance of shares of $3.50 Preferred Stock. Dividends will be payable to holders of record as they appear on the stock books of the Corporation on such record dates, not more than 60 days nor less than 10 days preceding the payment dates thereof, as shall be fixed by the Board. When dividends are not paid in full upon the $3.50 Preferred Stock and any other Parity Preferred Stock (as defined in paragraph (ix)), all dividends declared upon shares of Parity Preferred Stock will be declared pro rata so that in all cases the amount of dividends declared per share on the $3.50 Preferred Stock and such other Parity Preferred Stock shall bear to each other the same ratio that accumulated and unpaid dividends per share on the shares of $3.50 Preferred Stock and such other Parity Preferred Stock bear to each other. Except as set forth in the preceding sentence, unless full cumulative dividends on the $3.50 Preferred Stock have been paid, no dividends (other than in Common Stock of the Corporation) may be paid or declared and set aside for payment or other distribution made upon the Common Stock or on any other stock of the Corporation ranking junior to or on a parity with the $3.50 Preferred Stock as to dividends,

nor may any Common Stock or any other stock of the Corporation ranking junior to or on a parity with the $3.50 Preferred Stock as to dividends be redeemed, purchased or otherwise acquired for any consideration (or any payment made to or available for a sinking fund for the redemption of any shares of such stock; *provided, however*, that any moneys theretofore deposited in any sinking fund with respect to any Preferred Stock of the Corporation in compliance with the provisions of such sinking fund may thereafter be applied to the purchase or redemption of such Preferred Stock in accordance with the terms of such sinking fund regardless of whether at the time of such application full cumulative dividends upon shares of the $3.50 Preferred Stock outstanding to the last dividend payment date shall have been paid or declared and set apart for payment) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to the $3.50 Preferred Stock as to dividends). Dividends payable on the $3.50 Preferred Stock for any period less than the full dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months.

(iii) The shares of $3.50 Preferred Stock shall rank prior to the shares of Common Stock and of any other class of stock of the Corporation ranking junior to the $3.50 Preferred Stock upon liquidation, so that in the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the $3.50 Preferred Stock shall be entitled to receive out of the assets of the Corporation available for distribution to its stockholders, whether from capital, surplus or earnings, before any distribution is made to holders of shares of Common Stock or any other such junior stock, an amount equal to $50 per share (the "Liquidation Preference" of a share of $3.50 Preferred Stock) plus an amount equal to all dividends (whether or not earned or declared) accumulated and unpaid on the shares of $3.50 Preferred Stock to the date of final distribution. After payment of the full amount of the Liquidation Preference and such dividends, the holders of shares of $3.50 Preferred Stock will not be entitled to any further participation in any distribution of assets by the Corporation. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of shares of Parity Preferred Stock

shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributable among such holders ratably in accordance with the respective amounts which would be payable on such shares if all amounts payable thereon were payable in full. For the purposes hereof, neither a consolidation or merger of the Corporation with or into any other corporation, nor a merger of any other corporation with or into the Corporation, nor a sale or transfer of all or any part of the Corporation's assets for cash or securities shall be considered a liquidation, dissolution or winding up of the Corporation.

(iv) The shares of the $3.50 Preferred Stock will not be redeemable prior to November 1, 1999. On and after November 1, 1999, the $3.50 Preferred Stock will be redeemable, in whole at any time or from time to time in part at the option of the Corporation, upon not less than 30 nor more than 60 days' notice, at the following redemption prices (the "Redemption Prices") per share if redeemed during the twelve-month period beginning November 1 of the year indicated below; plus, in each case, all dividends accrued and unpaid on the $3.50 Preferred Stock up to the date fixed for redemption:

Year	Redemption Price Per Share
1999	$51.40
2000	51.05
2001	50.70
2002	50.35
2003 and thereafter	50.00

In the event that the Corporation determines to redeem fewer than all of the outstanding shares of the $3.50 Preferred Stock, the shares to be redeemed shall be determined by lot or a substantially equivalent method.

If a notice of redemption has been given pursuant to this paragraph (iv) and if, on or before the date fixed for redemption, the funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares so called

for redemption, then, notwithstanding that any certificates for such shares have not been surrendered for cancellation, on the redemption date dividends shall cease to accrue on the shares of $3.50 Preferred Stock to be redeemed, and at the close of business on the redemption date the holders of such shares shall cease to be stockholders with respect to such shares and shall have no interest in or claims against the Corporation by virtue thereof and shall have no voting or other rights with respect to such shares, except the right to receive the moneys payable upon such redemption, without interest thereon, upon surrender (and endorsement, if required by the Corporation) of their certificates, and the shares evidenced thereby shall no longer be outstanding. Subject to applicable escheat laws, any moneys so set aside by the Corporation and unclaimed at the end of two years from the redemption date shall revert to the general funds of the Corporation, after which reversion the holders of such shares so called for redemption shall look only to the general funds of the Corporation for the payment of the amounts payable upon such redemption. Any interest accrued on funds so deposited shall be paid to the Corporation from time to time.

(v) The holders of shares of $3.50 Preferred Stock shall have no voting rights whatsoever, except for any voting rights to which they may be entitled under the laws of the State of Delaware, and except as follows:

(I) If and whenever at any time or times dividends payable on the $3.50 Preferred Stock or on any other Preferred Stock shall have been in arrears and unpaid in an aggregate amount equal to or exceeding the amount of dividends payable thereon for six quarterly periods, then the holders of the Preferred Stock shall have, in addition to the other voting rights set forth herein, the exclusive right, voting separately as a class, to elect two directors of the Corporation, such directors to be in addition to the number of directors constituting the Board immediately prior to the accrual of such right, the remaining directors to be elected by the other class or classes of stock entitled to vote therefor at each meeting of stockholders held for the purpose of electing directors. Such voting right shall

continue until such time as all cumulative dividends accumulated on all the Preferred Stock having cumulative dividends shall have been paid in full and until any noncumulative dividends payable on all the Preferred Stock having noncumulative dividends shall have been paid regularly for at least one year, at which time such voting right of the holders of the Preferred Stock shall terminate, subject to revesting at such time as there shall occur each and every subsequent event of default of the character indicated above.

Whenever such voting right shall have vested, such right may be exercised initially either at a special meeting of the holders of the Preferred Stock, called as hereinafter provided, or at any annual meeting of stockholders held for the purpose of electing directors, and thereafter at each successive annual meeting.

At such time when such voting right shall have vested in the holders of the Preferred Stock, and if such right shall not already have been initially exercised, a proper officer of the Corporation shall, upon the written request of the holders of record of 10 percent in number of shares of the Preferred Stock then outstanding, addressed to the Secretary of the Corporation, call a special meeting of the holders of the Preferred Stock and of any other class or classes of stock having voting power with respect thereto for the purpose of electing directors. Such meeting shall be held at the earliest practicable date upon the notice required for annual meetings of stockholders at the place for holding of annual meetings of stockholders of the Corporation, or, if none, at a place designated by the Secretary of the Corporation. If such meeting shall not be called by the proper officers of the Corporation within 30 days after the personal service of such written request upon the Secretary of the Corporation, or within 30 days after mailing the same within the United States of America, by registered mail,

addressed to the Secretary of the Corporation at its principal office (such mailing to be evidenced by the registry receipt issued by the postal authorities), then the holders of record of 10 percent in number of shares of the Preferred Stock then outstanding may designate in writing one of their number to call such meeting at the expense of the Corporation, and such meeting may be called by such person so designated upon the notice required for annual meetings of stockholders and shall be held at the same place as is elsewhere provided for in this subparagraph (I). Any holder of the Preferred Stock shall have access to the stock books of the Corporation for the purpose of causing a meeting of stockholders to be called pursuant to the provisions of this paragraph. Notwithstanding the provisions of this paragraph, however, no such special meeting shall be called during a period within 90 days immediately preceding the date fixed for the next annual meeting of stockholders.

At any meeting held for the purpose of electing directors at which the holders of the Preferred Stock shall have the right to elect directors as provided herein, the presence in person or by proxy of the holders of 33-1/3 percent of the then outstanding shares of the Preferred Stock shall be required and be sufficient to constitute a quorum of the Preferred Stock for the election of directors by the Preferred Stock. At any such meeting or adjournment thereof (A) the absence of a quorum of the holders of the Preferred Stock shall not prevent the election of directors other than those to be elected by the holders of the Preferred Stock and the absence of a quorum or quorums of the holders of other classes of capital stock entitled to elect such other directors shall not prevent the election of directors to be elected by the holders of the Preferred Stock and (B) in the absence of a quorum of the holders of any class of stock entitled to vote for the election of directors, a majority of the holders present in person or by proxy of such class shall have the power to

adjourn the meeting for the election of directors which the holders of such class are entitled to elect, from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

The directors elected pursuant to this subparagraph (I) shall serve until the next annual meeting or until their respective successors shall be elected and shall qualify; *provided, however*, that when the right of the holders of the Preferred Stock to elect directors as herein provided shall terminate, the terms of office of all persons so elected by the holders of the Preferred Stock shall terminate, and the number of directors of the Corporation shall thereupon be such number as may be provided in the By-laws of the Corporation irrespective of any increase made pursuant to this subparagraph (I).

So long as any shares of $3.50 Preferred Stock are outstanding, the By-laws of the Corporation shall contain provisions ensuring that the number of directors of the Corporation shall at all times be such that the exercise, by the holders of shares of $3.50 Preferred Stock and the holders of other Preferred Stock, of the right to elect directors under the circumstances provided in this subparagraph (I) will not contravene any provisions of the Corporation's Certificate of Incorporation or By-laws.

(II) So long as any shares of the $3.50 Preferred Stock remain outstanding, the Corporation will not, either directly or indirectly or through merger or consolidation with any other corporation, without the affirmative vote at a meeting or the written consent with or without a meeting of the holders of at least 66-2/3 percent in number of shares of the $3.50 Preferred Stock then outstanding, (A) create any class or classes of stock ranking prior to or on a parity with the $3.50 Preferred Stock either as to dividends or upon liquidation or increase the authorized

number of shares of any class or classes of stock ranking prior to or on a parity with the $3.50 Preferred Stock either as to dividends or upon liquidation, or create or authorize any obligation or security convertible into shares of stock of any class ranking prior to or on a parity with the Preferred Stock either as to dividends or upon liquidation, but may, without such consent, create or authorize obligations or securities convertible into shares of Preferred Stock, or (B) amend, alter or repeal any of the provisions of the Certificate of Incorporation (including this resolution) so as to affect adversely the preferences, special rights or powers of the $3.50 Preferred Stock or of the holders thereof.

(vi) Except as provided in paragraph (v)(II), no consent of the holders of the $3.50 Preferred Stock shall be required for (a) the creation of any indebtedness of any kind of the Corporation, (b) the creation, or increase or decrease in the amount, of any class or series of stock of the Corporation not ranking prior to or on a parity with to the $3.50 Preferred Stock as to dividends or upon liquidation or (c) any increase or decrease in the amount of authorized Common Stock or any increase, decrease or change in the par value thereof or in any other terms thereof.

(vii) Subject to the provisions of paragraph (iv) hereof, the Board reserves the right by subsequent amendment of this resolution from time to time to increase or decrease the number of shares which constitute the $3.50 Preferred Stock (but not below the number of shares thereof then outstanding) and in other respects to amend this resolution within the limitations provided by law, this resolution and the Certificate of Incorporation.

(viii) At the option of the holder thereof and upon surrender thereof for conversion to the Corporation at the office of the Transfer Agent of the Corporation's Common Stock in the Borough of Manhattan, the City of New York or in the City of Tulsa, each share of $3.50 Preferred Stock will be convertible (or if such share is called or surrendered for redemption, then in respect of such share to and including, but not after,

the redemption date) into fully paid and nonassessable shares of Common Stock at the initial conversion rate of 1.5625 shares of Common Stock for each share of $3.50 Preferred Stock, the conversion rate being subject to adjustment as hereinafter provided:

(I) In case the Corporation shall (A) pay a dividend in shares of its capital stock, (B) subdivide its outstanding shares of Common Stock into a greater number of shares, (C) combine its outstanding shares of Common Stock into a smaller number of shares, or (D) issue by reclassification of its shares of Common Stock any shares of its capital stock, the conversion rate in effect immediately prior thereto shall be adjusted so that the holder of a share of $3.50 Preferred Stock surrendered for conversion after the record date fixing stockholders to be affected by such event shall be entitled to receive upon conversion the number of such shares of Common Stock which he would have been entitled to receive after the happening of such event had such share of $3.50 Preferred Stock been converted immediately prior to such record date. Such adjustment shall be made whenever any of such events shall happen, but shall also be effective retroactively as to shares of $3.50 Preferred Stock converted between such record date and the date of the happening of any such event.

(II) In case the Corporation shall issue rights or warrants to all holders of its Common Stock entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the Current Market Price Per Share (as defined in subparagraph (IV) below) of Common Stock at the record date mentioned below, the number of shares of Common Stock into which each share of $3.50 Preferred Stock shall thereafter be convertible shall be determined by multiplying the number of shares of Common Stock into which such

share of $3.50 Preferred Stock was theretofore convertible by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of additional shares of Common Stock offered for subscription or purchase, and the denominator of which shall be the number of the shares of Common Stock outstanding on the date of issuance of such rights or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such Current Market Price Per Share. Such adjustment shall be made whenever such rights or warrants are issued, but shall also be effected retroactively as to shares of $3.50 Preferred Stock converted between the record date for the determination of stockholders entitled to receive such rights or warrants and the date such rights or warrants are issued.

(III) In case the Corporation shall distribute to all holders of its Common Stock evidences of its indebtedness or assets (excluding any cash dividend or distribution made out of current or retained earnings) or rights to subscribe other than as set forth in subparagraph (II) above, then in each such case the number of shares of Common Stock into which each share of $3.50 Preferred Stock shall thereafter be convertible shall be determined by multiplying the number of shares of Common Stock into which such share was theretofore convertible by a fraction, the numerator of which shall be the Current Market Price Per Share of the Common Stock on the record date fixed by the Board for such distribution, and the denominator of which shall be such Current Market Price Per Share of the Common Stock less the then fair market value (as determined by the Board, whose determination shall be conclusive) of the

portion of the assets, evidences of indebtedness or subscription rights so distributed applicable to one share of the Common Stock. Such adjustment shall be made whenever any such distribution is made, but shall also be effective retroactively as to shares of $3.50 Preferred Stock converted between the record date for the determination of stockholders entitled to receive such distribution and the date such distribution is made.

(IV) For the purpose of any computation under subparagraphs (II) and (III) above and (VI) below, the "Current Market Price Per Share of Common Stock at any date shall be deemed to be the average of the daily closing prices for the 15 consecutive trading days commencing 20 trading days before the day in question. The closing price for each day shall be reported on the New York Stock Exchange-Composite Transactions Tape or as reported by any successor central market system.

(V) No adjustment in the conversion rate shall be required unless such adjustment would require an increase or decrease of at least 1% in such rate; provided, however, that any adjustments which by reason of this subparagraph (V) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this paragraph (viii) shall be made to the nearest one-hundredth of a share.

(VI) No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon the conversion of any share of $3.50 Preferred Stock. If the conversion thereof results in a fraction, an amount equal to such fraction multiplied by the Current Market Price Per

Share of Common Stock (as defined in subparagraph (IV) above) as of the conversion date shall be paid to such holder in cash by the Corporation.

(VII) In case the Corporation shall enter into any consolidation, merger or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in each such case each share of $3.50 Preferred Stock remaining outstanding at the time of consummation of such transaction shall thereafter be convertible into the kind and amount of such stock or securities, cash and/or other property receivable upon consummation of such transaction by a holder of the number of shares of Common Stock into which such shares of $3.50 Preferred Stock might have been converted immediately prior to consummation of such transaction, assuming in each case that such holder of Common Stock failed to exercise rights of election, if any, as to the kind or amount of securities, cash or other property receivable upon consummation of such transaction (provided that if the kind or amount of securities, cash or other property receivable upon consummation of such transaction is not the same for each non-electing share, then the kind and amount of securities, cash or other property receivable upon consummation of such transaction for each non-electing share shall be deemed to be the kind and amount as receivable per share by a plurality of the non-electing shares).

(VIII) In the event of any Change in Control (as hereinafter defined) of the Corporation, each holder of $3.50 Preferred Stock shall have the right, at the holder's option, to require the Corporation to redeem all or any number of such holder's shares of $3.50 Preferred

Stock during the period (the "Exercise Period") beginning on the 30th day and ending on the 90th day after the date of such Change in Control at the Redemption Price, plus accrued and unpaid dividends to the date fixed for redemption; provided, however, that such redemption right shall not be applicable in the case of any Change in Control of the Corporation which shall have been duly approved by the Continuing Directors (as hereinafter defined) during the period (the "Approval Period") prior to or within 21 days after the date on which such Change in Control shall have occurred. As used herein, (a) "Acquiring Person" means any Person who is or becomes the Beneficial Owner, directly or indirectly, of 10% or more of the outstanding Common Stock, (b) "Beneficial Owner" has the meaning ascribed to such term in Rule 13d-3 adopted pursuant to the Securities Exchange Act of 1934, as amended, (c) a "Change in Control" of the Corporation shall be deemed to have occurred at such time as (i) any Person is or becomes the Beneficial Owner, directly or indirectly, of 30% or more of the outstanding Common Stock or (ii) individuals who constitute the Continuing Directors cease for any reason to constitute at least a majority of the Board, (d) "Continuing Director" means any member of the Board who is not affiliated with an Acquiring Person and who was a member of the Board immediately prior to the time that the Acquiring Person became an Acquiring Person and any successor to a Continuing Director who is not affiliated with the Acquiring Person and is recommended to succeed a Continuing Director by a majority of Continuing Directors who are then members of the Board, and (e) "Person" means any individual, corporation, partnership, limited partnership, association, joint-stock company, trust, unincorporated organization, syndicate or group (as such

terms are used in Section 13d-3 adopted pursuant to the Securities Exchange Act of 1934, as amended) or government or political subdivision thereof.

On or before the seventh day after the termination of the Approval Period, the Corporation shall mail to all holders of record of the $3.50 Preferred Stock as of the last day of the Approval Period, at their respective addresses as the same shall appear on the books of the Corporation as of such date, a notice disclosing (i) the Change in Control, (ii) whether or not the Continuing Directors have approved the Change in Control, and (iii) if the Continuing Directors have not approved the Change in Control, the respective dates on which the Exercise Period commences and ends, the redemption price per share of the $3.50 Preferred Stock applicable hereunder and the procedure which the holder must follow to exercise the redemption right provided above. The Corporation shall cause a copy of such notice to be published in a newspaper of general circulation in the Borough of Manhattan, New York. To exercise such redemption right, a holder of the $3.50 Preferred Stock must deliver during the Exercise Period written notice to the Corporation (or an agent designated by the Corporation for such purpose) of the holder's exercise of such redemption right, and, to be valid, any such notice of exercise must be accompanied by each certificate evidencing shares of the $3.50 Preferred Stock with respect to which the redemption right is being exercised, duly endorsed for transfer. On or prior to the seventh day after the close of the Exercise Period, the Corporation shall accept for payment all shares of $3.50 Preferred Stock properly surrendered to the Corporation (or an agent designated by the Corporation for such purpose) during the Exercise Period for redemption in

connection with the valid exercise of such redemption right and shall cause payment to be made in cash for such shares of $3.50 Preferred Stock.

(ix) For the purposes of this resolution, any stock of any class or classes of the Corporation shall be deemed to rank:

(a) prior to shares of the $3.50 Preferred Stock, either as to dividends or upon liquidation, if the holders of stock of such class or classes shall be entitled by the terms thereof to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of shares of the $3.50 Preferred Stock;

(b) on a parity with shares of the $3.50 Preferred Stock, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the $3.50 Preferred Stock, if the holders of stock of such class or classes shall be entitled by the terms thereof to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates or liquidation prices, without preference or priority of one over the other as between the holders of such stock and the holders of shares of $3.50 Preferred Stock (the term "Parity Preferred Stock" being used to refer to any stock on a parity with the shares of $3.50 Preferred Stock, either as to dividends or upon liquidation as the context may require); and

(c) junior to shares of the $3.50 Preferred Stock, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of the $3.50 Preferred Stock shall be entitled to the receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up, as the case may be, in preference or priority to the holders of stock of such class or classes.

(x) The $3.50 Preferred Stock shall rank on a parity with the $2.21 Cumulative Preferred Stock, par

value $1 per share, of the Corporation and the Cumulative Convertible Preferred Stock, $4.75 Series, par value $1 per share, of the Corporation, in each case as to dividends and upon liquidation. The $3.50 Preferred Stock shall rank prior to the Series A Junior Participating Preferred Stock, par value $1 per share, and all other shares of capital stock of the Corporation outstanding at the time of issuance of the $3.50 Preferred Stock.

IN WITNESS WHEREOF, The Williams Companies, Inc. has caused this Certificate to be made under the seal of the Corporation and signed by ________________, _____________________, and attested by ____________, ___________, this _____ day of ___________, 1995.

THE WILLIAMS COMPANIES, INC.

[SEAL]

Attest: By:

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STOCK OPTION AGREEMENT

STOCK OPTION AGREEMENT, dated as of December 12, 1994 (this "Agreement"), by and between The Williams Companies, Inc., a Delaware corporation ("Parent"), and Transco Energy Company, a Delaware corporation (the "Company").

WHEREAS, Parent, WC Acquisition Corp. (the "Purchaser") and the Company propose to enter into an Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), which provides, among other things, that Parent, on the terms and subject to the conditions thereof, will make a cash tender offer (the "Offer") to acquire up to 24,600,000 shares of the Company's common stock, par value $0.50 per share (the "Common Stock"), together with the attached Company Rights (as defined in the Merger Agreement), and thereafter the Purchaser will be merged with and into the Company (the "Merger"); and

WHEREAS, as a condition to their willingness to enter into the Merger Agreement, Parent and the Purchaser have required that the Company agree, and the Company has agreed, to grant to Parent an option to purchase from the

Company up to 7,500,000 shares of Common Stock upon the terms and subject to the conditions hereof.

NOW, THEREFORE, to induce Parent and the Purchaser to enter into the Merger Agreement, and in consideration of the mutual covenants and agreements set forth therein and herein, the parties hereto agree as follows:

1. <u>Grant of Option.</u> The Company hereby grants to Parent an irrevocable option (the "Option") to purchase up to 7,500,000 shares of Common Stock (the "Option Shares") in the manner set forth below at a price of $17.50 per share (the "Purchase Price").

2. <u>Exercise of Option.</u>

(a) The Option may be exercised by Parent, in whole or in part, at any time or from time to time following the occurrence of a Triggering Event (as defined below) and prior to the fifteenth business day after termination of the Merger Agreement (the "Expiration Date") provided that Parent or the Purchaser are not in material breach of the Merger Agreement.

(b) In order to exercise the Option, Parent must send a written notice (an "Exercise Notice") to the Company specifying the number of Option Shares it will purchase and a date not earlier than five business days nor later than fifteen business days from the date

such notice is given for the closing of such purchase (an "Option Closing"). Upon receipt of an Exercise Notice, the Company will, subject to Section 5 hereof, be obligated to deliver Option Shares in accordance with Section 3 of this Agreement, and Parent will be obligated to deliver the Purchase Price, on the later of the date specified in the Exercise Notice or the first business day thereafter on which the following conditions are satisfied: (a) no preliminary or permanent injunction or other order against the delivery of the Option Shares issued by any federal or state court of competent jurisdiction in the United States is in effect; and (b) any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and the rules and regulations promulgated thereunder have expired or been terminated. Each Option Closing will be held at the offices of Skadden, Arps, Slate, Meagher & Flom, 919 Third Avenue, New York, New York 10022 on the date specified in the Exercise Notice, unless another date or place is agreed to in writing by the parties hereto.

(c) The term "Triggering Event" will mean the occurrence of any of the following events: (i) the Company accepts a proposal for or otherwise engages in

any Acquisition Transaction (as defined in the Merger Agreement) other than the Offer or the Merger; (ii) the Board of Directors of the Company withdraws, amends or modifies in a manner adverse to Parent its favorable recommendation of the Offer or the Merger; or (iii) (x) any person publicly proposes an Acquisition Transaction and (y) the Offer has expired in accordance with its terms and the Merger Agreement and the Minimum Condition (as defined in the Merger Agreement) fails to be satisfied; provided, however, that no Triggering Event will occur if Parent or the Purchaser are in material breach of the Merger Agreement.

3. Payment of Purchase Price and Delivery of Certificates. At each Option Closing (a) against delivery of the Option Shares to be purchased free and clear of all liens, claims, charges and encumbrances of any kind or nature whatsoever, Parent will pay to the Company, by a certified or bank check payable in immediately available funds to the Company or, at the Company's election, by wire transfer of immediately available funds to an account specified by the Company, an amount in cash equal to the product of the Purchase Price times the number of the Option Shares purchased at such Option Closing, and (b) the Company will deliver to Parent a

certificate or certificates representing the number of Option Shares so purchased in the denominations and in the name designated by Parent in its Exercise Notice. In the event that Parent acquires any Option Shares and within one year following the date of purchase disposes of such shares (other than to a wholly-owned subsidiary of Parent) through a sale, exchange, transfer, merger or otherwise, for an amount per share which exceeds the Purchase Price by more than $2.00 (the "Option Cap"), Parent will promptly return to the Company the amount of such excess and thereby effect an upward adjustment to the Purchase Price. Parent will not sell or otherwise dispose of Option Shares except in compliance with the Securities Act and any applicable state securities law.

4. Registration Rights. The Company will use its reasonable best efforts to effect, as promptly as possible after the request of Parent within one year after the first Option Closing, the registration under the Securities Act of 1933 (the "Securities Act") and any applicable states securities laws of any part or all of the Option Shares, unless in the written opinion of counsel to the Company, which opinion must reasonably be satisfactory to Parent, registration under the Securities Act is not required for the sale and distribution of such

Option Shares at such time; provided, however, that Parent and its Affiliates (as defined herein) will not be entitled to more than an aggregate of two effective registration statements hereunder. The registration effected under this Section 4 will be effected at the Company's expense except for underwriting commissions and the fees and expenses of counsel to Parent. In the event of an underwritten public offering, the Company will provide to the underwriters such documentation (including certificates, opinions of counsel and "comfort" letters from auditors) as are customary in connection with such offerings and as such underwriters may reasonably require. In connection with the registrations under this Section 4, the parties will indemnify each other in the customary manner and, in the case of an underwritten offering, the Company will indemnify Parent and the underwriters, in the manner and to the extent as is customary in such underwritten offerings. The term "Affiliate" will have the meaning ascribed to it in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on the date hereof (the term "registrant" in said Rule 12b-2 meaning in this case the Company).

5. Cancellation Rights.

(a) Parent's Cancellation Right. At any time the Option is exercisable, Parent will have the right, upon prior written notice (a "Parent Cash-out Notice") to the Company specifying the date of the closing (the "Cancellation Closing") thereof (which date will not be earlier than ten business days nor later than twenty business days after the receipt by the Company of such Parent Cash-out Notice), to cause the Company to pay to Parent in consideration for the cancellation of all or that part of the Option to be cancelled, an aggregate cash cancellation price (the "Cancellation Price") equal to the product of (i) the number of shares of Common Stock as to which the Option is to be cancelled, multiplied by (ii) the excess (but in no event more than the Option Cap) of (x) the Applicable Price (as defined below) over (y) the Purchase Price.

(b) Company's Cancellation Right. At any time after the Company receives an Exercise Notice pursuant to Section 2(b), the Company will have the right, upon prior written notice (a "Company Cash-out Notice" and, together with any Parent Cash-out Notice, a "Cash-out Notice") to Parent not later than two business days prior to the applicable Option Closing, specifying the date of the Cancellation Closing thereof (which will not

be earlier than five business days nor later than fifteen business days after the receipt by Parent of the applicable Company Cash-out Notice), to pay to Parent in consideration for the cancellation of all or that part of the Option subject to such Exercise Notice, in lieu of delivering Option Shares, the Cancellation Price with respect to the Option Shares subject to such Exercise Notice.

(c) Cancellation Closing. At any Cancellation Closing, the Company will pay to Parent the Cancellation Price for the number of Option Shares as to which the Option is to be cancelled, by certified or bank check payable in immediately available funds or, at Parent's election, by wire transfer of immediately available funds to an account specified by Parent in exchange for the cancellation of such portion of the Option. The closing will be held at the offices of Skadden, Arps, Slate, Meagher & Flom, 919 Third Avenue, New York, New York 10022 on the date specified in the applicable Cash-out Notice, unless another date or place is agreed to in writing by the parties hereto.

(d) Definition. The "Applicable Price" will mean the average of the high and low sales prices (but in no event less than the Purchase Price) of the shares of Common Stock as quoted on the New York Stock

Exchange (the "NYSE"), or if not so quoted on the NYSE, then the average of the high and low sales prices on the principal national securities exchange on which such shares are listed, or if not so listed on any national securities exchange, then the average of the high and low bid prices per share of Common Stock as quoted on the National Association of Securities Dealers Automated Quotations System, on the day prior to the date of the applicable Parent Cash-out Notice or the applicable Exercise Notice, as the case may be (the "Measurement Date"); provided, however, that if any person has entered into an agreement with the Company for an Acquisition Transaction, or an Acquisition Transaction has otherwise been proposed, prior to the delivery of the applicable Cash-out Notice, the Applicable Price shall mean the average consideration proposed to be payable per outstanding share of Common Stock pursuant to such Acquisition Transaction (or, if there is more than one such Acquisition Transaction, pursuant to the Acquisition Transaction which yields the greater average consideration) valued as of the Measurement Date (with any non-marketable securities included in such consideration being valued at the fair market value per share of such securities with such fair market value to be determined

in good faith by an independent investment banking firm selected by the Company and Parent).

6. Anti-Dilution Adjustments. In the event of any change in the number of issued and outstanding shares of Common Stock by reason of any stock dividend, split-up, combination, recapitalization, merger or similar change in the corporate or capital structure of the Company which would have the effect of diluting the rights of Parent hereunder, the number and kind of Option Shares subject to the Option, the Option Cap per share (but not the aggregate dollar amount thereof) and the Purchase Price will be appropriately adjusted.

7. Filings and Consents. Parent and the Company each will use its reasonable best efforts to make all filings with, and to obtain consents of, all third parties and governmental authorities necessary to the consummation of the transactions contemplated by this Agreement.

8. Costs. Other than as provided in Section 4 of this Agreement, each party hereto will pay its own expenses incurred in connection with this Agreement.

9. Parties in Interest; Assignment. No party to this Agreement may assign any of its rights or obligations under this Agreement without the prior written

consent of the other parties hereto, except that the rights and obligations of Parent hereunder may be assigned by Parent to any direct or indirect wholly-owned subsidiary of Parent, but no such transfer will relieve Parent of its obligations hereunder if such transferee does not perform such obligations.

10. Amendments. This Agreement may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by all of the parties hereto.

11. Notices. All notices, requests, claims, demands and other communications hereunder will be in writing and will be given (and will be deemed to have been duly given if so given) in the manner provided in the Merger Agreement for notices, or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of changes of address will only be effective upon receipt.

12. Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed to be an original, but all of which together shall constitute one and the same document.

13. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of

the State of Delaware applicable to contracts made and to be performed in that State. The Company and Parent (w) hereby submit to the jurisdiction of any Delaware State and Federal courts sitting in Delaware with respect to matters arising out of or relating hereto, (x) agree that all claims with respect to matters may be heard and determined in an action or proceeding in such Delaware State or Federal court and in no other court, (y) waive the defense of an inconvenient forum, and (z) agree that a final judgment in any such action or proceeding will be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

14. Rights of Assignees; Third Party Beneficiaries. This Agreement will be binding upon, inure to the benefit of, and be enforceable by, the successors and permitted assigns of the parties hereto. Nothing expressed or referred to in this Agreement is intended or will be construed to give any person other than the parties to this Agreement or their respective successors or assigns any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein.

15. Severability of Provisions. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement will remain in full force and effect and will in no way be affected, impaired or invalidated.

16. Further Assurances. The Company and Parent will execute and deliver all such further documents and instruments and take all such further action as may be necessary in order to consummate the transactions contemplated hereby.

17. Effect of Headings. The descriptive headings contained herein are for convenience only and will not affect in any way the meaning or interpretation of this Agreement.

IN WITNESS WHEREOF, Parent and the Company have caused this Agreement to be duly executed on the day and year first above written.

THE WILLIAMS COMPANIES, INC.

By: ---------------------------

TRANSCO ENERGY COMPANY

By: ----------------------------

CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (this "Agreement"), entered into and made effective on the __ day of October, 1994, is by and between Transco Energy Company ("Transco") and The Williams Companies, Inc. ("Williams").

W I T N E S S E T H:

WHEREAS, the parties hereto intend to enter into confidential discussions and may enter into negotiations with regard to the acquisition or combination of certain stock or assets of Transco and/or Williams pursuant to terms and conditions mutually agreeable to Transco and Williams (the "Proposed Transaction");

WHEREAS, it will be necessary for the parties or their Affiliates (as defined in Section 11)to release certain confidential information to each other for the sole purpose of enabling the parties to evaluate their interest in entering into the Proposed Transaction; and

WHEREAS, the parties have entered into this Agreement in order to assure the confidentiality of all such information and to prevent the disclosure of same to third parties except as permitted herein and to address certain other matters.

NOW, THEREFORE, in consideration of the mutual promises and covenants made herein, and with the intent to be legally bound hereby, Transco and Williams agree as follows:

1. Confidential Information. The term "Confidential Information" as used in this Agreement shall mean any and all written materials provided by a party or its Affiliates to the other or ascertained by the other through due diligence investigation or discussions between employees or agents of the parties or their Affiliates; such Confidential Information shall include but not be limited to, all marketing, technical, engineering, operational, economic or financial knowledge, information or data of any nature whatsoever relating to the future, present or past business, operations, plans or assets of the party, including any of its Affiliates, which is disclosed (either directly or through their agents) by such party or its Affiliates to the other in connection with the Proposed Transaction; such Confidential Information shall also include any analyses, compilations, data, studies or other documents prepared by a party or its Affiliates containing or based on, in whole or in part, Confidential Information relating to the other party, or reflecting a party's or its Affiliates' review of, or interest in, the other party or any of its Affiliates; provided, however, that Confidential Information shall not include the following:

(a) information which at the time of disclosure by a party or its Affiliates (the "Disclosing Party") is in the public domain, or information which later becomes part of the public domain through no act or omission of the recipient (the "Receiving Party");

(b) information which the Receiving Party can demonstrate was legally in its possession prior to disclosure by the Disclosing Party;

(c) information received by the Receiving Party from a third party who, to the best of the Receiving Party's knowledge, did not acquire such information on a confidential basis either directly or indirectly from the Disclosing Party.

2. Disclosure and Use of Confidential Information. Each party agrees to keep confidential all Confidential Information relating to the other party, and shall not, without the other party's prior written consent, disclose to any third party, firm, corporation or entity such Confidential Information. Each party shall limit the disclosure of Confidential Information relating to the other party to only those directors, officers, employees and agents (including attorneys, accountants, investment bankers ("Financial Advisors") and similar consultants) of the party or its Affiliates reasonably necessary to evaluate the Proposed Transaction. In addition, each party shall inform such persons of the confidential nature of the Confidential Information and direct such persons to treat such information confidentially and to otherwise comply with the provisions of this Agreement, and each party shall be responsible for any breach of this Agreement by any of such persons. To the extent that any such persons are not employees of the party or its Affiliates, the party shall obtain a signed writing evidencing the acceptance by such persons of the terms of this Agreement. Each party shall use Confidential Information relating to the other party only for the purpose of its internal evaluation of the Proposed Transaction, and shall not make any other use, in whole or in part, of any such Confidential Information without the prior written consent of the other.

3. Required Disclosure. In the event that either Transco, Williams or any of their respective Affiliates (as the case may be) are requested or required by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process or by law or regulation (1) to disclose any Confidential Information relating to the other or (2) to disclose the possibility of any Proposed Transaction or the discussions pertaining thereto, it is agreed that it will provide prompt notice of such potential disclosure so than an appropriate protective order may be sought and/or a waiver of compliance with the provisions of this Agreement may be granted. If, in the absence of a protective order or the receipt of a waiver hereunder, Transco, Williams and/or any of their respective Affiliates (as the case may be) are nonetheless, in the written opinion of their respective counsel, legally required to disclose Confidential Information relating to the other or to disclose the possibility of any Proposed Transaction or the discussions pertaining thereto, then in such event Transco, Williams or the Affiliates (as the case may be) may disclose such information without liability hereunder, provided that the other party has been given a reasonable opportunity to review the text of such disclosure before it is made.

4. Return of Documents. Upon written request from the Disclosing Party or upon termination of the confidential discussions contemplated hereunder, Transco and Williams shall each return any and all written Confidential Information relating to the other as well as any other information disclosed to it by the other party, including all originals, copies, translations, notes, or any other form of said material. Notwithstanding the foregoing sentence, Transco or Williams, as the case may be, may in lieu of returning the same to the Disclosing Party destroy all documents, notes, memoranda, analyses or other writings prepared by Transco or Williams, as the case may be, which are based on or refer to any Confidential Information relating to the Disclosing Party and certify such destruction in writing to the Disclosing Party.

5. Survival of Obligations. The obligations and commitments established by this Agreement shall remain in full force and effect for three (3) years from the date of this Agreement or until such time as the parties have entered into an agreement providing otherwise.

6. Nature of Information. Transco and Williams each hereby accepts the representations of the other party that the other party's Confidential Information is of a special, unique, unusual, extraordinary, and intellectual character. Transco and Williams each acknowledges that the Disclosing Party's interests in such Confidential Information may be irreparably injured by disclosure of such Confidential Information. Transco and Williams each acknowledges and agrees that money damages would not be a sufficient remedy for any breach of this Agreement by it and that in addition to all other remedies the other party shall be entitled to specific

performance and injunctive or other equitable relief as a remedy for any such breach and each further agrees to waive any requirement for the securing or posting of any bond in connection with such remedy.

7. Securities Laws. Each party hereby acknowledges that it is aware, and that it will advise its directors, officers, employees and agents who are informed as to the matters which are the subject of this Agreement, that the United States securities laws prohibit any person who has received from an issuer material, non-public information from purchasing or selling securities of such issuer or from communicating such information to any other person while such information is non-public under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities.

8. Other Transactions Excluded. Each party agrees that until the expiration of three years from the date of this Agreement, neither it nor any of its Affiliates (excluding the trustee or any investment advisor of any of each party's pension plans) shall, directly or indirectly, alone or in concert with others, without the prior approval of the Board of Directors of the other party: (a) in any manner acquire, agree to acquire or make any proposal to acquire, directly or indirectly, any securities or property of the other party or any of its Affiliates (other than the acquisition of property in the ordinary course of business), (b) propose to enter into, directly or indirectly, any merger or business combination involving the other party or any of its Affiliates, or to purchase, directly or indirectly, all or (other than in the ordinary course of business) any portion of the assets of the other party or any of its Affiliates, (c) make, or in any way participate, directly or indirectly, in any "solicitation" of "proxies" (as such terms are used in the proxy rules of the Securities and Exchange Commission) to vote, or seek to advise or influence any person with respect to the voting of any voting securities of the other party or any of its Affiliates, (d) form, join or in any way participate in a "group" (within the meaning of Section 13(d) of the Securities Exchange Act of 1934) with respect to any voting securities of the other party or any of its Affiliates, (e) otherwise act, alone or in concert with others, to seek to control or influence the management, Board of Directors or policies of the other party, (f) disclose any intention, plan or arrangement inconsistent with the foregoing or, (g) advise, assist or encourage any other persons in connection with any of the foregoing, including arranging or in any way participating, directly or indirectly, in the financing of the foregoing. Each party also agrees during such period not to (i) request the other party (or its directors, officers, employees or agents), directly or indirectly, to amend or waive any provision of this Section 8 (including this sentence) or (ii) take any action which might require the other party to make a public announcement regarding the possibility of a business combination or merger.

9. Contact by Parties. For a period of three years from the date of this Agreement, each party agrees not to initiate or maintain contact (except for those contacts made in the ordinary course of business) with any director, officer, employee or agent of the other party or its Affiliates regarding its business, operations, prospects or finances, except with the express written permission of the other party. It is understood that each party's Financial Advisors will arrange for appropriate contacts for due diligence purposes. It is further understood that all (i) communications regarding the Proposed Transaction, (ii) requests for additional information, (iii) requests for facility tours or management meetings, and (iv) disclosures or questions regarding procedures, will be submitted or directed only to each party's Financial Advisors. Each party further agrees that for a period of one year from the date hereof, without the prior written consent of the other party, which will not be unreasonably withheld, a party will not directly or indirectly knowingly or intentionally solicit for employment any person who is now employed by the other party or its Affiliates, it being understood that an advertisement published in any newspaper, magazine or similar publication soliciting the employment of persons generally will not be deemed a solicitation prohibited by this sentence.

10. Governing Law. The validity and interpretation of this Agreement and the legal relations of the parties to it shall be governed by the laws of the State of Delaware. In the event that a court of competent jurisdiction determines that any portion of this Agreement is unreasonable because of its term or scope, or for any other reason, Transco and Williams agree that such court may reform such provision so that it is reasonable under the circumstances and that such provision, as reformed, shall be enforceable. We each hereby irrevocably and unconditionally consent to submit to the exclusive jurisdiction of the courts of the State of Delaware for any actions, suits or proceedings arising out of or relating to this Agreement and we each agree not to commence any action, suit or proceeding relating hereto except in such courts. We further agree that service of any process, summons, notice or document by U.S. registered mail to our respective executive offices will be effective service of process for any action, suit or proceeding brought in any such court.

11. Affiliate. The term "Affiliate" shall mean any corporation, partnership, or other entity or association that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, Transco or Williams (as the case may be).

12. No Other Agreement. It is expressly understood that this Agreement is not and shall not be construed as any obligation or form of a letter of intent or agreement to enter into the Proposed Transaction. Neither party may rely on this Agreement or the negotiations or exchange of Confidential Information or other documentation between the parties as a commitment to enter into binding definitive agreements. Each party agrees that unless and until a definitive agreement between the parties hereto with respect to any Proposed Transaction has been executed and delivered, neither party will be under any obligation of any kind whatsoever with respect to a Proposed Transaction except for the matters specifically provided for in this Agreement.

13. No Representations or Warranties. With respect to any information, including but not limited to Confidential Information, which either party furnishes or otherwise discloses to the other party for the purpose of evaluating any Proposed Transaction, it is understood and agreed that the party disclosing such information does not make any representations or warranties as to the accuracy, completeness or fitness for a particular purpose thereof. It is further understood and agreed that neither party nor their representatives or Affiliates shall have any liability or responsibility to the other party or to any other person or entity resulting from the use of any information so furnished or otherwise provided.

14. Modification and Waiver. The provisions of this Agreement may be modified or waived only by a separate writing signed by Transco and Williams expressly so modifying or waiving the same. No failure or delay by Transco or Williams in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any partial exercise thereof preclude any other or further exercise thereof or of any other right, power or privilege.

15. Affiliates Bound. Each of Transco or Williams agrees to cause its Affiliates to be bound hereby as if each were a party to this Agreement.

16. Severability. If any provision of this Agreement is declared void, or otherwise unenforceable and cannot be reformed as provided in Section 10 hereof, such provision shall be deemed to have been severed from this Agreement, which shall otherwise remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement on the day and year first herein above written.

THE WILLIAMS COMPANIES, INC.	TRANSCO ENERGY COMPANY
By: /s/ Keith E. Bailey	By: /s/ John P. DesBarres
Keith E. Bailey	John P. DesBarres
Chairman of the Board, President and Chief Executive Officer	Chairman of the Board, President and Chief Executive Officer

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

WILL ALPERN, Plaintiff, v. TRANSCO ENERGY COMPANY, JOHN P. DESBARRES, ROBERT W. FRI, J. DAVID GRISSOM, BENJAMIN F. BAILAR, GORDON F. AHALT, FREDERICK H. SCHULTZ, WILLIAM H. LUERS, and WILLIAMS COMPANIES INC., Defendants.	Civil Action No. 13918

COMPLAINT

Plaintiff, by and through his attorneys, alleges as follows:

THE PARTIES

1. Plaintiff brings this action as a class action on behalf of himself and all other shareholders of Transco Energy Company ("Transco") who are similarly situated to enjoin any and all efforts by the defendants to be acquired by Williams Companies Inc. ("Williams") by means of a coercive front-end loaded two-step tender offer/merger, to which Transco's directors have agreed in breach of their fiduciary duties. Plaintiff further brings this action to enjoin any and all efforts by defendants to enforce any anti-takeover devices including the lock-up option granted Williams described below. Plaintiff also seeks to recover damages from the director defendants for breach of fiduciary duty in connection with the proposed acquisition of Transco. Defendants' actions constitute a breach of fiduciary duty to inform themselves, to

maximize shareholder value, and to protect the interests of the public shareholders. The director defendants are utilizing their fiduciary positions of control over Transco to agree to a coercive transaction when they should protect the public shareholders from such coercion.

2. Plaintiff is the owner of common stock of Transco.

3. Defendant Transco is a Delaware corporation with its principal executive offices located at 2800 Post Oak Boulevard, P.O. Box 1396, Houston, TX 77251. Transco transports and markets natural gas; develops and owns independent electric power generation facilities; mines, markets, and transports coal; explores for oil and natural gas; and produces and sells natural gas liquids.

4. The following individual defendants (the "director defendants") constitute the entire Board of Directors of Transco; John P. Desbarres, Robert W. Fri, J. David Grissom, Benjamin F. Bailer, Gordon F. Ahalt, Frederick H. Schultz, and William H. Luers.

5. By reason of their relationships and offices, the director defendants are in a fiduciary relationship with plaintiff and other public shareholders of Transco and owe to them the highest obligations of good faith and fair dealing.

6. Defendant Williams is a Delaware corporation with subsidiaries that transport and sell natural gas and petroleum products; operate a digital fiber optic and microwave telecommunications system; and offer data, voice, and video related

products and services. Williams is sued as an aider and abettor of the director defendants' breaches of fiduciary duty described herein.

CLASS ACTION ALLEGATIONS

7. Plaintiff brings this action on his own behalf and as a class action pursuant to Rule 23 of the rules of the Court of Chancery, on behalf of all common stockholders of Transco (except defendants herein and any person, firm, trust, corporation or other entity related to or affiliated with any of the defendants and except for all persons seeking to buy Transco as an entity, either by friendly or hostile means) who are being threatened with a coercive tender offer and deprived of the opportunity to maximize the value of their Transco stock by the wrongful acts of the defendants described herein (the "Class").

8. This action is properly maintainable as a class action for the following reasons:

a. The Class is so numerous that joinder of all Class members is impracticable. There are approximately 15,700 holders of shares of Transco common stock outstanding. Members of the Class are scattered throughout the United States. Furthermore, as the damage suffered by individual Class members may be small, the expense and burden of individual litigation makes it impossible for the Class members, individually, to redress wrongs done to them.

b. There are questions of law and fact which are common to the members of the Class and which predominate over any

questions affecting only individual members, including whether the defendants have breached the fiduciary duties owed by them to plaintiff and members of the Class by reason of:

(i) their agreement to a coercive two-step merger, which includes a front-end loaded tender offer and a lock-up provision to prevent Transco public shareholders from maximizing the value of their holdings;

(ii) engaging in plans and schemes unlawfully to thwart offers and proposals from third parties; and

(iii) approving and causing Transco to agree to an onerous "lock-up" provision with Williams.

c. The claims of plaintiff are typical of the claims of the other members of the Class, and plaintiff has no interests that are adverse or antagonistic to the interests of the Class.

d. Plaintiff is a member of the Class, has sustained and will sustain damages, is committed to the vigorous prosecution of this action and has retained competent counsel experienced in litigation of this nature. Accordingly, plaintiff is an adequate representative of the Class and will fairly and adequately protect the interests of the Class. There will be no difficulty in the management of this case as a class action.

e. The prosecution of separate actions by individual members of the Class would create a risk of inconsistent or varying adjudications with respect to individual members of the

Class that would establish incompatible standards of conduct for the party opposing the Class.

f. Defendants have acted and/or refused to act on grounds generally applicable to the Class, thereby making appropriate final injunctive relief or corresponding declaratory relief with respect to the Class as a whole.

g. A class action is superior to the other available methods for adjudication of this controversy.

SUBSTANTIVE ALLEGATIONS

9. On or about December 12, 1994, defendants announced that Transco had agreed to be acquired by Williams in a two-step transaction. In the first step, Williams will make a tender offer for 60% of Transco's common shares at $17.50 cash per share. Once Williams has control of Transco by means of the tender offer, the second step, "mop up" merger will go forward with the remaining 40% of Transco's common shares being exchanged for .625 of a share of Williams common stock for each remaining share of Transco stock. On December 9, 1994, the last trading day before the announcement of the deal, Williams was trading at 26-7/8 per share. Therefore, .625 of a Williams share had an unaffected market value of less than $16.80. Consequently, Transco shareholders will be coerced to tender their shares in order to get the higher cash consideration in the tender offer for at least 60% of their shares rather than risk receiving the lower merger consideration for all of their shares in the merger if the coercive tender offer is successful.

10. The gross unfairness of the merger consideration is clear. During the last 12 months, Transco has traded as high as 16 7/8 per share, higher than the offered second-step merger consideration. But because of the coercive nature of the transaction, Transco shareholders will be forced to tender regardless of whether they believe the price is unfair and inadequate. By agreeing to this structure, the director defendants have breached their fiduciary duties owed to plaintiff and the Class to protect them from such coercive, inadequate transactions. By proposing and agreeing to this structure, Williams knowingly participated in the director defendants' breach of fiduciary duties.

11. Also, as part of the transaction, the director defendants have agreed to a sweetheart "lock-up" deal with Williams, pursuant to which Williams may buy up to 7.5 million additional Transco common shares at $17.50, representing over 15% of Transco stock. This lock-up option could be used to assure that Williams gains control of Transco and can complete the second step merger even if the coercive tender offer is not completely effective. In addition, the lock-up is designed to discourage other bidders. Indeed, if Williams seeks to exercise the option, Transco would have to pay $2 per option share, $15 million total, in cash to cancel the option.

12. If the coercive transaction and lock-up option are permitted to survive in the face of the director defendants' failure and refusal to pursue the interests of the public

shareholders, the Company's shareholders who wish to avail themselves of *bona fide* offers to purchase their shares for fair value or who wish to reject the Williams transaction as unfair and inadequate would be deprived of the ability to do so.

13. By agreeing to the coercive transaction and to the lock-up option, the director defendants, without shareholder approval, caused a fundamental shift of power from Transco's shareholders to themselves. These actions permit the directors to act as the prime negotiators of -- and, in effect, totally to preclude -- any and *all* competing offers through their power to use the onerous lock-up option to discourage other bidders.

14. This fundamental shift of control of Transco's destiny from the hands of its shareholders to the hands of the director defendants results in a heightened fiduciary duty of the director defendants to consider, in good faith, any third-party bid, and further requires the director defendants to pursue third party interest in acquiring Transco and to negotiate in good faith with bidders on behalf of Transco's shareholders.

15. The director defendants have breached their fiduciary duties by reason of the acts and transactions complained of herein.

16. The lock-up option was not granted by an informed, disinterested board motivated to encourage the bidding process and maximize value for the benefit of the stockholders. The lock-up option was granted by the board to protect the coercive front-end

loaded buyout, terminating any further opportunity for meaningful third-party bidding or meaningful stockholder choice.

17. Unless enjoined by this Court, the director defendants will continue to breach their fiduciary duties owed to plaintiff and the other members of the Class to the irreparable harm of the Class, as aforesaid.

18. Williams knew or recklessly disregarded the facts set forth herein concerning the director defendants breaches of fiduciary duty. Nonetheless, Williams has participated in and advanced those breaches. Consequently, Williams is liable as an aider and abettor of the breaches of fiduciary duty alleged herein.

19. Plaintiff and the Class have no adequate remedy at law.

WHEREFORE, plaintiff demands judgment and preliminary and permanent relief, including injunctive relief, in his favor and in favor of the Class and against defendants as follows:

A. Declaring that this action is properly maintainable as a class action.

B. Declaring that the director defendants and each of them have committed a gross abuse of trust and have breached their fiduciary duties to the Class.

C. Granting injunctive relief against the defendants' approval of the Williams transaction, against the completion of the coercive tender offer, against the enforcement of the lock-up option, and against any other actions that might be taken to, or have the effect of, diminishing shareholder value.

D. Requiring the director defendants to fulfill their fiduciary duties to maximize shareholder values by exploring third-party interest and accepting the highest offer obtainable for the public shareholders or by permitting the shareholders to make that decision free from any coercion.

E. Awarding plaintiff and the Class compensatory damages.

F. Awarding plaintiff the costs and disbursements of this action, including reasonable attorneys' and experts' fees.

G. Granting such other and further relief as this Court may deem just and proper.

Dated: December 12, 1994

CHIMICLES, JACOBSEN & TIKELLIS

/s/ Carolyn D. Mack

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IN THE COURT OF CHANCERY IN THE STATE OF DELAWARE
IN AND FOR NEW CASTLE COUNTY

ABRAM WEISS and ROSE B. WEISS,	:	
Plaintiffs,	:	Civil Action No. 13923
-against-	:	CLASS ACTION COMPLAINT
JOHN P. DESBARRES, WILLIAM H. LUERS, FREDERICK H. SCHULTZ, GORDON F. AHALT, BENJAMIN F. BAILAR, ROBERT W. FRI, DAVID J. GRISSOM, TRANSCO ENERGY COMPANY and THE WILLIAMS COMPANIES, INC.,	:	
Defendants.	:	

Plaintiffs, by their attorneys, allege upon information and belief (said information and belief being based, in part, upon the investigation conducted by and through their undersigned counsel), except with respect to their ownership of Transco Energy Company ("Transco" or the "Company") common stock, which is alleged upon their personal knowledge as follows:

THE PARTIES

1. Plaintiffs are the owners of shares of defendant Transco.

2. Defendant Transco is a corporation organized and existing under the laws of the State of Delaware. Transco maintains its principal offices at 2800 Post Oak Boulevard, P.O. Box 1396, Houston, Texas. Transco

transports natural gas through its two interstate pipeline systems, 10,500-mile Transcontinental Gas Pipe Line Corporation and 6,050-mile Texas Gas Transmission Corporation, to markets in the eastern and midwestern United States, respectively. Transco also buys, sells and arranges for the transportation of natural gas throughout the United States and Canada through its marketing subsidiary, Transco Gas Marketing Company. Transco, through Interstate Coal Company, also mines coal in eastern Kentucky and Tennessee.

3. Defendant John P. Desbarres is the Chairman of the Board, President and Chief Executive Officer of Transco.

4. Defendants William H. Luers, Frederick H. Schultz, Gordon F. Ahalt, Benjamin F. Bailar, Robert W. Fri and David J. Grissom are directors of Transco.

5. The foregoing individual defendants (collectively referred to herein as the "Director Defendants") are in a fiduciary relationship with plaintiffs and the public stockholders of Transco, and owe plaintiffs and the other Transco public stockholders the highest obligations of good faith, fair dealing, due care, loyalty and full and candid disclosure.

CLASS ACTION ALLEGATIONS

6. Plaintiffs bring this action on their own behalf and as a class action on behalf of all shareholders of defendant Transco (except defendants herein and any person, firm, trust, corporation or other entity related to or affiliated with any of the defendants) or their successors in interest, who have been or will be adversely affected by the conduct of defendants alleged herein.

7. This action is properly maintainable as a class action for the following reasons:

(a) the class of shareholders for whose benefit this action is brought is so numerous that joinder of all Class members is impracticable. As of June 30, 1994, there were over 40 million shares of Transco common stock outstanding, owned by over 15,000 shareholders of record scattered throughout the United States.

(b) there are questions of law and fact which are common to members of the class and which include, *inter alia*, the following:

(i) whether the Director Defendants have breached their fiduciary duties owed by them to plaintiffs and members of the class and/or have been aided and abetted in such breach;

(ii) whether the Director Defendants have failed to fully disclose the true value of defendant Transco's assets and earnings power;

(iii) whether the Director Defendants have wrongfully failed and refused to seek a purchaser of Transco and/or any and all of its various assets or divisions at the highest possible price; and

(iv) whether plaintiffs and the other members of the Class will be irreparably damaged by the Individual Defendants' failure to conduct an active auction of Transco.

8. Plaintiffs are committed to prosecuting this action and have retained competent counsel experienced in litigation of this nature. The claims of plaintiffs are typical of the claims of the other members of the Class and plaintiffs have the same interest as the other members of the Class. Accordingly, plaintiffs are adequate representatives of the Class and will fairly and adequately protect the interests of the Class.

SUBSTANTIVE ALLEGATIONS

9. On May 2, 1994 Smith Barney Shearson raised Transco to "buy" from "outperform."

10. On May 17, 1994, Desbarres stated at

Transco's 46th Annual Meeting that Transco "is well on its way to achieving its vision of being the premier transporter and marketer in the eastern half of the United States." He further stated that, "Demand is growing in Transco's markets, and we are not only keeping pace, but actually outdoing our competition in meeting customer needs. And I can not think of a better way for our company to achieve success."

11. On July 20, 1994, Transco announced its second quarter improved operating income which was the seventh consecutive quarter of improved operating results.

12. On August 4, 1994, Transco announced organizational changes to better pursue development of new business and expand the reliance, quality services provided to its current customers. These changes refined the organization and increased the value of Transco.

13. On October 26, 1994, Transco announced its third quarter improved operating income. This was its eighth consecutive quarter of improved operating results.

14. Transco was on its way to becoming the premier transporter and marketer of natural gas in the eastern half of the United States before its public announcement on December 12, 1994.

15. On December 12, 1994, it was publicly

announced that Transco has approved a merger between Transco and The Williams Companies, Inc. ("Williams"). Under the terms of the merger agreement, Williams will pay $17.50 cash a share for up to 24.6 million Transco shares or 60% of Transco common stock and related common stock purchase rights in a first-step tender offer. The tender offer will be conditioned on, among other things, the tender of no fewer than 20.9 million shares, or 51% of Transco's common stock. After the tender offer, a newly formed Williams unit will be merged into Transco, with Transco continuing as a wholly owned subsidiary of Williams. The outstanding shares of Transco $4.75 cumulative convertible preferred stock will be converted into the right to receive an equal number of shares of a new series of Williams $4.75 cumulative convertible preferred stock convertible into 0.5588 Williams common shares. The Transco $3.50 cumulative convertible preferred stock will be converted into the right to receive an equal number of shares of a new series of Williams $3.50 cumulative convertible preferred stock convertible into 1.5625 William common shares and otherwise having substantially equivalent rights.

16. In addition, Williams and Transco signed a stock option agreement enabling Williams to buy up to 7.5 million additional Transco common shares at $17.50 each. If Williams exercises the stock option, Transco has the right to cancel the option for a cash payment not to exceed $2 per

option share.

17. The total value of the cash tender offer and merger, including the exchange of new series of Williams convertible preferred stock for Transco's two outstanding series of convertible preferred stock and including Transco's outstanding indebtedness, is approximately $3 billion. But because Transco shareholders do not know the value of the Williams securities to be paid on the "back-end" (particularly since the defendants have failed to establish a collar with respect to these securities), they will be coerced into tendering their shares on the front end of the offer for inadequate cash consideration.

18. Under the circumstances, the Director Defendants are obligated to explore all alternatives to maximize shareholder value. The Director Defendants will be in breach of their fiduciary duties owed to Transco's public shareholders if they fail to fully explore *bona fide* offers by potential acquirors for the purchase of the Company.

19. The Williams proposal constitutes a change of control of Transco, its business and affairs.

20. Because of the announcement of the definitive merger agreement and the structure of the transaction, no fair market check to determine the fair value of Transco's publicly held shares can be conducted. Moreover, defendants

have set the price for the publicly held shares of Transco without taking adequate steps to determine the fair value of such securities.

21. The Director Defendants have violated fiduciary and other common law duties which they owe to plaintiffs and the other members of the Class in that they are not exercising informed independent business judgment, have acted and are acting to the detriment of the members of the Class in order to benefit themselves, and have participated in and substantially and knowingly aided and abetted the above breaches of fiduciary duty and the plan to effect a change of control of Transco on unfair and inadequate terms.

22. Because of their positions of control and authority as officers and directors of Transco, the Director Defendants were able to and did, directly or indirectly, control the actions of Transco in agreeing to a merger on terms which are unfair to the shareholders of Transco. In violation of the fiduciary duties owed Transco's shareholders, the Director Defendants are causing, or are substantially and knowingly aiding and abetting in, the plan to enable Williams to acquire Transco to the detriment of plaintiffs and the plaintiff class.

23. Defendant Williams, without which the proposed transaction would not occur, and with knowledge of

the individual defendants' breach of fiduciary duty, has aided and rendered substantial assistance to the individual defendants and stands to handsomely profit from the transaction.

24. Plaintiffs and the Class will suffer irreparable damage unless defendants are enjoined from breaching their fiduciary duties to maximize shareholder value.

25. Plaintiffs have no adequate remedy at law.

WHEREFORE, plaintiffs demand judgment as follows:

A. Declaring this to be a proper class action;

B. Ordering defendants to carry out their fiduciary duties to plaintiffs and the other members of the Class by announcing their intention to:

(i) undertake an appropriate evaluation of alternatives designed to maximize value for Transco's public stockholders; and,

(ii) adequately ensure that no conflicts of interests exist between defendants' own interests and their fiduciary obligation to the public stockholders or, if such conflicts exist, ensure that all such conflicts will be resolved in the best interests of Transco's public stockholders.

C. Enjoining consummation of the merger agreement;

D. Directing that defendants pay to plaintiffs and the Class all damages caused to them and account for all profits and any special benefits obtained as a result of their unlawful conduct;

E. Awarding to plaintiffs the costs and disbursements of this action, including a reasonable allowance for the fees and expenses of plaintiffs' attorneys and expert; and

F. Granting such other and further relief as may be just and proper in the premises.

Dated: December 12, 1994

ROSENTHAL, MONHAIT, GROSS
& GODDESS, P.A.

By:/s/Joseph A. Rosenthal

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IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

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- ------------------------------------X
WILLIAM STEINER,                     :
                                     :
                  Plaintiff,         :
                                     :
  - v. -                             :     Civil Action No. 13920
                                     :                      -----
JOHN P. DesBARRES, GORDON F. AHALT,  :
WILLIAM H. LUERS, ROBERT W. FRI,     :
FREDERICK H. SCHULTZ, J. DAVID       :     CLASS ACTION
GRISSOM, BENJAMIN F. BAILAR,         :     COMPLAINT
PATRICIA L. HIGGINS, TRANSCO ENERGY  :     ------------
COMPANY and THE WILLIAMS COMPANIES,  :
INC.,                                :
                  Defendants.        :
- ------------------------------------X
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Plaintiff, by and through his attorneys, alleges as follows on information and belief, except for paragraph 1 which is alleged on knowledge:

PARTIES

1. Plaintiff William Steiner is the owner of the common stock of Transco Energy Company ("Transco"), and has owned such stock at all relevant times.

2. Transco is a Delaware corporation based in Houston, Texas. It is a diversified energy company, owning and operating, through its subsidiaries, a natural gas pipeline in the United States. This pipeline system joins natural gas producing regions of the United States to markets in the Northeastern, Mid-Atlantic and Midwestern states. The Company also markets gas and mines for coal.

3. (a) Defendant John P. DesBarres ("DesBarres") is and has been at all relevant times Chairman, President and Chief Executive Officer of the Company.

(b) Defendants Gordon F. Ahalt, William H. Luers, Robert W. Fri, Frederick H. Schultz, J. David Grissom, Benjamin F. Bailar, and Patricia L. Higgins are and have been at all relevant times directors of Transco.

4. Defendant The Williams Companies, Inc. ("Williams") also owns and operates natural gas and petroleum products pipelines. Williams transports natural gas through pipelines serving Louisiana and sixteen Western and Midcontinent states, and transports petroleum products to eleven Midwestern states. Its principal executive offices are located in Tulsa, Oklahoma.

5. By virtue of the individual defendants' positions as directors and officers of Transco, said defendants were and are in a fiduciary relationship with plaintiff and the other public stockholders of the Company, and owe to plaintiff and the other members of the class the highest obligations of good faith and fair dealing.

CLASS ACTION ALLEGATIONS

6. Plaintiff brings this action for declaratory, injunctive and other relief on his own behalf and as a class action, pursuant to Rule 23 of the Rules of the Court of Chancery on behalf of all common stockholders of Transco

(except defendants herein and any person, firm, trust, corporation or other entity related to or affiliated with any of the defendants) or their successors in interest, who are being deprived of the opportunity to maximize the value of their Transco shares by the wrongful acts of defendants as described herein.

7. This action is properly maintainable as a class action for the following reasons:

(a) The Class of stockholders for whose benefit this action is brought is so numerous that joinder of all Class members is impracticable. There are approximately 40 million common shares of Transco outstanding, owned by over thirty thousand stockholders. Members of the Class are scattered throughout the United States.

(b) There are questions of law and fact which are common to members of the Class, including whether the individual defendants have breached the fiduciary duties owed by them to plaintiff and members of the Class by reason of the acts described herein, and whether Williams aided and abetted the commission of such breaches.

(c) The claims of plaintiff are typical of the claims of the other members of the Class and plaintiff has no interests that are adverse or antagonistic to the interests of the Class.

(d) Plaintiff is committed to the vigorous prosecution of this action and has retained competent counsel

experienced in litigation of this nature. Accordingly, plaintiff is an adequate representative of the Class and will fairly and adequately protect the interests of the Class.

(e) The prosecution of separate actions by individual members of the Class would create a risk of inconsistent or varying adjudications with respect to individual members of the Class and establish incompatible standards of conduct for the party opposing the Class.

(f) Defendants have acted and are about to act on grounds generally applicable to the Class, thereby making appropriate final injunctive or corresponding declaratory relief with respect to the Class as a whole.

FACTUAL BACKGROUND

8. On December 12, 1994, Transco and Williams announced that they had reached a definitive merger agreement pursuant to which Williams will acquire 60% of the common stock of Transco through a cash tender offer of $17.50 per Transco share. The cash tender offer will be followed by a stock merger in which shares of Transco common stock not purchased in the tender offer will be exchanged for 0.625 shares of Williams' common stock. The merger agreement has been approved by both Transco's and Williams' board of directors. The merger agreement constitutes a "change of control" requiring the individual defendants to maximize shareholder value.

9. As part of the transaction, Williams and Transco also entered into a stock option agreement (the "lock-up option") providing for a grant of an option to Williams to purchase, at $17.50 per share, up to 7.5 million additional shares of Transco common stock.

10. As reported by The Value Line Investment Survey, Transco's main pipeline subsidiary, Transcontinental Gas Pipeline Corp., is performing well, benefitting from a variety of factors including lower operating costs, reduced interest expense, and higher allowances on equity. The Company's gas marketing division's results are also improving, for which the net income has risen substantially on a year-over-year basis.

11. Expansion programs will play a major role in Transco's earnings growth over the long haul. Currently, Transco is engaged in several pipeline and storage projects that will increase the Company's service areas and transportation capacity. Most of these programs are slated to be in operation by 1996. Finally, Transco's dividend yield is considered above average compared to its industry peers, and its earnings potential remains strong.

12. By virtue of its due diligence negotiations with Transco and the merger agreement with the Company, Williams has been privy to material nonpublic information concerning Transco's business and the desirability and value of same. Accordingly, Williams has positioned itself to

purchase the outstanding shares of Transco at an unreasonably low and unfair price to the detriment of plaintiff and the other public stockholders of the Company. Such a merger between Transco and Williams would allow Williams, without paying adequate consideration for Transco shares, to further strengthen its position in the energy industry.

13. The transaction has been structured as a two-step transaction, the first step being a tender offer for $17.50 per Transco share in cash, and the second step being a merger for 0.625 shares of Williams stock per Transco share. Since Transco shareholders do not know the value of the Williams securities to be paid on the "back-end" (particularly since the defendants have failed to establish a collar with respect to these securities), they will be coerced into tendering their shares on the front end of the offer for inadequate cash consideration.

14. Because of the announcement of the definitive merger agreement and the structure of the transaction, no fair market check to determine the fair value of Transco's publicly held shares can be conducted. Moreover, defendants have set the price for the publicly held shares of Transco without taking adequate steps to determine the fair value of such securities.

15. The actions taken by the individual defendants in entering into the merger agreement and the lock-up option are in gross disregard of the fiduciary duties owed to

plaintiff and the other members of the Class, including their obligation to maximize shareholder value.

16. Defendant Williams, without which the proposed transaction would not occur, and with knowledge of the individual defendants' breach of fiduciary duty, has aided and rendered substantial assistance to the individual defendants and stands to handsomely profit from the transaction.

17. Plaintiff and the other members of the Class will suffer irreparable injury unless the unlawful transactions complained of herein are enjoined.

18. Plaintiff and the Class have no adequate remedy at law.

WHEREFORE, plaintiff demands judgment and preliminary and permanent relief, including injunctive relief, in his favor and in favor of the Class and against defendants as follows:

A. Declaring that this action is properly maintainable as a class action, and certifying plaintiff as class representative;

B. Declaring that the individual defendants and each of them have committed a gross abuse of trust and have breached their fiduciary duties to plaintiff and the other members of the Class;

C. Enjoining the tender offer and the merger;

D. If the proposed transactions are consummated in whole or in part, rescinding the same or awarding rescissory damages to plaintiff and the Class;

E. Awarding plaintiff and the Class compensatory damages;

F. Awarding plaintiff the costs and disbursements of this action, including reasonable attorneys' and experts' fees; and

G. Granting such other and further relief as this Court may deem just and proper.

Dated: December 12, 1994

ROSENTHAL MONHAIT, GROSS
& GODDESS, P.A.

By: /s/Joseph A. Rosenthal

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IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

CHARLES MILLER, Plaintiff,	:	
- against -	:	C. A. No. 13922
JOHN P. DESBARRES, WILLIAM H. LUERS, FREDERICK H. SCHULTZ, GORDON F. AHALT, BENJAMIN F. BAILAR, ROBERT W. FRI, J. DAVID GRISSOM, TRANSCO ENERGY COMPANY, and THE WILLIAMS COMPANIES, INC., Defendants.	:	CLASS ACTION COMPLAINT

Plaintiff, by his attorneys, alleges upon personal knowledge as to his own acts and upon information and belief as to all other matters, as follows:

1. Plaintiff brings this action individually and as a class action on behalf of all persons, other than defendants, who own the securities of Transco Energy Company ("Transco" or the "Company") and who are similarly situated (the "Class"), for injunctive and other relief. Plaintiff seeks, *inter alia*, to enjoin consummation of a proposed transaction (the "transaction") announced on December 12, 1994, pursuant to which The Williams Companies, Inc. ("Williams") will make a cash tender offer to acquire up to 24.6 million shares, or 60%, of Transco common stock and related common stock purchase rights for $17.50 per share followed by a merger whereunder each remaining Transco share will be exchanged for 0.625 shares of Williams common stock.

2. The proposed transaction and the acts of the individual defendants, as more particularly alleged herein,

constitute a breach of the individual defendants' fiduciary duties to plaintiff and the Class, aided and abetted by Williams.

3. The individual defendants' agreement to engage in the transaction was in breach of their fiduciary duties owed to Transco's stockholders to take all necessary steps to ensure that the stockholders will receive the maximum value realizable for their shares in any sale of control of the Company. In the context of this action, defendants were required to take all reasonable steps to assure the maximization of stockholder value, including the implementation of a bidding mechanism to foster a fair auction of the Company to the highest bidder or the exploration of strategic alternatives that will return greater or equivalent value to plaintiff and the Class.

Parties

4. Plaintiff is and, at all relevant times, has been the owner of shares of Transco common stock.

5. Transco is a corporation duly organized and existing under the laws of the State of Delaware. Transco is a holding company owning all the common shares of Transcontinental Gas Pipe Line Corp., Texas Gas Transmission Corp., and several other companies engaged in natural gas transportation and gas related businesses. Transco maintains its principal executive offices at 2800 Post Oak Boulevard, Houston, Texas 77251. Transco has approximately 40.9 million shares of common stock outstanding and approximately 15,700 stockholders of record. Transco stock trades on the New York Stock Exchange.

6. Defendant John P. DesBarres is Chief Executive Officer, President, and Chairman of the Board of Directors of Transco. DesBarres' annual compensation is $888,662.

7. Defendants William H. Luers, Frederick H. Schultz, Gordon F. Ahalt, Benjamin F. Bailar, Robert W. Fri, and J. David Grissom are directors of Transco.

8. The defendants named in paragraphs 7 and 8 are hereinafter referred to as the "Individual Defendants."

9. Because of their positions as officers/directors of the Company, the Individual Defendants owe fiduciary duties of loyalty and due care to plaintiff and the other members of the Class.

10. Each defendant herein is sued individually as a conspirator and aider and abettor, as well as in his capacity as an officer and/or director of the Company, and the liability of each arises from the fact that he has engaged in all or part of the unlawful acts, plans, schemes or transactions complained of herein.

CLASS ACTION ALLEGATIONS

11. Plaintiff brings this action in his own behalf and as a class action, pursuant to Rule 23 of the Rules of the Court of Chancery, on behalf of all stockholders of the Company, except defendants herein and any person, firm, trust, corporation, or other entity related to or affiliated with any of the defendants, who are and will be threatened with injury arising from defendants' actions as is described more fully below.

12. This action is properly maintainable as a class action.

13. The Class is so numerous that joinder of all members is impracticable. The Company has approximately 15,700 stockholders of record.

14. There are questions of law and fact common to the Class including, *inter alia*, whether:

a. the proposed transaction is grossly unfair to Transco's public stockholders;

b. defendants have engaged and are continuing to prevent plaintiff and the Class from receiving the maximum value per share that could be received in an unfettered market for control of Transco;

c. the individual defendants wrongfully failed or refused to obtain or attempt to obtain a purchaser for Transco for consideration more valuable than the transaction contemplates;

d. defendants have breached or aided and abetted the breach of the fiduciary and other common law duties owed to plaintiff and the members of the Class; and

e. plaintiff and the other members of the Class would be irreparably damaged were the transaction complained of herein consummated;

15. Plaintiff is committed to prosecuting the action and has retained competent counsel experienced in litigation of this nature. Plaintiff's claims are typical of the claims of the other members of the Class and plaintiff has the same interests as the other members of the Class. Plaintiff is an adequate representative of the Class.

16. The prosecution of separate actions by individual members of the Class would create the risk of inconsistent or

varying adjudications with respect to individual members of the Class which would establish incompatible standards of conduct for defendants, or adjudications with respect to individual members of the Class which would as a practical matter be dispositive of the interest of the other members not parties to the adjudications or substantially impair or impede their ability to protect their interest.

17. The defendants have acted, or refused to act, on grounds generally applicable to, and causing injury to, the Class and, therefore, preliminary and final injunctive relief on behalf of the Class as a whole is appropriate.

SUBSTANTIVE ALLEGATIONS

18. By the acts, transactions, and courses of conduct alleged herein, defendants, individually and as part of a common plan and scheme and/or aiding and abetting one another are attempting to deprive plaintiff and the Class unfairly of the full value of their investment in Transco.

19. On December 12, 1994, the _Dow Jones News Wire_ reported that Transco has agreed to be acquired by Williams in a two-step merger transaction valued at approximately $3 billion, which includes cash and the assumption of $2.3 billion in debt and preferred stock.

20. Under the terms of the proposed Offer, during the first step of the two-step transaction, Transco stockholders will receive $17.50 per share of Transco stock they own. Under the second-step, those shares not tendered will be exchanged for 0.625 of Williams common stock.

21. Moreover, the outstanding shares of Transco $4.75 cumulative preferred stock will be converted into the right to receive an equal number of shares of a new series of Williams $4.75 cumulative preferred stock convertible into 0.5588 Williams common shares.

22. Transco $3.50 cumulative convertible preferred stock will be converted into the right to receive an equal number of shares of a new series of Williams $3.50 cumulative convertible preferred stock convertible into 1.5625 Williams common shares and otherwise having substantially equivalent rights.

23. At the conclusion of the tender offer, Williams will form a new unit that will merge into Transco, with Transco continuing as a wholly-owned subsidiary of Williams. Since Transco shareholders do not know the value of the Williams securities to be paid on the "back-end" (particularly since the defendants have failed to establish a collar with respect to these securities), they will be coerced into tendering their shares on the front end of the offer for inadequate cash consideration.

24. As part of the transaction, Transco signed a lock-up stock option with Williams, providing Williams the right to purchase up to 7.5 million additional shares of Transco common stock at $17.50 per share. If, however, Williams exercises the stock option, Transco has the right to cancel the option for a cash payment not to exceed $2 per option.

25. Transco also agreed to pay to Williams a termination fee under certain undisclosed circumstances, presumably which include the receipt or solicitation of other offers for the Company.

26. Further, in an attempt to prevent others from making a bid for the Company, Williams will begin its tender for 60% of Transco's shares on Friday, December 16, 1994.

27. Because of the announcement of the definitive merger agreement and the structure of the transaction, no fair market check to determine the fair value of Transco's publicly held shares can be conducted. Moreover, defendants have set the price for the publicly held shares of Transco without taking adequate steps to determine the fair value of such securities.

28. Defendants chose to pursue this transaction at a time when Transco is poised to significantly increase future earnings and when its value is believed to be far in excess of the consideration offered in the transaction.

29. Indeed, on July 20, 1994, Transco announced improved results for the second quarter ended June 30, 1994. For the quarter, Transco reported net income of $2.5 million, or $0.6 per share, compared with $1.4 million, or $0.4 per share, in the prior year. Transco attributed its improved second quarter results to improved financial results of Transco Gas Marketing Co. and Transcontinental Gas Pipe Line Corp. and lower financing costs. Commenting on the improved quarterly results, defendant DesBarres stated, "We're pleased with our second quarter results and particularly with the improved results from the gas marketing segment... *These results once again confirm our continuing progress toward improving net income and returning the gas marketing segment to profitability.*" [Emphasis added.]

30. On October 26, 1994, Transco reported its results the quarter ended September 30, 1994. For the quarter, the Company

reported a net loss of $4.6 million, or $0.11 per share, compared to a net loss of $18.0 million, or $0.46 per share, in the same quarter during the prior year. Excluding charges in both periods, Transco reported a net loss of $0.1 million, or less than $0.01 per share, in the third quarter of 1994, compared with a net loss of $2.3 million, or $0.06 per share, for the 1993 third quarter. Commenting on the Company's third quarter results, defendant DesBarres stated, "We attribute Transco's improved results over those of last year's third quarter primarily to the continued strong performance or Transcontinental Gas Pipe Line Corporation (TGPL), the improved financial performance of Transco Gas Marketing Company (TGMC) and lower financing costs."

31. Defendant DesBarres also stated,

> Although marketing reported a loss, we're pleased with the continuing improvement in that business, particularly in view of the weak gas price environment during the quarter. The pipelines are continuing their solid performance, despite Texas Gas' lower earnings, which is due, in part, to the seasonality of the demand revenues under the provisions of our Order 636 services. It is further attributed to an exceptionally strong third quarter in 1993 that reported a high level of interruptible transportation volumes on Texas Gas prior to implementation of Order 636. *These results once again confirm our continuing progress toward improved net income and returning marketing to profitability this year.* [Emphasis added.]

32. Defendants' knowledge and economic power and that of the investing public is unequal because they are in possession of material non-public information concerning the Company's assets, businesses, and future prospects. This disparity makes it inherently unfair for the individual defendants to agree to

transfer ownership of Transco from its public stockholders to Williams at such an unfair and grossly inadequate consideration.

33. The consideration to be paid to the public shareholders in the transaction is grossly unfair, inadequate, and substantially below the fair or inherent value of the Company. The intrinsic value of the equity of Transco is materially greater than the consideration being offered, taking into account Transco's asset value, liquidation value, its expected growth, the strength of its business, and its revenues and cash flow and earnings power.

34. The individual defendants, in violation of their fiduciary obligations to maximize stockholder value, have not considered seriously other potential purchasers of Transco or its stock in a manner designed to obtain the highest possible price for Transco public stockholders.

35. The proposed Offer is wrongful, unfair, and harmful to Transco public stockholders, and will deny Class members their right to share proportionately in the true value of Transco's valuable assets, profitable business, and future growth in profits and earnings.

36. Defendant Williams, without which the proposed transaction would not occur, and with knowledge of the individual defendants' breach of fiduciary duty, has aided and rendered substantial assistance to the individual defendants and stands to handsomely profit from the transaction.

37. By reason of the foregoing, defendants herein have willfully participated in unfair dealing toward plaintiff and the other members of the Class and have engaged in and substantially

assisted and aided and abetted each other in breach of the fiduciary duties owed to the Class.

38. Unless enjoined by this Court, defendants will continue to breach their fiduciary duties owed to plaintiff and the Class, and will succeed in their plan to deprive plaintiff and the Class of their fair proportionate share of Transco's valuable assets and businesses, all to the irreparable harm of the Class.

39. Plaintiff and the Class have no adequate remedy or law.

WHEREFORE, plaintiff prays for judgment and relief as follows:

a. declaring that this lawsuit is properly maintainable as a class action and certifying plaintiff as representative of the Class;

b. declaring that the defendants and each of them have committed or aided and abetted a gross abuse of fiduciary duties owed to plaintiff and the other members of the Class;

c. preliminarily and permanently enjoining defendants and all persons acting under, in concert with, or for them, from proceeding with, consummating or closing the transaction;

d. in the event the transaction is consummated, rescinding it and setting it aside;

e. awarding rescissory and/or compensatory damages against defendants, jointly and severally, in an amount to be determined at trial, together with prejudgment interest at the maximum rate allowable by law;

f. awarding plaintiff and the Class their costs and disbursements and reasonable allowances for plaintiff's counsel and experts' fees and expenses; and

g. granting such other and further relief as may be just and proper.

Dated: December 12, 1994

ROSENTHAL, MONHAIT, GROSS & GODDESS, P.A.

By: /s/ Joseph A. Rosenthal, Esq.

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IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

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                                     +
FREDERICK RAND and MIRIAM SARNOFF,   +
                                     +
               Plaintiffs            +     Civil Action No. 13925
                                     +
          -against-                  +
                                     +     CLASS ACTION
JOHN P. DESBARRES, WILLIAM H.        +     COMPLAINT
LUERS, FREDERICK H. SCHULTZ,         +     ------------
GORDON F. AHALT, BENJAMIN F.         +
BAILAR, ROBERT W. FRI, DAVID J.      +
GRISSOM, TRANSCO ENERGY COMPANY      +
and THE WILLIAMS COMPANIES, INC.,    +
        Defendants.                  +
                                     +
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Plaintiffs, by their attorneys, allege upon information and belief (said information and belief being based, in part, upon the investigation conducted by and through their undersigned counsel), except with respect to their ownership of Transco Energy Company ("Transco" or the "Company") common stock, which is alleged upon their personal knowledge as follows:

THE PARTIES

1. Plaintiffs are the owners of shares of defendant Transco.

2. Defendant Transco is a corporation organized and existing under the laws of the State of Delaware. Transco maintains its principal offices at 2800 Post Oak Boulevard,

P.O. Box 1396, Houston, Texas. Transco transports natural gas through its two interstate pipeline systems, 10,500-mile Transcontinental Gas Pipe Line Corporation and 6,050-mile Texas Gas Transmission Corporation, to markets in the eastern and midwestern United States, respectively. Transco also buys, sells and arranges for the transportation of natural gas throughout the United States and Canada through its marketing subsidiary, Transco Gas Marketing Company. Transco, through Interstate Coal Company, also mines coal in eastern Kentucky and Tennessee.

3. Defendant John P. Desbarres is the Chairman of the Board, President and Chief Executive Officer of Transco.

4. Defendants William H. Luers, Frederick H. Schultz, Gordon F. Ahalt, Benjamin F. Bailar, Robert W. Fri and David J. Grissom are directors of Transco.

5. The foregoing individual defendants (collectively referred to herein as the "Director Defendants") are in a fiduciary relationship with plaintiffs and the public stockholders of Transco, and owe plaintiffs and the other Transco public stockholders the highest obligations of good faith, fair dealing, due care, loyalty and full and candid disclosure.

CLASS ACTION ALLEGATIONS

6. Plaintiffs bring this action on their own behalf and as a class action on behalf of all shareholders of defendant Transco (except defendants herein and any person, firm, trust, corporation or other entity related to or affiliated with any of the defendants) or their successors in interest, who have been or will be adversely affected by the conduct of defendants alleged herein.

7. This action is properly maintainable as a class action for the following reasons:

(a) the class of shareholders for whose benefit this action is brought is so numerous that joinder of all Class members is impracticable. As of June 30, 1994, there were over 40 million shares of Transco common stock outstanding, owned by over 15,000 shareholders of record scattered throughout the United States.

(b) there are questions of law and fact which are common to members of the class and Which include, *inter alia*, the following:

(i) whether the Director Defendants have breached their fiduciary duties owed by them to plaintiffs and members of the class and/or have been aided and abetted in such breach;

(ii) whether the Director Defendants have failed to fully disclose the true value of defendant Transco's assets and earnings power;

(iii) whether the Director Defendants have wrongfully failed and refused to seek a purchaser of Transco and/or any and all of its various assets or divisions at the highest possible price; and

(iv) whether plaintiffs and the other members of the Class will be irreparably damaged by the Individual Defendants' failure to conduct an active auction of Transco.

8. Plaintiffs are committed to prosecuting this action and have retained competent counsel experienced in litigation of this nature. The claims of plaintiffs are typical of the claims of the other members of the Class and plaintiffs have the same interest as the other members of the Class. Accordingly, plaintiffs are adequate representatives of the Class and will fairly and adequately protect the interests of the Class.

SUBSTANTIVE ALLEGATIONS

9. On May 2, 1994 Smith Barney Shearson raised Transco to "buy" from "outperform."

10. On May 17, 1994, Desbarres stated at Transco's 46th Annual Meeting that Transco "is well on its way to achieving its vision of being the premier transporter and marketer in the eastern half of the United States." He further stated that, "Demand is growing in Transco's markets, and we are not only keeping pace, but actually outdoing our competition in meeting customer needs. And I can not think of a better way for our company to achieve success."

11. On July 20, 1994, Transco announced its second quarter improved operating income which was the seventh consecutive quarter of improved operating results.

12. On August 4, 1994, Transco announced organizational changes to better pursue development of new business and expand the reliance, quality services provided to its current customers. These changes refined the organization and increased the value of Transco.

13. On October 26, 1994, Transco announced its third quarter improved operating income. This was its eighth consecutive quarter of improved operating results.

14. Transco was on its way to becoming the premier transporter and marketer of natural gas in the eastern half of the United States before its public announcement on December 12, 1994.

15. On December 12, 1994, it was publicly announced that Transco had approved a merger between Transco and The Williams Companies, Inc. ("Williams"). Under the terms of the merger agreement, Williams will pay $17.50 cash a share for up to 24.6 million Transco shares or 60% of Transco common stock and related common stock purchase rights in a first-step tender offer. The tender offer will be conditioned on, among other things, the tender of no fewer than 20.9 million shares, or 51% of Transco's common stock. After the tender offer, a newly formed Williams unit will be merged into Transco, with Transco continuing as a wholly owned subsidiary of Williams. The outstanding shares of Transco $4.75 cumulative convertible preferred stock will be converted into the right to receive an equal number of shares of a new series of Williams $4.75 cumulative convertible preferred stock convertible into 0.5588 Williams common shares. The Transco $3.50 cumulative convertible preferred stock will be converted into the right to receive an equal number of shares of a new series of Williams $3.50 cumulative convertible preferred stock convertible into 1.5625 Williams common shares and otherwise having substantially equivalent rights.

16. In addition, Williams and Transco signed a stock option agreement enabling Williams to buy up to 7.5 million additional Transco common shares at $17.50 each. If Williams exercises the stock option, Transco has the right to

cancel the option for a cash payment not to exceed $2 per option share.

17. The total value of the cash tender offer and merger, including the exchange of new series of Williams convertible preferred stock for Transco's two outstanding series of convertible preferred stock and including Transco's outstanding indebtedness, is approximately $3 billion. But because Transco shareholders do not know the value of the Williams securities to be paid on the "back-end" (particularly since the defendants have failed to establish a collar with respect to these securities), they will be coerced into tendering their shares on the front end of the offer for inadequate cash consideration.

18. Under the circumstances, the Director Defendants are obligated to explore all alternatives to maximize shareholder value. The Director Defendants will be in breach of their fiduciary duties owed to Transco's public shareholders if they fail to fully explore *bona fide* offers by potential acquirors for the purchase of the Company.

19. The Williams proposal constitutes a change of control of Transco, its business and affairs.

20. Because of the announcement of the definitive merger agreement and the structure of the transaction, no fair market check to determine the fair value of Transco's publicly

held shares can be conducted. Moreover, defendants have set the price for the publicly held shares of Transco without taking adequate steps to determine the fair value of such securities.

21. The Director Defendants have violated fiduciary and other common law duties which they owe to plaintiffs and the other members of the Class in that they are not exercising informed independent business judgment, have acted and are acting to the detriment of the members of the Class in order to benefit themselves, and have participated in and substantially and knowingly aided and abetted the above breaches of fiduciary duty and the plan to effect a change of control of Transco on unfair and inadequate terms.

22. Because of their positions of control and authority as officers and directors of Transco, the Director Defendants were able to and did, directly or indirectly, control the actions of Transco in agreeing to a merger on terms which are unfair to the shareholders of Transco. In violation of the fiduciary duties owed Transco's shareholders, the Director Defendants are causing, or are substantially and knowingly aiding and abetting in, the plan to enable Williams to acquire Transco to the detriment of plaintiffs and the plaintiff class.

23. Defendant Williams, without which the proposed transaction would not occur, and with knowledge of the

individual defendant's breach of fiduciary duty, has aided and rendered substantial assistance to the individual defendants and stands to handsomely profit from the transaction.

24. Plaintiffs and the Class will suffer irreparable damage unless defendants are enjoined from breaching their fiduciary duties to maximize shareholder value.

25. Plaintiffs have no adequate remedy at law.

WHEREFORE, plaintiffs demand judgment as follows:

A. Declaring this to be a proper action;

B. Ordering defendants to carry out their fiduciary duties to plaintiffs and the other members of the Class by announcing their intention to:

(i) undertake an appropriate evaluation of alternatives designed to maximize value for Transco's public stockholders; and

(ii) adequately ensure that no conflicts of interests exist between defendants' own interests and their fiduciary obligation to the public stockholders or, if such conflicts exist, ensure that all such conflicts will be resolved in the best interests of Transco's public stockholders.

C. Enjoining consummation of the merger agreement;

D. Directing that defendants pay to plaintiffs and the Class all damages caused to them and account for all profits and any special benefits obtained as a result of their unlawful conduct;

E. Awarding to plaintiffs the costs and disbursements of this action, including a reasonable allowance for the fees and expenses of plaintiffs' attorneys and expert; and

F. Granting such other and further relief as may be just and proper in the premises.

Dated: December 14, 1994

ROSENTHAL, MONHAIT, GROSS
& GODDESS, P.A.

By: /s/ Jay Rosenthal

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IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

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NICK DeCESARE, Custodian for NICOLE DeCESARE, UGMA-MA, Plaintiff, - v. - JOHN P. DesBARRES, GORDON F. AHALT, WILLIAM H. LUERS, ROBERT W. FRI, FREDERICK H. SCHULTZ, J. DAVID GRISSOM, BENJAMIN F. BAILAR, PATRICIA L. HIGGINS, TRANSCO ENERGY COMPANY and THE WILLIAMS COMPANIES, INC., Defendants.	Civil Action No. 13926 CLASS ACTION COMPLAINT

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Plaintiff, by and through his attorneys, alleges as follows on information and belief, except for paragraph 1 which is alleged on knowledge:

PARTIES

1. Plaintiff is the owner of the common stock of Transco Energy Company ("Transco"), and has owned such stock at all relevant times.

2. Transco is a Delaware corporation based in Houston, Texas. It is a diversified energy company, owning and operating, through its subsidiaries, a natural gas pipeline in the United States. This pipeline system joins natural gas producing regions of the United States to markets

in the Northeastern, Mid-Atlantic and Midwestern states. The Company also markets gas and mines for coal.

3. (a) Defendant John P. DesBarres ("DesBarres") is and has been at all relevant times Chairman, President and Chief Executive Officer of the Company.

(b) Defendants Gordon F. Ahalt, William H. Luers, Robert W. Fri, Frederick H. Schultz, J. David Grissom, Benjamin F. Bailar, and Patricia L. Higgins are and have been at all relevant times directors of Transco.

4. Defendant The Williams Companies, Inc. ("Williams") also owns and operates natural gas and petroleum products pipelines. Williams transports natural gas through pipelines serving Louisiana and sixteen Western and Midcontinent states, and transports petroleum products to eleven Midwestern states. Its principal executive offices are located in Tulsa, Oklahoma.

5. By virtue of the individual defendants' positions as directors and officers of Transco, said defendants were and are in a fiduciary relationship with plaintiff and the other public stockholders of the Company, and owe to plaintiff and the other members of the class the highest obligations of good faith and fair dealing.

CLASS ACTION ALLEGATIONS

6. Plaintiff brings this action for declaratory, injunctive and other relief on his own behalf and as a class

action, pursuant to Rule 23 of the Rules of the Court of Chancery on behalf of all common stockholders of Transco (except defendants herein and any person, firm, trust, corporation or other entity related to or affiliated with any of the defendants) or their successors in interest, who are being deprived of the opportunity to maximize the value of their Transco shares by the wrongful acts of defendants as described herein.

7. This action is properly maintainable as a class action for the following reasons:

(a) The Class of stockholders for whose benefit this action is brought is so numerous that joinder of all Class members is impracticable. There are approximately 40 million common shares of Transco outstanding, owned by over thirty thousand stockholders. Members of the Class are scattered throughout the United States.

(b) There are questions of law and fact which are common to members of the Class, including whether the individual defendants have breached the fiduciary duties owed by them to plaintiff and members of the Class by reason of the acts described herein, and whether Williams aided and abetted the commission of such breaches.

(c) The claims of the plaintiff are typical of the claims of the other members of the Class and plaintiff has no interests that are adverse or antagonistic to the interests of the Class.

(d) Plaintiff is committed to the vigorous prosecution of this action and has retained competent counsel experienced in litigation of this nature. Accordingly, plaintiff is an adequate representative of the Class and will fairly and adequately protect the interests of the Class.

(e) The prosecution of separate actions by individual members of the Class would create a risk of inconsistent or varying adjudications with respect to individual members of the Class and establish incompatible standards of conduct for the party opposing the Class.

(f) Defendants have acted and are about to act on grounds generally applicable to the Class, thereby making appropriate final injunctive or corresponding declaratory relief with respect to the Class as a whole.

FACTUAL BACKGROUND

8. On December 12, 1994, Transco and Williams announced that they had reached a definitive merger agreement pursuant to which Williams will acquire 60% of the common stock of Transco through a cash tender offer of $17.50 per Transco share. The cash tender offer will be followed by a stock merger in which shares of Transco common stock not purchased in the tender offer will be exchanged for 0.625 shares of Williams' common stock. The merger agreement has been approved by both Transco's and Williams' board of directors. The merger agreement constitutes a "change of

control" requiring the individual defendants to maximize shareholder value.

9. As part of the transaction, Williams and Transco also entered into a stock option agreement (the "lock-up option") providing for a grant of an option to Williams to purchase, at $17.50 per share, up to 7.5 million additional shares of Transco common stock.

10. As reported by The Value Line Investment Survey, Transco's main pipeline subsidiary, Transcontinental Gas Pipeline Corp., is performing well, benefitting from a variety of factors including lower operating costs, reduced interest expense, and higher allowances on equity. The Company's gas marketing division's results are also improving, for which the net income has risen substantially on a year-over-year basis.

11. Expansion programs will play a major role in Transco's earnings growth over the long haul. Currently, Transco is engaged in several pipeline and storage projects that will increase the Company's service areas and transportation capacity. Most of these programs are slated to be in operation by 1996. Finally, Transco's dividend yield is considered above average compared to its industry peers, and its earnings potential remains strong.

12. By virtue of its due diligence negotiations with Transco and the merger agreement with the Company, Williams has been privy to material nonpublic information

concerning Transco's business and the desirability and value of same. Accordingly, Williams has positioned itself to purchase the outstanding shares of Transco at an unreasonably low and unfair price to the detriment of plaintiff and the other public stockholders of the Company. Such a merger between Transco and Williams would allow Williams, without paying adequate consideration for Transco shares, to further strengthen its position in the energy industry.

13. The transaction has been structured as a two-step transaction, the first step being a tender offer for $17.50 per Transco share in cash, and the second step being a merger for 0.625 shares of Williams stock per Transco share. Since Transco shareholders do not know the value of the Williams securities to be paid on the "back-end" (particularly since the defendants have failed to establish a collar with respect to these securities), they will be coerced into tendering their shares on the front end of the offer for inadequate cash consideration.

14. Because of the announcement of the definitive merger agreement and the structure of the transaction, no fair market check to determine the fair value of Transco's publicly held shares can be conducted. Moreover, defendants have set the price for the publicly held shares of Transco without taking adequate steps to determine the fair value of such securities.

15. The actions taken by the individual defendants in entering into the merger agreement and the lock-up option are in gross disregard of the fiduciary duties owed to plaintiff and the other members of the Class, including their obligation to maximize shareholder value.

16. Defendant Williams, without which the proposed transaction would not occur, and with knowledge of the individual defendants' breach of fiduciary duty, has aided and rendered substantial assistance to the individual defendants and stands to handsomely profit from the transaction.

17. Plaintiff and the other members of the Class will suffer irreparable injury unless the unlawful transactions complained of herein are enjoined.

18. Plaintiff and the Class have no adequate remedy at law.

WHEREFORE, plaintiff demands judgment and preliminary and permanent relief, including injunctive relief, in his favor and in favor of the Class and against defendants as follows:

A. Declaring that this action is properly maintainable as a class action, and certifying plaintiff as class representative;

B. Declaring that the individual defendants and each of them have committed a gross abuse of trust and have breached their fiduciary duties to plaintiff and the other members of the Class;

C. Enjoining the tender offer and the merger;

D. If the proposed transactions are consummated in whole or in part, rescinding the same or awarding rescissory damages to plaintiff and the Class;

E. Awarding plaintiff and the Class compensatory damages;

F. Awarding plaintiff the costs and disbursements of this action, including reasonable attorneys' and experts' fees; and

G. Granting such other and further relief as this Court may deem just and proper.

Dated: December 14, 1994

ROSENTHAL MONHAIT, GROSS
& GODDESS, P.A.

By: /s/ Jay Rosenthal

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