



**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On February 25, 2008, the Compensation Committee of The Williams Companies, Inc. ("Williams") Board of Directors (the "Compensation Committee") determined that under Williams' 2007 annual incentive program Williams had exceeded the Economic Value Added ("EVA") incentive target established by the Compensation Committee in first quarter 2007 and approved awards for eligible employees for payment on March 14, 2008. The awards approved include \$2,373,086.33 for Mr. Steven J. Malcolm, Chairman, President and Chief Executive Officer; \$925,752.44 for Mr. Donald R. Chappel, Sr. Vice President and Chief Financial Officer; \$662,532.19 for Mr. Ralph A. Hill, Sr. Vice President – Exploration and Production; \$619,694.40 for Mr. Michael P. Johnson, Sr. Vice President and Chief Administrative Officer; and \$669,676.26 for Mr. Phillip D. Wright, Sr. Vice President - Williams Gas Pipelines. The amount awarded to the other executive officers totaled \$1,282,407.50.

Due to the attainment of the incentive target under Williams' 2007 annual incentive program as discussed above, the Compensation Committee also approved the release of one-third of the reserved annual incentive program awards. The reserve amounts are included in the awards listed above, specifically \$276,086.33 for Mr. Steven J. Malcolm, Chairman, President and Chief Executive Officer; \$67,579.51 for Mr. Donald R. Chappel, Sr. Vice President and Chief Financial Officer; \$82,032.24 for Mr. Ralph A. Hill, Sr. Vice President – Exploration and Production; \$36,944.47 for Mr. Michael P. Johnson, Sr. Vice President and Chief Administrative Officer; and \$48,676.21 for Mr. Phillip D. Wright, Sr. Vice President - Williams Gas Pipelines. The amount paid to the other executive officers totaled \$133,657.45. The remaining reserved amount can be earned in future years if established performance targets are met but will not be earned if such performance targets are not met.

On February 25, 2008, the Compensation Committee also approved a n annual incentive program for the Company's executive officers. Funding under the 2008 annual incentive program will be based on Williams' 2008 EVA performance. The payout of incentive awards to Williams' executive officers under the 2008 annual incentive program will be based on EVA performance. The Compensation Committee also established the target incentive opportunity for each of our executive officers, expressed as a percentage of base salary, using market data for individuals in comparable positions and markets. The annual incentive program funds a bonus up to a maximum of 400 percent of target. The amount above 200 percent of target is placed in a reserve. Each year that threshold performance targets are met, one-third of the total reserve balance is paid out. Amounts remaining in the reserve are at risk based on future EVA performance. The Compensation Committee will review each executive officer's performance and contributions for the year, in consultation with the Chief Executive Officer with respect to executives other than the Chief Executive Officer, and will allocate the awards among the officers based on individual performance, business unit performance, and target opportunity for each position. The Compensation Committee retains full discretion to determine whether a payout will be made under the program.

On February 25, 2005, the executive officers of Williams were granted certain performance-based restricted stock units. One-third of the restricted stock units granted were eligible to be earned annually upon attainment of performance targets established by the Compensation Committee each year in the first 90 days of each calendar year. The restricted stock units have a three-year term, with one-third of the grant eligible to be earned in each of three years. In first quarter 2007, the Compensation Committee approved a specific performance target for the earning of the final one-third of the 2005 performance-based restricted stock units. The performance target was based on the EVA performance in 2007. On February 25, 2008, the Compensation Committee determined that Williams had attained the EVA performance target established in 2007 for the earning of the final one-third of the 2005 awards of performance-based restricted stock units. Based on the Compensation Committee's certification, such restricted stock units were earned as of February 25, 2008. The restricted stock units will be issued on March 15, 2008, except in the event of death, disability or change-in-control in which case the shares will be issued as soon as practicable after the event.

On February 25, 2008, the Compensation Committee also approved 2008 equity awards including grants of stock options and performance-based restricted stock units for Mr. Steven J. Malcolm, Chairman, President and Chief Executive Officer. The Committee also approved grants of stock options, time-based restricted stock units and performance-based restricted stock units for the other executive officers and other eligible employees. The awards were granted on February 25, 2008. The equity awards to individuals subject to Section 16 of the Securities and Exchange Act of 1934 were filed February 27, 2008, with the Securities and Exchange Commission on applicable Form 4s. The stock options will vest in thirds over a three-year period. The time-based restricted stock units will vest at the end of a three-year period. Recipients of the performance-based restricted stock units will have the opportunity to earn between 0% and 200% of the performance-based restricted stock units depending on the level of EVA attainment at the end of a three-year period if the recipient remains an active employee of the Company until February 25, 2011, and the Committee certifies that the Company has met the performance measure defined by the Committee. Under certain circumstances, such as retirement, death or disability, the equity awards may be prorated or the vesting otherwise accelerated. The target for 2008 performance-based restricted stock units will be based on EVA performance for the three-year term.

The 2008 equity awards were granted subject to the terms of the grant agreements, the form of which are filed herewith as Exhibit 99.1, Exhibit 99.2, and Exhibit 99.3 and incorporated by reference herein.

For each EVA performance target discussed herein, the Compensation Committee reviews and approves the EVA calculation to ensure fairness to the Williams' officers, employees and shareholders, taking into account such items as mark-to-market accounting treatment and other non-recurring items or other developments that were not contemplated as part of Williams' business plan EVA targets.

EVA is a registered trademark of Stern, Stewart and Company.

**Item 9.01 Financial Statements and Exhibits.**

- a) None
- b) None
- c) None
- d) Exhibits

99.1 Form of 2008 Performance-Based Restricted Stock Unit Agreement among Williams and certain employees and officers.

99.2 Form of 2008 Restricted Stock Unit Agreement among Williams and certain employees and officers.

99.3 Form of 2008 Nonqualified Stock Option Agreement among Williams and certain employees and officers.



**SIGNATURES**

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

*February 29, 2008*

The Williams Companies, Inc.

By: *Brian K. Shore*

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*Name: Brian K. Shore  
Title: Corporate Secretary*

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Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
99.1	Form of 2008 Performance-Based Restricted Stock Unit Agreement among Williams and certain employees and officers.
99.2	Form of 2008 Restricted Stock Unit Agreement among Williams and certain employees and officers.
99.3	Form of 2008 Nonqualified Stock Option Agreement among Williams and certain employees and officers.

**2008 PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT**

**THIS 2008 PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT** (this "Agreement"), which contains the terms and conditions for the Restricted Stock Units ("Restricted Stock Units" or "RSUs") referred to in the 2008 Performance-Based Restricted Stock Unit Award Letter delivered in hard copy or electronically to Participant ("2008 Award Letter"), is by and between **THE WILLIAMS COMPANIES, INC.**, a Delaware corporation (the "Company"), and the individual identified on the last page hereof (the "Participant").

1. Grant of RSUs. Subject to the terms and conditions of The Williams Companies, Inc. 2007 Incentive Plan, as amended from time to time (the "Plan"), this Agreement, and the 2008 Award Letter, the Company hereby grants to the Participant an award (the "Award") of \_\_\_RSUs effective \_\_\_(the "Effective Date"). The Award, which is subject to adjustment under the terms of this Agreement, gives the Participant the opportunity to earn the right to receive the number of shares of the Common Stock of the Company equal to the number of RSUs shown in the prior sentence if the Target goal, as established by the Committee, is achieved by the Company over the Performance Period. These shares, together with any other shares that are payable under this Agreement, are referred to in the Agreement as "Shares." Until the Participant both becomes vested in the Shares under the terms of Paragraph 5 and is paid such Shares under the terms of Paragraph 6, the Participant shall have no rights as a stockholder of the Company with respect to the Shares.

2. Incorporation of Plan. The Plan is hereby incorporated herein by reference and all capitalized terms used herein which are not defined in this Agreement shall have the meaning set forth in the Plan. The Participant acknowledges that he or she has received a copy of, or has online access to, the Plan, and hereby accepts the RSUs subject to all the terms and provisions of the Plan and this Agreement.

3. Committee Decisions and Interpretations; Committee Discretion. The Participant hereby agrees to accept as binding, conclusive and final all actions, decisions and/or interpretations of the Committee, its delegates, or agents, upon any questions or other matters arising under the Plan or this Agreement.

4. Performance Measures; Number of Shares Payable to the Participant

(a) Performance measures established by the Committee shall be based on targeted levels of improvement in "Economic Value Added<sup>®</sup>". "Economic Value Added<sup>®</sup>" or "EVA<sup>®</sup>" means that metric that measures the true economic profit of a business after taking into account the cost of all capital employed. In general, EVA of the Company for a Performance Period (as defined below) is computed as the Company's net operating profit after taxes minus the Company's cost of capital for such Performance Period, subject to such adjustments as may be made pursuant to the EVA Measurement Manual adopted by the Committee. The Committee establishes (i) "Threshold," "Target" and "Stretch" goals for EVA improvement during the Performance Period and (ii) the designated numbers of Shares that may be received by a Participant if each such goal, or an EVA improvement attainment level not precisely equal to any of the three established goals, is met during the Performance Period, all as more fully described in Subparagraphs 4(b) through 4(c) below. The number of Shares that may be received by the Participant if the Target improvement goal is reached is equal to the number of RSUs set forth in Paragraph 1 above.

(b) The RSUs awarded to Participant and subject to this Agreement as reflected in Paragraph 1 above represents Participant's opportunity to earn the right to payment of an equal number of Shares ("Target Number of Shares") upon (i) certification by the Committee that 100% of the Target goal for EVA improvement for the Performance Period has been met and (ii) satisfaction of all the other conditions set forth in Paragraph 5 below.

(c) Subject to the Committee's discretion as set forth in Subparagraph 4(d) below and to satisfaction of all other conditions set forth in Paragraph 5 below, the actual number of Shares earned by and payable to Participant upon certification of EVA improvement results and satisfaction of all other conditions set forth in Paragraph 5 below will be determined on a continuum ranging from 0% (at the Threshold goal) to 200% (at the Stretch goal) of the Target Number of Shares depending on the level of EVA improvement certified by the Committee at the end of the Performance Period.

(d) Notwithstanding (i) any other provision of this Agreement or the Plan or (ii) certification by the Committee that an improvement in EVA performance above the Threshold goal has been achieved during the Performance Period, the Committee may in its sole and absolute discretion reduce, but not below zero (0), the number of Shares payable to the Participant based on such factors as it deems appropriate, including but not limited to the Company's performance. Accordingly, any reference in this Agreement to Shares that (i) become payable, (ii) may be received by a Participant or (iii) are earned by a Participant, and any similar reference, shall be understood to mean the number of Shares that are received, payable or earned after any such reduction is made.

5. Vesting; Legally Binding Rights

(a) Notwithstanding any other provision of this Agreement, a Participant shall not be entitled to any payment of Shares under this Agreement unless and until such Participant obtains a legally binding right to such Shares and satisfies applicable vesting conditions for such payment.

(b) Except as otherwise provided in Subparagraphs 5(c) – 5(g) below and subject to the provisions of Subparagraph

4(d) above, the Participant shall vest in Shares under this Agreement only if and at the time that both of the following conditions are fully satisfied:

(i) The Participant remains an active employee of the Company or any of its Affiliates on [February 25] of the third year following the year that contains the Effective Date (the "Maturity Date"); and

(ii) The Committee certifies that the Company has met an EVA performance improvement level above the Threshold goal as defined by the Committee for the three-year performance period beginning January 1, 2008 (the "Performance Period"). Certification, if any, by the Committee for the Performance Period shall be made by the Maturity Date or as soon thereafter as is administratively practicable.

(c) If a Participant dies, becomes Disabled (as defined below) or qualifies for Retirement (as defined below) prior to the Maturity Date while an active employee of the Company or any of its Affiliates, at but not prior to the Maturity Date, and only to the extent and at the time that the Committee certifies that the performance measures for the Performance Period are satisfied under Subparagraph 5(b)(ii) above, upon such certification, the Participant shall vest in that number of Shares the Participant might otherwise have received for the Performance Period in accordance with Paragraph 4 above pro rated to reflect that portion of the Performance Period prior to such Participant's ceasing being an active employee of the Company and its Affiliates. The pro rata number of Shares in which the Participant may become vested in such case shall equal that number determined by multiplying (i) the number of Shares the Participant might otherwise have received for the Performance Period in accordance with Paragraph 4 above times (ii) a fraction, the numerator of which is the number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the date of the Participant ceases being an active employee of the Company and its Affiliates, and the denominator of which is the total number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the Maturity Date.

(d) As used in this Agreement, the terms "Disabled," "qualify for Retirement", "Separation from Service" and "Affiliate" shall have the following respective meanings:

(i) A Participant shall be considered Disabled if such Participant (A) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (B) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Participant's employer. Notwithstanding the foregoing, all determinations of whether a Participant is Disabled shall be made in accordance with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and guidance thereunder.

(ii) A Participant "qualifies for Retirement" only if such Participant experiences a Separation from Service (as defined in (iii) below) after attaining age fifty-five (55) and completing at least three (3) years of service with the Company or any of its Affiliates.

(iii) "Separation from Service" means a Participant's termination or deemed termination from employment with the Company and its Affiliates (as defined in (iv) below). For purposes of determining whether a Separation from Service has occurred, the employment relationship is treated as continuing intact while the Participant is on military leave, sick leave or other bona fide leave of absence if the period of such leave does not exceed six (6) months, or if longer, so long as the Participant retains a right to reemployment with his or her employer under an applicable statute or by contract. For this purpose, a leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the Participant will return to perform services for his or her employer. If the period of leave exceeds six (6) months and the Participant does not retain a right to reemployment under an applicable statute or by contract, the employment relationship will be deemed to terminate on the first date immediately following such six (6) month period. Notwithstanding the foregoing, if a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months, and such impairment causes the Participant to be unable to perform the duties of the Participant's position of employment or any substantially similar position of employment, a twenty-nine (29) month period of absence shall be substituted for such six (6) month period. For purposes of this Agreement, a Separation from Service occurs at the date as of which the facts and circumstances indicate either that, after such date: (A) the Participant and the Company reasonably anticipate the Participant will perform no further services for the Company and its Affiliates (whether as an employee or an independent contractor or (B) that the level of bona fide services the Participant will perform for the Company and its Affiliates (whether as an employee or independent contractor) will permanently decrease to no more than twenty (20%) of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period or, if the Participant has been providing services to the Company and its Affiliates for less than thirty-six (36) months, the full period over which the Participant has rendered services, whether as an employee or independent contractor. The determination of whether a Separation from Service has occurred shall be governed by the provisions of Treasury Regulation § 1.409A-1, as amended, taking into account the objective facts and circumstances with respect to the level of bona fide services performed by the Participant after a certain date.

(iv) As used in this Agreement, "Affiliate" means all persons with whom the the Company would be considered a

single employer under Section 414(b) of the Code, and all persons with whom such person would be considered a single employer under Section 414(c) of the Code.

(e) If a Participant experiences a Separation from Service prior to the Maturity Date within two years following a Change in Control, either voluntarily for Good Reason or involuntarily (other than due to Cause), the Participant shall vest in that number Shares equal to the number of Shares that might otherwise be received by the Participant upon achievement of the Target goal.

(f) If the Participant experiences an involuntary Separation from Service prior to the Maturity Date and the Participant either receives benefits under a severance pay plan or program maintained by the Company or receives benefits under a separation agreement with the Company, at but not prior to the Maturity Date and only to the extent the Committee certifies that the performance measures for the Performance Period are satisfied under Subparagraph 5(b)(ii) above, the Participant shall, on the date of such certification, become vested in that number of Shares the Participant might otherwise have received for the Performance Period in accordance with Paragraph 4 above pro rated to reflect that portion of the Performance Period prior to the Participant's ceasing being an active employee of the Company and its Affiliates. The pro rata number of Shares which may be payable to Participant on but not prior to the Maturity Date in such case shall equal that number determined by multiplying (i) the number of Shares the Participant might otherwise have received for the Performance Period in accordance with Paragraph 4 above times (ii) a fraction, the numerator of which is the number of full and partial months in the period that begins the month following the month that includes the Effective Date and ends on (and includes) the date the Participant ceases being an active employee of the Company and its Affiliates, and the denominator of which is the number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the Maturity Date.

(g) If (i) the Participant experiences an involuntary Separation from Service prior to the Maturity Date due to a sale of a business or the outsourcing of any portion of a business, and (ii) the Company or any of its Affiliates fails to make an offer of comparable employment, as defined a severance plan or program maintained by the Company, to the Participant, then at the time and to the extent the Committee certifies that the performance measures for the Performance Period are satisfied under Subparagraph 5(b)(ii) above, upon such certification, the Participant shall become vested in that number of Shares the Participant might otherwise have received for the Performance Period in accordance with Paragraph 4 above pro rated to reflect that portion of the Performance Period prior to the Participant's ceasing being an active employee of the Company and its Affiliates. The pro rata number of Shares in which the Participant may become vested on, but not prior to, the Maturity Date in such case shall equal that number of Shares determined by multiplying (i) the number of Shares the Participant might otherwise have received for the Performance Period in accordance with Paragraph 4 above times (ii) a fraction, the numerator of which is the number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the date the Participant ceases being an active employee of the Company and its Affiliates, and the denominator of which is the total number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the Maturity Date.

For purposes of this Subparagraph 5(g), a Termination of Affiliation shall constitute an involuntary Separation from Service.

## 6. Payment of Shares.

(a) (i) The payment date for all Shares in which a Participant becomes vested pursuant to Subparagraph 5(e) above shall be the thirtieth (30<sup>th</sup>) day after such Participant's Separation from Service, *provided* that if the Participant was a "key employee" within the meaning of Section 409A(a)(B)(i) of the Code immediately prior to his or her Separation from Service, payment shall not be made sooner than six (6) months following the date of such Separation from Service.

(ii) For purposes of this Subparagraph 6(a), "key employee" means an employee designated on an annual basis by the Company as of December 31 (the "Key Employee Designation Date") as an employee meeting the requirements of Section 416(i) of Code utilizing the definition of compensation under Treasury Regulation § 1.415(c)-2(d)(2). A Participant designated as a "key employee" shall be a "key employee" for the entire twelve (12) month period beginning on April 1 following the Key Employee Designation Date.

(b) The payment date for all Shares in which the Participant becomes vested pursuant to Paragraph 5 above, other than Subparagraph 5(e) (as to which the payment date is determined in accordance with Subparagraph 6(a) above), shall be the calendar year containing the Maturity Date.

(c) Upon conversion of RSUs into Shares under this Agreement, such RSUs shall be cancelled. Shares that become payable under this Agreement will be paid by the Company by the delivery to the Participant, or the Participant's beneficiary or legal representative, one or more certificates (or other indicia of ownership) representing Shares of Williams Common Stock equal in number to the number of Shares otherwise payable under this Agreement less the number of Shares having a Fair Market Value, as of the date the withholding tax obligation arises, equal to the minimum statutory withholding requirements. Notwithstanding the foregoing, to the extent permitted by Section 409A of the Code and the guidance thereunder, if federal employment taxes become due upon the Participant's becoming entitled to payment of Shares, the number of Shares necessary to cover minimum statutory withholding requirements may, in the Company's discretion, be used to satisfy such requirements upon such entitlement.



## 7. Other Provisions.

(a) The Participant understands and agrees that payments under this Agreement shall not be used for, or in the determination of, any other payment or benefit under any continuing agreement, plan, policy, practice or arrangement providing for the making of any payment or the provision of any benefits to or for the Participant or the Participant's beneficiaries or representatives, including, without limitation, any employment agreement, any change of control severance protection plan or any employee benefit plan as defined in Section 3(3) of ERISA, including, but not limited to qualified and non-qualified retirement plans.

(b) The Participant agrees and understands that, subject to the limit expressed in clause (iii) of the following sentence, stock certificates (or other indicia of ownership) issued may be held as collateral for monies he/she owes to Company or any of its Affiliates, including but not limited to personal loan(s), Company credit card debt, relocation repayment obligations or benefits from any plan that provides for pre-paid educational assistance. In addition, the Company may accelerate the time or schedule of a payment of vested Shares, and/or deduct from any payment of Shares to the Participant under this Agreement, or to his or her beneficiaries in the case of the Participant's death, that number of Shares having a Fair Market Value at the date of such deduction to the amount of such debt as satisfaction of any such debt, *provided* that (i) such debt is incurred in the ordinary course of the employment relationship between the Company or any of its Affiliates and the Participant, (ii) the aggregate amount of any such debt-related collateral held or deduction made in any taxable year of the Company with respect to the Participant does not exceed \$5,000, and (iii) the deduction of Shares is made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant.

(c) Except as provided in Subparagraphs 5(c) through 5(g) above, in the event that the Participant's employment with the Company or any of its Affiliates terminates prior to the Maturity Date, RSUs subject to this Agreement and any right to Shares issuable hereunder shall be forfeited.

(d) The Participant acknowledges that this Award and similar awards are made on a selective basis and are, therefore, to be kept confidential.

(e) RSUs, Shares, and Participant's interest in RSUs and Shares, may not be sold, assigned, transferred, pledged or otherwise disposed of or encumbered at any time prior to both (i) the Participant's becoming vested in Shares and (ii) payment of Shares under this Agreement.

(f) If the Participant at any time forfeits any or all of the RSUs pursuant to this Agreement, the Participant agrees that all of the Participant's rights to and interest in such RSUs and in Shares issuable thereunder shall terminate upon forfeiture without payment of consideration.

(g) The Committee shall determine whether an event has occurred resulting in the forfeiture of the RSUs and any Shares issuable thereunder in accordance with this Agreement, and all determinations of the Committee shall be final and conclusive.

(h) With respect to the right to receive payment of Shares under this Agreement, nothing contained herein shall give the Participant any rights that are greater than those of a general creditor of the Company.

(i) The obligations of the Company under this Agreement are unfunded and unsecured. Each Participant shall have the status of a general creditor of the Company with respect to amounts due, if any, under this Agreement.

(j) The parties to this Agreement intend that this Agreement meet the requirements of Section 409A of the Code and recognize that it may be necessary to modify this Agreement and/or the Plan to reflect guidance under Section 409A of the Code issued by the Internal Revenue Service. Participant agrees that the Committee shall have sole discretion in determining (i) whether any such modification is desirable or appropriate and (ii) the terms of any such modification.

(k) The Participant shall become a party to this Agreement by accepting the Award either electronically or in writing in accordance with procedures of the Committee, its delegates or agents.

(l) Nothing in this Agreement or the Plan shall interfere with or limit in any way the right of the Company or an Affiliate to terminate the Participant's employment or service at any time, nor confer upon the Participant the right to continue in the employ of the Company and/or Affiliate.

8. Notices. All notices to the Company required hereunder shall be in writing and delivered by hand or by mail, addressed to The Williams Companies, Inc., One Williams Center, Tulsa, Oklahoma 74172, Attention: Stock Administration Department. Notices shall become effective upon their receipt by the Company if delivered in the foregoing manner. To direct the sale of any Shares issued under this Agreement, contact Fidelity at <http://netbenefits.fidelity.com> or by telephone at 800-544-9354.

9. Tax Consultation. You understand you will incur tax consequences as a result of acquisition or disposition of the Shares. You agree to consult with any tax consultants you think advisable in connection with the acquisition of the Shares and acknowledge that you are not relying, and will not rely, on the Company for any tax advice.

THE WILLIAMS COMPANIES, INC.

By:\_\_\_

Steven J. Malcolm  
President and CEO

Participant: \_\_\_\_  
SSN: \_\_\_\_

**2008 RESTRICTED STOCK UNIT AGREEMENT**

**THIS RESTRICTED STOCK UNIT AGREEMENT** (this "Agreement"), which contains the terms and conditions for the Restricted Stock Units ("Restricted Stock Units" or "RSUs") referred to in the 2008 Restricted Stock Unit Award Letter delivered in hard copy or electronically to Participant ("2008 Award Letter"), is by and between **THE WILLIAMS COMPANIES, INC.**, a Delaware corporation (the "Company") and the individual identified on the last page hereof (the "Participant").

1. Grant of RSUs. Subject to the terms and conditions of The Williams Companies, Inc. 2007 Incentive Plan, as amended from time to time (the "Plan"), this Agreement and the 2008 Award Letter, the Company hereby grants an award (the "Award") to the Participant of \_\_\_RSUs effective \_\_\_(the "Effective Date"). The Award gives the Participant the opportunity to earn the right to receive the number of shares of the Common Stock of the Company equal to the number of RSUs shown in the prior sentence, subject to adjustment under the terms of this Agreement. These shares are referred to in this Agreement as the "Shares." Until the Participant both becomes vested in the Shares under the terms of Paragraph 4 and is paid such Shares under the terms of Paragraph 5, the Participant shall have no rights as a stockholder of the Company with respect to the Shares.

2. Incorporation of Plan. The Plan is hereby incorporated herein by reference and all capitalized terms used herein which are not defined in this Agreement shall have the respective meanings set forth in the Plan. The Participant acknowledges that he or she has received a copy of, or has online access to, the Plan and hereby accepts the RSUs subject to all the terms and provisions of the Plan and this Agreement.

3. Committee Decisions and Interpretations. The Participant hereby agrees to accept as binding, conclusive and final all actions, decisions and/or interpretations of the Committee, its delegates, or agents, upon any questions or other matters arising under the Plan or this Agreement.

4. Vesting: Legally Binding Rights.

(a) Notwithstanding any other provision of this Agreement, a Participant shall not be entitled to any payment of Shares under this Agreement unless and until such Participant obtains a legally binding right to such Shares and satisfies applicable vesting conditions for such payment.

(b) Except as otherwise provided in Subparagraphs 4(c) – 4(h) below, the Participant shall vest in all Shares on the date that is three years after the Effective Date (not including the Effective Date) (the "Maturity Date"), but only if the Participant remains an active employee of the Company or any of its Affiliates through the Maturity Date. For example, if the Effective Date of Participant's award under this Agreement is \_\_\_, 2008, the Maturity Date will be \_\_\_, 2011.

(c) If a Participant dies prior to the Maturity Date while an active employee of the Company or any of its Affiliates, the Participant shall vest in all Shares at the time of such death.

(d) If a Participant becomes Disabled (as defined below) prior to the Maturity Date while an active employee of the Company or any of its Affiliates, the Participant shall vest all Shares at the time the Participant becomes Disabled. For purposes of this Subparagraph 4(d), the Participant shall be considered Disabled if he or she (A) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (B) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering employees of the Participant's employer. Notwithstanding the forgoing, all determinations of whether a Participant is Disabled shall be made in accordance with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the guidance thereunder.

(e) If the Participant qualifies for Retirement (as defined in (i) below) with the Company or any of its Affiliates prior to the Maturity Date due to such Retirement, at the time of such Participant's ceasing being an active employee the Participant shall vest in a pro rata number of the Shares as determined in accordance with this Subparagraph 4(e). The pro rata number referred to above shall be determined by multiplying the number of Shares subject to the Award by a fraction, the numerator of which is the number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the date of the Participant's ceasing being an active employee of the Company and its Affiliates, and the denominator of which is the total number of full and partial months in the period that begins the month following the month that contains the Effective Date and ends on (and includes) the Maturity Date.

(i) For purposes of this Subparagraph 4(e), a Participant "qualifies for Retirement" only if such Participant experiences a Separation from Service (as defined in (ii) below) after attaining age fifty-five (55) and completing at least three (3) years of service with the Company or any of its Affiliates.

(ii) As used in this Agreement, "Separation from Service" means a Participant's termination or deemed termination from employment with the Company and its Affiliates. For purposes of determining whether a Separation from

Service has occurred, the employment relationship is treated as continuing intact while the Participant is on military leave, sick leave or other bona fide leave of absence if the period of such leave does not exceed six (6) months, or if longer, so long as the Participant retains a right to reemployment with his or her employer under an applicable statute or by contract. For this purpose, a leave of absence constitutes a bona fide leave of absence only if there is a reasonable expectation that the Participant will return to perform services for his or her employer. If the period of leave exceeds six (6) months and the Participant does not retain a right to reemployment under an applicable statute or by contract, the employment relationship will be deemed to terminate on the first date immediately following such six (6) month period. Notwithstanding the foregoing, if a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months, and such impairment causes the Participant to be unable to perform the duties of the Participant's position of employment or any substantially similar position of employment, a twenty-nine (29) month period of absence shall be substituted for such six (6) month period. For purposes of this Agreement, a Separation from Service occurs at the date as of which the facts and circumstances indicate either that, after such date: (A) the Participant and the Company reasonably anticipate the Participant will perform no further services for the Company and its Affiliates (whether as an employee or an independent contractor or (B) that the level of bona fide services the Participant will perform for the Company and its Affiliates (whether as an employee or independent contractor) will permanently decrease to no more than twenty (20%) of the average level of bona fide services performed over the immediately preceding thirty-six (36) month period or, if the Participant has been providing services to the Company and its Affiliates for less than thirty-six (36) months, the full period over which the Participant has rendered services, whether as an employee or independent contractor. The determination of whether a Separation from Service has occurred shall be governed by the provisions of Treasury Regulation § 1.409A-1, as amended, taking into account the objective facts and circumstances with respect to the level of bona fide services performed by the Participant after a certain date.

(iii) As used in this Agreement, "Affiliate" means all persons with whom the the Company would be considered a single employer under Section 414(b) of the Code, and all persons with whom such person would be considered a single employer under Section 414(c) of the Code.

(f) If the Participant experiences a Separation from Service prior to the Maturity Date within two years following a Change in Control, either voluntarily for Good Reason or involuntarily (other than due to Cause), the Participant shall vest in all of the Shares upon such Separation from Service.

(g) If the Participant experiences an involuntary Separation from Service prior to the Maturity Date and the Participant either receives benefits under a severance pay plan or program maintained by the Company or receives benefits under a separation agreement with the Company, the Participant shall vest in all Shares upon such Separation from Service.

(h) If the Participant experiences an involuntary Separation from Service prior to the Maturity Date due to a sale of a business or the outsourcing of any portion of a business, the Participant shall vest in all Shares upon such Separation from Service, but only if the Company or any of its Affiliates failed to make an offer of comparable employment, as defined by a severance pay plan or program maintained by the Company, to the Participant. For purposes of this Subparagraph 4(h), a Termination of Affiliation shall constitute an involuntary Separation from Service.

## 5. Payment of Shares.

(a) The payment date for all Shares in which a Participant becomes vested pursuant to Subparagraph 4(b) above shall be the thirtieth (30<sup>th</sup>) day following the Maturity Date.

(b) The payment date for all Shares in which a Participant becomes vested pursuant to Subparagraph 4(c) above shall be the sixtieth (60<sup>th</sup>) day following such death.

(c) The payment date for all shares in which a Participant becomes vested pursuant to Subparagraph 4(d) above shall be the thirtieth (30<sup>th</sup>) day after the Participant becomes Disabled.

(d) The payment date for all Shares in which the Participant becomes vested pursuant to Subparagraphs 4(e), 4(f), 4(g) and 4(h) above shall be the thirtieth (30<sup>th</sup>) day following such Participant's Separation from Service, *provided* that if the Participant was a "key employee" within the meaning of Section 409A(a)(B)(i) of the Code immediately prior to his or her Separation from Service, and such Participant vested in such Shares under Subparagraph 4(e), 4(f), 4(g) or 4(h) above, payment shall not be made sooner than six (6) months following the date such Participant experienced a Separation from Service. For purposes of this Subparagraph 5(d), "key employee" means an employee designated on an annual basis by the Company as of December 31 (the "Key Employee Designation Date") as an employee meeting the requirements of Section 416(i) of Code utilizing the definition of compensation under Treasury Regulation § 1.415(c)-2(d)(2). A Participant designated as a "key employee" shall be a "key employee" for the entire twelve (12) month period beginning on April 1 following the Key Employee Designation Date.

(e) Upon conversion of RSUs into Shares under this Agreement, such RSUs shall be cancelled Shares that become payable under this Agreement will be paid by the Company by the delivery to the Participant, or the Participant's beneficiary or legal representative, of one or more certificates (or other indicia of ownership) representing shares of Williams Common Stock equal in number to the number of Shares otherwise payable under this Agreement less the number of Shares having a Fair Market Value, as of the date the withholding tax obligation arises, equal to the

minimum statutory withholding requirements. Notwithstanding the foregoing, to the extent permitted by Section 409A of the Code and the guidance issued by the Internal Revenue Service thereunder, if federal employment taxes become due upon the Participant's becoming entitled to payment of Shares, the number of Shares necessary to cover minimum statutory withholding requirements may, in the discretion of the Company, be used to satisfy such requirements upon such entitlement.

## 6. Other Provisions.

(a) The Participant understands and agrees that payments under this Agreement shall not be used for, or in the determination of, any other payment or benefit under any continuing agreement, plan, policy, practice or arrangement providing for the making of any payment or the provision of any benefits to or for the Participant or the Participant's beneficiaries or representatives, including, without limitation, any employment agreement, any change of control severance protection plan or any employee benefit plan as defined in Section 3(3) of ERISA, including, but not limited to qualified and non-qualified retirement plans.

(b) The Participant agrees and understands that, subject to the limit expressed in clause (iii) of the following sentence, upon payment of Shares under this Agreement, stock certificates (or other indicia of ownership) issued may be held as collateral for monies he/she owes to Company or any of its Affiliates, including but not limited to personal loan(s), Company credit card debt, relocation repayment obligations or benefits from any plan that provides for pre-paid educational assistance. In addition, the Company may accelerate the time or schedule of a payment of vested Shares, and/or deduct from any payment of Shares to the Participant under this Agreement, or to his or her beneficiaries in the case of the Participant's death, that number of Shares having a Fair Market Value at the date of such deduction to the amount of such debt as satisfaction of any such debt, *provided* that (i) such debt is incurred in the ordinary course of the employment relationship between the Company or any of its Affiliates and the Participant, (ii) the aggregate amount of any such debt-related collateral held or deduction made in any taxable year of the Company with respect to the Participant does not exceed \$5,000, and (iii) the deduction of Shares is made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant.

(c) Except as provided in Subparagraphs 4(c) through 4(h) above, in the event that the Participant experiences a Separation from Service prior to the Participant's becoming vested in the Shares under this Agreement, RSUs subject to this Agreement and any right to Shares issuable hereunder shall be forfeited.

(d) The Participant acknowledges that this Award and similar awards are made on a selective basis and are, therefore, to be kept confidential.

(e) RSUs, Shares and the Participant's interest in RSUs and Shares may not be sold, assigned, transferred, pledged or otherwise disposed of or encumbered at any time prior to both (i) the Participant's becoming vested in such Shares and (ii) payment of such Shares under this Agreement.

(f) If the Participant at any time forfeits any or all of the RSUs pursuant to this Agreement, the Participant agrees that all of the Participant's rights to and interest in such RSUs and in Shares issuable hereunder shall terminate upon forfeiture without payment of consideration.

(g) The Committee shall determine whether an event has occurred resulting in the forfeiture of the Shares, in accordance with this Agreement, and all determinations of the Committee shall be final and conclusive.

(h) With respect to the right to receive payment of the Shares under this Agreement, nothing contained herein shall give the Participant any rights that are greater than those of a general creditor of the Company.

(i) The obligations of the Company under this Agreement are unfunded and unsecured. Each Participant shall have the status of a general creditor of the Company with respect to amounts due, if any, under this Agreement.

(j) The parties to this Agreement intend that this Agreement meet the applicable requirements of Section 409A of the Code and recognize that it may be necessary to modify this Agreement and/or the Plan to reflect guidance under Section 409A of the Code issued by the Internal Revenue Service. Participant agrees that the Committee shall have sole discretion in determining (i) whether any such modification is desirable or appropriate and (ii) the terms of any such modification.

(k) The Participant shall become a party to this Agreement by accepting the Award either electronically or in writing in accordance with procedures of the Committee, its delegates or agents.

(l) Nothing in this Agreement or the Plan shall interfere with or limit in any way the right of the Company or an Affiliate to terminate the Participant's employment or service at any time, nor confer upon the Participant the right to continue in the employ of the Company and/or Affiliate.

7. Notices. All notices to the Company required hereunder shall be in writing and delivered by hand or by mail, addressed to The Williams Companies, Inc., One Williams Center, Tulsa, Oklahoma 74172, Attention: Stock Administration Department. Notices shall become effective upon their receipt by the Company if delivered in the foregoing manner. To direct the sale of any Shares issued under this Agreement, contact Fidelity at <http://netbenefits.fidelity.com> or by telephone at 800-544-9354.

8. Tax Consultation. You understand you will incur tax consequences as a result of acquisition or disposition of the Shares.

You agree to consult with any tax consultants you think advisable in connection with the acquisition of the Shares and acknowledge that you are not relying, and will not rely, on the Company for any tax advice.

THE WILLIAMS COMPANIES, INC.

By:\_\_\_

Steven J. Malcolm  
President and CEO

Participant: \_\_\_

SSN: \_\_\_

Name: \_\_\_\_  
 SSN: \_\_\_\_

THE WILLIAMS COMPANIES, INC.  
 2007 INCENTIVE PLAN  
 NONQUALIFIED STOCK OPTION AGREEMENT

This Nonqualified Stock Option Agreement ("Option Agreement") contains the terms of the Option (as defined below) granted to you in this Option Agreement. Certain other terms of the Option are defined in the Plan (as defined below).

1. **Stock Options.** Subject to the terms of The Williams Companies, Inc. 2007 Incentive Plan or any successor plan, including any supplements or amendments to it (the "Plan"), you have been granted the right ("Option") to purchase from the Company \_\_\_\_ shares of the Company's Common Stock, par value \$1 per share (the "Shares") effective \_\_\_\_ (the "Effective Date"). Your Option is exercisable in whole or in part at the exercise price of \_\_\_\_ (the "Option Price"), the closing stock price on \_\_\_\_, and has an expiration date of \_\_\_\_\_. The Option will vest in one-third increments each year for three years on the anniversary date of the Effective Date beginning the year following the Effective Date and is exercisable at such times and during such periods as are set forth in this Option Agreement and the Plan.

2. **Incorporation of Plan.** The Plan applies as though it were included in this Option Agreement. Any capitalized word has a special meaning, which can be found either in the Plan or in this Option Agreement. You agree to accept as binding, conclusive and final all decisions and interpretations of the Committee upon any questions arising under the Plan or this Option Agreement.

3. **Exercise.** Except as otherwise provided in this Option Agreement, you may exercise vested Options, in whole or in part, by delivering a notice of exercise to the Plan's designated broker, showing the number of Shares for which the Option is being exercised, and providing payment in full for the Option Price. To give notice of exercise of an Option and receive instructions on payment of the Option Price, contact Fidelity at <http://netbenefits.fidelity.com> or by telephone at 800-544-9354. If you have not signed and delivered this Option Agreement prior to submitting a notification of such election, submission of your notification of election shall constitute your agreement with the terms and conditions of this Option Agreement. Notwithstanding the preceding sentence, the Company reserves the right to require your signature to this Option Agreement prior to accepting a notification of election to exercise this Option in whole or in part.

4. **Payment.** You must pay the Option Price in full by any one or more of the following methods, subject to approval of the Committee in its sole discretion, (i) subject to applicable law, in cash through the sale of the Shares acquired on exercise of the Option through a broker-dealer to whom you have submitted an irrevocable notice of exercise and irrevocable instructions to deliver promptly to the Company the amount of sale or loan proceeds sufficient to pay the Option Price; (ii) in cash, by personal check or wire transfer; (iii) in Shares valued at their Fair Market Value on the date of exercise; (iv) withholding of Shares otherwise deliverable upon exercise valued at their Fair Market Value on the date of exercise; or (v) in any combination of the above methods. Certificates for any Shares used to pay the Option Price must be attested to in writing to the Company or delivered to the Company in negotiable form, duly endorsed in blank or with separate stock powers attached, and must be free and clear of all liens, encumbrances, claims and any other charges thereon of any kind.

5. **Tax Withholding.** Whenever any Options are exercised under the terms of this Option Agreement, the Company will not deliver your Shares unless you remit or, in appropriate cases, agree to remit when due the minimum amount necessary to satisfy all of the Company's federal, state and local withholding tax requirements relating to your Option or the Shares. The Committee may require you to satisfy these minimum withholding tax obligations by any (or a combination) of the following means as determined by the Committee in its sole discretion: (i) a cash payment; (ii) withholding from compensation otherwise payable to you; (iii) authorizing the Company to withhold from the Shares otherwise deliverable to you as a result of the exercise of an Option, a number of Shares having a Fair Market Value, as of the date the withholding tax obligation arises, less than or equal to the amount of the withholding obligation; or (iv) delivering to the Company unencumbered Mature Shares having a Fair Market Value, as of the date the withholding tax obligation arises, less than or equal to the amount of the withholding obligation.

6. **Rights in the Event of Termination of Service**

(a) **Rights in the Event of Termination of Service** If your service with the Company and its Affiliates is terminated for any reason other than death, retirement, Disability or for Cause as defined below, the Option, to the extent vested on the date of your termination, will remain exercisable for six months from the date of such termination (but may not be exercised later than the last day of the original Option Term).

(b) **Rights in the Event of Death** If you die while in the service of the Company and its Affiliates, your Option will immediately vest and the Option shall remain exercisable for a period of five years from the date of your death (but may not be exercised later than the last day of the original Option Term) by the person who becomes entitled to exercise your Option after your death (whether by will or by the laws of descent and distribution, or by means of a written beneficiary designation you filed with the Stock Administration Department before your death).

(c) **Rights in the Event of Retirement or Disability** If your service with the Company and its Affiliates is terminated for retirement (as defined below) or Disability (as defined below), your Option will immediately vest and the Option shall remain

exercisable for five years from the date of your termination (but may not be exercised later than the last day of the original Option Term). The term "Disability" is defined in the Company's long-term disability plan in which you participate or are eligible to participate, as determined by the Committee. Your service will "terminate for retirement" if your employment for the Company and its Affiliates is terminated after you have attained age fifty-five (55) and completed at least three (3) years of service with the Company or any of its Affiliates.

(d) Rights in the Event of Termination for Cause If your service for the Company or an Affiliate terminates for Cause (as defined under the Plan and set forth below), any Option exercisable on or before such termination shall remain exercisable for a period of 30 days from the date of such termination (but may not be exercised later than the last day of the original Option Term). As of the date of this Agreement, the Plan defines "Cause" as (i) your willful failure to substantially perform your duties, other than any such failure resulting from a Disability; or (ii) your gross negligence or willful misconduct which results in a significantly adverse effect upon the Company or an Affiliate; or (iii) your willful violation or disregard of the Company's or an Affiliate's code of business conduct or other published policy of the Company or an Affiliate; or (iv) your conviction of a crime involving an act of fraud, embezzlement, theft, or any other act constituting a felony involving moral turpitude or causing material harm, financial or otherwise, to the Company or an Affiliate. The Company may change the definition of Cause under the Plan at any time.

7. Notices. All notices to the Company or to the Committee must be in writing and delivered by hand or by mail, addressed to The Williams Companies, Inc., One Williams Center, Tulsa, Oklahoma 74172, Attention: Stock Administration Department. Notices become effective upon their receipt by the Company if delivered as described in this section. To give notice of exercise of an Option and receive instructions on payment of the Option Price, contact Fidelity at <http://netbenefits.fidelity.com> or by telephone at 800-544-9354.

8. Securities Law Compliance. The Company may, without liability for its good faith actions, place legend restrictions upon Shares obtained by exercising this Option and issue "stop transfer" instructions requiring compliance with applicable securities laws and the terms of this Option.

9. No Right to Employment or Service Nothing in the Option Agreement or the Plan shall interfere with or limit in any way the right of the Company or an Affiliate to terminate your employment or service at any time, nor confer upon you the right to continue in the employ of the Company and/or Affiliate.

10. Tax Consultation. You understand you will incur tax consequences as a result of purchase or disposition of the Shares. You agree to consult with any tax consultants you think advisable in connection with the purchase of the Shares and acknowledge that you are not relying, and will not rely, on the Company for any tax advice.

THE WILLIAMS COMPANIES, INC.

By\_\_\_

Steven J. Malcolm

President and CEO