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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2002

OR

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

For the transition period from to

Commission file number 1-4174

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

DELAWARE	73-0569878
(State of Incorporation)	(IRS Employer Identification Number)

ONE WILLIAMS CENTER TULSA, OKLAHOMA	74172
(Address of principal executive office)	(Zip Code)

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

NO CHANGE
Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

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

Class	Outstanding at July 31, 2002
Common Stock, $1 par value	516,512,571 Shares

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

Forward-looking statements can be identified by words such as "anticipates," "believes," "expects," "planned," "scheduled" or similar expressions. Although Williams believes these forward-looking statements are based on reasonable assumptions, statements made regarding future results are subject to a number of assumptions, uncertainties and risks that may cause future results to be materially different from the results stated or implied in this document. Additional information about issues that could lead to material changes in performance is contained in The Williams Companies, Inc.'s 2001 Form 10-K.

The Williams Companies, Inc.
Consolidated Statement of Operations
(Unaudited)

(Dollars in millions, except per-share amounts)	Three months ended June 30,		Six months ended June 30,	
	2002	2001*	2002	2001*
Revenues:				
Energy Marketing & Trading	$ (195.6)	$ 337.7	$ 145.3	$ 935.9
Gas Pipeline	381.7	368.7	805.5	790.7
Energy Services	2,003.6	2,225.1	3,743.7	4,469.4
Other	16.4	21.0	32.3	39.5
Intercompany eliminations	(50.5)	(31.2)	(90.4)	(104.8)
Total revenues	2,155.6	2,921.3	4,636.4	6,130.7
Segment costs and expenses:				
Costs and operating expenses	1,866.1	2,119.8	3,467.3	4,309.2
Selling, general and administrative expenses	233.3	193.9	429.8	418.4
Other (income) expense - net	223.0	(89.8)	221.1	(79.7)
Total segment costs and expenses	2,322.4	2,223.9	4,118.2	4,647.9
General corporate expenses	34.1	27.0	72.3	56.4
Operating income (loss):				
Energy Marketing & Trading	(414.5)	263.1	(141.5)	750.0
Gas Pipeline	117.3	170.9	288.0	339.5
Energy Services	129.8	258.9	368.6	384.0
Other	.6	4.5	3.1	9.3
General corporate expenses	(34.1)	(27.0)	(72.3)	(56.4)
Total operating income (loss)	(200.9)	670.4	445.9	1,426.4
Interest accrued	(278.0)	(161.1)	(495.4)	(341.1)
Interest capitalized	6.7	11.1	12.4	20.8
Interest rate swap loss	(83.2)	--	(73.0)	--
Investing income (loss):				
Estimated loss on realization of amounts due from Williams Communications Group, Inc.	(15.0)	--	(247.0)	--
Other	54.8	35.0	70.9	69.0
Preferred returns and minority interest in income of consolidated subsidiaries	(21.8)	(21.7)	(37.0)	(47.0)
Other income - net	23.7	6.0	19.8	11.4
Income (loss) from continuing operations before income taxes	(513.7)	539.7	(303.4)	1,139.5
Provision (benefit) for income taxes	(164.6)	210.9	(77.5)	443.8
Income (loss) from continuing operations	(349.1)	328.8	(225.9)	695.7
Income (loss) from discontinued operations	--	10.7	(15.5)	(157.0)
Net income (loss)	(349.1)	339.5	(241.4)	538.7
Preferred stock dividends	(6.8)	--	(76.5)	--
Income (loss) applicable to common stock	$ (355.9)	$ 339.5	$ (317.9)	$ 538.7
Basic earnings (loss) per common share:				
Income (loss) from continuing operations	$ (.68)	$ .68	$ (.58)	$ 1.44
Income (loss) from discontinued operations	--	.02	(.03)	(.33)
Net income (loss)	$ (.68)	$ .70	$ (.61)	$ 1.11
Average shares (thousands)	520,427	487,211	519,829	483,173
Diluted earnings (loss) per common share:				
Income (loss) from continuing operations	$ (.68)	$ .67	$ (.58)	$ 1.42
Income (loss) from discontinued operations	--	.02	(.03)	(.32)
Net income (loss)	$ (.68)	$ .69	$ (.61)	$ 1.10
Average shares (thousands)	520,427	491,698	519,829	487,527
Cash dividends per common share	$ .20	$ .15	$ .40	$ .30

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

See accompanying notes.

The Williams Companies, Inc.
Consolidated Balance Sheet
(Unaudited)

(Dollars in millions, except per-share amounts)	June 30, 2002	December 31, 2001*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 773.3	$ 1,291.4
Restricted cash	169.5	--
Accounts and notes receivable less allowance of $201.3 ($255.0 in 2001)	3,679.0	3,118.6
Inventories	969.2	813.2
Energy risk management and trading assets	5,491.1	6,514.1
Margin deposits	369.6	213.8
Assets of discontinued operations	--	25.6
Deferred income taxes	479.8	440.6
Other	442.3	520.7
Total current assets	12,373.8	12,938.0
Restricted cash	101.1	--
Investments	1,750.5	1,563.1
Property, plant and equipment, at cost	22,868.2	22,138.4
Less accumulated depreciation and depletion	(5,411.7)	(5,199.6)
	17,456.5	16,938.8
Energy risk management and trading assets	3,608.7	4,209.4
Goodwill, net	1,106.8	1,164.3
Assets of discontinued operations	--	935.9
Receivables from Williams Communications Group, Inc. less allowance of $2,084.9 ($103.2 in 2001)	287.4	137.2
Other assets and deferred charges	880.8	1,019.5
Total assets	$ 37,565.6	$ 38,906.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 711.2	$ 1,424.5
Accounts payable	3,423.6	2,885.9
Accrued liabilities	1,947.0	1,957.1
Liabilities of discontinued operations	--	40.9
Energy risk management and trading liabilities	4,723.5	5,525.7
Guarantees and payment obligations related to Williams Communications Group, Inc.	51.2	645.6
Long-term debt due within one year	1,636.3	1,014.8
Total current liabilities	12,492.8	13,494.5
Long-term debt	11,972.0	9,012.7
Deferred income taxes	3,420.9	3,689.9
Liabilities of discontinued operations	--	488.0
Energy risk management and trading liabilities	2,199.7	2,936.6
Guarantees and payment obligations related to Williams Communications Group, Inc.	--	1,120.0
Other liabilities and deferred income	989.2	943.1
Contingent liabilities and commitments (Note 12)		
Minority interests in consolidated subsidiaries	443.2	201.0
Preferred interests in consolidated subsidiaries	429.5	976.4
Stockholders' equity:		
Preferred stock, $1 per share par value, 30 million shares authorized, 1.5 million issued in 2002, none in 2001	272.3	--
Common stock, $1 per share par value, 960 million shares authorized, 519.6 million issued in 2002, 518.9 million issued in 2001	519.6	518.9
Capital in excess of par value	5,140.2	5,085.1
Retained earnings (deficit)	(345.2)	199.6
Accumulated other comprehensive income	123.9	345.1
Other	(53.9)	(65.0)
	5,656.9	6,083.7
Less treasury stock (at cost), 3.2 million shares of common stock in 2002 and 3.4 million in 2001	(38.6)	(39.7)
Total stockholders' equity	5,618.3	6,044.0
Total liabilities and stockholders' equity	$ 37,565.6	$ 38,906.2

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

See accompanying notes.

The Williams Companies, Inc.
Consolidated Statement of Cash Flows
(Unaudited)

(Millions)	Six months ended June 30, 2002	Six months ended June 30, 2001*
OPERATING ACTIVITIES:		
Income (loss) from continuing operations	$ (225.9)	$ 695.7
Adjustments to reconcile to cash provided (used) by operations:		
Depreciation, depletion and amortization	439.6	349.6
Provision (benefit) for deferred income taxes	(114.2)	215.7
Payments of guarantees and payment obligations related to Williams Communications Group, Inc.	(753.9)	--
Estimated loss on realization of amounts due from Williams Communications Group, Inc.	247.0	--
Provision for loss on property and other assets	154.1	25.1
Net gain on dispositions of assets	(10.1)	(101.5)
Preferred returns and minority interest in income of consolidated subsidiaries	37.0	47.0
Tax benefit of stock-based awards	2.4	21.4
Cash provided (used) by changes in current assets and liabilities:		
Restricted cash	(169.5)	--
Accounts and notes receivable	(567.0)	(555.1)
Inventories	(159.7)	97.2
Margin deposits	(155.8)	513.4
Other current assets	(73.4)	(104.8)
Accounts payable	547.9	559.0
Accrued liabilities	(69.4)	(56.1)
Changes in current energy risk management and trading assets and liabilities	220.8	(118.7)
Changes in noncurrent energy risk management and trading assets and liabilities	(136.1)	(675.8)
Changes in noncurrent deferred income	(20.3)	(12.8)
Changes in noncurrent restricted cash	(101.1)	--
Other, including changes in noncurrent assets and liabilities	5.0	52.1
Net cash provided (used) by operating activities of continuing operations	(902.6)	951.4
Net cash provided by operating activities of discontinued operations	30.2	79.6
Net cash provided (used) by operating activities	(872.4)	1,031.0
FINANCING ACTIVITIES:		
Proceeds from notes payable	700.4	1,430.0
Payments of notes payable	(2,003.1)	(2,751.0)
Proceeds from long-term debt	3,170.7	1,695.6
Payments of long-term debt	(1,028.7)	(705.9)
Proceeds from issuance of common stock	24.5	1,380.8
Proceeds from issuance of preferred stock	272.3	--
Dividends paid	(206.5)	(145.3)
Proceeds from sale of limited partner units of consolidated partnership	284.6	92.5
Payment of Williams obligated mandatorily redeemable preferred securities of Trust holding only Williams indentures	--	(194.0)
Payments of debt issuance costs	(107.5)	(24.5)
Payments/dividends to preferred and minority interests	(39.2)	(25.9)
Other--net	(.5)	--
Net cash provided by financing activities of continuing operations	1,067.0	752.3
Net cash provided (used) by financing activities of discontinued operations	(5.6)	1,317.6
Net cash provided by financing activities	1,061.4	2,069.9
INVESTING ACTIVITIES:		
Property, plant and equipment:		
Capital expenditures	(935.6)	(708.4)
Proceeds from dispositions	108.9	18.8
Changes in accounts payable and accrued liabilities	(4.4)	27.1
Purchase of investment in Barrett	--	(1,241.4)
Purchases of investments/advances to affiliates	(290.4)	(232.0)
Proceeds from sales of businesses	440.6	149.7
Proceeds from sales of investments and other assets	.6	241.7
Other--net	12.1	32.2
Net cash used by investing activities of continuing operations	(668.2)	(1,712.3)
Net cash used by investing activities of discontinued operations	(48.6)	(1,488.2)
Net cash used by investing activities	(716.8)	(3,200.5)
Cash of discontinued operations at spinoff	--	(96.5)
Decrease in cash and cash equivalents	(527.8)	(196.1)
Cash and cash equivalents at beginning of period**	1,301.1	1,210.7
Cash and cash equivalents at end of period**	$ 773.3	$ 1,014.6

* Amounts have been restated or reclassified as described in Note 2 of Notes to

Consolidated Financial Statements.

** Includes cash and cash equivalents of discontinued operations of $9.7 million, $23.7 million and $224.2 million at December 31, 2001, June 30, 2001 and December 31, 2000, respectively.

See accompanying notes.

The Williams Companies, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

1. General

Recent Developments

As a result of credit issues facing the company and the assumption of payment obligations and performance on guarantees associated with Williams Communications Group, Inc., (WCG), Williams announced plans during the first quarter of 2002 to strengthen its balance sheet. During the second quarter, the results of the energy marketing and trading business were not profitable reflecting market movements against its portfolio and an absence of origination activities. These unfavorable conditions were in large part a result of market concerns about Williams' credit and liquidity situation and limited this business' ability to manage market risk and exercise hedging strategies as market liquidity deteriorated. Subsequent to June 30, 2002, Williams' credit ratings were lowered below investment grade and it was unable to complete a renewal of its unsecured short-term bank credit facility. Following these events, Williams sold assets in July 2002 receiving net proceeds of approximately $1.5 billion, obtained secured credit facilities totaling $1.3 billion and amended its $700 million revolving credit facility to a secured basis. The effect of these transactions will be recorded in the third quarter of 2002. The Company has also reduced projected levels of capital expenditures and is considering selling other assets in the future to provide additional financial flexibility and liquidity. The board of directors reduced the quarterly dividend on common stock for the third quarter from the prior level of $.20 per share to $.01 per share. On August 1, 2002, Williams also announced its intentions to reduce its commitment to the energy marketing and trading business. This reduction could be realized by entering into a joint venture with a third party or sale of a portion or all of the marketing and trading portfolio. Additional information on these events is discussed in Note 18 and in Management's Discussion and Analysis included in this Form 10-Q.

Other

The accompanying interim consolidated financial statements of The Williams Companies, Inc. (Williams) do not include all notes in annual financial statements and therefore should be read in conjunction with the consolidated financial statements and notes thereto in Williams' Current Report on Form 8-K dated May 28, 2002. The accompanying financial statements have not been audited by independent auditors, but include all normal recurring adjustments and others, including asset impairments and loss accruals, which, in the opinion of Williams' management, are necessary to present fairly its financial position at June 30, 2002, its results of operations for the three and six months ended June 30, 2002 and 2001, and its cash flows for the six months ended June 30, 2002 and 2001.

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

2. Basis of presentation

On March 27, 2002, Williams completed the sale of one of its Gas Pipeline segments, Kern River Gas Transmission (Kern River), to MidAmerican Energy Holdings Company (MEHC). Accordingly, the accompanying consolidated financial statements and notes reflect the results of operations, financial position and cash flows of Kern River as discontinued operations. Unless indicated otherwise, the information in the Notes to Consolidated Financial Statements relates to the continuing operations of Williams (see Note 7).

Certain other statement of operations, balance sheet and cash flow amounts have been reclassified to conform to the current classifications. Additionally, certain segment amounts have been reclassified as a result of transfers of management effective April 11, 2002 and July 1, 2002 (see Note 16).

3. Asset sales, impairments and other accruals

Williams offered an enhanced-benefit early retirement option to certain employee groups. The deadline for electing the early retirement option was April 26, 2002. The three and six months ended June 30, 2002, reflects $30 million of expense associated with the early retirement, of which $24 million is recorded in selling, general and administrative expenses and the remaining in general corporate expenses.

In a Form 8-K filed on May 28, 2002, Williams announced a plan that is designed to further improve the company's financial position and more narrowly focus its business strategy within its major business units. Part of this plan includes the generation of $1.5 billion to $3 billion of proceeds from the sale of assets or businesses. Williams is evaluating the assets and/or businesses that fit within its new, more narrowly focused business strategy, and has identified certain assets and/or businesses that are more-likely-than-not to be disposed of before the end of their previously estimated useful lives. These assets and/or businesses did not meet the criteria to be classified as held for sale at June 30, 2002, and were evaluated for recoverability on a held-for-use basis pursuant to Statement of Financial Accounting Standards (SFAS) No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." A probability-weighted approach was used to consider the likelihood of possible

outcomes including sale in the near term and hold for the remaining estimated useful life. For those assets and/or businesses that were not recoverable based on undiscounted cash flows, an impairment loss was recognized in second-quarter 2002 based on management's estimate of fair value.

In March 2002, Williams announced its intentions to sell its soda ash mining facility located in Colorado, which was previously written-down to estimated fair value at December 31, 2001, and in April 2002, Williams initiated a reserve-auction process. As this process and negotiations with interested parties progressed, new information regarding estimated fair value became available. As a result, an additional impairment loss of $44.1 million was recognized in second-quarter 2002 by the International segment. Management's estimate of fair value used to calculate the impairment loss was based on discounted cash flows assuming sale of the facility in 2002.

During second-quarter 2002, Williams identified the travel centers as a business that does not fit within the new business strategy and began actively marketing that business for sale. Probability-weighted undiscounted cash flows for asset recoverability were estimated on a facility-by-facility basis. Fair value estimates for the travel centers with an indicated impairment were based on management's estimate of discounted cash flows using a probability-weighted approach which considered the likelihood of sale and related sale proceeds and the possibility of holding

the asset for its remaining estimated useful life. The $27 million loss recognized in second-quarter 2002 by Petroleum Services includes both impairment charges related to stores owned by Williams and liability accruals associated with a residual value guarantee of certain travel centers under an operating lease which, due to certain July 2002 amendments, will be accounted for as a capital lease beginning in July 2002.

Additionally, as Williams has more narrowly focused its business strategy and reduced planned capital spending, certain projects will not be further developed. As a result, Williams has written-off capitalized costs and accrued for estimated costs associated with termination of these projects. The $83.7 million Energy Marketing & Trading charge includes write-offs associated with a terminated power plant project and accruals for commitments for certain assets that were previously planned to be used in power projects. Gas Pipelines' $7.5 million charge relates to the write-off of a cancelled pipeline construction project. In addition, Gas Pipeline also had an equity investment in another pipeline project which was cancelled resulting in a $12.3 million charge included in equity earnings (losses) (see Note 5).

Energy Marketing & Trading recognized a $57.5 million goodwill impairment loss in second-quarter 2002 reflecting deteriorating market conditions in the merchant energy sector in which it operates and Energy Marketing & Trading's resulting announcement in June 2002 to scale back its own energy marketing and risk management business. The fair value of Energy Marketing & Trading used to calculate the goodwill impairment loss was based on the estimated fair value of the trading portfolio as reflected in the financial statements combined with the estimated fair value of contracts with affiliates that have not been marked to market. The fair value of these contracts was estimated using a discounted cash flow model with natural gas pricing assumptions based on current market information.

Significant gains or losses from asset sales, impairments and other accruals included in other (income) expense - net within segment costs and expenses are included in the following table. With the exception of the $12.3 million charge at Gas Pipeline, the table includes those impairments and other accruals previously discussed.

	Three months ended June 30,		Six months ended June 30,	
(Millions)	2002	2001	2002	2001
ENERGY MARKETING & TRADING				
Net loss accruals and write-offs	$ 83.7	$ --	$ 83.7	$ --
Impairment of goodwill	57.5	--	57.5	--
GAS PIPELINE				
Gain on sale of limited partner units of Northern Border Partners, L.P.	--	(27.5)	-	(27.5)
Write-off of cancelled project	7.5	--	7.5	--
ENERGY SERVICES:				
INTERNATIONAL				
Impairment of soda ash mining facility	44.1	--	44.1	--
MIDSTREAM GAS & LIQUIDS				
Impairment of south Texas assets	--	10.9	-	10.9
PETROLEUM SERVICES				
Gain on sale of certain convenience stores	--	(72.1)	-	(72.1)
Impairment of end-to-end mobile computing systems business	--	--	-	11.2
Impairment and other loss accruals for travel centers	27.0	--	27.0	--

4. Receivables from Williams Communications Group, Inc. and other related information

Background

At December 31, 2001, Williams had financial exposure from WCG of $375 million of receivables and $2.21 billion of guarantees and payment obligations. Williams determined it was probable it would not fully realize the $375 million of receivables, and it would be required to perform under its $2.21 billion of guarantees and payment obligations. Williams developed an estimated range of loss related to its total WCG exposure and management believed that no loss within that range was more probable than another. For 2001, Williams recorded the $2.05 billion minimum amount of the range of loss from its financial exposure to WCG, which was reported in the Consolidated Statement of Operations as a $1.84 billion pre-tax charge to discontinued operations and a $213 million pre-tax charge to continuing operations. The charge to discontinued

operations of $1.84 billion included a $1.77 billion minimum amount of the estimated range of loss from performance on $2.21 billion of guarantees and payment obligations. The charge to continuing operations of $213 million included estimated losses from an assessment of the recoverability of the carrying amounts of the $375 million of receivables and a remaining $25 million investment in WCG common stock.

Williams, prior to the spinoff of WCG, provided indirect credit support for $1.4 billion of WCG's Note Trust Notes. On March 5, 2002, Williams received the requisite approvals on its consent solicitation to amend the terms of the WCG Note Trust Notes. The amendment, among other things, eliminated acceleration of the WCG Note Trust Notes due to a WCG bankruptcy or from a Williams credit rating downgrade. The amendment also affirmed Williams' obligation for all payments due with respect to the WCG Note Trust Notes, which mature in March 2004, and allows Williams to fund such payments from any available sources. In July 2002, Williams acquired substantially all of the WCG Note Trust Notes by exchanging $1.4 billion of Williams Senior Unsecured 9.25 percent Notes due March 2004. With the exception of the March and September 2002 interest payments, totaling $115 million, WCG, through a subsidiary, remains obligated to reimburse Williams for any payments Williams makes in connection with the Notes.

Williams also provided a guarantee of WCG's obligations under a 1998 transaction in which WCG entered into a lease agreement covering a portion of its fiber-optic network. WCG had an option to purchase the covered network assets during the lease term at an amount approximating the lessor's cost of $750 million. On March 8, 2002, WCG exercised its option to purchase the covered network assets. On March 29, 2002, Williams funded the purchase price of $754 million and became entitled to an unsecured note from WCG for the same amount. Pursuant to the terms of an agreement between Williams and WCG's revolving credit facility lenders, the liability of WCG to compensate Williams for funding the purchase is subordinated to the interests of WCG's revolving credit facility lenders and will not mature any earlier than one year after the maturity of WCG's revolving credit facility.

Williams has also provided guarantees on certain other performance obligations of WCG totaling approximately $57 million.

2002 Evaluation

At June 30, 2002, Williams has receivables and claims from WCG of $2.15 billion arising from Williams affirming its payment obligation on the $1.4 billion of WCG Note Trust Notes and Williams paying $754 million under the WCG lease agreement. At June 30, 2002, Williams also has $356 million of previously existing receivables. In second-quarter 2002, Williams recorded in continuing operations a pre-tax charge of $15 million related to WCG, including an assessment of the recoverability of its receivables and claims from WCG. For the six months ended June 30, 2002, Williams has recorded in continuing operations pre-tax charges of $247 million related to the recovery of these receivables and claims. At June 30, 2002, Williams estimates that approximately $2.2 billion of the $2.5 billion of receivables from WCG are not recoverable.

On April 22, 2002, WCG filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. Williams has filed proofs of claim in the bankruptcy proceedings for all amounts due Williams from WCG. On May 1, 2002 Williams was selected by the U.S. Trustee to serve on the Official Committee of Unsecured Creditors in the WCG bankruptcy. The committee formed a subcommittee, which excludes Williams, to investigate what rights and remedies, if any, the creditors may have against Williams relating to its dealings with WCG. Prior to the bankruptcy filing Williams entered into an agreement with WCG in which Williams agreed not to object to a plan of reorganization submitted by WCG in its bankruptcy if that plan provides for WCG to assume its obligations under certain service agreements and the sale-leaseback transaction involving the Williams Technology Center and aircraft with Williams and for Williams' other claims to be treated as general unsecured claims with treatment substantially identical to the treatment of claims by WCG's bondholders. On July 26, 2002, Williams executed a Settlement Agreement with WCG, the Official Committee of Unsecured Creditors and Leucadia National Corporation (Leucadia). On July 30, 2002, WCG filed with the bankruptcy court an Amended Plan of Reorganization and an Amended Disclosure Statement which, among other things, implement the provisions of the Settlement Agreement. The Settlement Agreement, amended on August 13, 2002, included agreements where Williams will sell $2.26 billion of its claims against WCG to Leucadia for $180 million and sell the Williams Technology Center and certain related assets to WCG for $145 million comprised of a $45 million 18-month note and a $100 million 7.5 year note. Both notes will be secured by a first lien on the assets sold to WCG. The Amended Disclosure Statement and Plan were filed by WCG with the bankruptcy court to reflect the August 13, 2002 amendment. The Settlement Agreement also provides for a release in favor of Williams of all claims by WCG and of certain claims that could be asserted by bondholders and other creditors. The Settlement Agreement satisfies the conditions of the pre-bankruptcy agreement with WCG. The transactions contemplated by the Settlement Agreement are subject to approval of the bankruptcy court and other parties and would close after such approval and after satisfaction of all conditions therein. Certain parties filed objections to portions of the Amended Disclosure Statement and certain parties may file objections to portions of the Amended Plan. On August 13, 2002, the bankruptcy court approved the Amended Disclosure Statement and Plan, set September 19, 2002 as the voting deadline for the Amended Plan, and set the confirmation hearing for September 25, 2002. The hearing before the bankruptcy court on the amended Settlement Agreement will be held on August 22, 2002. Competing reorganization alternatives may also impact the final outcome of the Settlement Agreement.

At June 30, 2002, Williams estimated recoveries of its receivables and claims against WCG based on the agreements included in the Settlement Agreement. Williams believes the transactions contemplated by these agreements provide the most relevant information available to estimate the recovery of its receivables and claims from WCG, as they represent third party transactions that Williams management has accepted.

Prior to second-quarter 2002, Williams had estimated the recovery of its receivables from WCG by performing a financial analysis and utilizing the assistance of external legal counsel and an external financial and restructuring advisor. In preparing its financial analysis, Williams and its external financial and restructuring advisor considered the overall market condition of the telecommunications industry, financial projections provided by WCG, the potential impact of a bankruptcy on WCG's financial performance, the nature of the proposed restructuring as detailed in WCG's bankruptcy filing and various issues discussed in negotiations prior to WCG's bankruptcy filing.

Actual recoveries may ultimately differ from currently estimated recoveries as the settlement agreements could be voided or amended as issues or challenges may be raised in the bankruptcy proceedings prior to finalization of the plan. If the settlement agreements were voided or amended, Williams' actual recoveries could differ from currently estimated recoveries as numerous factors will affect any recovery, including the form of consideration that Williams may receive from WCG's restructuring under bankruptcy, WCG's future performance, the length of time WCG remains in bankruptcy, customer reaction to WCG's bankruptcy filing, challenges to Williams' claims which may be raised in the bankruptcy proceedings, negotiations among WCG's secured creditors, its unsecured creditors and Williams, and the resolution of any related claims, issues or challenges that may be raised in the bankruptcy proceedings.

5. Investing income (loss)

Estimated loss on realization of amounts due from Williams Communications Group, Inc.

In second-quarter 2002, Williams recorded in continuing operations an additional pre-tax charge of $15 million related to WCG, including an assessment of the recoverability of certain receivables and claims from WCG. For the six months ended June 30, 2002, Williams has recorded in continuing operations pre-tax charges of $247 million related to the recoverability of these receivables and claims (see Note 4).

Other

Other investing income for the three and six months ended June 30, 2002 and 2001, is as follows:

	Three months ended June 30,		Six months ended June 30,	
(Millions)	2002	2001	2002	2001
Equity earnings*	$ 40.8	$ 13.8	$ 48.3	$ 11.5
Interest income and other	14.0	21.2	22.6	57.5
Total other investing income	$ 54.8	$ 35.0	$ 70.9	$ 69.0

* Item also included in segment profit (loss).

Equity earnings (losses) for the three and six months ended June 30, 2002, include a benefit of $27.4 million, reflecting a contractual construction completion fee received by an equity affiliate of Williams whose operations are accounted for under the equity method of accounting. This equity affiliate served as the general contractor on the Gulfstream pipeline project for Gulfstream Pipeline Natural Gas System (Gulfstream), an interstate natural gas pipeline subject to Federal Energy Regulatory Commission (FERC) regulations and an equity affiliate of Williams. The fee paid by Gulfstream and associated with the early completion during second-quarter of the construction of Gulfstream's pipeline was capitalized by Gulfstream as property, plant and equipment and is included in Gulfstream's rate base to be recovered in future revenues.

Also included in equity earnings (losses) for the three and six months ended June 30, 2002, is a $12.3 million write-down of Gas Pipeline's investment in a pipeline project which was cancelled in the second-quarter 2002.

6. Provision (benefit) for income taxes

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

	Three months ended June 30,		Six months ended June 30,	
(Millions)	2002	2001	2002	2001
Current:				
Federal	$ 29.1	$ 102.0	$ 36.7	$187.8
State	(2.6)	20.3	--	34.0
Foreign	(3.6)	--	--	6.3
	22.9	122.3	36.7	228.1
Deferred:				
Federal	(165.2)	81.7	(108.1)	198.0
State	(15.7)	4.0	(6.2)	15.5
Foreign	(6.6)	2.9	.1	2.2
	(187.5)	88.6	(114.2)	215.7
Total provision (benefit)	$(164.6)	$ 210.9	$ (77.5)	$443.8

The effective income tax rate for the three and six months ended June 30, 2002, is less than the federal statutory rate due primarily to the impairment of goodwill which is not deductible for income tax purposes and reduces the tax benefit of the pre-tax loss.

The effective income tax rate for the three and six months ended June 30, 2001, is greater than the federal statutory rate due primarily to the effect of state income taxes.

7. Discontinued operations

Kern River

On March 27, 2002, Williams completed the sale of its Kern River pipeline for $450 million in cash and the assumption by the purchaser of $510 million in debt. As part of the agreement, $32.5 million of the purchase price was contingent upon Kern River receiving a certificate from the FERC to construct and operate a future expansion. This certificate was received in July 2002 and the contingent payment plus interest will be recognized as income from discontinued operations in third-quarter 2002. In accordance with the provisions related to discontinued operations within SFAS No. 144, the results of operations, financial position and cash flows for Kern River have been reflected in the accompanying consolidated financial statements and notes as discontinued operations.

Williams Communications Group, Inc.

On March 30, 2001, Williams' board of directors approved a tax-free spinoff of WCG to Williams' shareholders. Williams distributed 398.5 million shares, or approximately 95 percent of the WCG common stock held by Williams on April 23, 2001. In accordance with Accounting Principles Board Opinion (APB) No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual, and Infrequently Occurring Events and Transactions," the results of operations and cash flows for WCG have been reflected in the accompanying Consolidated Statement of Operations and Consolidated Statement of Cash Flows and notes as discontinued operations.

See Note 4 for information regarding events in 2002 related to WCG.

Summarized results of discontinued operations for the three and six months ended June 30, 2002 and 2001, are as follows:

(Millions)	Three months ended June 30, 2002	Three months ended June 30, 2001	Six months ended June 30, 2002	Six months ended June 30, 2001
Kern River:				
Revenues	$ --	$ 36.7	$ 40.3	$ 75.2
Income from operations before income taxes	$ --	$ 16.8	$ 13.5	$ 34.9
Loss on sale of Kern River	--	--	(38.1)	--
(Provision) benefit for income taxes	--	(6.1)	9.1	(12.8)
Income (loss) from Kern River	$ --	$ 10.7	$(15.5)	$ 22.1
WCG:				
Revenues	$ --	$ --	$ --	$ 329.5
Loss from operations before income taxes	$ --	$ --	$ --	$(271.3)
Benefit for income taxes	--	--	--	92.2
Loss from WCG	$ --	$ --	$ --	$(179.1)
Total income (loss) from discontinued operations	$ --	$ 10.7	$(15.5)	$(157.0)

8. Earnings (loss) per share

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

(Dollars in millions, except per-share amounts; shares in thousands)	Three months ended June 30, 2002	Three months ended June 30, 2001	Six months ended June 30, 2002	Six months ended June 30, 2001
Income (loss) from continuing operations	$ (349.1)	$ 328.8	$ (225.9)	$ 695.7
Preferred stock dividends (see Note 14)	(6.8)	--	(76.5)	--
Income (loss) from continuing operations available to common stockholders for basic and diluted earnings per share	$ (355.9)	$ 328.8	$ (302.4)	$ 695.7
Basic weighted-average shares	520,427	487,211	519,829	483,173
Effect of dilutive securities:				
Stock options	--	4,487	--	4,354
Diluted weighted-average shares	520,427	491,698	519,829	487,527
Earnings (loss) per share from continuing operations:				
Basic	$ (.68)	$ .68	$ (.58)	$ 1.44
Diluted	$ (.68)	$ .67	$ (.58)	$ 1.42

For the three and six months ended June 30, 2002, diluted earnings (loss) per share is the same as the basic calculation. The inclusion of any stock options and convertible preferred stock would be antidilutive as Williams reported a loss from continuing operations for these periods. As a result, approximately .6 million and 1.3 million weighted-average stock options for the three and six months ended June 30, 2002, respectively, that otherwise would have been included, were excluded from the computation of diluted earnings per common share. Additionally, approximately 14.7 million and 7.8 million weighted-average shares for the three and six months ended June 30, 2002, respectively, related to the assumed conversion of 9 7/8 percent cumulative convertible preferred stock have been excluded from the computation of diluted earnings per common share.

9. Restricted cash

The current and noncurrent restricted cash is primarily invested in short-term money market accounts with financial institutions and an insurance company. Restricted cash within current assets is collateral in support of a financial guarantee and letters of credit. The contractual obligation requiring a significant portion of this collateral expires December 2002. The contractual obligations requiring the remaining collateral pertain to current operations. Restricted cash within noncurrent assets is collateral in support of surety bonds underwritten by an insurance company. Williams does not expect this cash to be released within the next twelve months.

The classification of restricted cash is determined based on the expected term of the collateral requirement and not necessarily the maturity date of the underlying securities.

10. Inventories

Inventories at June 30, 2002 and December 31, 2001 are as follows:

(Millions)	June 30, 2002	December 31, 2001
Raw materials:		
Crude oil	$ 194.1	$ 117.7
Other	1.3	1.3
	195.4	119.0
Finished goods:		
Refined products	306.8	265.0
Natural gas liquids	142.0	142.6
General merchandise	19.3	14.5
	468.1	422.1
Materials and supplies	146.2	134.0
Natural gas in underground storage	157.1	136.4
Other	2.4	1.7
	$ 969.2	$ 813.2

11. Debt and banking arrangements

The following discussions relate to Williams' debt and related facilities as of and for the six months ended June 30, 2002. See Note 18 for the significant changes to Williams' debt and related facilities, including certain operating leases, which occurred subsequent to June 30, 2002.

Notes payable

At June 30, 2002, Williams had a $2.2 billion commercial paper program which was backed by a short-term bank-credit facility with zero outstanding under this program. The commercial paper program and the short-term credit facility expired July 24, 2002. In addition, Williams has entered into various short-term credit agreements with amounts outstanding totaling $711 million at June 30, 2002. The weighted-average interest rate on these notes at June 30, 2002 was 3.7 percent. During July 2002, $300 million of the balance was repaid. The remaining $411 million matures in October 2002, and is payable by Williams Energy Partners L.P.

Notes (Continued)

Debt

Long-term debt at June 30, 2002 and December 31, 2001, is as follows:

(Millions)	Weighted-average interest rate(1)	June 30, 2002	December 31, 2001
Revolving credit loans	3.3%	$ 59.5	$ 53.7
Commercial paper	--	--	300.0
Debentures, 6.25% - 10.25%, payable 2003 - 2031	7.4	1,576.3	1,585.4
Notes, 5.1% - 9.45%, payable through 2032 (2)	7.4	10,467.7	6,835.3
Notes, adjustable rate, payable through 2004	3.0	1,377.5	1,192.9
Other, payable through 2016	7.7	127.3	60.2
		13,608.3	10,027.5
Current portion of long-term debt		(1,636.3)	(1,014.8)
		$11,972.0	$ 9,012.7

(1) At June 30, 2002, including the effect of interest rate swaps.

(2) $400 million of 6.75% notes, payable 2016, putable/callable in 2006 and $1.1 billion of 6.5% notes payable 2007, subject to remarketing in 2004.

Williams' December 31, 2001, long-term debt included $300 million of commercial paper, $300 million of short-term debt obligations and $244 million of long-term debt obligations due within one year, which would have otherwise been classified as current, but were classified as noncurrent based on Williams' intent and ability to refinance on a long-term basis. At June 30, 2002, $275 million of current debt obligations of Transcontinental Gas Pipe Line have been classified as noncurrent based on Transcontinental Gas Pipe Line's July 2002 issuance of $325 million of 8.875 percent long-term debt obligations due 2012.

Under the terms of Williams' $700 million revolving credit agreement, Northwest Pipeline, Transcontinental Gas Pipe Line and Texas Gas Transmission have access to various amounts of the facility, while Williams (Parent) has access to all unborrowed amounts. Interest rates vary with current market conditions. The provisions of this agreement relating to financial ratios and other covenants were modified subsequent to June 30, 2002. See Note 18 for changes to this facility, which is now a secured facility, subsequent to June 30, 2002. Additionally, certain Williams subsidiaries have revolving credit facilities with a total capacity of $116 million at June 30, 2002. One such facility, totalling $31 million, has subsequently been terminated.

Pursuant to completion of a consent solicitation during first-quarter 2002 with WCG Note Trust holders, Williams recorded $1.4 billion of long-term debt obligations which mature in March 2004 and bear an interest rate of 8.25 percent (see Note 4). Subsequent to June 30, 2002, Williams completed an exchange of Williams 9.25 percent notes due March 2004 for substantially all of these securities.

In March 2002, the terms of a Williams $560 million priority return structure, previously classified as preferred interest in consolidated subsidiaries, were amended. The amendment provided for the outside investor's preferred interest to be redeemed in equal quarterly installments through April 2003 (see Note 13). The interest rate varies based on LIBOR plus an applicable margin and was 2.57 percent at June 30, 2002. Based on the new payment terms, the preferred interest was reclassified to debt, of which $448 million is classified as long-term debt due within one year at June 30, 2002. In April 2002, $112 million was redeemed.

In May 2002, Energy Marketing & Trading entered into an agreement which transferred the rights to certain receivables in exchange for cash. Due to the structure of the agreement, Energy Marketing & Trading accounted for this transaction as debt collateralized by the claims. The $78.7 million of debt is classified as current.

In addition to the items discussed above, significant long-term debt issuances and retirements, other than amounts under revolving credit agreements, for the six months ended June 30, 2002 are as follows:

Issue/Terms	Due Date	Principal Amount (Millions)
Issuances of long-term debt in 2002:		
6.5% notes (see Note 14)	2007	$1,100.0
8.125% notes	2012	650.0
8.75% notes	2032	850.0
Retirements/prepayments of long-term debt in 2002:		
6.125% notes (1)	2012	$ 240.0
Various notes, 6.65%-9.45%	2002	134.0
Various notes, adjustable rate	2002	37.9

(1) Subject to redemption at par in 2002.

Williams' ratio of net debt to consolidated net worth plus net debt, as defined in Williams' Current Report on Form 8-K dated May 28, 2002, was 63.5 percent at June 30, 2002, as compared to 61.5 percent at December 31, 2001.

12. Contingent liabilities and commitments

Rate and regulatory matters and related litigation

Williams' interstate pipeline subsidiaries have various regulatory proceedings pending. As a result of rulings in certain of these proceedings, a portion of the revenues of these subsidiaries has been collected subject to refund. The natural gas pipeline subsidiaries have accrued approximately $178 million for potential refund as of June 30, 2002.

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

Williams Energy Marketing & Trading Company (Energy Marketing & Trading) subsidiaries are engaged in power marketing in various geographic areas, including California. Prices charged for power by Williams and other traders and generators in California and other western states have been challenged in various proceedings including those before the FERC. In December 2000, the FERC issued an order which provided that, for the period between October 2, 2000 and December 31, 2002, it may order refunds from Williams and other similarly situated companies if the FERC finds that the wholesale markets in California are unable to produce competitive, just and reasonable prices or that market power or other individual seller conduct is exercised to produce an unjust and unreasonable rate. Beginning on March 9, 2001, the FERC issued a series of orders directing Williams and other similarly situated companies to provide refunds for any prices charged in excess of FERC-established proxy prices in January, February, March, April and May 2001, or to provide justification for the prices charged during those months. According to these orders, Williams' total potential refund liability for January through May 2001 is approximately $30 million. Williams has filed justification for its prices with the FERC and calculated its refund liability under the methodology used by the FERC to compute refund amounts at approximately $11 million. On July 25, 2001, the FERC issued an order establishing a hearing to establish the facts necessary to determine refunds under the approved methodology. On August 13, 2002, the FERC issued its preliminary findings as to its investigation into Western markets (discussed below), which call into question the gas price methodology established in the July 25, 2001 order. Any change from the July 25, 2001 methodology would likely result in increased refund liability for Energy Marketing & Trading. Refunds will cover the period of October 2, 2000 through June 20, 2001. They will be paid as offsets against outstanding bills and are inclusive of any amounts previously noticed for refund for that period. The judge presiding over the refund proceedings is expected to issue his findings in November 2002. The FERC will subsequently issue a refund order based on these findings.

In an order issued June 19, 2001, the FERC implemented a revised price mitigation and market monitoring plan for wholesale power sales by all suppliers of electricity, including Williams, in spot markets for a region that includes California and ten other western states (the "Western Systems Coordinating Council," or "WSCC"). In general, the plan, which will be in effect from June 20, 2001 through September 30, 2002, establishes a market clearing price for spot sales in all hours of the day that is based on the bid of the highest-cost gas-fired California generating unit that is needed to serve the Independent System Operator's (ISO's) load. When generation operating reserves fall below seven percent in California (a "reserve deficiency period"), absent cost-based justification for a higher price, the maximum price that Williams may charge for wholesale spot sales in the WSCC is the market clearing price. When generation

operating reserves rise to seven percent or above in California, absent cost-based

justification for a higher price, Williams' maximum price will be limited to 85 percent of the highest hourly price that was in effect during the most recent reserve deficiency period. This methodology initially resulted in a maximum price of $92 per megawatt hour during non-emergency periods and $108 per megawatt hour during emergency periods, and these maximum prices remained unchanged throughout summer and fall 2001. Revisions to the plan for the post-September 30, 2002, period were provided on July 17, 2002 as discussed below.

On December 19, 2001, the FERC reaffirmed its June 19 and July 25 orders with certain clarifications and modifications. It also altered the price mitigation methodology for spot market transactions for the WSCC market for the winter 2001 season and set the period maximum price at $108 per megawatt hour through April 30, 2002. Under the order, this price would be subject to being recalculated when the average gas price rises by a minimum factor of ten percent effective for the following trading day, but in no event will the maximum price drop below $108 per megawatt hour. The FERC also upheld a ten percent addition to the price applicable to sales into California to reflect credit risk. On July 9, 2002 the ISO's operating reserve levels dropped below seven percent for a full operating hour, during which the ISO declared a Stage 1 System Emergency resulting in a new Market Clearing Price cap of $57.14/MWh under the FERC's rules. On July 11, 2002, the FERC issued an order that the existing price mitigation formula be replaced with a hard price cap of $91.87/MWh for spot markets operated in the West (which is the level of price mitigation that existed prior to the July 9, 2002, events that reduced the cap), to be effective July 12, 2002. The cap will expire when the currently effective West-wide mitigation plan expires on September 30, 2002.

On July 17, 2002, the FERC issued its first order on the California ISO's proposed market redesign. Key elements of the order include (1) maintaining indefinitely the current must-offer obligation across the West; (2) the adoption of Automatic Mitigation Procedures (AMP) to identify and limit excessive bids and local market power within California, (bids less than $91.87/MWh will not be subject to AMP); (3) a West-wide spot market bid cap of $250/MWh, beginning October 1, 2002, and continuing indefinitely; (4) required the ISO to expedite the following market design elements and requiring them to be filed by October 21, 2002: (a) creation of an integrated day-ahead market; (b) ancillary services market reforms; and (c) hour-ahead and real-time market reforms; and (5) the development of locational marginal pricing (LMP).

The California Public Utilities Commission (CPUC) filed a complaint with the FERC on February 25, 2002, seeking to void or, alternatively, reform a number of the long-term power purchase contracts entered into between the State of California and several suppliers in 2001, including Energy Marketing & Trading. The CPUC alleges that the contracts are tainted with the exercise of market power and significantly exceed "just and reasonable" prices. The Electricity Oversight Board made a similar filing on February 27, 2002. The FERC set the complaint for hearing on April 25, 2002, but held the hearing in abeyance pending settlement discussions before a FERC judge. The FERC also ordered that the higher public interest test will apply to the contracts. The FERC commented that the state has a very heavy burden to carry in proving its case. On July 17, 2002, the FERC denied rehearing of the April 25, 2002 order that set for hearing California's challenges to the long-term contracts entered into between the state and several suppliers, including Energy Marketing & Trading. Energy Marketing & Trading will appeal the order. The settlement discussions noted above have resulted in Williams reaching a settlement in principle with the State of California on a global settlement that includes a renegotiated long-term energy contract. The settlement will also resolve complaints brought by the California Attorney General against Williams that are discussed below and the State of California's refund claims that are discussed above. In addition, the settlement will resolve ongoing investigations by the States of California, Oregon and Washington. The settlement is subject to documentation and approval by various courts and agencies.

On May 2, 2002, PacifiCorp filed a complaint against Energy Marketing & Trading seeking relief from rates contained in three separate confirmation agreements between PacifiCorp and Energy Marketing & Trading (known as the Summer 2002 90-Day Contracts). PacifiCorp filed similar complaints against three other suppliers. PacifiCorp alleges that the rates contained in the contracts are unjust and unreasonable. Energy Marking & Trading filed its answer on May 22, 2002, requesting that the FERC reject the complaint and deny the relief sought. On June 28, 2002, the FERC set PacifiCorp's complaints for hearing, but held the hearing in abeyance pending the outcome of settlement judge proceedings. If the case goes to hearing, the FERC stated that PacifiCorp will bear a heavy burden of proving that the extraordinary remedy of contract modification is justified. The FERC set a refund effective date of July 1, 2002. Should the matter go to hearing, a final decision should be issued by May 31, 2003.

Certain entities have also asked the FERC to revoke Williams' authority to sell power from California-based generating units at market-based rates to limit Williams to cost-based rates for future sales from such units and to order refunds of excessive rates, with interest, retroactive to May 1, 2000, and possibly earlier.

On March 14, 2001, the FERC issued a Show Cause Order directing Energy Marketing & Trading and AES Southland, Inc. to show cause why they should not be found to have engaged in violations of the Federal Power Act and various agreements, and they were directed to make refunds in the aggregate of

approximately $10.8 million, and have certain conditions placed on Williams' market-based rate authority for sales from specific generating

facilities in California for a limited period. On April 30, 2001, the FERC issued an Order approving a settlement of this proceeding. The settlement terminated the proceeding without making any findings of wrongdoing by Williams. Pursuant to the settlement, Williams agreed to refund $8 million to the ISO by crediting such amount against outstanding invoices. Williams also agreed to prospective conditions on its authority to make bulk power sales at market-based rates for certain limited facilities under which it has call rights for a one-year period. Williams also has been informed that the facts underlying this proceeding are also under investigation by a California Grand Jury.

On September 27, 2001, the FERC issued a Notice of Proposed Rulemaking (NOPR) proposing to adopt uniform standards of conduct for transmission providers. The proposed rules define transmission providers as interstate natural gas pipelines and public utilities that own, operate or control electric transmission facilities. The proposed standards would regulate the conduct of transmission providers with their energy affiliates. The FERC proposes to define energy affiliates broadly to include any transmission provider affiliate that engages in or is involved in transmission (gas or electric) transactions, or manages or controls transmission capacity, or buys, sells, trades or administers natural gas or electric energy or engages in financial transactions relating to the sale or transmission of natural gas or electricity. Current rules affecting Williams regulate the conduct of Williams' natural gas pipelines and their natural gas marketing affiliates. The FERC invited interested parties to comment on the NOPR. On April 25, 2002, the FERC issued its staff analysis of the NOPR and the comments received. The staff analysis proposes redefining the definition of energy affiliates to exclude affiliated transmission providers. On May 21, 2002, the FERC held a public conference concerning the NOPR and the FERC invited the submission of additional comments. If adopted, these new standards would require the adoption of new compliance measures by certain Williams subsidiaries.

On July 17, 2002, the FERC issued a Notice of Inquiry to seek comments on its negotiated rate policies and practices. The FERC states that it is undertaking a review of the recourse rate as a viable alternative and safeguard against the exercise of market power of interstate gas pipelines, as well as the entire spectrum of issues related to its negotiated rate program. The FERC has requested that interested parties respond to various questions related to the FERC's negotiated rate policies and practices.

On August 1, 2002, the FERC issued a NOPR that proposes restrictions on the type of cash management program employed by Williams and its subsidiaries. In addition to stricter guidelines regarding the accounting for and documentation of cash management or cash pooling programs, the FERC proposal, if made final, would preclude public utilities, natural gas companies and oil pipeline companies from participating in such programs unless the parent company and its FERC-regulated affiliate maintain investment-grade credit ratings and that the FERC-regulated affiliate maintain stockholders equity of at least 30 percent of total capitalization. Williams' and its regulated gas pipelines' current credit ratings are not investment grade. The FERC is seeking public comments by August 22, 2002.

On February 13, 2002, the FERC issued an Order Directing Staff Investigation commencing a proceeding titled Fact-Finding Investigation of Potential Manipulation of Electric and Natural Gas Prices. Through the investigation, the FERC intends to determine whether "any entity, including Enron Corporation (Enron) (through any of its affiliates or subsidiaries), manipulated short-term prices for electric energy or natural gas in the West or otherwise exercised undue influence over wholesale electric prices in the West, since January 1, 2000, resulting in potentially unjust and unreasonable rates in long-term power sales contracts subsequently entered into by sellers in the West." This investigation does not constitute a Federal Power Act complaint, rather, the results of the investigation will be used by the FERC in any existing or subsequent Federal Power Act or Natural Gas Act complaint. The FERC Staff is directed to complete the investigation as soon as "is practicable." Williams, through many of its subsidiaries, is a major supplier of natural gas and power in the West and, as such, anticipates being the subject of certain aspects of the investigation. Williams is cooperating with all data requests received in this proceeding. On May 8, 2002, Williams received an additional set of data requests from the FERC related to a recent disclosure by Enron of certain trading practices in which it may have been engaged in the California market. On May 21, and May 22, 2002, the FERC supplemented the request inquiring as to "wash" or "round trip" transactions. Williams responded on May 22, 2002, May 31, 2002, and June 5, 2002, to the data requests. On June 4, 2002, the FERC issued an order to Williams to show cause why its market-based rate authority should not be revoked as the FERC found that certain of Williams' responses related to the Enron trading practices constituted a failure to cooperate with the staff's investigation. Williams subsequently supplemented its responses to address the show cause order. On July 26, 2002, Williams received a letter from the FERC informing Williams that it had reviewed all of Williams' supplemental responses and concluded that they responded to the initial May 8, 2002 request.

In response to an article appearing in the New York Times on June 2, 2002, containing allegations by a former Williams employee that it had attempted to "corner" the natural gas market in California, and at Williams' invitation, the FERC is conducting an investigation into these allegations. Also, the Commodity Futures Trading Commission (CFTC) is conducting an investigation regarding gas and power trading in Western markets and has requested information from Williams in connection with this investigation.

On May 31, 2002, Williams received a request from the Securities and Exchange Commission (SEC) to

voluntarily produce documents and information regarding any prearranged or contemporaneous buy and sell ("round-trip") trades for gas or power from January 1, 2000, to the present in the United States. On June 24, 2002, the SEC made an additional request for information including a request that Williams address the amount of Williams' credit, prudency and/or other reserves associated with its energy trading activities and the methods used to determine or calculate these reserves. The June 24, 2002, request also requested Williams' volumes, revenues, and earnings from its energy trading activities in the Western U.S. market. Williams is in the process of responding to the SEC's requests.

On March 20, 2002, the California Attorney General filed a complaint with the FERC alleging that Williams and all other sellers of power in California have failed to comply with federal law requiring the filing of rates and charges for power. While the FERC rejected the complaint that the market-based rate filing requirements violate the Federal Power Act, it directed the refiling of quarterly reports for periods after October 2000 to include transaction specific information.

On July 3, 2002, the ISO announced fines against several energy producers including Williams, for failure to deliver electricity in 2001 as required. The ISO fined Williams $25.5 million, which will be offset against Williams' claims for payment from the ISO. Williams believes the vast majority of fines are not justified and has challenged the fines pursuant to the FERC-approved process contained in the ISO tariff.

Environmental Matters

Since 1989, Texas Gas and Transcontinental Gas Pipe Line have had studies under way to test certain of their facilities for the presence of toxic and hazardous substances to determine to what extent, if any, remediation may be necessary. Transcontinental Gas Pipe Line has responded to data requests regarding such potential contamination of certain of its sites. The costs of any such remediation will depend upon the scope of the remediation. At June 30, 2002, these subsidiaries had accrued liabilities totaling approximately $32 million for these costs.

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

Transcontinental Gas Pipe Line, Texas Gas and Williams Gas Pipelines Central (Central) have identified polychlorinated biphenyl contamination in air compressor systems, soils and related properties at certain compressor station sites. Transcontinental Gas Pipe Line, Texas Gas and Central have also been involved in negotiations with the U.S. Environmental Protection Agency (EPA) and state agencies to develop screening, sampling and cleanup programs. In addition, negotiations with certain environmental authorities and other programs concerning investigative and remedial actions relative to potential mercury contamination at certain gas metering sites have been commenced by Central, Texas Gas and Transcontinental Gas Pipe Line. As of June 30, 2002, Central had accrued a liability for approximately $8 million, representing the current estimate of future environmental cleanup costs to be incurred over the next six to ten years. Texas Gas and Transcontinental Gas Pipe Line likewise had accrued liabilities for these costs which are included in the $32 million liability mentioned above. Actual costs incurred will depend on the actual number of contaminated sites identified, the actual amount and extent of contamination discovered, the final cleanup standards mandated by the EPA and other governmental authorities and other factors.

Williams Energy Services (WES) and its subsidiaries also accrue environmental remediation costs for its natural gas gathering and processing facilities, petroleum products pipelines, retail petroleum and refining operations and for certain facilities related to former propane marketing operations primarily related to soil and groundwater contamination. In addition, WES owns a discontinued petroleum refining facility that is being evaluated for potential remediation efforts. At June 30, 2002, WES and its subsidiaries had accrued liabilities totaling approximately $36 million for these costs. WES accrues receivables related to environmental remediation costs based upon an estimate of amounts that will be reimbursed from state funds for certain expenses associated with underground storage tank problems and repairs. At June 30, 2002, WES and its subsidiaries had accrued receivables totaling $1 million.

In connection with the 1987 sale of the assets of Agrico Chemical Company, Williams agreed to indemnify the purchaser for environmental cleanup costs resulting from certain conditions at specified locations, to the extent such costs exceed a specified amount. At June 30, 2002, Williams had approximately $10 million accrued for such excess costs. The actual costs incurred will depend on the actual amount and extent of contamination discovered, the final cleanup standards mandated by the EPA or other governmental authorities, and other factors.

On July 2, 2001, the EPA issued an information request asking for information on oil releases and discharges in any amount from Williams' pipelines, pipeline systems, and pipeline facilities used in the movement of oil or petroleum products, during the period July 1, 1998 through July 2, 2001. In November 2001, Williams furnished its response.

Other legal matters

In connection with agreements to resolve take-or-pay and other contract claims and to amend gas purchase contracts, Transcontinental Gas Pipe Line and Texas Gas each entered into certain settlements with producers which may require the indemnification of certain claims for additional royalties which the producers may be required to pay as a result of such settlements. As a result of such settlements, Transcontinental Gas Pipe Line is currently defending two lawsuits brought by producers. In another case, a jury verdict found that Transcontinental Gas Pipe Line was required to pay a producer damages of $23.3 million including $3.8 million in attorneys' fees. In addition, through December 31, 2001, post-judgment interest was approximately $10.5 million. Transcontinental Gas Pipe Line's appeals were denied by the Texas Court of Appeals for the First District of Texas, and on April 2, 2001, the company filed an appeal to the Texas Supreme Court. On February 21, 2002, the Texas Supreme Court denied Transcontinental Gas Pipe Line's petition for review. As a result, Transcontinental Gas Pipe Line recorded a fourth-quarter 2001 pre-tax charge to income (loss) for the year ended December 31, 2001, in the amount of $37 million ($18 million was included in Gas Pipeline's segment profit and $19 million in interest accrued) representing management's estimate of the effect of this ruling. Transcontinental Gas Pipe Line filed a motion for rehearing which was denied, thereby concluding this matter. In May 2002, Transcontinental Gas Pipe Line paid Texaco the amount of the judgment plus accrued interest. In the other cases, producers have asserted damages, including interest calculated through December 31, 2001, of $16.3 million. Producers have received and may receive other demands, which could result in additional claims. Indemnification for royalties will depend on, among other things, the specific lease provisions between the producer and the lessor and the terms of the settlement between the producer and either Transcontinental Gas Pipe Line or Texas Gas. Texas Gas may file to recover 75 percent of any such additional amounts it may be required to pay pursuant to indemnities for royalties under the provisions of Order 528.

On June 8, 2001, fourteen Williams entities were named as defendants in a nationwide class action lawsuit which has been pending against other defendants, generally pipeline and gathering companies, for more than one year. The plaintiffs allege that the defendants, including the Williams defendants, have engaged in mismeasurement techniques that distort the heating content of natural gas, resulting in an alleged underpayment of royalties to the class of producer plaintiffs. In September 2001, the plaintiffs voluntarily dismissed two of the fourteen Williams entities named as defendants in the lawsuit. In November 2001, Williams, along with other Coordinating Defendants, filed a motion to dismiss under Rules 9b and 12b of the Kansas Rules of Civil Procedure. In January 2002, most of the Williams defendants, along with a group of Coordinating Defendants, filed a motion to dismiss for lack of personal jurisdiction. The court has not yet ruled on these motions. In the next several months, the Williams entities will join with other defendants in contesting certification of the plaintiff class.

In 1998, the United States Department of Justice (DOJ) informed Williams that Jack Grynberg, an individual, had filed claims in the United States District Court for the District of Colorado under the False Claims Act against Williams and certain of its wholly owned subsidiaries. In connection with its sale of Kern River, the Company agreed to indemnify the purchaser for liability relating to this claim. Grynberg has also filed claims against approximately 300 other energy companies and alleges that the defendants violated the False Claims Act in connection with the measurement and purchase of hydrocarbons. The relief sought is an unspecified amount of royalties allegedly not paid to the federal government, treble damages, a civil penalty, attorneys' fees, and costs. On April 9, 1999, the DOJ announced that it was declining to intervene in any of the Grynberg qui tam cases, including the action filed against the Williams entities in the United States District Court for the District of Colorado. On October 21, 1999, the Panel on Multi-District Litigation transferred all of the Grynberg qui tam cases, including those filed against Williams, to the United States District Court for the District of Wyoming for pre-trial purposes. Motions to dismiss the complaints filed by various defendants, including Williams, were denied on May 18, 2001.

On August 6, 2002, Jack J. Grynberg, and Celeste C. Grynberg, Trustee on Behalf of the Rachel Susan Grynberg Trust, and the Stephen Mark Grynberg Trust, served The Williams Companies and Williams Production RMT Company with a complaint in the District Court in and for the City of Denver, State of Colorado. The complaint alleges that the defendants have used mismeasurement techniques that distort the BTU heating content of natural gas, resulting in the alleged underpayment of royalties to Grynberg and other independent natural gas producers. The complaint also alleges that defendants inappropriately took deductions from the gross value of their natural gas and made other royalty valuation errors. Theories for relief include breach of contract, breach of implied covenant of good faith and fair dealing, anticipatory repudiation, declaratory relief, equitable accounting, civil theft, deceptive trade practices, negligent misrepresentation, deceit based on fraud, conversion, breach of fiduciary duty, and violations of the state racketeering statute. Plaintiff is seeking actual damages of between $2 million and

$20 million based on interest rate variations, and punitive damages in the amount of approximately $1.4 million dollars. Williams will vigorously defend against the claims and does not believe they have merit.

Williams and certain of its subsidiaries are named as defendants in various putative, nationwide class actions brought on behalf of all landowners on whose property the plaintiffs have alleged WCG installed fiber-optic cable without the permission of the landowners. Williams and its subsidiaries were dismissed from all of the cases, except one. The parties in the only remaining case in which Williams or its subsidiaries are named as defendants have reached a settlement in principle and are in the process of drafting the settlement documents. The settlement does not obligate Williams or its subsidiaries to pay any monies to the remaining plaintiff.

In November 2000, class actions were filed in San Diego, California Superior Court by Pamela Gordon and Ruth Hendricks on behalf of San Diego rate payers against California power generators and traders including Williams Energy Services Company and Energy Marketing & Trading, subsidiaries of Williams. Three municipal water districts also filed a similar action on their own behalf. Other class actions have been filed on behalf of the people of California and on behalf of commercial restaurants in San Francisco Superior Court. These lawsuits result from the increase in wholesale power prices in California that began in the summer of 2000. Williams is also a defendant in other litigation arising out of California energy issues. The suits claim that the defendants acted to manipulate prices in violation of the California antitrust and unfair business practices statutes and other state and federal laws. Plaintiffs are seeking injunctive relief as well as restitution, disgorgement, appointment of a receiver, and damages, including treble damages. These cases have all been coordinated in San Diego County Superior Court.

On May 2, 2001, the Lieutenant Governor of the State of California and Assemblywoman Barbara Matthews, acting in their individual capacities as members of the general public, filed suit against five companies and fourteen executive officers, including Energy Marketing & Trading and Williams' then current officers Keith Bailey, Chairman and CEO of Williams, Steve Malcolm, President and CEO of Williams Energy Services and an Executive Vice President of Williams, and Bill Hobbs, Senior Vice President of Energy Marketing & Trading, in Los Angeles Superior State Court alleging State Antitrust and Fraudulent and Unfair Business Act Violations and seeking injunctive and declaratory relief, civil fines, treble damages and other relief, all in an unspecified amount. This case is being coordinated with the other class actions in San Diego Superior Court.

On May 17, 2001, the DOJ advised Williams that it had commenced an antitrust investigation relating to an agreement between a subsidiary of Williams and AES Southland alleging that the agreement limits the expansion of electric generating capacity at or near the AES Southland plants that are subject to a long-term tolling agreement between Williams and AES Southland. In connection with that investigation, the DOJ has issued two Civil Investigative Demands to Williams requesting answers to certain interrogatories and the production of documents. Williams is cooperating with the investigation.

On October 5, 2001, a suit was filed on behalf of California taxpayers and electric ratepayers in the Superior Court for the County of San Francisco against the Governor of California and 22 other defendants consisting of other state officials, utilities and generators, including Energy Marketing & Trading. The suit alleges that the long-term power contracts entered into by the state with generators are illegal and unenforceable on the basis of fraud, mistake, breach of duty, conflict of interest, failure to comply with law, commercial impossibility and change in circumstances. Remedies sought include rescission, reformation, injunction, and recovery of funds. Five similar cases have also been brought by private plaintiffs against Williams and others on similar grounds. These suits have all been removed to federal court, and plaintiffs are seeking to remand the cases to state court.

On March 11, 2002, the California Attorney General filed a civil complaint in San Francisco Superior Court against Williams and three other sellers of electricity alleging unfair competition relating to sales of ancillary power services between 1998 and 2000. The complaint seeks restitution, disgorgement and civil penalties of approximately $150 million in total. This case has been removed to federal court. On April 9, 2002, the California Attorney General filed a civil complaint in San Francisco Superior Court against Williams and three other sellers of electricity alleging unfair and unlawful business practices related to charges for electricity during and after 2000. The maximum penalty for each violation is $2,500 and the complaint seeks a total fine in excess of $1 billion.

These cases have been removed to federal court. Motions to remand have been denied. Finally, the California Attorney General has indicated he may file a Clayton Act complaint against AES Southland and Williams relating to AES Southland's acquisition of Southern California generation facilities in 1998, tolled by Williams. Williams believes the complaints against it are without merit.

Since January 29, 2002, Williams is aware of numerous shareholder class action suits that have been filed in the United States District Court for the Northern District of Oklahoma. The majority of the suits allege that Williams and co-defendants, WCG and certain corporate officers, have acted jointly and separately to inflate the stock price of both companies. Other suits allege similar causes of action related to a public offering in early January 2002, known as the FELINE PACS offering. These cases were filed against Williams, certain corporate officers, all members of the Williams board of directors and all of the offerings' underwriters. Williams does not anticipate any immediate action by the Court in these actions. These cases have all been consolidated and an order has been issued requiring separate amended consolidated complaints by Williams and Williams Communications equity holders. In addition, four class action complaints have been filed against Williams and the members of its board of directors under the Employee Retirement Income Security Act by participants in Williams' 401(k) plan. A motion to consolidate these suits has been approved. Derivative shareholder suits have been filed in state court in Oklahoma, all based on similar allegations. On August 1, 2002, a motion to consolidate and a motion to stay these suits pending action by the federal court in the shareholder suits was approved.

Williams was selected by the U.S. Trustee to serve on the Official Committee of Unsecured Creditors in the WCG bankruptcy. At its initial meeting, the committee formed a subcommittee creditors committee, which excludes Williams, to investigate what rights and remedies, if any, the creditors may have against Williams relating to its dealings with WCG. Williams has entered into an agreement with WCG in which Williams agreed not to object to a plan of reorganization submitted by WCG in its bankruptcy if that plan provides (i) for WCG to assume its obligations under certain service agreements and the sale leaseback transaction with Williams and (ii) for Williams' other claims to be treated as general unsecured claims with treatment substantially identical to the treatment of claims by WCG's bondholders. This matter is discussed more fully in Note 4.

On April 26, 2002, the Oklahoma Department of Securities issued an order initiating an investigation of Williams and WCG regarding issues associated with the spin-off of WCG and regarding the WCG bankruptcy. Williams has committed to cooperate fully in the investigation.

On November 30, 2001, Shell Offshore, Inc. filed a complaint at the FERC against Williams Gas Processing - Gulf Coast Company, L.P. (WGP), Williams Field Services Company (WFS) and Transcontinental Gas Pipe Line Corporation (Transco), alleging concerted actions by the affiliates frustrating the FERC's regulation of Transco. The alleged actions are related to offers of gathering service by WFS and its subsidiaries on the recently spundown and deregulated offshore pipeline system, the North Padre Island gathering system. By order of the FERC the matter was heard before an administrative law judge in April 2002. On June 4, 2002, the administrative law judge issued an initial decision finding that the affiliates acted in concert to frustrate the FERC's regulation of Transco and recommending that the FERC reassert jurisdiction over the North Padre Island gathering system. Transco, WGP and WFS believe their actions were reasonable and lawful and submitted briefs taking exceptions to the initial decision. FERC has yet to act.

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

Enron and certain of its subsidiaries, with whom Energy Marketing & Trading and other Williams subsidiaries have had commercial relations, filed a voluntary petition for Chapter 11 reorganization under the U.S. Bankruptcy Code in the Federal District Court for the Southern District of New York on December 2, 2001. Additional Enron subsidiaries have subsequently filed for Chapter 11 protection. The court has not set a date within which claims may be filed. During fourth-quarter 2001, Energy Marketing & Trading recorded a total decrease to revenues of approximately $130 million as a part of its valuation of energy commodity and derivative trading contracts with Enron entities, approximately $91 million of which was recorded pursuant to events immediately preceding and following the announced bankruptcy of Enron. Other Williams subsidiaries recorded approximately $5 million of bad debt expense related to amounts receivable from Enron entities in fourth-quarter 2001, reflected in selling, general and administrative expenses. At December 31, 2001, Williams has reduced its recorded exposure to accounts receivable from Enron entities, net of margin deposits, to expected recoverable amounts. During first-quarter 2002, Energy Marketing & Trading sold rights to certain Enron receivables to a third party in exchange for $24.5 million in cash. The $24.5 million is recorded within the trading revenues in first-quarter 2002.

Summary

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

Commitments

Energy Marketing & Trading has entered into certain contracts giving it the right to receive fuel conversion services as well as certain other services associated with electric generation facilities that are either currently in operation or are to be constructed at various locations throughout the continental United States. At June 30, 2002, annual estimated committed payments under these contracts range from approximately $53 million to $462 million, resulting in total committed payments over the next 20 years of approximately $8 billion.

13. Preferred interests in consolidated subsidiaries

In December 2000, Williams formed two separate legal entities, Snow Goose Associates, L.L.C. (Snow Goose) and Arctic Fox Assets, L.L.C. (Arctic Fox) for the purpose of generating funds to invest in certain Canadian energy-related assets. An outside investor contributed $560 million in exchange for the non-controlling preferred interest in Snow Goose. The investor in Snow Goose is entitled to quarterly priority distributions. The initial priority return structure was originally scheduled to expire in December 2005.

During first-quarter 2002, the terms of the priority return were amended. Significant terms of the amendment include elimination of covenants regarding Williams' credit ratings, modifications of certain Canadian interest coverage covenants and a requirement to amortize the outside investor's preferred interest with equal principal payments due each quarter and the final payment in April 2003. In addition, Williams provided a financial guarantee of the Arctic Fox note payable to Snow Goose which, in turn, is the source of the priority returns. Based on the terms of the amendment, the remaining balance due is classified as long-term debt due within one year on Williams' Consolidated Balance Sheet at June 30, 2002. Priority returns prior to this amendment are included in preferred returns and minority interest in income of consolidated subsidiaries on the Consolidated Statement of Income.

Subsequent to June 30, 2002, the $135 million preferred interest in Williams Risk Holdings L.L.C. was redeemed following the downgrades in Williams' credit ratings in July 2002. Additionally, terms of the $200 million preferred interest in Castle Associates L.P. and the $100 million preferred interest in Piceance Production Holdings LLC were amended subsequent to June 30, 2002, and as a result the $200 million and $100 million, respectively, will be classified as debt beginning in July 2002.

14. Stockholders' equity

Concurrent with the sale of Kern River to MEHC, Williams issued approximately 1.5 million shares of 9 7/8 percent cumulative convertible preferred stock to MEHC for $275 million. The terms of the preferred stock allow the holder to convert, at any time, one share of preferred stock into 10 shares of Williams common stock at $18.75 per share. Preferred shares have a liquidation preference equal to the stated value of $187.50 per share plus any dividends accumulated and unpaid. Dividends on the preferred stock are payable quarterly.

Preferred dividends for the six months ended June 30, 2002, include $69.4 million associated with the accounting for a preferred security that contains a conversion option that is beneficial to the purchaser at the time the security was issued. This is accounted for as a noncash dividend (reduction to retained earnings) and results from the conversion price being less than the market price of Williams common stock on the date the preferred stock was issued. The reduction in retained earnings was offset by an increase in capital in excess of par value.

In January 2002, Williams issued $1.1 billion of 6.5 percent notes payable 2007 which are subject to remarketing in 2004. Attached to these notes is an equity forward contract requiring the holder to purchase Williams common stock at the end of three years. The note and equity forward contract are bundled as units, called FELINE PACS, and were sold in a public offering for $25 per unit. At the end of three years, the holder is required to purchase for

$25, one share of Williams common stock provided the average price of Williams common stock does not exceed $41.25 per share for a 20 trading day period prior to settlement. If the average price over that period exceeds $41.25 per share, the number of shares issued in exchange for $25 will be equal to one share multiplied by the quotient of $41.25 divided by the average price over that period.

15. Comprehensive income (loss)

Comprehensive income (loss) is as follows:

(Millions)	Three months ended June 30, 2002	2001	Six months ended June 30, 2002	2001
Net income (loss)	$(349.1)	$339.5	$(241.4)	$538.7
Other comprehensive income (loss):				
Unrealized gains (losses) on securities	(.3)	33.5	.8	(53.2)
Realized gains on securities reclassified to net income	--	(.1)	--	(20.7)
Cumulative effect of a change in accounting for derivative instruments	--	--	--	(153.4)
Unrealized gains (losses) on derivative instruments	12.4	442.4	(188.9)	457.1
Net reclassification into earnings of derivative instrument (gains) losses	(46.5)	36.5	(200.8)	45.7
Foreign currency translation adjustments	21.1	7.4	19.7	(24.4)
Other comprehensive income (loss) before taxes and minority interest	(13.3)	519.7	(369.2)	251.1
Income tax benefit (provision) on other comprehensive income (loss)	13.0	(191.4)	148.0	(100.1)
Minority interest in other comprehensive income (loss)	--	(2.5)	--	10.0
Other comprehensive income (loss)	(.3)	325.8	(221.2)	161.0
Comprehensive income (loss)	$(349.4)	$665.3	$(462.6)	$699.7

Components of other comprehensive income (loss) before minority interest and taxes related to discontinued operations are as follows:

(Millions)	Three months ended June 30, 2002	2001	Six months ended June 30, 2002	2001
Unrealized gains (losses) on securities	$ --	$34.5	$ --	$(56.2)
Realized gains on securities reclassified to net income	--	(.1)	--	(20.7)
Foreign currency translation adjustments	--	(2.7)	--	(22.1)
Other comprehensive income (loss) before minority interest and taxes related to discontinued operations	$ --	$31.7	$ --	$(99.0)

Notes (Continued)

16. Segment disclosures

Segments and reclassification of operations

Williams' reportable segments are strategic business units that offer different products and services. The segments are managed separately, because each segment requires different technology, marketing strategies and industry knowledge. Other includes corporate operations.

Effective July 1, 2002, management of certain operations previously conducted by Energy Marketing & Trading, International and Petroleum Services was transferred to Midstream Gas & Liquids. These operations included natural gas liquids trading, activities in Venezuela and a petrochemical plant, respectively. Segment amounts have been restated to reflect these changes.

On April 11, 2002, Williams Energy Partners L.P., a partially owned and consolidated entity of Williams, acquired Williams Pipe Line, an operation within Petroleum Services. Accordingly, Williams Pipe Line's operations have been transferred from the Petroleum Services segment to the Williams Energy Partners segment for which segment information has been restated for all prior periods presented.

Segments - Performance measurement

Williams currently evaluates performance based upon segment profit (loss) from operations which includes revenues from external and internal customers, operating costs and expenses, depreciation, depletion and amortization, equity earnings (losses) and income (loss) from investments. Intersegment sales are generally accounted for as if the sales were to unaffiliated third parties, that is, at current market prices.

In first-quarter 2002, Williams began managing its interest rate risk on an enterprise basis by the corporate parent. The more significant of these risks relate to its debt instruments and its energy risk management and trading portfolio. To facilitate the management of the risk, entities within Williams may enter into derivative instruments (usually swaps) with the corporate parent. The level, term and nature of derivative instruments entered into with external parties are determined by the corporate parent. Energy Marketing & Trading has entered into intercompany interest rate swaps with the corporate parent, the effect of which is included in Energy Marketing & Trading's segment revenues and segment profit (loss) as shown in the reconciliation below. The results of interest rate swaps with external counter parties are shown as interest rate swap loss in the Consolidated Statement of Operations below operating income (loss).

The majority of energy commodity hedging by the Energy Services' business units is done through intercompany derivatives with Energy Marketing & Trading which, in turn, enters into offsetting derivative contracts with unrelated third parties. Energy Marketing & Trading bears the counterparty performance risks associated with unrelated parties.

The decrease in Energy Marketing & Trading's total assets, as reflected on page 26, is due primarily to a decline in the fair value of the energy risk management and trading portfolio.

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

16. Segment disclosures (continued)

(Millions)	Three months ended June 30, 2002 Revenues	Intercompany Interest Rate Swaps	Segment Revenues	Three months ended June 30, 2001 Revenues	Intercompany Interest Rate Swaps	Segment Revenues
Energy Marketing & Trading	$ (195.6)	$(83.0)	$ (278.6)	$ 337.7	$ --	$ 337.7
Gas Pipeline	381.7	--	381.7	368.7	--	368.7
Energy Services	2,003.6	--	2,003.6	2,225.1	--	2,225.1
Other	16.4	--	16.4	21.0	--	21.0
Intercompany eliminations	(50.5)	83.0	32.5	(31.2)	--	(31.2)
Total segments	$2,155.6	$ --	$2,155.6	$2,921.3	$ --	$2,921.3

(Millions)	Three months ended June 30, 2002 Operating Income (Loss)	Equity Earnings (Losses)	Intercompany Interest Rate Swaps	Segment Profit (Loss)	Three months ended June 30, 2001 Operating Income (Loss)	Equity Earnings (Losses)	Intercompany Interest Rate Swaps	Segment Profit (Loss)
Energy Marketing & Trading	$ (414.5)	$ --	$ (83.0)	$(497.5)	$ 263.1	$ (.9)	$ --	$ 262.2
Gas Pipeline	117.3	39.4	--	156.7	170.9	10.1	--	181.0
Energy Services	129.8	2.0	--	131.8	258.9	5.0	--	263.9
Other	.6	(.6)	--	--	4.5	(.4)	--	4.1
Total segments	(166.8)	$ 40.8	$ (83.0)	$(209.0)	697.4	$ 13.8	$ --	$ 711.2
General corporate expenses	(34.1)				(27.0)			
Total operating income (loss)	$ (200.9)				$ 670.4			

(Millions)	Six months ended June 30, 2002 Revenues	Intercompany Interest Rate Swaps	Segment Revenues	Six months ended June 30, 2001 Revenues	Intercompany Interest Rate Swaps	Segment Revenues
Energy Marketing & Trading	$ 145.3	$(68.9)	$ 76.4	$ 935.9	$ --	$ 935.9
Gas Pipeline	805.5	--	805.5	790.7	--	790.7
Energy Services	3,743.7	--	3,743.7	4,469.4	--	4,469.4
Other	32.3	--	32.3	39.5	--	39.5
Intercompany eliminations	(90.4)	68.9	(21.5)	(104.8)	--	(104.8)
Total segments	$4,636.4	$ --	$4,636.4	$6,130.7	$ --	$6,130.7

(Millions)	Six months ended June 30, 2002 Operating Income (Loss)	Equity Earnings (Losses)	Intercompany Interest Rate Swaps	Segment Profit (Loss)	Six months ended June 30, 2001 Operating Income (Loss)	Equity Earnings (Losses)	Intercompany Interest Rate Swaps	Segment Profit (Loss)
Energy Marketing & Trading	$ (141.5)	$ (4.0)	$ (68.9)	$(214.4)	$ 750.0	$ 1.7	$ --	$ 751.7
Gas Pipeline	288.0	58.9	--	346.9	339.5	18.2	--	357.7
Energy Services	368.6	(5.8)	--	362.8	384.0	(8.0)	--	376.0
Other	3.1	(.8)	--	2.3	9.3	(.4)	--	8.9
Total segments	518.2	$ 48.3	$ (68.9)	$ 497.6	1,482.8	$ 11.5	$ --	$1,494.3
General corporate expenses	(72.3)				(56.4)			
Total operating income (loss)	$ 445.9				$ 1,426.4			

16. Segment disclosures (continued)

(Millions)	Revenues: External Customers	Revenues: Inter-segment	Revenues: Total	Equity Earnings (Losses)	Segment Profit (Loss)
FOR THE THREE MONTHS ENDED JUNE 30, 2002					
ENERGY MARKETING & TRADING	$ 38.3	$ (316.9)*	$ (278.6)	$ --	$ (497.5)
GAS PIPELINE	364.5	17.2	381.7	39.4	156.7
ENERGY SERVICES:					
Exploration & Production	24.2	206.6	230.8	1.0	95.4
International	9.1	--	9.1	(2.3)	(57.0)
Midstream Gas & Liquids	489.4	16.3	505.7	3.6	84.6
Petroleum Services	1,130.9	23.1	1,154.0	(.3)	(20.7)
Williams Energy Partners	92.8	11.2	104.0	--	29.5
TOTAL ENERGY SERVICES	1,746.4	257.2	2,003.6	2.0	131.8
OTHER	6.4	10.0	16.4	(.6)	--
ELIMINATIONS	--	32.5	32.5	--	--
TOTAL	$2,155.6	$ --	$2,155.6	$ 40.8	$ (209.0)
FOR THE THREE MONTHS ENDED JUNE 30, 2001					
ENERGY MARKETING & TRADING	$ 473.8	$ (136.1)*	$ 337.7	$ (.9)	$ 262.2
GAS PIPELINE	358.0	10.7	368.7	10.1	181.0
ENERGY SERVICES:					
Exploration & Production	20.7	86.5	107.2	8.9	45.2
International	8.4	--	8.4	1.4	(9.5)
Midstream Gas & Liquids	520.5	25.0	545.5	(5.5)	64.5
Petroleum Services	1,439.0	22.7	1,461.7	.2	130.1
Williams Energy Partners	90.1	12.2	102.3	--	33.7
Merger-related costs	--	--	--	--	(.1)
TOTAL ENERGY SERVICES	2,078.7	146.4	2,225.1	5.0	263.9
OTHER	10.8	10.2	21.0	(.4)	4.1
ELIMINATIONS	--	(31.2)	(31.2)	--	--
TOTAL	$2,921.3	$ --	$2,921.3	$ 13.8	$ 711.2

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

16. Segment disclosures (continued)

(Millions)	Revenues: External Customers	Revenues: Inter-segment	Revenues: Total	Equity Earnings (Losses)	Segment Profit (Loss)
FOR THE SIX MONTHS ENDED JUNE 30, 2002					
ENERGY MARKETING & TRADING	$ 646.4	$(570.0)*	$ 76.4	$ (4.0)	$ (214.4)
GAS PIPELINE	770.4	35.1	805.5	58.9	346.9
ENERGY SERVICES:					
Exploration & Production	41.9	416.6	458.5	.6	201.7
International	18.0	--	18.0	(11.3)	(77.5)
Midstream Gas & Liquids	937.1	38.2	975.3	5.2	172.5
Petroleum Services	2,040.2	55.6	2,095.8	(.3)	9.7
Williams Energy Partners	169.9	26.2	196.1	--	56.4
TOTAL ENERGY SERVICES	3,207.1	536.6	3,743.7	(5.8)	362.8
OTHER	12.5	19.8	32.3	(.8)	2.3
ELIMINATIONS	--	(21.5)	(21.5)	--	--
TOTAL	$4,636.4	$ --	$4,636.4	$ 48.3	$ 497.6
FOR THE SIX MONTHS ENDED JUNE 30, 2001					
ENERGY MARKETING & TRADING	$1,232.7	$(296.8)*	$ 935.9	$ 1.7	$ 751.7
GAS PIPELINE	773.3	17.4	790.7	18.2	357.7
ENERGY SERVICES:					
Exploration & Production	37.8	211.8	249.6	10.9	100.4
International	12.7	--	12.7	(6.2)	(30.6)
Midstream Gas & Liquids	1,170.6	40.9	1,211.5	(12.8)	104.1
Petroleum Services	2,708.9	86.8	2,795.7	.1	147.1
Williams Energy Partners	175.1	24.8	199.9	--	56.5
Merger-related costs	--	--	--	--	(1.5)
TOTAL ENERGY SERVICES	4,105.1	364.3	4,469.4	(8.0)	376.0
OTHER	19.6	19.9	39.5	(.4)	8.9
ELIMINATIONS	--	(104.8)	(104.8)	--	--
TOTAL	$6,130.7	$ --	$6,130.7	$ 11.5	$1,494.3

(Millions)	TOTAL ASSETS: June 30, 2002	TOTAL ASSETS: December 31, 2001
ENERGY MARKETING & TRADING	$13,521.3	$15,046.4
GAS PIPELINE	8,754.2	8,291.5
ENERGY SERVICES:		
Exploration & Production	4,682.6	5,045.6
International	1,049.2	1,284.9
Midstream Gas & Liquids	5,867.9	5,718.8
Petroleum Services	2,276.0	2,147.9
Williams Energy Partners	1,185.0	1,033.6
TOTAL ENERGY SERVICES	15,060.7	15,230.8
OTHER	7,953.5	7,331.3
ELIMINATIONS	(7,724.1)	(7,955.3)
	37,565.6	37,944.7
DISCONTINUED OPERATIONS	--	961.5
TOTAL	$37,565.6	$38,906.2

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

17. Recent accounting standards

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 142, "Goodwill and Other Intangible Assets." Williams adopted this Statement effective January 1, 2002. This Statement addresses accounting and reporting standards for goodwill and other intangible assets. Under the provisions of this Statement, goodwill and intangible assets with indefinite useful lives are no longer amortized, but will be tested annually for impairment. Based on management's estimate of the fair value of the operating unit's goodwill there was no impairment upon adoption of this Standard at January 1, 2002.

In second-quarter 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections." The rescission of SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements," requires that gains and losses from extinguishment of debt only be classified as extraordinary items in the event that they meet the criteria of APB Opinion No. 30. SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers," established accounting requirements for the effects of transition to the Motor Carriers Act of 1980 and is no longer required now that the transitions have been completed. Finally, the amendments to SFAS No. 13 require certain lease modifications that have economic effects which are similar to sale-leaseback transactions be accounted for as sale-leaseback transactions. The provisions of this Statement related to the rescission of SFAS No. 4 are to be applied in fiscal years beginning after May 15, 2002, while the provisions related to SFAS No. 13 are effective for transactions occurring after May 15, 2002. All other provisions of the Statement are effective for financial statements issued on or after May 15, 2002. There was no initial impact of SFAS No. 145 on Williams' results of operations and financial position. However, in subsequent reporting periods, gains and losses from debt extinguishments will not be accounted for as extraordinary items.

Also in second-quarter 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at fair value only when the liability is incurred. The provisions of the Statement are effective for exit or disposal activities that are initiated after December 31, 2002. The effect of this standard on Williams' results of operations and financial position is being evaluated.

18. Subsequent events

Subsequent to June 30, 2002, Williams announced that it expected to report a substantial net loss for second-quarter 2002 which included a significant operating loss from Energy Marketing & Trading and asset impairment charges. In addition, the board of directors reduced the quarterly dividend on Williams' common stock from $.20 per share to $.01 per share. The major credit rating agencies followed these announcements by downgrading Williams' credit rating below investment grade levels. Concurrent with these events, Williams was unable to complete a renewal of its unsecured short-term bank credit facility. Williams responded to these events with a concentrated effort to complete certain asset sales and obtain secured credit facilities in order to raise funds to meet current debt obligations and provide for other liquidity requirements. The asset sales and secured credit facilities are discussed below.

Asset Sales

In August 2002, Williams announced the sale for cash of the following assets as part of its previously announced financial strengthening plan:

- 98 percent of Mid-America Pipeline, a 7,226-mile natural gas liquids pipeline system
- 98 percent of its 80 percent ownership interest in Seminole Pipeline, a 1,281-mile natural gas liquids pipeline system
- Jonah field natural gas production properties in Wyoming, which represented approximately 11 percent of total reserves at December 31, 2001
- Natural gas production properties in the Anadarko Basin
- Cove Point liquefied natural gas facility and 87-mile pipeline in Maryland
- Hugoton natural gas gathering system in Kansas

Except for the sale of the Cove Point assets, which is expected to close September 2002, each of these sale transactions closed in July 2002. The major classes of assets and liabilities included in the Consolidated Balance Sheet as of June 30, 2002, for these asset groups are as follows:

(Millions)	June 30, 2002
Current assets	$ 101.8
Property, plant and equipment	1,350.8
Other assets	8.7
Total assets	$1,461.3
Current liabilities	$ 114.1
Long-term debt	289.3
Other liabilities and deferred income	176.4
Total liabilities	$ 579.8

Secured credit facilities

Subsequent to June 30, 2002, Williams obtained a $400 million letter of credit facility, a $900 million short-term loan (discussed below) and amended its existing $700 million revolving credit facility. The $400 million letter of credit facility which expires July 2003 and the $700 million revolving credit facility, which expires July 2005, are secured by the bulk of Williams' Midstream Gas & Liquids assets and the equity of substantially all of the Midstream Gas & Liquids subsidiaries and the subsidiaries which own the refinery assets. These facilities also have the benefit of guarantees from most of Williams' subsidiaries, not including Transcontinental Gas Pipe Line, Texas Gas or Northwest Pipeline. Additionally, the company is no longer required to make a "no material adverse change" representation prior to borrowings under the $700 million revolving credit facility. An additional $159 million of public securities were also ratably secured with the same assets in accordance with the indentures covering those securities. Additionally, as Williams completes certain asset sales the $700 million commitment from participating banks in the revolving credit facility will ultimately be reduced to $400 million and various other preexisting debt will be paid down. Transcontinental Gas Pipe Line, Texas Gas and Northwest Pipeline continue as participating borrowers in this facility. Significant new covenants under these agreements include: (i) restrictions on the creation of new subsidiaries, (ii) broader restrictions on pledging assets to other creditors, (iii) a covenant that the ratio of interest expense plus cash flow to interest expense be greater than 1.5 to 1, (iv) a limit on dividends on common stock paid by Williams in any quarter of $6.25 million, (v) certain restrictions on declaration or payment of dividends on preferred stock issued after July 30, 2002, (vi) a limit on investments in others of $50 million annually and (vii) a $50 million limit on additional debt incurred by subsidiaries other than Transcontinental Gas Pipe Line, Texas Gas, Northwest Pipeline or Williams Energy Partners L.P.

Williams Production RMT Company (RMT), a wholly owned subsidiary, entered into a $900 million Credit Agreement dated as of July 31, 2002 (the "closing date"), with certain lenders including a subsidiary of Lehman Brothers, Inc., a related party. The loan is guaranteed by Williams, Williams Production Holdings LLC (Holdings) and certain RMT subsidiaries. It is also secured by the capital stock and assets of Holdings and certain of RMT's subsidiaries. The loan matures on July 25, 2003, and bears interest payable quarterly at the Eurodollar rate plus 4 percent per annum (5.824 percent at closing), plus additional interest of 14 percent per annum, which is accrued and added to the principal balance.

RMT must also pay a deferred set-up fee. The amount of the fee is dependant upon whether a majority of the fair market value of RMT's assets or a majority of its capital stock is sold (a "company sale") on or before the maturity date, regardless of whether the loan obligations have been repaid. If a company sale has occurred, the amount of such fee would be the greater of (x) 15 percent of the loan principal amount, and (y) 15 percent to 21 percent, depending on the timing of the company sale, of the difference between (A) the purchase price of such company sale, including the amount of any liabilities assumed by the purchaser, up to $2.5 billion, and (B) the sum of (1) the principal amount of the outstanding loans, plus (2) outstanding debt of RMT and its subsidiaries, plus (3) accrued and unpaid interest on the loans to the date of repayment. If a company sale has not occurred, the fee would be 15 percent of the term loans. However, if a company sale occurs within three months after the maturity date, then RMT must also pay the positive difference, if any, between the fee that would have been paid had such company sale occurred prior to the maturity date and the actual fee paid on the maturity date.

Significant covenants on Holdings, RMT and certain RMT subsidiaries under the loan agreement include: (i) an interest coverage ratio of greater than 1.5

to 1, (ii) a fixed charge coverage ratio of greater than 1.15 to 1, (iii) a limitation on restricted payments, (iv) a limitation on capital expenditures in excess of $300 million, and (v) a limitation on intercompany indebtedness.

RMT must be sold within 75 days of a parent liquidity event which requires that Williams maintain actual and projected liquidity (a) at any time from the closing date through the 180th day thereafter, of $600 million; (b) at any time thereafter through and including the maturity date, of $750 million; and (c) at any time after the maturity date, of $200 million. Liquidity projections must be provided weekly until the maturity date. Each projection covers a period extending 12 months from the report date. The loan is also required to be prepaid with the net cash proceeds of any sale of RMT's assets, and, in the event

of a company sale, the loan is required to be prepaid in full. Any prepayment or acceleration of the loan requires RMT to pay to lenders (i) a make-whole amount, and (ii) the deferred set up fee set forth above.

Additionally, Williams amended certain other financing facilities and agreements totaling $1.9 billion which provided the lenders thereunder with guarantees from Williams Gas Pipeline Company, L.L.C. and Williams Production Holdings LLC and certain lenders with a ratable share of proceeds from future asset sales to reduce certain of these facilities. These facilities and agreements include the preferred interest in Castle Associates LP, $600 million of term loans, certain letters of credit, two operating lease agreements with special purpose entities, the preferred interest in Piceance Production Holdings LLC and the preferred interest in Snow Goose Associates, L.L.C. which is currently classified as debt. As a result of the changes to the two operating lease agreements, these leases will be reported as capitalized leases as of July 31, 2002. If these leases were treated as capitalized lease obligations at June 30, 2002, assets and long-term debt would increase by approximately $287 million. Additionally, the preferred interest in Castle Associates L.P. and Piceance Production Holdings LLC will be reported as debt as of July 31, 2002.

ITEM 2
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATION

RECENT EVENTS

As a result of credit issues facing the Company and the assumption of payment obligations and performance on guarantees associated with WCG, Williams announced plans during first-quarter 2002 to strengthen its balance sheet and support retention of its investment grade ratings. The plan included reducing capital expenditures during the balance of 2002, future sales of assets to generate proceeds to be used to reduce outstanding debt and the lowering of expenses, in part through an enhanced-benefit early retirement program which concluded during the second quarter. In addition, "ratings triggers" exposure for potential acceleration of debt payment and redemption of preferred interests was substantially reduced to $182 million at March 31, 2002 ($135 million of which was redeemed subsequent to June 30, 2002).

During the second quarter, Williams experienced liquidity issues, the effect of which limited Energy Marketing & Trading's ability to manage market risk and exercise hedging strategies as market liquidity deteriorated. During May 2002, major rating agencies lowered their credit ratings on Williams' unsecured long-term debt; however, the ratings still were maintained as investment grade for the balance of the quarter. In June, Williams announced a $500 million reduction in its working capital and liquidity commitments to its Energy Marketing & Trading business and reduced its work force accordingly. Later in June, Williams announced its intentions to offer for sale its two refineries and related assets, with the expectation of closing such sales by the end of 2002.

Subsequent to the end of the second quarter, Williams announced that it would have a substantial net loss for the quarter. The loss primarily resulted from a decline in Energy Marketing & Trading's results and reflected a significant decline in the forward mark-to-market value of its portfolio, the costs associated with terminated power projects, and the partial impairment of goodwill from deteriorating energy trading market conditions in the second quarter. In addition, Williams announced asset impairments and cost write-offs, in part a result of asset sale considerations and terminated projects reflecting a reduced capital expenditure program. In addition, the board of directors reduced the common stock dividend for the third quarter from the prior level of 20 cents per share to 1 cent per share. The major rating agencies downgraded Williams credit rating to below investment grade reflecting the uncertainty associated with the trading business, short-term cash requirements facing the Company and the increased level of debt the company had incurred to meet the WCG payment obligations and guarantees. Concurrent with these events, Williams was unable to complete a renewal of its unsecured short-term bank facility which expired on July 24, 2002. Subsequently, Williams did obtain two secured facilities totaling $1.3 billion, including a letter of credit facility for $400 million, and amended its existing $700 million revolving credit facility to a secured basis which expires July 2005. These borrowing facilities include pledges of certain assets and contain financial ratios and other covenants that must be maintained (see Note 18). If such provisions of the agreements are not maintained, then amounts outstanding can become due immediately and payable. Williams believes that these financings and the proceeds received from recent asset sales have significantly improved the company's liquidity for the balance of the year. In addition, Williams is pursuing the sale of other assets to enhance liquidity. The sales are anticipated to close during the second half of 2002.

Following the credit rating downgrade in July, Williams sold certain exploration and production properties and substantially all of its natural gas liquids pipeline systems, receiving net cash proceeds of approximately $1.5 billion. It also announced the sale of certain liquified natural gas assets for approximately $217 million. This transaction is expected to close in September. In addition to its refineries and related assets, Williams has also announced that it is considering selling its gas pipeline unit known as Central and its Western Canada gathering and natural gas extraction assets. During the second quarter, a review for impairment was performed on certain assets that were being considered for possible sale, including an assessment of the more likely than not probabilities of sale for each asset. Impairments were recorded in the second quarter totaling approximately $71 million reflecting management's estimate of the fair value of these assets based on information available at the time. Williams has numerous assets which could be sold that exceed the previously announced target of $1.5 billion to $3 billion range of proceeds to be generated from asset sales. The specific assets that will be sold and the timing of such sales are dependent on various factors, including negotiations with prospective buyers, regulatory approvals, industry conditions and the short-and long-term liquidity requirements of the Company. While management believes it has considered all relevant information in assessing for potential impairments, the ultimate sales price for assets which may be sold in the future may result in an additional impairment or a loss.

The operating results of Energy Marketing & Trading are adversely affected by several factors, including Williams' overall liquidity and credit ratings which impact Energy Marketing & Trading's ability to enter into price risk management and hedging activities. The credit rating downgrades have also triggered certain Energy Marketing & Trading contractual provisions, including providing counterparties with adequate assurance, margin, credit enhancement, or credit replacement. Successful completion of the agreement in principle reached in July regarding the global settlement with the State of California and other parties would eliminate certain outstanding complaints and litigation and resolve claims for refunds to the FERC filed in connection with its power activities in California (see Note 12). As currently proposed, the settlement would also provide for a new long-term power sales contract with the state in addition to other settlement provisions. For further discussions regarding Energy Marketing & Trading's business and its fair value of energy contracts, see the Fair Value of Energy Risk Management and Trading activities on page 45. The energy trading sector has experienced deteriorating conditions because of credit and regulatory concerns, and these have significantly reduced Energy Marketing & Trading's ability to attract new business. These market conditions plus the unwillingness of counterparties to enter into new business with Energy Marketing & Trading will affect results in the future and could result in additional operating losses. On August 1, 2002, Williams announced its intention to further reduce its commitment and exposure to its energy marketing and risk management business. This reduction could be realized by entering into a joint venture arrangement with a third party or a sale of a portion or all of the marketing and trading portfolio. It is possible that Williams, in order to generate levels of liquidity it needs in the future, would be willing to accept amounts for a portion or its entire portfolio that are less than its carrying value at June 30, 2002.

At June 30, 2002, Williams has maturing long-term debt totaling $920 million for the remainder of the current year and $1,148 million during 2003. The Company's available liquidity to meet these requirements and fund a reduced level of capital expenditures will be dependent on several items, including the cash flows of retained businesses, the amount of proceeds raised from the sale of assets and the price of natural gas. Future cash flows from operations may also be affected by the timing and nature of the sale of assets. Because of recent asset sales, anticipated asset sales in the future and recently negotiated secured credit facilities, Williams currently believes that it has the financial resources and liquidity to meet future cash requirements for the balance of the year.

The new secured credit facilities require Williams to meet certain covenants and limitations as well as maintain certain financial ratios (see Note 18). Included in these covenants are provisions that limit the ability to incur future indebtedness, pledge assets and pay dividends on common stock. In addition, debt and related commitments must be reduced from the proceeds of asset sales and minimum levels of current and future liquidity have been established.

GENERAL

On March 27, 2002, Williams completed the sale of one of its Gas Pipeline segments, Kern River Gas Transmission (Kern River), to MidAmerican Energy Holdings Company (MEHC). Accordingly, the results of operations for Kern River have been reflected in the consolidated financial statements as discontinued operations. (see Note 7).

Unless otherwise indicated, the following discussion and analysis of results of operations, financial condition and liquidity relates to the continuing operations of Williams and should be read in conjunction with the consolidated financial statements and notes thereto included in Item 1 of this document and Exhibit 99(b) of Williams' Current Report on Form 8-K dated May 28, 2002, which includes financial statements that reflect Kern River as discontinued operations.

RESULTS OF OPERATIONS

Consolidated Overview

The following table and discussion is a summary of Williams' consolidated results of operations. The results of operations by segment are discussed in further detail beginning on page 34.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2002	2001	2002	2001
	(MILLIONS)		(MILLIONS)	
Revenues	$2,155.6	$2,921.3	$4,636.4	$6,130.7
Operating income (loss)	$ (200.9)	$ 670.4	445.9	1,426.4
Interest accrued-net	(271.3)	(150.0)	(483.0)	(320.3)
Interest rate swap loss	(83.2)	--	(73.0)	--
Investing income (loss):				
Estimated loss on realization of amounts due from WCG	(15.0)	--	(247.0)	--
Other	54.8	35.0	70.9	69.0
Preferred returns and minority interest in income of consolidated subsidiaries	(21.8)	(21.7)	(37.0)	(47.0)
Other income - net	23.7	6.0	19.8	11.4
Income (loss) from continuing operations before income taxes	(513.7)	539.7	(303.4)	1,139.5
Provision (benefit) for income taxes	(164.6)	210.9	(77.5)	443.8
Income (loss) from continuing operations	(349.1)	328.8	(225.9)	695.7
Income (loss) from discontinued operations	--	10.7	(15.5)	(157.0)
Net income (loss)	(349.1)	339.5	(241.4)	538.7
Preferred stock dividends	(6.8)	--	(76.5)	--
Income (loss) applicable to common stock	$ (355.9)	$ 339.5	$ (317.9)	$ 538.7

Three Months Ended June 30, 2002 vs. Three Months Ended June 30, 2001

Williams' revenue decreased $765.7 million, or 26 percent, due primarily to lower revenues associated with energy risk management and trading activities at Energy Marketing & Trading. Also contributing were lower refined product sales prices and volumes at the refineries, lower travel center and Alaska convenience stores sales and the absence of $77 million of revenue related to the 198 convenience stores sold in May 2001 within Petroleum Services and lower natural gas liquids sales prices and lower revenue from natural gas liquids trading operations within Midstream Gas & Liquids. Partially offsetting these decreases was an increase in revenues at Exploration & Production resulting from higher net production volumes.

Segment costs and expenses, including selling, general and administrative expenses, increased $98.5 million, or 4 percent, due to impairment charges, loss accruals and write-offs of $141.2 million within Energy Marketing & Trading, $44.1 million related to Colorado soda ash mining operations within International, $27 million related to the travel centers within Petroleum Services and $7.5 million related to a cancelled project at Gas Pipeline, as well as the benefit in 2001 of a $72.1 million pre-tax gain on the sale of the convenience stores. Selling, general and administrative expenses increased $39.4 million due primarily to an additional $24 million of costs related to an enhanced-benefit early retirement option offered to certain employee groups and $11 million higher expenses at Exploration & Production. Partially offsetting these increases were lower petroleum products costs and the absence of $76 million in costs related to the 198 convenience stores sold at Petroleum Services and lower costs related to the natural gas liquids trading operations within Midstream Gas & Liquids.

Operating income (loss) decreased $871.3 million, due primarily to lower net revenues associated with energy risk management and trading activities at Energy Marketing & Trading, the absence of the 2001 gain from the 198 convenience stores sold, decreased operating profit from refining and marketing operations within Petroleum Services and the 2002

impairment charges noted above, partially offset by the contribution of increased production volumes at Exploration & Production. Included in operating income (loss) are general corporate expenses, which increased $7 million, or 26 percent, due primarily to costs related to the enhanced-benefit early retirement option.

Interest accrued - net increased $121.3 million, or 81 percent due primarily to the $98 million effect of higher borrowing levels including the impact of the $1.4 billion of long-term obligations related to WCG (see Note 11), the $3 million effect of higher average interest rates and $15 million of higher debt amortization expense related to higher debt levels. In light of the recent credit ratings downgrades and the secured credit facilities obtained subsequent to June 30, 2002, interest expense in the near term is expected to increase at least $100 million per quarter until debt levels are reduced.

In first-quarter 2002, Williams began managing its interest rate risk on an enterprise basis by the corporate parent. The results of interest rate swaps with external counter parties were losses of $83.2 million in second-quarter 2002 (see Note 16).

Investing income (loss) increased $4.8 million due primarily to $27 million higher earnings on equity investments, largely offset by the $15 million estimated loss on realization of amounts due from WCG (see Note 4) and an $8 million decrease in interest income related to lower margin deposits.

Other income - net increased $17.7 million due primarily to an $11 million gain at Gas Pipeline associated with the disposition of securities received through a mutual insurance company reorganization and a decrease in losses from the sales of receivables to special purpose entities.

The provision (benefit) for income taxes decreased $375.5 million due primarily to lower pre-tax income. The effective income tax rate for the three months ended June 30, 2002, is less than the federal statutory rate due primarily to the impairment of goodwill which is not deductible for income tax purposes and which reduces the tax benefit of the pre-tax loss. The effective income tax rate for the three months ended June 30, 2001, is greater than the federal statutory rate due primarily to the effect of state income taxes.

Income (loss) from discontinued operations for second-quarter 2001 of $10.7 million reflects the after-tax results of operations of Kern River.

Six Months Ended June 30, 2002 vs. Six Months Ended June 30, 2001

Williams' revenue decreased $1,494.3 million, or 24 percent, due primarily to lower revenues associated with energy risk management and trading activities at Energy Marketing & Trading, lower refined product sales prices at the refineries, lower travel center and Alaska convenience store sales and the absence of $182 million of revenue related to the 198 convenience stores sold in May 2001 within Petroleum Services. Also contributing were lower natural gas liquids sales prices and lower natural gas liquids trading operations revenue within Midstream Gas & Liquids. Partially offsetting these decreases was an increase in revenues at Exploration & Production resulting from higher net production volumes.

Segment costs and expenses, including selling, general and administrative expenses, decreased $529.7 million, or 11 percent, due to lower petroleum products costs, lower travel center/convenience store costs reflecting the absence of the 198 convenience stores sold in May 2001, lower shrinkage, fuel and replacement gas purchases related to processing activities within Midstream Gas & Liquids and lower costs related to the natural gas liquids trading operations within Midstream Gas & Liquids. Partially offsetting these decreases were impairment charges, loss accruals and write-offs of $141.2 million within Energy Marketing & Trading, $44.1 million related to Colorado soda ash mining operations within International, $27 million related to the travel centers within Petroleum Services and $7.5 million related to a canceled project at Gas Pipeline as well as the benefit in 2001 of a $72.1 million pre-tax gain on the sale of the convenience stores.

Operating income (loss) decreased $980.5 million, or 69 percent, due primarily to lower net revenues associated with energy risk management and trading activities at Energy Marketing & Trading, the absence of the 2001 gain from the 198 convenience stores sold and decreased operating profit from refining and marketing operations within Petroleum Services and the 2002 impairment charges noted above partially offset by increased production volumes at Exploration & Production. Included in operating income (loss) are general corporate expenses, which increased $15.9 million, or 28 percent, due primarily to a $6 million increase in advertising costs and $6 million of expense related to the enhanced-benefit early retirement options offered to certain employee groups.

Interest accrued - net increased $162.7 million, or 51 percent due primarily to the $149 million effect of higher borrowing levels and $18 million of higher debt amortization expense related to higher debt levels. The increases were slightly offset by the $12 million effect of lower average interest rates and by $9 million lower interest expense related to deposits received from customers relating to energy risk management and trading and hedging activities.

In first-quarter 2002, Williams began managing its interest rate risk on an enterprise basis by the corporate parent. The results of interest rate swaps with external counter parties were losses of $73 million (see Note 16).

Investing income (loss) decreased $245.1 million due substantially to the $247 million estimated loss on realization of amounts due from WCG (see Note 4), a $23 million decrease in interest income related to margin deposits and a $5 million decrease in dividend income due to the sale of Ferrellgas Partners L.P. senior common units in second-quarter 2001. Slightly offsetting these decreases are higher equity earnings of $36.8 million due primarily to the $27.4 million contractual construction completion fee received by a Gas Pipeline equity investment (see Note 5).

Preferred returns and minority interest in income of consolidated subsidiaries decreased $10 million, or 21 percent, due primarily to a $15 million decrease in preferred returns of Snow Goose reflecting lower interest rates for the first-quarter 2002 and the fact that the preferred interest is now characterized as debt due to the first quarter amendment (see Note 11) and a $4 million decrease in preferred returns related to the second-quarter 2001 redemption of Williams obligated mandatory redeemable preferred securities of Trust. Partially offsetting these decreases was a $9 million increase related to minority interest associated with Williams Energy Partners.

Other income - net increased $8.4 million due primarily to an $11 million gain in second-quarter 2002 at Gas Pipeline associated with the disposition of securities received through a mutual insurance company reorganization and a $7 million decrease in losses from the sales of receivables to special purpose entities. Partially offsetting these increases was an $8 million loss related to the early retirement of remarketable notes in first-quarter 2002.

The provision (benefit) for income taxes decreased $521.3 million due primarily to lower pre-tax income. The effective income tax rate for the six months ended June 30, 2002, is less than the federal statutory rate due primarily to the impairment of goodwill which is not deductible for income tax purposes and which reduces the tax benefit of pre-tax loss. The effective income tax rate for the six months ended June 30, 2001, is greater than the federal statutory rate due primarily to the effect of state income taxes.

Income (loss) from discontinued operations for 2002 of $15.5 million is the after-tax loss related to the sale of Kern River, partially offset by its results of operations for first-quarter 2002. The $157 million loss from discontinued operations for 2001 includes the after-tax loss from WCG operations of $179.1 million and after-tax income of $22.1 million from the operations of Kern River.

Income (loss) applicable to common stock in 2002 reflects the impact of the $69.4 million associated with accounting for a preferred security that contains a conversion option that was beneficial to the purchaser at the time the security was issued. The average number of shares in 2002 for the diluted calculation (which is the same as the basic calculation due to Williams reporting a loss from continuing operations-see Note 8) increased by approximately 32 million from June 30, 2001. The increase is due primarily to the 29.6 million shares issued in the Barrett acquisition in August 2001. The increased shares had a dilutive effect on loss per share from continuing operations in 2002 of approximately $.04 per share.

RESULTS OF OPERATIONS-SEGMENTS

Williams is currently organized into three industry groups: Energy Marketing & Trading, Gas Pipeline and Energy Services (includes Exploration & Production, International, Midstream Gas & Liquids, Petroleum Services, and Williams Energy Partners). Williams currently evaluates performance based upon segment profit (loss) from operations (see Note 16). Segment profit of the operating companies may vary by quarter. Energy Marketing & Trading's results can vary quarter to quarter based on the timing of origination activities and market movements of commodity prices, interest rates and counterparty credit worthiness impacting the determination of fair value of contracts.

Effective July 1, 2002, management of certain operations previously conducted by Energy Marketing & Trading, International and Petroleum Services was transferred to Midstream Gas & Liquids. These operations included natural gas liquids trading, activities in Venezuela and a petrochemical plant, respectively. The current and prior period amounts and the following discussions reflect these changes.

On April 11, 2002, Williams Energy Partners L.P., a partially owned and consolidated entity of Williams, acquired Williams Pipe Line, an operation within the Petroleum Services segment. Accordingly, Williams Pipe Line's results of operations have been transferred from the Petroleum Services segment to the Williams Energy Partners segment. Also in the first quarter of 2002, management of APCO Argentina was transferred from the International segment to the Exploration & Production segment to align exploration and production activities. Prior period amounts have been restated to reflect these changes.

The following discussions relate to the results of operations of Williams' segments.

ENERGY MARKETING & TRADING

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2002	2001	2002	2001
	(MILLIONS)		(MILLIONS)	
Segment revenues	$(278.6)	$337.7	$ 76.4	$935.9
Segment profit (loss)	$(497.5)	$262.2	$(214.4)	$751.7

Three Months Ended June 30, 2002 vs. Three Months Ended June 30, 2001

ENERGY MARKETING & TRADING'S revenues decreased $616.3 million, or 182 percent, due primarily to a $616.5 million decrease in risk management and trading revenues. During second-quarter 2002, Energy Marketing & Trading's results were in general adversely affected by the impact of market movements against its portfolio and an absence of new origination activities. Energy Marketing & Trading's ability to manage or hedge its portfolio against adverse market movements was limited by a lack of market liquidity as well as market concerns regarding Williams' credit and liquidity and internal efforts to preserve liquidity.

The $616.5 million decrease in risk management and trading revenues is due primarily to a decrease of $550.2 million in the natural gas and power portfolios and a $68.2 million decrease in the petroleum products portfolio. The $550.2 million decrease in the natural gas and power portfolio includes a $339.5 million decrease in new transaction origination compared to second-quarter 2001. This decline is reflective of the minimal amount of new transaction origination as a result of the deterioration of market liquidity and Williams' limited credit capacity. The decline in value of the natural gas and power portfolio is also a result of higher natural gas prices and lower power prices that led to significantly reduced spark spreads in the northeast and southeast regions. The $68.2 million decrease in the petroleum products portfolio was driven by a decline in market liquidity combined with a reduction in crude and unleaded prices. Additionally, the natural gas and power and the refined products portfolio were also impacted by the general market deterioration and credit degradation in the energy trading sector which had the effect of reducing contract valuations as market liquidity declined and corporate bond spreads deteriorated.

Other (income) expense-net in 2002 includes $83.7 million of net loss accruals and write-offs primarily associated with commitments for certain terminated power projects. Of this amount, $50 million was associated with a reduction to fair value of certain power equipment for which management made the second-quarter decision to sell rather than utilize in power development projects. The balance primarily represents an accrual for costs associated with leased power generation equipment that management determined in the second quarter of 2002 will not be utilized. Also included in other (income) expense-net in 2002 is a $57.5 million partial goodwill impairment resulting from deteriorating market conditions during the second quarter (see Note 3).

Segment profit decreased by $759.7 million due primarily to the $616.5 million reduction of trading revenues and the $141.2 million of items discussed above in other (income) expense-net.

Energy Marketing & Trading's future results will be affected by the reduction in liquidity available to them from their parent, the willingness of counterparties to enter into transactions with Energy Marketing & Trading, the liquidity of the markets in which Energy Marketing & Trading transacts and the overall credit worthiness of other counterparties in the industry segment. Because credit rating agencies no longer consider Williams as an investment grade rated company, in some instances, Williams is required to provide additional adequate assurances in the form of cash or credit support to enter into price risk management transactions. With the decision to continue to reduce Williams' financial commitment and exposure to the trading business, it is likely that Energy Marketing & Trading's portfolio will have greater exposure to market movements which could result in

additional operating losses. In addition, other companies in the energy trading and marketing sector are experiencing financial difficulties which will affect Energy Marketing & Trading's credit assessment related to the future value of its forward positions. The effects of these items on Energy Marketing & Trading's results will adversely affect results in the future. Williams will also continue to evaluate the carrying value of Energy Marketing & Trading's goodwill in light of recent developments.

Williams announced on August 1, 2002, its intention to reduce its commitment to the energy marketing and trading business, which could be in several forms. Williams continues to pursue several opportunities to sell all or a portion of its portfolio. It also continues to discuss with certain parties joint venturing arrangements. It is not possible at this time to predict the ultimate outcome of these discussions or to estimate the sales proceeds that might be received if such transactions occur. It is possible that Williams, in order to generate levels of liquidity it needs in the future, would be willing to accept amounts for a portion or its entire portfolio that is lower than the carrying value at June 30, 2002.

Issues in the Western Marketplace

At June 30, 2002, Energy Marketing & Trading had net accounts receivable recorded of approximately $231 million for power sales to the California Independent System Operator and the California Power Exchange Corporation (CPEC). While the amount recorded reflects management's best estimate of collectibility, future events or circumstances could change those estimates.

As discussed in Rate and Regulatory Matters and Related Litigation in Note 12 of the Notes to Consolidated Financial Statements, the FERC and the DOJ have issued orders or initiated actions which involve Energy Marketing & Trading related to California and the western states electric power industry. In addition to these federal agency actions, a number of federal and state initiatives addressing the issues of the California electric power industry are also ongoing and may result in restructuring of various markets in California and elsewhere. Discussions in California and other states have ranged from threats of re-regulation to suspension of plans to move forward with deregulation. Allegations have also been made that the wholesale price increases resulted from the exercise of market power and collusion of the power generators and sellers, such as Williams. These allegations have resulted in multiple state and federal investigations as well as the filing of class-action lawsuits in which Williams is a named defendant. Williams' long-term power contract with the State of California has also been challenged both at the FERC and in civil suits. Most of these initiatives, investigations and proceedings are in their preliminary stages and their likely outcome cannot be estimated. However, Williams is attempting to resolve many of these disputes through settlement and has reached a settlement in principle with the State of California on a global settlement that includes a renegotiated long-term energy contract. The settlement will also resolve complaints brought by the California Attorney General against Williams and the State of California's refund claims. In addition, the settlement will resolve ongoing investigations by the States of California, Oregon, and Washington. The settlement is subject to documentation and approval by various courts and agencies. (see Other Legal Matters in Note 12) There can be no assurance that these initiatives, investigations and proceedings will not have an adverse effect on Williams' results of operations or financial condition.

Six Months Ended June 30, 2002 vs. June 30, 2001

ENERGY MARKETING & TRADING'S revenues decreased $859.5 million, or 92 percent, due primarily to an $861.2 million decrease in risk management and trading revenues. As noted previously, Energy Marketing & Trading's results were in general adversely affected by its limited ability to manage or hedge its portfolio against adverse market movements due to a lack of market liquidity, the market's concerns regarding Williams credit and liquidity, and internal efforts to preserve liquidity.

The $861.2 million decrease in risk management and trading revenues is due primarily to a decrease of $961 million in the natural gas and power portfolios, partially offset by a $71.6 million increase in the petroleum products portfolio. The $961 million decrease in the natural gas and power portfolio includes a $218 million decrease due to the minimal amount of new transaction origination in second-quarter 2002. The decline in value of the natural gas and power portfolio is also a result of the impact of lower market volatility than was present during the first half of 2001 and to higher natural gas prices and lower power prices that led to reduced spark spreads in the northeast and southeast regions in the second quarter of 2002. The $71.6 million increase in the petroleum products portfolio was due primarily to $118.8 million resulting from origination of transactions during the first quarter of 2002 partially offset by a decrease in the value of the refined products storage and transportation portfolios during the second quarter of 2002. The natural gas and power portfolio and the refined products portfolio were also impacted in second-quarter 2002 by the general market deterioration and credit degradation in the energy trading sector had the effect of reducing structured contract valuations as market liquidity declined and corporate bond spreads deteriorated.

Selling, general, and administrative expenses decreased by $42.4 million or 27 percent. This cost reduction is primarily due to lower variable compensation levels associated with reduced segment profit and the effect in 2002 of

modifications to the variable compensation plan.

Other (income) expense-net in 2002 includes the $83.7 million of net loss accruals and write-offs discussed above and the $57.5 million partial goodwill impairment also discussed above.

Segment profit (loss) decreased by $966.1 million or 129 percent, due primarily to the $861.2 million reduction of trading revenues and the $141.2 million of non-recurring items discussed in other (income) expense - net above, partially offset by the decrease in selling, general and administrative expense.

GAS PIPELINE

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2002	2001	2002	2001
	(MILLIONS)		(MILLIONS)	
Segment revenues	$381.7	$368.7	$805.5	$790.7
Segment profit	$156.7	$181.0	$346.9	$357.7

Three Months Ended June 30, 2002 vs. June 30, 2001

GAS PIPELINE'S revenues increased $13 million, or 4 percent, due primarily to $11 million higher demand revenues on the Transco system resulting from new expansion projects and new rates effective September 1, 2001, $8 million from environmental mitigation credit sales and services and $4 million higher transportation revenues on the Texas Gas system. Partially offsetting these increases were $8 million lower gas exchange imbalance settlements (offset in costs and operating expenses) and $3 million lower storage revenues.

Costs and operating expenses increased $14.3 million, or 8 percent, due primarily to the $15 million effect in 2001 of a regulatory reserve reversal resulting from the FERC's approval for recovery of fuel costs incurred in prior periods by Transco, as well as $8 million of higher depreciation expense due to increased property, plant and equipment placed into service on the Transco system, partially offset by $8 million lower gas exchange imbalance settlements (offset in revenues).

General and administrative costs increased $17 million, or 32 percent, due primarily to $11 million in early retirement pension costs and $2 million of increased long-term disability costs.

Other (income) expense - net in 2002 includes a $7.5 million write-off of a cancelled pipeline project. Other (income) expense - net in 2001 includes a $27.5 million pre-tax gain from the sale of Williams' limited partnership interest in Northern Border Partners, L.P.

Segment profit, which includes equity earnings, decreased $24.3 million, or 13 percent, due primarily to the $35 million unfavorable change in other (income) expense - net, as discussed above, and $17 million higher general and administrative costs discussed previously, partially offset by $29.3 million higher equity earnings. The $29.3 million increase in equity earnings includes a $27.4 million benefit in 2002 reflecting a contractual construction completion fee received by an equity affiliate. This equity affiliate served as the general contractor on the Gulfstream pipeline project for Gulfstream Natural Gas System (Gulfstream), an interstate natural gas pipeline subject to FERC regulation and also an equity affiliate. The fee, paid by Gulfstream and associated with the completion during the second quarter of 2002 of the construction of Gulfstream's pipeline, was capitalized by Gulfstream as property, plant and equipment and is included in Gulfstream's rate base to be recovered in future revenues. Additionally, the equity earnings increase reflects a $14 million increase from Gulfstream primarily related to interest capitalized on the Gulfstream pipeline project in accordance with FERC regulations. Partially offsetting these increases to equity earnings was a $12.3 million write-down of Gas Pipeline's investment in a pipeline project that has been cancelled.

Subsequent to second-quarter 2002, Williams announced that it agreed to sell its Cove Point liquefied natural gas (LNG) facility and 87-mile pipeline for $217 million in cash to a subsidiary of Dominion Resources. The Cove Point LNG facility is currently used for storage and to serve customers during peak periods of demand, while the pipeline is used to serve customers year-round. The terminal is located on more than 1,000 acres of land on the western shore of the Chesapeake Bay. The sale is expected to close mid-September 2002. Revenues for the

three and six months ended June 30, 2002 related to Cove Point were approximately $5.7 million and $8.6 million, respectively. In addition, Williams also announced it is considering the sale of the 6,000 mile natural gas pipeline system known as Central Gas Pipeline System. Revenues for the three and six months ended June 30, 2002, for the Central Gas Pipeline System were $41 million and $80 million, respectively.

Transcontinental Gas Pipe Line and Texas Gas have various regulatory proceedings pending. As of June 30, 2002, approximately $178 million has been accrued for potential refund. As a result of rulings in certain of these proceedings, Williams anticipates recording revenues in third-quarter 2002 of approximately $39 million to $41 million.

Six Months Ended June 30, 2002 vs. June 30, 2001

GAS PIPELINE'S revenues increased $14.8 million, or 2 percent, due primarily to $19 million higher demand revenues on the Transco system resulting from new expansion projects and new rates effective September 1, 2001 and $9 million from environmental mitigation credit sales and services. Partially offsetting these increases were $11 million lower recovery of tracked costs which are passed through to customers (offset in costs and operating expenses and general and administrative costs) and $3 million lower storage revenue.

Costs and operating expenses increased $16 million, or 4 percent, due primarily to the $15 million effect in 2001 of a regulatory reserve reversal resulting from the FERC's approval for recovery of fuel costs incurred in prior periods by Transco, as well as $12 million higher depreciation expense due to increased property, plant and equipment placed into service, partially offset by $8 million lower tracked costs which are passed through to customers (offset in revenues).

General and administrative costs increased $14 million, or 12 percent, due primarily to $11 million in early retirement pension costs and $2 million of increased long-term disability costs, partially offset by $3 million lower tracked costs (offset in revenues).

Other (income) expense - net in 2002 includes a $7.5 million write-off of a cancelled pipeline project. Other (income) expense - net in 2001 includes a $27.5 million pre-tax gain from the sale of Williams' limited partnership interest in Northern Border Partners, L.P.

Segment profit, which includes equity earnings, decreased $10.8 million, or 3 percent, due primarily to the $35 million unfavorable impact of the other (income) expense - net items discussed above and $14 million higher general and administrative costs discussed previously. These decreases in segment profit were partially offset by $40.6 million higher equity investment earnings. The $40.6 million increase in equity earnings includes the $27.4 million benefit in 2002 related to the contractual construction completion fee received by an equity affiliate discussed above. Additionally, the equity earnings increase reflects a $26 million increase from Gulfstream primarily related to interest capitalized on the Gulfstream pipeline project in accordance with FERC regulations. Partially offsetting these increases to equity earnings was a $12.3 million write-down of Gas Pipeline's investment in a pipeline project that has been cancelled.

ENERGY SERVICES

EXPLORATION & PRODUCTION

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2002	2001	2002	2001
	(MILLIONS)		(MILLIONS)	
Segment revenues	$230.8	$107.2	$458.5	$249.6
Segment profit	$ 95.4	$ 45.2	$201.7	$100.4

Three Months Ended June 30, 2002 vs. Three Months Ended June 30, 2001

EXPLORATION & PRODUCTION'S revenues increased $123.6 million, or 115 percent, due primarily to $105 million higher production revenues. The $105 million increase in production revenues includes $114 million associated with an increase in net production volumes partially offset by $9 million from decreased net realized average prices for production (including the effect of hedge positions). The increase in net production volumes mainly results from the acquisition in third quarter 2001 of Barrett Resources Corporation (Barrett). Approximately 83 percent of production in the second quarter of 2002 was hedged. Exploration & Production has contracts that hedge approximately 80 percent of estimated production for the remainder of the year before consideration of the asset sales discussed below. These hedges are entered into with Energy Marketing

& Trading which, in turn, enters into offsetting derivative contracts with unrelated third parties. Energy Marketing & Trading

bears the counterparty performance risks associated with unrelated third parties. During 2001, a portion of the external derivative contracts was with Enron, which filed for bankruptcy in December 2001. As a result, the contracts were effectively liquidated due to contractual terms concerning bankruptcy and Energy Marketing & Trading recorded estimated charges for the credit exposure. Under accounting guidance, the other comprehensive income related to a terminated contract remains in accumulated other comprehensive income and is recognized as the underlying volumes are produced. During the second quarter of 2002, approximately $9 million related to the terminated contracts was recognized as revenues while $62 million remains in accumulated other comprehensive income at June 30, 2002.

Segment costs and operating expenses increased $66 million, including an $11 million increase in selling, general and administrative expenses due primarily to the addition of Barrett operations. Segment costs and operating expenses increased due primarily to the addition of the former Barrett operations, comprised primarily of depletion, depreciation and amortization and lease operating expenses.

Segment profit increased $50.2 million due primarily to increased production volumes.

Subsequent to June 30, 2002, Exploration & Production initiated and completed the sale of Exploration & Production's Jonah Field natural gas production properties in Wyoming to EnCana Oil & Gas (USA) Inc. Exploration & Production also completed the sale of substantially all of its natural gas production properties in the Anadarko Basin to Chesapeake Exploration Limited Partnership . The sales generated approximately $308 million in net cash proceeds. The company expects to recognize a gain from these sales which will be recorded in the third quarter of 2002. Revenues for the three and six months ended June 30, 2002, related to these properties were approximately $22 million and $40 million, respectively.

Six Months Ended June 30, 2002 vs. Six Months Ended June 30, 2001

EXPLORATION & PRODUCTION'S revenues increased $208.9 million, or 84 percent, due primarily to $210 million higher production revenues, $7 million in unrealized gains from the mark-to-market financial instruments related to basis differentials on natural gas production partially offset by $18 million lower gas management revenues. The $210 million increase in production revenues includes $270 million associated with an increase in net production volumes, partially offset by $60 million from decreased net realized average prices for production (including the effect of hedge positions). The increase in net production volumes mainly results from the acquisition in third quarter 2001 of Barrett. Approximately 82 percent of production through the second quarter of 2002 was hedged. Through the second quarter of 2002, approximately $18 million related to the Enron terminated contracts discussed above was recognized as revenues. At June 30, 2002, the contracted future hedge contracts are at prices that averaged above the spot market, resulting in an unrealized gain of $93 million (including $62 million related to the terminated contracts as discussed previously) reflected in accumulated other comprehensive income within stockholders' equity. This is a decrease from the unrealized gain at December 31, 2001, due to an increase in natural gas prices.

Gas management revenues consist primarily of marketing activities within the Exploration & Production segment that are not a direct part of the results of operations for producing activities. These marketing activities include acquisition and disposition of other working interest and royalty interest gas and the movement of gas from the wellhead to the tailgate of the respective plants for sale to Energy Marketing & Trading or third parties.

Segment costs and operating expenses increased $97 million, including a $20 million increase in selling, general and administrative expenses due primarily to the addition of Barrett operations. Segment costs and operating expenses increased due primarily to costs related to the former Barrett operations, comprised primarily of depletion, depreciation and amortization and lease operating expenses, and $5 million higher production-related taxes partially offset by $18 million lower gas management costs and $5 million lower costs from International activities.

Segment profit increased $101.3 million due primarily to increased production volumes, partially offset by $10 million lower earnings from equity investments.

INTERNATIONAL

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2002	2001	2002	2001
	(MILLIONS)		(MILLIONS)	
Segment revenues	$ 9.1	$ 8.4	$ 18.0	$ 12.7
Segment loss	$(57.0)	$(9.5)	$(77.5)	$(30.6)

Three Months Ended June 30, 2002 vs. Three Months Ended June 30, 2001

INTERNATIONAL'S segment loss increased $47.5 million due primarily to a $44.1 million impairment charge related to the Colorado soda ash mining operations and a $4 million increase in equity losses from the Lithuania refinery, pipeline and terminal investment. The $44.1 million impairment charge, which is included in other (income) expense-net, is reflective of management's estimate of fair value which was based on discounted cash flows assuming sale of the facility in 2002 (see Note 3). This impairment is in addition to a $170 million impairment recorded in fourth-quarter 2001.

During first-quarter 2002, Williams management announced plans to initiate a reserve-price auction of its interest in Colorado soda ash mining operations mentioned above, in an effort to monetize all or part of its investment. Williams expects to complete the reserve-price auction process during third-quarter 2002.

On June 17, 2002 the Lithuania refinery completed an agreement with YUKOS Oil Company (YUKOS) and the Lithuanian government whereby a wholly owned subsidiary of YUKOS has become a shareholder in the Lithuania refinery. YUKOS contributed $75 million of equity and loaned another $75 million to the refinery in return for an approximate 27 percent ownership interest. The Lithuanian government provided a guaranty for the $75 million loan. In addition, YUKOS signed a 10-year crude oil supply agreement with the refinery. This transaction diluted Williams's ownership interest in the refinery from 33 percent to approximately 27 percent.

Six Months Ended June 30, 2002 vs. Six Months Ended June 30, 2001

INTERNATIONAL'S segment loss increased $46.9 million due primarily to the $44.1 million impairment charge discussed above related to the Colorado soda ash mining operations and a $5 million increase in equity losses from the Lithuania refinery, pipeline and terminal investment. Slightly offsetting these losses was $5 million lower operating losses from soda ash mining operations.

MIDSTREAM GAS & LIQUIDS

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2002	2001	2002	2001
	(MILLIONS)		(MILLIONS)	
Segment revenues	$505.7	$545.5	$975.3	$1,211.5
Segment profit	$ 84.6	$ 64.5	$172.5	$ 104.1

Three Months Ended June 30, 2002 vs. Three Months Ended June 30, 2001

MIDSTREAM GAS & LIQUIDS' revenues decreased $39.8 million, or 7 percent, due primarily to $49 million lower revenues related to the natural gas liquids trading operations, $9 million lower natural gas liquids sales from processing activities and $8 million lower revenues from gathering activities, partially offset by a $19 million increase in revenue from a gas compression facility in Venezuela which began operations in August 2001 and $10 million higher natural gas liquids sales from fractionation activities. The $49 million decrease in natural gas liquids trading operations revenues reflects decreased natural gas liquids prices coupled with certain activities previously recorded on a gross basis which are now accounted for on a net basis. The $9 million lower natural gas liquids sales from processing activities reflects $45 million from a 21 percent decrease in natural gas liquid sales prices largely offset by $37 million from a 21 percent increase in natural gas liquids volumes.

Costs and operating expenses decreased $51 million, or 12 percent, due primarily to lower expenses related to the natural gas liquids trading operations of $36 million, $12 million lower shrinkage, fuel and replacement gas purchases

relating to processing activities and $6 million lower power costs from the natural gas liquids pipelines. The $36 million lower expense related to the natural gas liquids trading operations is due primarily to the reporting of certain costs net within revenue in 2002 as discussed above. Slightly offsetting these decreases were increased costs of $8 million associated with a gas compression facility in Venezuela which began operations in August 2001.

Included in other (income) expense - net within segment costs and expenses for 2001 is a $10.9 million impairment loss related to management's second-quarter 2001 decision and commitment to sell certain south Texas non-regulated gathering and processing assets. The $10.9 million charge represented the impairment of the assets to fair value based on expected proceeds from the sale. In second-quarter 2002, a $4.8 million charge was recognized representing the impairment of assets to fair value associated with the sale of the Kansas-Hugoton natural gas gathering system. This sale closed during third quarter 2002.

Segment profit increased $20.1 million, or 31 percent, due primarily to $11 million of segment profit from the gas compression facility in Venezuela, $10 million higher products margin from the fractionation activities, $9 million from higher average per-unit natural gas liquids margins and $7 million higher transportation revenues combined with decreased power costs from the natural gas liquids pipelines. Also contributing was $3.6 million in equity earnings in 2002 versus $5.6 million of equity losses in 2001 reflecting improved results from the Discovery pipeline project. These increases were partially offset by $12 million lower margins from natural gas liquids trading activity and $8 million lower gathering revenues.

Subsequent to second quarter 2002, Williams announced the sale of 98 percent of Mapletree LLC and 98 percent of E-Oaktree, LLC to Enterprise Products Partners L.P. Mapletree owns all of Mid-America Pipeline, a 7,226-mile natural gas liquids pipeline system. E-Oaktree owns 80 percent of the Seminole Pipeline, a 1,281-mile natural gas liquids pipeline system. Revenues for the three and six months ended June 30, 2002 related to Mid-America Pipeline and Seminole were approximately $69 million and $141 million, respectively. The sale generated $1.1 billion in net cash proceeds. Williams expects to recognize a gain from the sale which will be recorded in the third quarter 2002. In addition, the Kansas Hugoton natural gas gathering system was sold to FrontStreet Hugoton LLC, an affiliate of FrontStreet Partners, LLC. Williams received approximately $80 million in cash.

Six Months Ended June 30, 2002 vs. Six Months Ended June 30, 2001

MIDSTREAM GAS & LIQUIDS' revenues decreased $236.2 million, or 19 percent, due primarily to $113 million lower natural gas liquids sales from processing activities, $94 million lower revenues related to the natural gas liquids trading operations, $29 million lower revenues from processing activities due primarily to lower processing rates from Canadian activities, $29 million lower natural gas liquids sales from fractionation activities and $14 million lower gathering revenues due primarily to decreased volumes. These decreases were partially offset by $39 million increased revenues from the gas compression facility in Venezuela which began operations in August 2001 and $11 million higher transportation revenues associated with pipeline operations. The liquids sales decrease reflects $200 million from 39 percent lower average natural gas liquids sales prices, partially offset by $87 million from a 21 percent increase in volumes sold. The $94 million decrease in natural gas liquids trading operations reflects decreased natural gas liquids prices coupled with certain activities previously recorded on a gross basis which are now accounted for on a net basis.

Costs and operating expenses decreased $295 million, or 29 percent, due primarily to $166 million lower shrinkage, fuel and replacement gas purchases relating to processing activities, $90 million lower expenses related to the natural gas liquids trading operations, $39 million lower liquid purchases related to fractionation activities and $13 million lower power expense related to natural gas liquids pipelines. The $90 million lower expense related to the natural gas liquids trading operations is due primarily to the reporting of certain costs net within revenue in 2002 and lower costs related to lower volumes sold. Slightly offsetting these decreases were $15 million of increased costs associated with the gas compression facility in Venezuela which began operations in August 2001.

Included in other (income) expense - net within segment costs and expenses for 2001 is the $10.9 million impairment loss related to certain south Texas non-regulated gathering and processing assets. In second-quarter 2002, a $4.8 million charge was recognized representing the impairment of assets to fair value associated with the sale of the Kansas-Hugoton natural gas gathering system which closed in third-quarter 2002.

Segment profit increased $68.4 million, or 66 percent, due primarily to $33 million from higher average per-unit natural gas liquids margins, $24 million of segment profit from the gas compression facility in Venezuela, $23 million from higher transportation revenues combined with decreased power costs from the natural gas liquids pipelines and $10 million higher products margins from fractionation activities. Also contributing to the increase in segment profit was $5.2 million in equity earnings in 2002 versus $12.8 million of equity losses in 2001. The improvement is primarily due to the Discovery pipeline project. These increases were partially offset by $14 million lower revenue from gathering activities, $13 million lower processing margins primarily due to lower processing rates and $9 million higher general and administrative expenses.

PETROLEUM SERVICES

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2002	2001	2002	2001
	(MILLIONS)		(MILLIONS)	
Segment revenues	$1,154.0	$1,461.7	$2,095.8	$2,795.7
Segment profit (loss)	$ (20.7)	$ 130.1	$ 9.7	$ 147.1

Three Months Ended June 30, 2002 vs. Three Months Ended June 30, 2001

PETROLEUM SERVICES' revenues decreased $307.7 million, or 21 percent, due primarily to $138 million lower refining and marketing revenues, $155 million lower travel center/convenience store sales and $20 million lower bio-energy sales, slightly offset by $48 million lower intrasegment sales, which are eliminated and primarily relate to sales from refining and marketing to travel center/convenience stores.

The $138 million decrease in refining and marketing revenues is due primarily to a 13 percent lower average refined product sales prices. The $155 million decrease in travel center/convenience store sales reflects a $78 million decrease in revenues related to travel centers and Alaska convenience stores and the absence of $77 million in revenues related to the 198 convenience stores sold in May 2001. The $78 million decrease in revenues of the travel centers and Alaska convenience stores primarily reflects $55 million from a 25 percent decrease in diesel sales volumes and $27 million from a 12 percent decrease in average diesel and gasoline sales prices, partially offset by a $6 million increase in gasoline sales volumes. The decrease in diesel sales volumes includes the impact of the discontinuance of a diesel volume incentive program. The $20 million decrease in bio-energy sales reflects a $28 million decrease from lower average ethanol sales prices partially offset by an $8 million increase from higher ethanol sales volumes.

Costs and operating expenses decreased $254 million, or 18 percent, due primarily to $97 million lower refining and marketing costs and $157 million lower travel center/convenience store costs, partially offset by a $48 million increase in external costs due to decreased intrasegment purchases as discussed above, which are eliminated. The $97 million decrease in refining and marketing costs includes a $193 million decrease consisting primarily of lower crude supply costs and other per unit cost of sales from the refineries, partially offset by $101 million increase in the cost of refined product purchased for resale. The $157 million decrease in travel center and Alaska convenience store costs reflects the absence of $76 million in costs related to the 198 convenience stores sold in May 2001 and $82 million decrease in costs for the travel centers and Alaska convenience stores. The $82 million decrease reflects $53 million from decreased diesel sales volumes, $27 million from lower average gasoline and diesel purchase prices and $8 million lower store operating and merchandise costs, offset by a $5 million increase in gasoline purchase volumes.

Other (income) expense - net in 2002 includes $27 million in loss accruals and impairment charges related to certain travel centers (see Note 3). Other (income) expense - net in 2001 includes a $72.1 million pre-tax gain from the sale of convenience stores in May 2001.

Segment profit decreased $150.8 million to a $20.7 million segment loss due primarily to the net unfavorable effect of the items discussed above in other (income) expense - net and the $45 million lower operating profit from refining and marketing operations due primarily to narrowing crack spreads.

As previously discussed, Williams has begun to more narrowly focus its business strategy within its major business units. The refining and marketing operations are businesses that have been announced as possible assets to be sold. In addition, the travel centers, Alaska convenience stores, and bio-energy operations are also businesses that may be sold in the future.

Six Months Ended June 30, 2002 vs. Six Months Ended June 30, 2001

PETROLEUM SERVICES' revenues decreased $699.9 million, or 25 percent, due primarily to $444 million lower refining and marketing revenues, $335 million lower travel center/convenience store sales and $21 million lower bio-energy sales, slightly offset by $107 million lower intrasegment sales, which are eliminated and primarily relate to sales from refining and marketing to travel center/convenience stores.

The $444 million decrease in refining and marketing revenues includes $412 million resulting from 21 percent lower average refined product sales prices and $32 million from a decrease in refined product volumes sold. The $335 million decrease in travel center/convenience store sales reflects a $153 million decrease in revenues related to travel centers and Alaska convenience stores and the absence of $182 million in revenues related to the 198 convenience stores sold in May 2001. The $153 million decrease in revenues of the travel centers and Alaska convenience stores primarily reflects $95 million from a 23 percent decrease in diesel sales volumes and $63 million from a 14 percent decrease in average diesel and gasoline sales prices, partially offset by an $8 million increase in gasoline sales volumes. The $21 million decrease in bio-energy sales reflects $45 million lower average ethanol sales prices, partially offset by $20 million higher ethanol sales volumes.

Costs and operating expenses decreased $642.9 million, or 24 percent, due primarily to $396 million lower refining and marketing costs, $339 million lower travel center/convenience store costs and $8 million lower bio-energy product and operating costs, partially offset by $107 million increase in external costs due to decreased intrasegment purchases discussed above, which are eliminated. The $396 million decrease in refining and marketing costs includes a $342 million decrease from lower crude supply costs and other per unit cost of sales from the refineries and a $48 million decrease in the cost of refined product purchased for resale. The $339 million decrease in travel center and Alaska convenience store costs reflects the absence of $181 million in costs related to the 198 convenience stores sold in May 2001 and a $160 million decrease in costs for the travel centers and Alaska convenience stores. The $160 million decrease reflects $64 million from lower gasoline and diesel purchase prices and $91 million from decreased diesel purchase volumes and $12 million lower store operating and merchandise costs, partially offset by $7 million in increased gasoline purchase volumes.

Other (income) expense - net in 2002 includes $27 million in loss accruals and impairment charges related to certain travel centers (see Note 3). Other (income) expense - net in 2001 includes a $72.1 million pre-tax gain from the sale of convenience stores in May 2001. Also included in other (income) expense - - net in 2001 is an $11.2 million impairment charge related to an end-to-end mobile computing systems business.

Segment profit decreased $137.4 million, or 93 percent, due primarily to the net unfavorable effect related to the items noted above in other (income) expense - net and the $54 million lower operating profit from refining and marketing operations due primarily to narrowing crack spreads.

WILLIAMS ENERGY PARTNERS

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2002	2001	2002	2001
	(MILLIONS)		(MILLIONS)	
Segment revenues	$104.0	$102.3	$196.1	$199.9
Segment profit	$ 29.5	$ 33.7	$ 56.4	$ 56.5

Three Months Ended June 30, 2002 vs. Three Months Ended June 30, 2001

WILLIAMS ENERGY PARTNERS' revenue increased $1.7 million, or 2 percent, due primarily to $2 million higher revenues from transportation activities, a marine facility acquired in October 2001, and two inland terminals acquired in June 2001, partially offset by lower ammonia transportation revenues. Segment profit decreased $4.2 million, or 12 percent, due primarily to a $3 million increase in selling, general and administrative expenses incurred by the general partner.

Six Months Ended June 30, 2002 vs. Six Months Ended June 30, 2001

WILLIAMS ENERGY PARTNERS' revenue decreased $3.8 million, or 2 percent, due primarily to $10 million lower commodity sales from transportation activities, partially offset by $4 million higher revenues from a marine facility acquired in October 2001 and two inland terminals acquired in June 2001.

Costs and operating expenses decreased $11 million due primarily to $14 million lower costs from transportation activities consisting primarily of $10 million lower product costs.

Segment profit for both periods was comparable despite the overall favorable impact of the revenue increase and the decrease in costs and operating expenses which were offset by higher selling, general and administrative expenses incurred by the general partner.

FAIR VALUE OF ENERGY RISK MANAGEMENT AND TRADING ACTIVITIES

The fair value of energy risk management and trading contracts for Energy Marketing & Trading and the natural gas liquids trading operations (reported in the Midstream Gas & Liquids segment) decreased $343 million during second-quarter 2002 and $84 million year-to-date. The following table reflects the changes in fair value between December 31, 2001 and June 30, 2002.

	(Millions)
FAIR VALUE OF CONTRACTS OUTSTANDING AT DECEMBER 31, 2001	$2,261
Recognized losses included in the fair value of contracts outstanding at December 31, 2001 expected to be realized during the period	173
Initial recorded value of new contracts entered into during the period	181
Net options premiums received during the period (1)	(271)
Changes attributable to market movements of contracts outstanding at March 31, 2002	176
FAIR VALUE OF CONTRACTS OUTSTANDING AT MARCH 31, 2002	$2,520
Recognized Gains included in the fair value of contracts outstanding at March 31, 2002 expected to be realized during the period	(243)
Initial recorded value of new contracts entered into during the period	22
Net options premiums paid during the period (1)	23
Changes attributable to market movements of contracts outstanding at June 30, 2002	(145)
FAIR VALUE OF CONTRACTS OUTSTANDING AT JUNE 30, 2002	$2,177

(1) Option Premiums paid and received are included in the fair value of contracts outstanding during any given period as they are a portion of the overall energy trading portfolio. Option premiums paid result in an initial increase the fair value of contracts outstanding and decrease in cash; premiums received result in an initial decrease in the fair value of contracts outstanding and an increase in cash. The underlying values of the options associated with the premium payments are also included in the fair value of contracts outstanding.

The following tables reconcile the changes in fair value of energy risk management and trading contracts during first and second quarter 2002 to energy risk management trading revenues for those periods.

Change in fair value during first-quarter 2002	$ 259
Net option premiums received	271
Recognized losses included in the fair value of contracts outstanding at December 31, 2001 expected to be realized during the period	(173)
Gains in interest rate hedges (1)	28
Other unrealized losses not included in the change in fair value	(12)
Revenues recognized but not realized during first quarter 2002	$ 373
Revenues recognized and realized during first quarter 2002	(5)
ENERGY RISK MANAGEMENT AND TRADING REVENUES DURING FIRST QUARTER 2002	$ 368
Change in fair value during second quarter 2002	$ (343)
Net option premiums paid	(23)
Recognized losses included in the fair value of contracts outstanding at March 31, 2002 expected to be realized during the period	243
Losses in interest rate hedges (1)	(115)
Other unrealized losses not included in the change in fair value	(32)
Revenues recognized but not realized during second quarter 2002	$ (270)
Revenues recognized and realized during second quarter 2002	(8)
ENERGY RISK MANAGEMENT AND TRADING REVENUES DURING SECOND QUARTER 2002	$ (278)

(1) Energy Marketing & Trading, through Williams, enters into interest rate derivatives to mitigate the associated interest rate risk from the fair value of the long-dated energy and energy-related contracts by fixing the interest rate inherent in the portfolio of contracts.

The charts below reflect the fair value of energy risk management and trading contracts for Energy Marketing & Trading and the natural gas liquids trading operations now reported in the Midstream Gas & Liquids segment at December 31, 2001, March 31, 2002, and June 30, 2002 by valuation methodology and the year in which the recorded fair value is expected to be realized.

VALUATION TECHNIQUE		TO BE REALIZED IN 1-12 MONTHS (YEAR 1)	TO BE REALIZED IN 13-36 MONTHS (YEARS 2-3)	TO BE REALIZED IN 37-60 MONTHS (YEARS 4-5)	TO BE REALIZED IN 61-120 MONTHS (YEARS 6-10)	TO BE REALIZED IN 121+ MONTHS (YEARS 11+)	TOTAL FAIR VALUE
BASED UPON QUOTED PRICES IN ACTIVE MARKETS AND QUOTED PRICES & OTHER EXTERNAL FACTORS IN LESS LIQUID MARKETS (1)	12/31/2001	$ 757	$ 316	$ 345	$ 363	$ 18	$1,799
	3/31/2002	$ 875	$ 337	$ 379	$ 435	$ (5)	$2,021
	6/30/2002	$ 625	$ 396	$ 383	$ 391	$ 4	$1,799
BASED UPON MODELS & OTHER VALUATION TECHNIQUES (2)	12/31/2001	231	12	(19)	50	188	462
	3/31/2002	53	30	--	125	291	499
	6/30/2002	143	(111)	(33)	112	267	378
TOTAL	12/31/2001	$ 988	$ 328	$ 326	$ 413	$ 206	$2,261
	3/31/2002	$ 928	$ 367	$ 379	$ 560	$ 286	$2,520
	6/30/2002	$ 768	$ 285	$ 350	$ 503	$ 271	$2,177
	1Q CHANGE	$ (60)	$ 39	$ 53	$ 147	$ 80	$ 259
	2Q CHANGE	$ (160)	$ (82)	$ (29)	$ (57)	$ (15)	$ (343)

(1) A significant portion of the value expected to be realized relates to a contract within the California power market. The terms of this agreement provide for the sale of power at prices ranging from $62.50 to $87.00 per megawatt hour over a ten-year period at variable volumes up to 1,400 megawatts per hour. On July 26, 2002 Williams announced that it had reached an agreement in principle with the State of California and other parties including the States of Washington and Oregon on a global settlement that is expected to result in a new long-term energy contract between Williams and the State of California. Further discussion of this settlement is included on page 14.

(2) Quoted market prices of the underlying commodities are significant factors in estimating the fair value.

Energy Marketing & Trading manages the risk assumed from providing energy risk management services to its customers. This risk results from exposure to energy commodity prices, volatility and correlation of commodity prices, the portfolio position of the contracts, liquidity of the market in which the contract is transacted, interest rates, and counterparty performance and credit. Energy Marketing & Trading seeks to diversify its portfolio in managing the commodity price risk in the transactions that it executes in various markets and regions by executing offsetting contracts to manage the commodity price risk in accordance with parameters established in its trading policy. However, as noted previously, during the second quarter of 2002, Energy Marketing & Trading was significantly constrained in its ability to manage or hedge its portfolio against adverse market movements according to the aforementioned methodology due to a lack of market liquidity, the market's concerns regarding Williams credit and liquidity, and internal efforts to preserve liquidity.

Subsequent to June 30, 2002 and in response to factors such as recent downgrades to below-investment grade by the credit rating agencies and difficulties in obtaining financing facilities, the Company announced a significant reduction in its financial commitment to the Energy Marketing & Trading segment and is consequently evaluating opportunities to sell or liquidate Energy Marketing & Trading's trading portfolio or to form a joint venture around the Energy Marketing and Trading unit with another party. As a result of this decision, the ultimate realization of the estimated fair value of Energy Marketing & Trading's portfolio under this strategy may vary from the amount of the Company's estimate at June 30, 2002.

FINANCIAL CONDITION AND LIQUIDITY

LIQUIDITY

Williams' liquidity comes from both internal and external sources. Certain of those sources are available to Williams (parent) and certain of its subsidiaries. Available cash equivalent investments at June 30, 2002, were $498 million, as compared to $1.1 billion at December 31, 2001. Subsequent to June 30, 2002, Williams' credit ratings were downgraded to levels considered below investment grade by the major rating agencies. Following these downgrades, Williams' liquidity became strained as Williams was unable to complete a renewal of its unsecured short-term bank credit facility which supported the $2.2 billion commercial paper program. Williams responded to these events with a concentrated effort to complete certain asset sales and obtain secured credit facilities in order to raise funds to meet maturing debt obligations and provide liquidity that should provide sufficient funding for at least the balance of the year. In addition, the board of directors reduced the quarterly dividend on common stock from $.20 per share to $.01 per share. After consideration of the asset sales and the secured credit facilities which closed subsequent to June 30, 2002, Williams' sources of liquidity consist primarily of the following:

- $700 million available under Williams' $700 million unsecured bank credit facility at June 30, 2002, as compared to $700 million under an unsecured bank credit facility at December 31, 2001. This facility was amended to provide security interests to the participating banks and will reduce to $400 million as assets are sold (see Note 18).

- A new $400 million secured short-term letter of credit agreement which expires July 29, 2003.

- $900 million from a one-year borrowing arrangement secured by substantially all of the oil and gas interests of Williams Production RMT Company (see Note 18).

- Approximately $1.5 billion of cash proceeds from the sale of substantially all of its natural gas liquids pipeline systems and certain exploration and production properties.

- $325 million from the issuance of debt at Transcontinental Gas Pipe Line in July 2002. These funds will primarily be used to extinguish $150 million of variable interest rate debt, which was retired on July 31, 2002, and $125 million of fixed rate debt which matures in September 2002.

- Cash generated from operations and the future sales of certain assets.

The amounts above do not take into account the significant uses of cash or facilities that have occurred through August 9, 2002:

- Retirement of $300 million in Notes Payable on July 30, 2002.

- Retirement of $150 million of variable interest rate debt at Transcontinental Gas Pipe Line on July 31, 2002.

- Retirement of $350 million of 6.2 percent notes on July 31, 2002.

- Redemption of $135 million in preferred interest on August 8, 2002 which was accelerated due to the credit rating downgrade.

- Planned utilization of a significant portion of $400 million letter of credit facility.

- Funding of approximately $665 million of cash collateral and margin deposits (through August 12, 2002) which were required under certain contracts.

In April 2002, Williams filed a shelf registration statement with the Securities and Exchange Commission to enable it to issue up to $3 billion of a variety of debt and equity securities. This registration statement was declared effective June 26, 2002. In addition, there are outstanding subsidiary registration statements filed with the Securities and Exchange Commission for Northwest Pipeline, Texas Gas Transmission and Transcontinental Gas Pipe Line (each a wholly owned subsidiary of Williams). As of August 9, 2002, approximately $450 million of shelf availability remains under these outstanding registration statements which may be used to issue a variety of debt or equity securities. Interest rates and market conditions will affect amounts borrowed, if any, under these arrangements.

Capital and investment expenditures for 2002 are estimated to total approximately $2.2 billion. Williams expects to fund capital and investment expenditures, debt payments and working-capital requirements through (1) cash generated from operations, (2) the use of the available portion of Williams' $700 million bank-credit facility, and/or (3) the sale or disposal of existing assets.

Credit Ratings

At December 31, 2001, Williams maintained certain preferred interest and debt obligations that contained provisions requiring accelerated payment of the related obligation or liquidation of the related assets in the event of specified levels of decline in Williams' credit ratings given by Moody's Investor's Service, Standard & Poor's and Fitch Ratings (rating agencies). Performance by Williams under these terms included potential acceleration of debt payment and redemption of preferred interests totaling $816 million at December 31, 2001. During the first quarter of 2002, Williams negotiated changes to certain of the agreements which eliminated the exposure to the "ratings trigger" clauses incorporated in the agreements. Negotiations for one of the agreements resulted in Williams agreeing to redeem a $560 million preferred interest over the next year in equal quarterly installments (see Note 13). The amount related to potential acceleration of debt payment and redemption of preferred interests was reduced to $182 million at March 31, 2002. As a result of the credit rating downgrades in July 2002, Williams redeemed $135 million of preferred interests on August 1, 2002 and plans to repay a $47 million loan by the end of August.

Williams' energy risk management and trading business also relied upon the investment-grade rating of Williams' senior unsecured long-term debt to satisfy credit support requirements of many counterparties. As a result of the credit rating downgrades to below investment grade, Energy Marketing & Trading's participation in energy risk management and trading activities will require alternate credit support under certain existing agreements. In addition, Williams will be required to fund margin requirements pursuant to industry standard derivative agreements with cash, letters of credit or other negotiable instruments. Subsequent to June 30, 2002, Williams and its subsidiaries have been notified that cash, letters of credit or other negotiable instruments would be required under terms of certain contracts. Through August 12, 2002, Williams has provided approximately $665 million in cash, including prepayments for crude oil for the refineries and margin requirements. Williams continues to negotiate on other notifications for significant levels.

Off-Balance Sheet Financing Arrangements and Guarantees of Debt or Other Commitments to Third Parties

As disclosed in Williams Current Report on Form 8-K dated May 28, 2002, Williams has operating lease agreements with two special purpose entities (SPE's). The operating lease agreements are with respect to certain Williams travel center stores, offshore oil and gas pipelines and an onshore gas processing plant. As a result of changes to these agreements in conjunction with the secured financing facilities completed in July 2002, these agreements no longer qualify for operating lease treatment and as such will be reflected as capital leases beginning in July 2002. If these agreements were treated as capital leases at June 30, 2002, assets and long-term debt would increase by $287 million.

At June 30, 2002, Williams had agreements to sell, on an ongoing basis, certain of its accounts receivable to qualified special-purpose entities. On July 25, 2002, these agreements expired and were not renewed.

WCG and significant events since December 31, 2001 regarding WCG

At December 31, 2001, Williams had financial exposure from WCG of $375 million of receivables and $2.21 billion of guarantees and payment obligations. Williams determined it was probable it would not fully realize the $375 million of receivables and it would be required to perform under its $2.21 billion of guarantees and payment obligations. Williams developed an estimated range of loss related to its total WCG exposure and management believed that no loss within that range was more probable than another. For 2001, Williams recorded the $2.05 billion minimum amount of the range of loss from its financial exposure to WCG, which was reported in the Consolidated Statement of Operations as a $1.84 billion pre-tax charge to discontinued operations and a $213 million pre-tax charge to continuing operations. The charge to discontinued operations of $1.84 billion included a $1.77 billion minimum amount of the estimated range of loss from performance on $2.21 billion of guarantees and payment obligations. The charge to continuing operations of $213 million included estimated losses from an assessment of the recoverability of the carrying amounts of the $375 million of receivables and a $25 million investment in WCG common stock.

Williams, prior to the spinoff of WCG, provided indirect credit support for $1.4 billion of WCG's Note Trust Notes. On March 5, 2002, Williams received the requisite approvals on its consent solicitation to amend the terms of the WCG Note Trust Notes. The amendment, among other things, eliminated acceleration of the WCG Note Trust Notes due to a WCG bankruptcy or from a Williams credit rating downgrade. The amendment also affirmed Williams' obligation for all payments due with respect to the WCG Note Trust Notes, which mature in March 2004, and allows Williams to fund such payments from any available sources. In July 2002, Williams acquired substantially all of the WCG Note Trust Notes by exchanging $1.4 billion of Williams Senior Unsecured 9.25 percent Notes due March 2004. With the exception of the March and September 2002 interest payments, totaling $115 million, WCG, through a subsidiary, remains obligated to reimburse Williams for any payments Williams makes in connection with the Notes.

Williams also provided a guarantee of WCG's obligations under a 1998 transaction in which WCG entered into a lease agreement covering a portion of its fiber-optic network. WCG had an option to purchase the covered network assets during the lease term at an amount approximating the lessor's cost of $750 million. On March 8, 2002, WCG exercised its option to purchase the covered network assets. On March 29, 2002, Williams funded the purchase price of $754 million and became entitled to an unsecured note from WCG for the same amount. Pursuant to the terms of an agreement between Williams and WCG's revolving credit facility lenders, the liability of WCG to compensate Williams for funding the purchase is subordinated to the interests of WCG's revolving credit facility lenders and will not mature any earlier than one year after the maturity of WCG's revolving credit facility.

Williams has also provided guarantees on certain other performance obligations of WCG totaling approximately $57 million.

2002 EVALUATION

At June 30, 2002, Williams had receivables and claims from WCG of $2.15 billion arising from Williams affirming its payment obligation on the $1.4 billion of WCG Note Trust Notes and Williams paying $754 million under the WCG lease agreement. At June 30, 2002, Williams also has $356 million of previously existing receivables. In second-quarter 2002, Williams recorded in continuing operations a pre-tax charge of $15 million related to WCG, including an assessment of the recoverability of its receivables and claims from WCG. For the six months ended June 30, 2002, Williams has recorded in continuing operations pre-tax charges of $247 million related to recovery of these receivables and claims. At June 30, 2002, Williams estimates that approximately $2.2 billion of the $2.5 billion of receivables from WCG are not recoverable.

See Note 4 for further discussion of Williams' estimate of recoverability including terms of the Settlement Agreement between Williams, WCG, the Official Committee of Unsecured Creditors and Leucadia National Corporation.

OPERATING ACTIVITIES

In March 2002, WCG exercised its option to purchase certain network assets under an operating lease agreement for which Williams provided a guarantee of WCG's obligations. On March 29, 2002, Williams, as guarantor under the agreement, paid $754 million related to WCG's purchase of these network assets. In return, Williams became entitled to receive an instrument of unsecured debt from WCG in the same amount. Williams recorded an additional pre-tax charge of $232 million and $15 million in first and second quarter 2002, respectively, related to its assessment of the recoverability of certain receivables from WCG (see Note 4).

During 2002, Williams was required to establish surety bonds with various insurance companies and provide cash collateral in support of letters of credit due to downgrades by credit rating agencies. These bonds are reported as current and noncurrent restricted cash in the balance sheet and totalled approximately $271 million at June 30, 2002.

During second-quarter 2002, Williams recorded approximately $154 million in provisions for losses on property and other assets. Those provisions consisted primarily of a partial impairment of goodwill at Energy Marketing & Trading and an impairment related to the soda ash mining operations.

During second-quarter 2002, Williams made a $55 million contribution to its pension plan. Due to the decline of the stock market in recent months, the plan assets have decreased from the values at year end. If the recent stock market trend continues, it is likely that Williams would need to contribute additional cash to the pension plan.

FINANCING ACTIVITIES

On January 14, 2002, Williams completed the sale of 44 million publicly traded units, more commonly known as FELINE PACS, that include a senior debt security and an equity purchase contract. The $1.1 billion of debt has a term of five years, and the equity purchase contract will require the company to deliver Williams common stock to holders after three years based on a previously agreed rate. Net proceeds from this issuance were approximately $1.1 billion. The FELINE PACS were issued as part of Williams' plan to strengthen its balance sheet and maintain its investment-grade rating.

On March 19, 2002, Williams issued $850 million of 30-year notes with an interest rate of 8.75 percent and $650 million of 10-year notes with an interest rate of 8.125 percent. The proceeds were used to repay outstanding commercial paper, provide working capital and for general corporate purposes.

In April 2002, Williams Energy Partners L.P., a partially owned and consolidated entity of Williams, borrowed $700 million from a group of institutions. These proceeds were primarily used to acquire Williams Pipe Line, a wholly owned subsidiary of Williams. In May 2002, Williams Energy Partners L.P. issued approximately 8 million common units at $37.15 per unit resulting in approximately $283 million of net proceeds that were used to reduce the $700 million loan. Williams Energy Partners L.P. expects to refinance the June 30, 2002 balance of $411 million in short-term debt with long-term debt financing.

In May 2002, Energy Marketing & Trading entered into an agreement which transferred the rights to certain receivables, along with risks associated with that collection, in exchange for cash. Due to the structure of the agreement, Energy Marketing & Trading accounted for this transaction as debt collateralized by the claims. The $79 million of debt is classified as current.

On March 27, 2002, concurrent with its sale of Kern River to MEHC, Williams issued approximately 1.5 million shares of 9.875 percent cumulative convertible preferred stock for $275 million. Dividends on the preferred stock are payable quarterly (see Note 14).

In July 2002, Williams reduced the quarterly dividend on common stock from $.20 per share to $.01 per share. Additionally, one of the new covenants within the credit agreements limits the common stock dividends paid by Williams in any quarter to not more than $6.25 million.

For financing activities subsequent to June 30, 2002, see discussions in the Liquidity section on page 48 and Note 18 on page 27.

Williams' long-term debt to debt-plus-equity ratio was 68.1 percent at June 30, 2002, compared to 59.9 percent at December 31, 2001 (excluding Kern River debt). If short-term notes payable and long-term debt due within one year are included in the calculations, these ratios would be 71.8 percent at June 30, 2002 and 65.5 percent at December 31, 2001. Additionally, the long-term debt to debt-plus-equity ratio as calculated for covenants under certain debt agreements was 63.5 percent at June 30, 2002 as compared to 61.5 percent at December 31, 2001.

INVESTING ACTIVITIES

Williams has contributed approximately $122 million and $81 million towards the development of the Gulfstream joint venture project, a Williams equity investment, during the first and second quarter, respectively, of 2002.

Proceeds from the sales of businesses include $434.6 million related to the sale of Kern River on March 27, 2002.

In July 2002, Williams received $32.5 million plus interest, related to the portion of the sales prices that was contingent upon Kern River receiving a certificate from the FERC. This certificate was received in July 2002.

COMMITMENTS

The table below summarizes the maturity or redemption by year of the notes payable, long-term debt and preferred interests in consolidated subsidiaries outstanding at June 30, 2002 by period. This table does not reflect the $900 million borrowing arrangement which matures July 2003.

	July 1-December 31 2002(1)	2003	2004	2005	2006	Thereafter	Total
Notes payable	$711	$ --	$ --	$ --	$ --	$ --	$ 711
Long-term debt, including current portion(2)	920	1,148	3,006(3)	255	1,130(4)	7,149	13,608
Preferred interests in consolidated subsidiaries	335	--	--	--	100	--	435

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(1) As of August 9, 2002, $904 million has been paid on these obligations.

(2) Subsequent to June 30, 2002, terms of certain operating leases were changed and as a result, will be considered capitalized leases. This amount was $287 million at June 30, 2002, and will be included in debt in third quarter 2002.

(3) Includes $1.1 billion of 6.5% notes, payable 2007, subject to remarketing in 2004.

(4) Includes $400 million of 6.75% notes, payable 2016, putable/callable in 2006.

OTHER

As disclosed in the March 31, 2002 Form 10-Q, if lump sum payments from the

pension plan reaches settlement accounting threshold, Williams will need to recognize certain unrecognized net losses which could increase pension expense in third or fourth quarter of 2002 by $25 million to $35 million. This entire expense would be recognized at such time that the settlement accounting threshold is met.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATE RISK

Williams' interest rate risk exposure associated with the debt portfolio was impacted by new debt issuances in first-quarter 2002. In January 2002, Williams issued $1.1 billion of 6.5 percent notes payable 2007 (see Note 11). In February 2002, $240 million of 6.125 percent notes were retired. In March 2002, Williams issued $850 million of 8.75 percent notes due 2032 and $650 million of 8.125 percent notes due 2012. Also in March 2002, the terms of a $560 million priority return structure classified as preferred interest in consolidated subsidiaries were amended. Based on the new payment terms of the amendment, the remaining balance due has been reclassified from preferred interests in consolidated subsidiaries to long-term debt due within one year (see Note 13). The interest rate varies based on LIBOR plus an applicable margin and was 2.57 percent at June 30, 2002.

Pursuant to the completion of a consent solicitation during first-quarter 2002 with WCG Note Trust holders, Williams recorded $1.4 billion of long-term debt obligations which mature in March 2004 and bear an interest rate of 8.25 percent. Subsequent to June 30, 2002, Williams completed an exchange of Williams 9.25 percent notes due March 2004 for substantially all of these securities (see Note 4). In May 2002, Williams Energy Partners entered into a $700 million short-term debt obligation which matures in October 2002. The interest rate varies based on the Eurodollar rate plus 2.5 percent for the first 120 days of the short-term debt obligation and, thereafter, at the Eurodollar rate plus 4 percent. This rate was 4.3 percent at June 30, 2002. In July 2002, Transcontinental Gas Pipe Line issued $325 million of 8.875 percent long-term debt obligations due 2012. Subsequent to June 30, 2002, Williams obtained a $900 million secured short-term loan. The borrowing accrues interest at a 14 percent interest rate plus a variable rate which is currently 5.82 percent.

COMMODITY PRICE RISK

At June 30, 2002, the value at risk for the Energy Marketing & Trading operations and the natural gas liquids trading operations now reported in the Midstream Gas & Liquids segment was $74.5 million compared to $75.2 million at March 31, 2002. Value at risk requires a number of key assumptions and is not necessarily representative of actual losses in fair value that could be incurred from the trading portfolio. The value-at-risk model includes all financial instruments and physical positions and commitments in its trading portfolio and assumes that as a result of changes in commodity prices, there is a 95 percent probability that the one-day loss in fair value of the trading portfolio will not exceed the value at risk. The value-at-risk model uses historical simulations to estimate hypothetical movements in future market prices assuming normal market conditions based upon historical market prices. Value at risk does not consider that changing the energy risk management and trading portfolio in response to market conditions could affect market prices and could take longer to execute than the one-day holding period assumed in the value-at-risk model. While a one-day holding period is the industry standard, a longer holding period could more accurately represent the true market risk in an environment where market illiquidity and credit and liquidity constraints of the company may result in further inability to mitigate risk in a timely manner in response to changes in market conditions.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information called for by this item is provided in Note 12 Contingent liabilities and commitments included in the Notes to Consolidated Financial Statements included under Part I, Item 1. Financial Statements of this report, which information is incorporated by reference into this item.

Item 2. Changes in Securities and Use of Proceeds

Pursuant to the terms of the new credit facilities entered into on July 31, 2002, Williams is restricted from declaring and paying dividends in any quarter the aggregate amount of which would be greater than $6.25 million. This restriction does not limit Williams' ability to declare and pay dividends on preferred stock issued prior to July 31, 2002, nor does it limit the ability of Williams Energy Partners, L.P. to make distributions to its unit holders pursuant to the terms of its partnership agreement.

The terms of the 9.875 percent cumulative convertible preferred stock issued to MEHC (see Note 14) prohibit Williams from declaring and paying dividends on its common stock or any other parity preferred stock if dividends on the 9.875 percent cumulative convertible preferred stock are in arrears. Dividends on all parity preferred stock not paid in full must be paid pro rata.

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

The Annual Meeting of Stockholders of the Company was held on May 16, 2002. At the Annual Meeting, five individuals were elected as directors of the Company and eight individuals continue to serve as directors pursuant to their prior election. The Williams Companies, Inc. 2002 Incentive Plan was approved, and the appointment of Ernst & Young LLP as the independent auditor of the Company for 2002 was ratified.

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

Election of Directors

Name	For	Withheld	Broker Non-votes
Hugh M. Chapman	427,929,716	11,019,138	--
Ira D. Hall	427,799,045	11,149,809	--
Frank T. MacInnis	428,196,271	10,752,583	--
Steven J. Malcolm	430,096,135	8,852,719	--
Janice D. Stoney	427,466,977	11,481,877	--

Approval of The Williams Companies, Inc. 2002 Incentive Plan

For	Against	Abstain	Broker Non-votes
368,839,919	65,857,217	4,251,718	--

Ratification of Appointment of Independent Auditors

For	Against	Abstain	Broker Non-votes
416,876,138	19,280,711	2,792,005	--

Item 6. Exhibits and Reports on Form 8-K

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

Exhibit 4.1--Indenture dated as of July 3, 2002 between Transcontinental Gas Pipe Line Corporation and Citibank, N.A. as trustee, for the Series A and Series B 8-7/8% Notes due July 15, 2012

Exhibit 10.1--Purchase Agreement between E-Birchtree, LLC and Enterprise Products Operating L.P. dated as of July 31, 2002.

Exhibit 10.2--Purchase Agreement between E-Birchtree, LLC and E-Cypress, LLC dated as of July 31, 2002.

Exhibit 10.3--$900,000,000 Credit Agreement dated as of July 31, 2002, among The Williams Companies, Inc., Williams Production Holdings LLC, Williams Production RMT Company, as Borrower, the Several Lenders from time to time parties thereto, Lehman Brothers Inc., as Lead Arranger and Book Manager, and Lehman

Commercial Paper Inc., as Syndication Agent and Administrative Agent.

Exhibit 10.4--Guarantee and Collateral Agreement made by The Williams Companies, Inc., Williams Production Holdings LLC, Williams Production RMT Company and certain of its Subsidiaries in favor of Lehman Commercial Paper Inc., as Administrative Agent, dated as of July 31, 2002.

Exhibit 10.5--Termination Agreement between The Williams Companies, Inc. and Keith E. Bailey dated May 1, 2002.

Exhibit 10.6--Security Agreement dated as of July 31, 2002, among The Williams Companies, Inc. and each of the Subsidiaries which is a signatory hereto or which subsequently becomes a party hereto in favor of Citibank, N.A., as collateral trustee for the benefit of the holders of the Secured Obligations.

Exhibit 10.7--Pledge Agreement dated as of July 31, 2002, among The Williams Companies, Inc. and each of the Subsidiaries which is a signatory hereto or which subsequently becomes a party hereto in favor of Citibank, N.A., as collateral trustee for the benefit of the holders of the Secured Obligations.

Exhibit 10.8--Guaranty dated as of July 31, 2002 by Williams Gas Pipeline Company, L.L.C. in favor of the Financial Institutions.

Exhibit 10.9--Collateral Trust Agreement among The Williams Companies, Inc., and certain of its Subsidiaries, as Debtors, and Citibank, N.A., as Collateral Trustee, dated as of July 31, 2002.

Exhibit 10.10--Form of Guaranty dated as of July 31, 2002 by each of the entities named on the signature pages hereto in favor of Citibank, N.A., as surety administrative agent for the Financial Institutions.

Exhibit 10.11--Form of Subordinated Guaranty dated as of July 31, 2002 by Williams Production Holdings LLC in favor of the Financial Institutions.

Exhibit 10.12--Consent and Fourth Amendment to the Credit Agreement dated as of July 31, 2002 among the Borrowers party to the Credit Agreement, the Banks from time to time party to the Credit Agreement, the Co-Syndication Agents as named therein, the Documentation Agent as named therein and Citibank, N.A., as agent for the Banks.

Exhibit 10.13--U.S. $400,000,000 Credit Agreement dated as of July 31, 2002 among The Williams Companies, Inc., as Borrower, Citicorp USA, Inc., as Agent and Collateral Agent, Bank of America N.A., as Syndication Agent, Citibank, N.A. and Bank of America N.A., as Issuing Banks, the Banks named herein, as Banks, and Salomon Smith Barney Inc., as Arranger.

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

Exhibit 99.1--Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Steven J. Malcolm, Chief Executive Officer of The Williams Companies, Inc.

Exhibit 99.2--Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Jack D. McCarthy, Chief Financial Officer of The Williams Companies, Inc.

(b) During second-quarter 2002, the Company filed a Form 8-K on April 1, 2002; April 15, 2002; April 25, 2002; April 26, 2002; May 3, 2002; May 22, 2002 (filed two Form 8-K's this date); May 28, 2002 (filed two Form 8-K's this date); June 6, 2002; June 12, 2002; June 24, 2002 (filed two Form 8-K's this date); and June 28, 2002, which reported significant events under Item 5 of the Form and included the Exhibits required by Item 7 of the Form.

SIGNATURE

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

THE WILLIAMS COMPANIES, INC.

(Registrant)

/s/ Gary R. Belitz

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

August 14, 2002

INDEX TO EXHIBITS

EXHIBIT NO.	DESCRIPTION
4.1	Indenture dated as of July 3, 2002 between Transcontinental Gas Pipe Line Corporation and Citibank, N.A. as trustee, for the Series A and Series B 8-7/8% Notes due July 15, 2012
10.1	Purchase Agreement between E-Birchtree, LLC and Enterprise Products Operating L.P. dated as of July 31, 2002.
10.2	Purchase Agreement between E-Birchtree, LLC and E-Cypress, LLC dated as of July 31, 2002.
10.3	$900,000,000 Credit Agreement dated as of July 31, 2002, among The Williams Companies, Inc., Williams Production Holdings LLC, Williams Production RMT Company, as Borrower, the Several Lenders from time to time parties thereto, Lehman Brothers Inc., as Lead Arranger and Book Manager, and Lehman Commercial Paper Inc., as Syndication Agent and Administrative Agent.
10.4	Guarantee and Collateral Agreement made by The Williams Companies, Inc., Williams Production Holdings LLC, Williams Production RMT Company and certain of its Subsidiaries in favor of Lehman Commercial Paper Inc., as Administrative Agent, dated as of July 31, 2002.
10.5	Termination Agreement between The Williams Companies, Inc. and Keith E. Bailey dated May 1, 2002.
10.6	Security Agreement dated as of July 31, 2002, among The Williams Companies, Inc. and each of the Subsidiaries which is a signatory hereto or which subsequently becomes a party hereto in favor of Citibank, N.A., as collateral trustee for the benefit of the holders of the Secured Obligations.
10.7	Pledge Agreement dated as of July 31, 2002, among The Williams Companies, Inc. and each of the Subsidiaries which is a signatory hereto or which subsequently becomes a party hereto in favor of Citibank, N.A., as collateral trustee for the benefit of the holders of the Secured Obligations.
10.8	Guaranty dated as of July 31, 2002 by Williams Gas Pipeline Company, L.L.C. in favor of the Financial Institutions.
10.9	Collateral Trust Agreement among The Williams Companies, Inc., and certain of its Subsidiaries, as Debtors, and Citibank, N.A., as Collateral Trustee, dated as of July 31, 2002.
10.10	Form of Guaranty dated as of July 31, 2002 by each of the entities named on the signature pages hereto in favor of Citibank, N.A., as surety administrative agent for the Financial Institutions.
10.11	Form of Subordinated Guaranty dated as of July 31, 2002 by Williams Production Holdings LLC in favor of the Financial Institutions.
10.12	Consent and Fourth Amendment to the Credit Agreement dated as of July 31, 2002 among the Borrowers party to the Credit Agreement, the Banks from time to time party to the Credit Agreement, the Co-Syndication Agents as named therein, the Documentation Agent as named therein and Citibank, N.A., as agent for the Banks.
10.13	U.S. $400,000,000 Credit Agreement dated as of July 31, 2002 among The Williams Companies, Inc., as Borrower, Citicorp USA, Inc., as Agent and Collateral Agent, Bank of America N.A., as Syndication Agent, Citibank, N.A. and Bank of America N.A., as Issuing Banks, the Banks named herein, as Banks, and Salomon Smith Barney Inc., as Arranger.
12	Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividend Requirements
99.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Steven J. Malcolm, Chief Executive Officer of The Williams Companies, Inc.
99.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Jack D. McCarthy, Chief Financial Officer of The Williams Companies, Inc.

EXHIBIT 4.1

==========

TRANSCONTINENTAL GAS PIPE LINE CORPORATION
, as Company

and
CITIBANK N.A.
, as Trustee

INDENTURE

Dated as of July 3, 2002

Series A and Series B

8-7/8% Notes due July 15, 2012

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CROSS-REFERENCE TABLE*

TIA Section	Indenture Section
310 (a)(1)	6.10
(a)(2)	6.10
(a)(3)	N.A.
(a)(4)	N.A.
(a)(5)	6.10
(b)	6.10; 7.01(b)
(c)	N.A.
311 (a)	6.11
(b)	6.11
(c)	N.A.
312 (a)	2.05
(b)	10.03
(c)	10.03
313 (a)	6.06
(b)	6.06
(c)	6.06
(d)	6.06
314 (a)	3.03
(b)	N.A.
(c)(1)	10.04
(c)(2)	10.04
(c)(3)	N.A.
(d)	N.A.
(e)	10.05
(f)	N.A.
315 (a)	6.01(b)
(b)	6.05
(c)	6.01(a)
(d)	6.01(c)
(e)	5.11
316 (a)(last sentence)	2.09
(a)(1)(A)	5.05
(a)(1)(B)	5.04
(a)(2)	N.A.
(b)	5.07
(c)	8.04
317 (a)(1)	5.08
(a)(2)	5.09
(b)	2.04
318 (a)	9.01
318 (c)	9.01

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N.A. means not applicable
* This Cross-Reference Table is not part of this Indenture

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EXHIBITS

INDENTURE dated as of July 3, 2002 between Transcontinental Gas Pipe Line Corporation, a Delaware corporation (the "Company") and Citibank N.A., a national banking association, as trustee (the "Trustee").

Each party agrees as follows for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Company's 8-7/8% Series A Notes due July 15, 2012 (the "Series A Securities") and 8-7/8% Series B Notes due July 15, 2012 (the "Series B Securities" and together with the Series A Securities, the "Securities").

ARTICLE I

DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01 Definitions.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, such specified Person. For purposes of this definition, "control" of a Person shall mean the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" shall have meanings correlative to the foregoing. The Trustee may request and may conclusively rely upon an Officers' Certificate to determine whether any Person is an Affiliate of any specified Person.

"Agent" means any Registrar or Paying Agent.

"Attributable Debt" means, with respect to any Sale and Lease-Back Transaction as of any particular time, the present value discounted at the rate of interest implicit in the terms of the lease of the obligations of the lessee under such lease for net rental payments during the remaining term of the lease (including any period for which such lease has been extended or may, at the option of the Company, be extended).

"Bankruptcy Law" means Title 11, U.S. Code or any similar federal, state or foreign law for the relief of debtors.

"Board of Directors" of any Person means the board of directors of such Person or any committee thereof duly authorized, with respect to any particular matter, to act by or on behalf of the board of directors of such Person.

"Business Day" means any day that is not a Legal Holiday.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor corporation.

"Consolidated Funded Indebtedness" means the aggregate of all outstanding Funded Indebtedness of the Company and its consolidated Subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles.

"Consolidated Net Tangible Assets" means the total assets appearing on a consolidated balance sheet of the Company and its consolidated Subsidiaries, less:

(1) intangible assets, unamortized debt discount and expense and stock expense and other deferred debits;

(2) all current and accrued liabilities (other than Consolidated Funded Indebtedness and capitalized rentals or leases); deferred credits (other than deferred investment tax credits), deferred gains and deferred income and billings recorded as revenues deferred pending the outcome of a rate proceeding (less applicable income taxes) to the extent refunds thereof shall not have been finally determined; and

(3) all reserves (other than for deferred federal income taxes arising from timing differences) not already deducted from assets.

"Corporate Trust Office of the Trustee" means the office of the Trustee at which the corporate trust business of the Trustee shall be principally administered, which office shall initially be located at the address of the Trustee specified in Section 10.02 hereof and may be located at such other address as the Trustee may give notice to the Company and the Holders or such other address as a successor Trustee may designate from time to time by notice to the Holders and the Company.

"Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

"Default" means any event, act or condition that is, or after notice or the passage of time or both would be, an Event of Default.

"Depositary" means The Depository Trust Company, its nominees and their respective successors.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and any successor statute.

"Exchange Offer" means the offer that may be made by the Company pursuant to the Registration Rights Agreement to exchange the Series B Securities for the Series A Securities.

"Exchange Offer Registration Statement" means a registration statement under the Securities Act relating to an Exchange Offer, including the related prospectus.

"Funded Indebtedness" means any Indebtedness which matures more than one year after the date as of which Funded Indebtedness is being determined less any such Indebtedness as will be retired through or by means of any deposit or payment required to be made within one year from such date under any prepayment provision, sinking fund, purchase fund or otherwise.

"GAAP" means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, as in effect from time to time.

"Holder" means a Person in whose name a Security is registered.

"Indebtedness" means indebtedness which is for money borrowed from others.

"Indenture" means this Indenture as amended or supplemented from time to time.

"Initial Issue Date" means the first date on which the Series A Securities are issued under this Indenture.

"Initial Purchasers" means any initial purchasers of Series A Securities issued in connection with an offering under Rule 144A and/or Regulation S, including without limitation, the Original Initial Purchasers, as such in the Original Offering.

"Interest Payment Date" shall have the meaning assigned to such term in the Securities.

"Legal Holiday" means a Saturday, a Sunday or a day on which banking institutions in any of New York, New York, Houston, Texas or a place of payment are authorized or obligated by law, regulation or executive order to remain closed.

"Liquidated Damages" has the meaning given to such term in any Registration Rights Agreement.

"Maturity," when used with respect to any Security, means the date on which the principal of such Security or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Officer" means the Chairman of the Board, the Chief Executive Officer, the President, any Vice Chairman of the Board, any Vice President, the Chief Financial Officer, the Chief Accounting Officer, the Treasurer, any Assistant Treasurer, the Controller, the Secretary or any Assistant Secretary of a Person.

"Officers' Certificate" means a certificate signed by two Officers of a Person, one of whom must be the Person's Chief Executive Officer, Chief Financial Officer or Chief Accounting Officer.

"Opinion of Counsel" means a written opinion from legal counsel who is acceptable to the Trustee. Such counsel may be an employee of or counsel to the Company, its parent corporation or the Trustee.

"Original Initial Purchasers" means Salomon Smith Barney Inc., ABN AMRO Incorporated, Banc of America Securities LLC, Commerzbank Capital Markets Corp., Credit Lyonnais Securities (USA) Inc., Credit Suisse First Boston Corporation, J.P. Morgan Securities Inc., The Royal Bank of Scotland plc, Scotia Capital (USA) Inc., UBS Warburg LLC, Banc One Capital Markets, Inc., Barclays Capital Inc., Mizuho International plc and TD Securities (USA) Inc., as initial purchasers of the Series A Securities in the Original Offering.

"Original Offering" means the offering of the Series A Securities pursuant to the Original Offering Memorandum.

"Original Offering Memorandum" means the Confidential Offering Memorandum of the Company, dated June 28, 2002, relating to the offering of the Series A Securities.

"Person" means any individual, corporation, partnership, limited liability company, limited or general partnership, joint venture, incorporated or unincorporated association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof or other entity of any kind.

"Principal Property" means any natural gas pipeline, gathering property or natural gas processing plant located in the United States, except any such property that in the opinion of the Board of Directors of the Company is not of material importance to the total business conducted by the Company and its consolidated Subsidiaries. "Principal Property" shall not include (i) the production or proceeds from production of gas processing plants or natural gas or petroleum products in any pipeline or storage field and (ii) any property acquired or constructed by any Subsidiary of the Company after December 31, 1996.

"Private Exchange" means the offer by the Company to any of the Initial Purchasers to issue and deliver to such Initial Purchaser, in exchange for the Series A Securities held by such Initial Purchaser as part of its initial distribution, a like aggregate principal amount of Private Exchange Securities.

"Private Exchange Securities" means the Series B Securities to be issued pursuant to this Indenture to an Initial Purchaser in a Private Exchange.

"QIB" means a "qualified institutional buyer" as defined in Rule 144A.

"Redemption Date," when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price" shall have the meaning assigned to such term in the Securities.

"Registration Rights Agreement" means any registration rights agreement entered into by the Company relating to any Securities issued hereunder, including without limitation, the Registration Rights Agreement, dated as of July 3, 2002, among the Company and the Original Initial Purchasers.

"Responsible Officer" when used with respect to the Trustee means any vice president, (whether or not designated by numbers or words added before or after the title "vice president") , any assistant vice president, or any other officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of this Indenture.

"SEC" means the Securities and Exchange Commission.

"Securities" means the Series A Securities and the Series B Securities.

"Securities Act" means the Securities Act of 1933, as amended, and any successor statute.

"Securities Custodian" means the Trustee, as custodian with respect to the Securities in global form, or any successor entity thereto.

"Series A Securities" means the Company's 8-7/8% Series A Notes due July 15, 2012, to be issued pursuant to this Indenture.

"Series B Securities" means the Company's 8-7/8% Series B Notes due July 15, 2012 to be issued pursuant to this Indenture in the Exchange Offer.

"Shelf Registration Statement" means the registration statement to be filed by the Company, in connection with the offer and sale of Series A Securities or Private Exchange Securities, pursuant to the Registration Rights Agreement.

"Stated Maturity" means, with respect to any Security, the date specified in such Security as the fixed date on which the principal of such Security is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase of such Security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Subsidiary" of any Person means a corporation more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by such Person or by one or more other Subsidiaries of such Person, or by such Person and one or more other Subsidiaries of such Person. For the purposes of this definition, "voting stock" means stock which ordinarily has voting power for the election of directors,

whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"TIA" means the Trust Indenture Act of 1939, as amended (15 U.S.C. Sections 77aaa-77bbbb), as in effect on the Initial Issue Date.

"Transfer Restricted Securities" with respect to any Securities, means Registrable Securities (as defined in the Registration Rights Agreement applicable to such Securities).

"Trustee" means the party named as such above until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor serving hereunder.

"U.S. Government Obligations" means direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged.

Section 1.02 Other Definitions

Term	Defined in Section
"Agent Members"	2.01(c)
"DTC"	2.03
"Event of Default"	5.01
"Global Security"	2.01(b)
"Paying Agent"	2.03
"Registrar"	2.03
"Regulation S"	2.01(b)
"Rule 144A"	2.01(b)
"Sale and Lease-Back Transaction"	3.06
"Successor"	4.01

Section 1.03 Incorporation by Reference of Trust Indenture Act

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. The following TIA terms used in this Indenture have the following meanings:

"commission" means the SEC.

"indenture securities" means the Securities.

"indenture security holder" means a Holder.

"indenture to be qualified" means this Indenture.

"indenture trustee" or "institutional trustee" means the Trustee.

"obligor" on the indenture securities means the Company.

All terms used in this Indenture that are defined by the TIA, defined by a TIA reference to another statute or defined by an SEC rule under the TIA have the meanings so assigned to them.

Section 1.04 Rules of Construction

Unless the context otherwise requires:

(1) a term has the meaning assigned to it;

(2) an accounting term not otherwise defined has the meaning assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular; and

(5) provisions apply to successive events and transactions.

ARTICLE II

THE SECURITIES

Section 2.01 Form and Dating

(a) General. The Securities and the Trustee's certificate of authentication shall be substantially in the form of Exhibit A to this Indenture, the terms of which are hereby incorporated into this Indenture. The Securities may have notations, legends or endorsements required by law, securities exchange rule, the Company's certificate of incorporation, memorandum of association, articles of association, other organizational documents, agreements to which the Company is subject, if any, or usage, provided that any such notation, legend or endorsement is in a form acceptable to the Company. Each Security shall be dated the date of its authentication. The Securities shall be in registered form without coupons and only in denominations of $1,000 and any integral multiples thereof. The terms and provisions contained in the Securities shall constitute, and are hereby expressly made, a part of this Indenture and to the extent applicable, the Company and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby. The Securities shall be dated the date of their authentication.

(b) Global Securities. Series A Securities offered and sold to a QIB in reliance on Rule 144A under the Securities Act ("Rule 144A") or in reliance on Regulation S under the Securities Act ("Regulation S") shall be issued initially in the form of one or more permanent global Securities in definitive, fully registered form without interest coupons with the global securities legend and restricted securities legend set forth in Section 2.06 (each, a "Global Security"), which shall be deposited on behalf of the purchasers of the Series A Securities represented thereby with the Trustee, at its New York office, as custodian for the Depositary (or with such other custodian as the Depositary may direct), and registered in the name of the Depositary or a nominee of the Depositary, duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of the Global Securities may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depositary or its nominee as hereinafter provided.

(c) Book-entry Provisions. This Section 2.01(c) shall apply only to a Global Security deposited with or on behalf of the Depositary.

The Company shall execute and the Trustee shall, in accordance with this Section 2.01(c), authenticate and deliver initially one or more Global Securities that (i) shall be registered in the name of the Depositary for such Global Security or Global Securities or the nominee of such Depositary and (ii) shall be delivered by the Trustee to such Depositary or pursuant to such Depositary's instructions or held by the Trustee as custodian for the Depositary.

Members of, or participants in, the Depositary ("Agent Members") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depositary or by the Trustee as the custodian of the Depositary or under such Global Security, and the Depositary may be treated by the

Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by the Depositary or impair, as between the Depositary and its Agent Members, the operation of customary practices of such Depositary governing the exercise of the rights of a holder of a beneficial interest in any Global Security.

(d) Certificated Securities. Except as provided in this Section 2.01 or Section 2.06 or 2.07, owners of beneficial interests in Global Securities will not be entitled to receive physical delivery of certificated Securities.

Section 2.02 Execution and Authentication

One Officer of the Company shall sign the Securities on behalf of the Company by manual or facsimile signature. The Company's seal may be (but shall not be required to be) impressed, affixed, imprinted or reproduced on the Securities and may be in facsimile form.

If an Officer of the Company whose signature is on a Security no longer holds that office at the time the Security is authenticated, the Security shall be valid nevertheless.

A Security shall not be entitled to any benefit under this Indenture or be valid or obligatory for any purpose until authenticated by the manual signature of an authorized signatory of the Trustee, which signature shall be conclusive evidence that the Security has been authenticated under this Indenture.

The Trustee shall authenticate (i) for original issue on the Initial Issue Date, Series A Securities in the aggregate principal amount of $325,000,000, (ii) Series B Securities for original issue, pursuant to any Exchange Offer or Private Exchange, for a like principal amount of Series A Securities and (iii) any amount of additional Securities specified by the Company, in each case, upon a written order of the Company signed by one Officer of the Company. Such order shall specify (a) the amount of the Securities to be authenticated and the date of original issue thereof, and (b) whether the Securities are Series A Securities or Series B Securities. The aggregate principal amount of Securities of any series outstanding at any time may not exceed the aggregate principal amount of Securities of such series authorized for issuance by the Company pursuant to one or more written orders of the Company, except as provided in Section 2.08 hereof. Subject to the foregoing, the aggregate principal amount of Securities of any series that may be issued under this Indenture shall not be limited.

The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Securities. Unless limited by the terms of such appointment, an authenticating agent may authenticate Securities whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same rights as an Agent to deal with the Company, or an Affiliate of any of them.

The Series A Securities and the Series B Securities shall be considered collectively to be a single class for all purposes of this Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase.

Section 2.03 Registrar and Paying Agent

The Company shall maintain an office or agency where Securities may be presented for registration of transfer or exchange ("Registrar") and an office or agency where Securities may be presented for payment ("Paying Agent"). The Registrar shall keep a register of the Securities and of their transfer and exchange. The Company may appoint one or more co-registrars and one or more additional paying agents. The term "Registrar" includes any co-registrar and the term "Paying Agent" includes any additional paying agent.

The Company shall enter into an appropriate agency agreement with any Registrar or Paying Agent not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company shall notify the Trustee of the name and address of any Agent not a party to this Indenture. The Company may change any Paying Agent or Registrar without notice to any Holder. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company or any of its Subsidiaries may act as Paying Agent or Registrar.

The Company initially appoints the Trustee as Registrar and Paying Agent.

The Company initially appoints The Depository Trust Company ("DTC") to act as Depositary with respect to each Global Security.

Section 2.04 Paying Agent to Hold Money in Trust

The Company shall require each Paying Agent other than the Trustee to agree in writing that the Paying Agent will hold in trust for the benefit of Holders or the Trustee all money held by the Paying Agent for the payment of principal of or premium, if any, or interest on the Securities, whether such money shall have been paid to it by the Company and will notify the Trustee of any default by the Company in making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee and to account for any funds disbursed. Upon payment over to the Trustee and upon accounting for any funds disbursed, the Paying Agent (if other than the Company or a Subsidiary of the Company) shall have no further liability for the money. If the Company or a Subsidiary of the Company acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the Holders all money held by it as Paying Agent.

Section 2.05 Holder Lists

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Holders and shall otherwise comply with TIA Section 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least seven Business Days before each Interest Payment Date, and at such other times as the Trustee may request in writing, a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of Holders, and the Company shall otherwise comply with TIA Section 312(a).

Section 2.06 Transfer and Exchange

(a) Transfer and Exchange of Global Securities. (iii) The transfer and exchange of Global Securities or beneficial interests therein shall be effected through the Depositary, in accordance with this Indenture (including applicable restrictions on transfer set forth herein, if any) and the procedures of the Depositary therefor. A transferor of a beneficial interest in a Global Security shall deliver to the Registrar a written order given in accordance with the Depositary's procedures containing information regarding the participant account of the Depositary to be credited with a beneficial interest in the Global Security. The Registrar shall, in accordance with such instructions, instruct the Depositary to credit to the account of the Person specified in such instructions a beneficial interest in the Global Security and to debit the account of the Person making the transfer the beneficial interest in the Global Security being transferred.

(i) Notwithstanding any other provisions of this Indenture (other than the provisions set forth in Section 2.07), a Global Security may not be transferred as a whole except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary

or any such nominee to a successor Depositary or a nominee of such successor Depositary.

(ii) If a Global Security is exchanged for Securities in definitive registered form pursuant to this Section 2.06 or Section 2.07, prior to the consummation of an Exchange Offer or prior to or in a transfer made pursuant to an effective Shelf Registration Statement with respect to such Securities, such Securities may be exchanged only in accordance with such procedures as are substantially consistent with the provisions of this Section 2.06 (including the certification and other requirements set forth on the reverse of the Series A Securities intended to ensure that such transfers comply with Rule 144A or Regulation S, as the case may be, or are otherwise in compliance with the requirements of the Securities Act) and such other procedures as may from time to time be adopted by the Company.

(b) Legend.

(i) Except as permitted by the following paragraphs (ii), (iii) and (iv), each Security certificate evidencing the Global Securities (and all Securities issued in exchange therefor or in substitution thereof) shall bear a legend in substantially the following form:

THIS SECURITY (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE NEXT SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

(1) REPRESENTS THAT (A) IT IS A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, OR (B) IT HAS ACQUIRED THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT;

(2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS SECURITY, EXCEPT (A) TO TRANSCONTINENTAL GAS PIPE LINE CORPORATION OR ANY OF ITS SUBSIDIARIES, (B) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (C) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 OF THE SECURITIES ACT, (D) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH OF THE CASES, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION;

(3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; AND

(4) AGREES THAT, BEFORE THE HOLDER OFFERS, SELLS OR OTHERWISE TRANSFERS THIS SECURITY, TRANSCONTINENTAL GAS PIPE LINE CORPORATION MAY REQUIRE THE HOLDER OF THIS SECURITY TO DELIVER A WRITTEN OPINION, CERTIFICATIONS AND/OR OTHER INFORMATION THAT IT REASONABLY REQUIRES

TO CONFIRM THAT SUCH PROPOSED TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE UNITED STATES.

AS USED IN THIS SECURITY, THE TERMS "OFFSHORE TRANSACTION," "U.S. PERSON" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT.

(ii) Upon any sale or transfer of a Transfer Restricted Security (including any Transfer Restricted Security represented by a Global Security) pursuant to Rule 144 under the Securities Act, in the case of any Transfer Restricted Security that is represented by a Global Security, the Registrar shall permit the Holder thereof to exchange such Transfer Restricted Security for a certificated Security that does not bear the legend set forth above and rescind any restriction on the transfer of such Transfer Restricted Security, if the Holder certifies in writing to the Registrar that its request for such exchange was made in reliance on Rule 144 (such certification to be in the form set forth on the reverse of the Security).

(iii) After a transfer of any Series A Securities or Private Exchange Securities during the period of the effectiveness of and pursuant to a Shelf Registration Statement with respect to such Series A Securities or Private Exchange Securities, as the case may be, all requirements pertaining to legends on such Original Security or such Private Exchange Security will cease to apply, the requirements requiring any such Original Security or such Private Exchange Security issued to certain Holders be issued in global form will cease to apply, and a certificated Original Security or Private Exchange Security without legends will be available to the transferee of the Holder of such Series A Securities or Private Exchange Securities upon exchange of such transferring Holder's certificated Original Security or Private Exchange Security or directions to transfer such Holder's interest in the Global Security, as applicable.

(iv) Upon the consummation of a Registered Exchange Offer with respect to the Series A Securities pursuant to which Holders of such Series A Securities are offered Exchange Securities in exchange for their Series A Securities, all requirements pertaining to such Series A Securities that Series A Securities issued to certain Holders be issued in global form will cease to apply and certificated Series A Securities with the restricted securities legend set forth in Section 2.06(b) will be available to Holders of such Series A Securities that do not exchange their Series A Securities, and Exchange Securities in certificated or global form will be available to Holders that exchange such Series A Securities in such Exchange Offer.

(v) Upon the consummation of a Private Exchange with respect to the Series A Securities pursuant to which Holders of such Series A Securities are offered Private Exchange Securities in exchange for their Series A Securities, all requirements pertaining to such Series A Securities that Series A Securities issued to certain Holders be issued in global form will still apply, and Private Exchange Securities in global form with the Restricted Securities Legend set forth in Section 2.06(b) will be available to Holders that exchange such Series A Securities in such Private Exchange.

(c) Cancellation or Adjustment of Global Security. At such time as all beneficial interests in a Global Security have either been exchanged for certificated Securities, redeemed, repurchased or canceled, such Global Security shall be returned to the Depositary for cancellation or retained and canceled by the Trustee. At any time prior to such cancellation, if any beneficial interest in a Global Security is exchanged for certificated Securities, redeemed, repurchased or canceled, the principal amount of Securities represented by such Global Security shall be reduced and an adjustment shall be made on the books and records of the Trustee (if it is then the

Securities Custodian for such Global Security) with respect to such Global Security, by the Trustee or the Securities Custodian, to reflect such reduction.

(d) Obligations with Respect to Transfers and Exchanges of Securities.

(i) To permit registrations of transfers and exchanges, the Company shall execute and the Trustee shall authenticate certificated Securities and Global Securities at the Registrar's or co-Registrar's request. No service charge shall be made for any registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any transfer tax, assessments, or similar governmental charge payable in connection therewith (other than any such transfer taxes, assessments or similar governmental charge payable upon exchange or transfer pursuant to Sections 5.11, 8.05 and 9.06).

(ii) The Registrar or co-registrar shall not be required to register the transfer of or exchange of (a) any certificated Security selected for redemption in whole or in part pursuant to Article IX, except the unredeemed portion of any certificated Security being redeemed in part, or (b) any Security for a period beginning 15 Business Days before the mailing of a notice of an offer to repurchase or redeem Securities or 15 Business Days before an interest payment date.

(iii) Prior to the due presentation for registration of transfer of any Security, the Company, the Trustee, the Paying Agent, the Registrar or any co-Registrar may deem and treat the Person in whose name a Security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of, premium, if any, and interest and Liquidated Damages, if any, on such Security and for all other purposes whatsoever, whether or not such Security is overdue, and none of the Company, the Trustee, the Paying Agent, the Registrar or any co-registrar shall be affected by notice to the contrary.

(iv) All Securities issued upon any transfer or exchange pursuant to the terms of this Indenture shall evidence the same debt and shall be entitled to the same benefits under this Indenture as the Securities surrendered upon such transfer or exchange.

(e) No Obligation of the Trustee.

(i) The Trustee shall have no responsibility or obligation to any beneficial owner of a Global Security, any Agent Member or other Person with respect to the accuracy of the records of the Depositary or its nominee or of any participant or member thereof, with respect to any ownership interest in the Securities or with respect to the delivery to any participant, member, beneficial owner or other Person (other than the Depositary) of any notice (including any notice of redemption) or the payment of any amount, under or with respect to such Securities. All notices and communications to be given to the Holders and all payments to be made to Holders under the Securities shall be given or made only to or upon the order of the registered Holders (which shall be the Depositary or its nominee in the case of a Global Security). The rights of beneficial owners in any Global Security shall be exercised only through the Depositary subject to the applicable rules and procedures of the Depositary. The Trustee may rely conclusively and shall be fully protected in relying upon information furnished by the Depositary with respect to its members, participants and any beneficial owners.

(ii) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Security

(including any transfers between or among Depositary participants, members or beneficial owners in any Global Security) other than to require delivery of such certificates and other documentation or evidence as are expressly required by, and to do so if and when expressly required by, the terms of this Indenture, and to examine the same to determine substantial compliance as to form with the express requirements hereof.

Section 2.07 Certificated Securities

(a) A Global Security deposited with the Depositary or with the Trustee as custodian for the Depositary pursuant to Section 2.01 shall be transferred to the beneficial owners thereof in the form of certificated Securities in an aggregate principal amount equal to the principal amount of such Global Security, in exchange for such Global Security, only if such transfer complies with Section 2.06 and (i) the Depositary notifies the Company that it is unwilling or unable to continue as Depositary for such Global Security or if at any time such Depositary ceases to be a "clearing agency" registered under the Exchange Act and a successor depositary is not appointed by the Company within 90 days of such notice, or (ii) the Company, in its sole discretion, notifies the Trustee in writing that it elects to cause the issuance of certificated Securities under this Indenture.

(b) Any Global Security that is transferred to the beneficial owners thereof pursuant to this Section shall be surrendered by the Depositary to the Trustee at its office located in the Borough of Manhattan, The City of New York, to be so transferred, in whole or from time to time in part, without charge, and the Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Security, an equal aggregate principal amount of certificated Securities of authorized denominations. Any portion of a Global Security transferred pursuant to this Section shall be executed, authenticated and delivered only in denominations of $1,000 and any integral multiple thereof and registered in such names as the Depositary shall direct. Any certificated Original Security delivered in exchange for an interest in the Global Security shall, except as otherwise provided by Section 2.06(d), bear the restricted securities legend set forth in Section 2.06(b).

(c) Subject to the provisions of Section 2.06(b), the registered Holder of a Global Security may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Securities.

(d) If either of the events specified in Section 2.07(a) occurs, the Company shall promptly make available to the Trustee a reasonable supply of certificated Securities in definitive, fully registered form without interest coupons.

(e) If a certificated Security issued pursuant to this Section 2.07 is exchanged for another certificated Security prior to the consummation of an Exchange Offer or prior to or in a transfer made pursuant to an effective Shelf Registration Statement with respect to such Securities, such Securities may be exchanged only in accordance with such procedures as are substantially consistent with the provisions of (i) Section 2.06(a)(iii) (including the certification and other requirements set forth on the reverse of the Series A Securities intended to ensure that such transfers comply with Rule 144A or Regulation S, as the case may be, or are otherwise in compliance with the requirements of the Securities Act) and such other procedures as may from time to time be adopted by the Company and (ii) Section 2.06(b).

Section 2.08 Replacement Securities

If any mutilated Security is surrendered to the Trustee, or the Company and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Security, the Company shall issue and the Trustee shall authenticate a replacement Security, but only if the Trustee's requirements are met. If required by the Trustee or the Company, such Holder must furnish an indemnity bond that is sufficient in the judgment of the Trustee and the Company to protect the Company, the Trustee, any Agent or any authenticating agent from any loss which any of them may suffer if a Security is replaced. The Company and the Trustee may charge for their expenses in replacing a Security. If, after the delivery of such replacement Security, a bona fide purchaser of the original Security in lieu of which such replacement Security was issued presents for payment or registration such original Security, the Trustee shall be entitled to recover such replacement Security from the Person to whom it was delivered or any Person taking therefrom, except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Trustee or the Company in connection therewith.

Every replacement Security is an additional obligation of the Company.

Section 2.09 Outstanding Securities

The Securities outstanding at any time are all the Securities authenticated by the Trustee except for those canceled by it, those delivered to it for cancellation, those reductions in the interest in a Global Security effected by the Trustee hereunder and those described in this Section 2.09 as not outstanding; provided, however, that in determining whether the holders of the requisite principal amount of outstanding Securities are present at a meeting of holders of Securities for quorum purposes or have consented to or voted in favor of any request, demand, authorization, direction, notice, consent, waiver, amendment or modification hereunder, Securities held for the account of the Company, any of its Subsidiaries or any of their respective Affiliates shall be disregarded and deemed not to be outstanding, except that in determining whether the Trustee shall be protected in making such a determination or relying upon any such quorum, consent or vote, only Securities which a Responsible Officer of the Trustee actually knows to be so owned shall be so disregarded.

If a Security is replaced pursuant to Section 2.08 hereof, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Security is held by a bona fide purchaser.

If the principal amount of any Security is considered paid under Section 3.01 hereof, it ceases to be outstanding and interest on it ceases to accrue.

A Security does not cease to be outstanding because the Company or any of its Affiliates holds the Security.

Section 2.10 Treasury Securities

In determining whether the Holders of the required principal amount of Securities have concurred in any direction, waiver or consent, Securities owned by the Company or any of its Affiliates shall be disregarded, except that for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Securities which a Responsible Officer of the Trustee actually knows are so owned shall be so disregarded.

Section 2.11 Temporary Securities

Until definitive Securities are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Securities. Temporary Securities shall be substantially in the form of definitive Securities, but may have variations that the Company considers appropriate for temporary Securities. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive

Securities in exchange for temporary Securities. Until so exchanged, the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

Section 2.12 Cancellation

The Company at any time may deliver Securities to the Trustee for cancellation. The Registrar and the Paying Agent shall forward to the Trustee any Securities surrendered to them for registration of transfer, exchange or payment. The Trustee shall cancel all Securities surrendered for registration of transfer, exchange, payment, replacement or cancellation. All canceled Securities held by the Trustee shall be disposed of in accordance with the usual disposal procedures of the Trustee. The Company may not issue new Securities to replace Securities that have been paid or that have been delivered to the Trustee for cancellation.

Section 2.13 Defaulted Interest

If the Company defaults in a payment of interest on the Securities, it shall pay the defaulted interest in any lawful manner plus, to the extent lawful, interest on the defaulted interest, in each case at the rate provided in the Securities and in Section 3.01 hereof. The Company may pay the defaulted interest to the Persons who are Holders on a subsequent special record date. At least 15 days before any special record date, the Company (or the Trustee, in the name of and at the expense of the Company) shall mail to Holders a notice that states the special record date, the related payment date and the amount of such interest to be paid.

Section 2.14 Persons Deemed Owners

The Company, the Trustee, any Agent and any authenticating agent may treat the Person in whose name any Security is registered as the owner of such Security for the purpose of receiving payments of principal of or premium, if any, or interest on such Security and for all other purposes. None of the Company, the Trustee, any Agent or any authenticating agent shall be affected by any notice to the contrary.

Section 2.15 CUSIP Numbers

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notices of redemption as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers. The Company shall promptly notify the Trustee of any change in the "CUSIP" numbers.

ARTICLE III

COVENANTS

Section 3.01 Payment of Securities

The Company shall pay the principal of and premium, if any, Liquidated Damages, if any, and interest on the Securities on the dates and in the manner provided in the Securities and in this Indenture. Principal, premium, if any, Liquidated Damages, if any, and interest shall be considered paid on the date due if the Paying Agent, other than the Company or a Subsidiary of the Company, holds by 11:00 a.m., Eastern time, on that date money deposited by the Company designated for and sufficient to pay all principal, premium, if any, Liquidated Damages, if any, and interest then due.

To the extent lawful, the Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on overdue principal, premium, if any, Liquidated Damages, if any, and interest payments (without regard to any applicable grace period) at a rate equal to the then applicable interest rate on the Securities.

Section 3.02 Maintenance of Office or Agency

The Company shall maintain, in the Borough of Manhattan, The City of New York, an office or agency (which may be an office of the Trustee, the Registrar or the Paying Agent) where Securities may be presented for registration of transfer or exchange, where Securities may be presented for payment and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. Unless otherwise designated by the Company by written notice to the Trustee, such office or agency shall be the principal office of the Trustee in the Borough of Manhattan, The City of New York, which, on the date hereof, is located at the address set forth in Section 10.02 hereof. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency. The Company hereby designates the Corporate Trust Office of the Trustee as one such office or agency of the Company in accordance with Section 2.03 hereof.

Section 3.03 SEC Reports; Financial Statements

(a) Notwithstanding that the Company may not be required to remain subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, the Company shall file with the SEC and provide the Trustee and the Holders with such annual and quarterly reports and such information, documents and other reports specified in Sections 13 and 15(d) of the Exchange Act within 15 days after the date it is required (or would otherwise have been required) to file such reports, information and documents. Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of the covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

(b) In addition, whether or not required by the rules and regulations of the SEC, the Company shall file a copy of all such information and reports with the SEC for public availability (unless the SEC will not accept such filing). In addition, the Company shall furnish to the Holders and to prospective investors, upon the requests of Holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Securities are not freely transferable under the Securities Act.

(c) The Company shall provide the Trustee with a sufficient number of copies of all reports and other documents and information that the Trustee may be required to deliver to Holders under this Section 3.03.

(d) Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute constructive

notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

Section 3.04 Compliance Certificate

(a) The Company shall deliver to the Trustee, on or prior to the last day of the fifth month after the end of each fiscal year of the Company, a statement signed by two Officers of the Company (one of whom shall be the principal financial, principal accounting or principal executive officer of the Company), which statement need not constitute an Officers' Certificate, complying with TIA Section 314(a)(4) and stating that in the course of performance by the signing Officers of the Company of their duties as such Officers, they would normally obtain knowledge of the keeping, observing, performing and fulfilling by the Company, of its obligations under this Indenture, and further stating, as to each such Officer signing such statement, that to the best of his knowledge, the Company has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions and conditions hereof (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which such Officer may have knowledge and what action the Company is taking or proposes to take with respect thereto).

(b) The Company shall, so long as any of the Securities are outstanding, deliver to the Trustee, forthwith upon any Officer of the Company becoming aware of any Default or Event of Default under this Indenture, an Officers' Certificate specifying such Default or Event of Default and what action the Company is taking or proposes to take with respect thereto.

Section 3.05 Limitation on Liens

After the date hereof and so long as any Securities are outstanding, the Company shall not, and shall not permit any Subsidiary of the Company to, issue, assume or guarantee any Indebtedness secured by a mortgage, pledge, lien, security interest or encumbrance (any mortgage, pledge, lien, security interest or encumbrance being hereinafter in this Article referred to as a "mortgage" or "mortgages" or as a "lien" or "liens") of, or upon any property of the Company or of any Subsidiary of the Company, without effectively providing that the Securities (together with, if the Company shall so determine, any other Indebtedness of the Company ranking equally with the Securities) shall be equally and ratably secured with such Indebtedness; provided, however, that the foregoing restriction shall not apply to:

(a) any purchase money mortgage created by the Company or a Subsidiary of the Company to secure all or part of the purchase price of any property (or to secure a loan made to enable the Company or a Subsidiary of the Company to acquire the property described in such mortgage), provided that the principal amount of the Indebtedness secured by any such mortgage, together with all other Indebtedness secured by a mortgage on such property, shall not exceed the purchase price of the property acquired;

(b) any mortgage existing on any property at the time of the acquisition thereof by the Company or a Subsidiary of the Company whether or not assumed by the Company or a Subsidiary of the Company, and any mortgage on any property acquired or constructed by the Company or a Subsidiary of the Company and created not later than 12 months after (i) such acquisition or completion of such construction or (ii) commencement of full operation of such property, whichever is later; provided, however, that, if assumed or created by the Company or a Subsidiary of the Company, the principal amount of the Indebtedness secured by such mortgage, together with all other Indebtedness secured by a mortgage on such property, shall not exceed the purchase price of the property, acquired and/or the cost of the property constructed;

(c) any mortgage created or assumed by the Company or a Subsidiary of the Company on any contract for the sale of any product or service or any rights thereunder or any proceeds therefrom, including accounts and other receivables, related to the operation or use of any property acquired or constructed by the Company or a Subsidiary of the Company and created not later than 12 months after (i) such acquisition or completion of such construction or (ii) commencement of full operation of such property, whichever is later;

(d) any mortgage existing on any property of a Subsidiary of the Company at the time it becomes a Subsidiary of the Company and any mortgage on property existing at the time of acquisition thereof;

(e) any refunding or extension of maturity, in whole or in part, of any mortgage created or assumed in accordance with the provisions of subdivision (a), (b), (c) or (d) above or (j), (p), or (y) below, provided that the principal amount of the Indebtedness secured by such refunding mortgage or extended mortgage shall not exceed the principal amount of the Indebtedness secured by the mortgage to be refunded or extended outstanding at the time of such refunding or extension and that such refunding mortgage or extended mortgage shall be limited in lien to the same property that secured the mortgage so refunded or extended;

(f) any mortgage created or assumed by the Company or a Subsidiary of the Company to secure loans to the Company or a Subsidiary of the Company maturing within 12 months of the date of creation thereof and not renewable or extendible by the terms thereof at the option of the obligor beyond such 12 months, and made in the ordinary course of business;

(g) mechanics' or materialmen's liens or any lien or charge arising by reason of pledges or deposits to secure payment of workmen's compensation or other insurance, good faith deposits in connection with tenders or leases of real estate, bids or contracts (other than contracts for the payment of money), deposits to secure public or statutory obligations, deposits to secure or in lieu of surety, stay or appeal bonds and deposits as security for the payment of taxes or assessments or other similar charges;

(h) any mortgage arising by reason of deposits with or the giving of any form of security to any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Company or a Subsidiary of the Company to maintain self-insurance or to participate in any fund for liability on any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions or other social security or to share in the privileges or benefits required for companies participating in such arrangements;

(i) mortgages upon rights-of-way;

(j) undetermined mortgages and charges incidental to construction or maintenance;

(k) the right reserved to, or vested in, any municipality or governmental or other public authority or railroad by the terms of any right, power, franchise, grant, license, permit or by any provision of law, to terminate or to require annual or other periodic payments as a condition to the continuance of such right, power, franchise, grant, license or permit;

(l) the lien of taxes and assessments which are not at the time delinquent;

(m) the lien of specified taxes and assessments which are delinquent but the validity of which is being contested in good faith at the time by the Company or a Subsidiary of the Company;

(n) the lien reserved in leases for rent and for compliance with the terms of the lease in the case of leasehold estates;

(o) defects and irregularities in the titles to any property (including rights-of-way and easements) which are not material to the business of the Company and its Subsidiaries considered as a whole;

(p) any mortgages securing Indebtedness neither assumed nor guaranteed by the Company or a Subsidiary of the Company nor on which it customarily pays interest, existing upon real estate or rights in or relating to real estate (including rights-of-way and easements) acquired by the Company or a Subsidiary of the Company, which mortgages do not materially impair the use of such property for the purposes for which it is held by the Company or such Subsidiary of the Company;

(q) easements, exceptions or reservations in any property of the Company or a Subsidiary of the Company granted or reserved for the purpose of pipelines, roads, telecommunication equipment and cable, streets, alleys, highways, railroad purposes, the removal of oil, gas, coal or other minerals or timber, and other like purposes, or for the joint or common use of real property, facilities and equipment, which do not materially impair the use of such property for the purposes for which it is held by the Company or such Subsidiary of the Company;

(r) rights reserved to or vested in any municipality or public authority to control or regulate any property of the Company or a Subsidiary of the Company, or to use such property in any manner which does not materially impair the use of such property for the purposes for which it is held by the Company or such Subsidiary of the Company;

(s) any obligations or duties, affecting the property of the Company or a Subsidiary of the Company, to any municipality or public authority with respect to any franchise, grant, license or permit;

(t) the liens of any judgments in an aggregate amount not in excess of $2,000,000 or the lien of any judgment the execution of which has been stayed or which has been appealed and secured, if necessary, by the filing of an appeal bond;

(u) zoning laws and ordinances;

(v) any mortgage existing on any office equipment, data processing equipment (including computer and computer peripheral equipment) or transportation equipment (including motor vehicles, aircraft and marine vessels);

(w) leases now or hereafter existing and any renewals or extensions thereof;

(x) any lien on inventory and receivables incurred in the ordinary course of business to secure Indebtedness incurred for working capital purposes including liens incurred in connection with a sale of receivables; and

(y) any mortgage not permitted by clauses (a) through (y) above if at the time of, and after giving effect to, the creation or assumption of any such mortgage, the aggregate of all Indebtedness of the Company and its Subsidiaries secured by all such mortgages not so permitted by clauses (a) through (x) above do not exceed 5% of Consolidated Net Tangible Assets.

In the event that the Company or a Subsidiary of the Company shall hereafter secure the Securities equally and ratably with any other obligation or Indebtedness pursuant to the provisions of this Section 3.5, the Trustee is hereby authorized at the written discretion of the Company to enter into an

indenture supplemental hereto and to take such action, if any, as necessary to enable it to enforce the rights of the Holders of the Securities so secured, equally and ratably with such other obligation or Indebtedness.

The Trustee, at its request, may require and be provided with an Opinion of Counsel as conclusive evidence that any such supplemental indenture or steps taken to secure the Securities equally and ratably comply with the provisions of this Section 3.5.

Section 3.06 Limitation on Sale and Lease-Back Transactions

The Company shall not, and shall not permit any Subsidiary of the Company to, enter into any arrangement with any Person providing for the leasing by the Company or a Subsidiary of the Company of any Principal Property, acquired or placed into service more than 180 days prior to such arrangement (except for leases of three years or less), whereby such property has been or is to be sold or transferred by the Company or any Subsidiary of the Company to such Person (herein referred to as a "Sale and Lease-Back Transaction"), unless:

(a) the Company or any Subsidiary of the Company would, at the time of entering into a Sale and Lease-Back Transaction, be entitled to incur Indebtedness secured by a mortgage on the property to be leased in an amount at least equal to the Attributable Debt in respect of such transaction without equally and ratably securing the Securities pursuant to Section 3.5; or

(b) the Company shall covenant that it will apply an amount equal to the net proceeds from the sale of the Principal Property so leased to the retirement (other than any mandatory retirement) of its Funded Indebtedness within 90 days of the effective date of any such Sale and Lease-Back Transaction, provided that the amount to be applied to the retirement of Funded Indebtedness of the Company shall be reduced by (i) the principal amount of any Securities delivered by the Company to the Trustee within 90 days after such Sale and Lease-Back Transaction for retirement and cancellation, and (ii) the principal amount of Funded Indebtedness, other than Securities, voluntarily retired by the Company within 90 days following such Sale and Lease-Back Transaction, provided, further, the covenant contained in this Section 3.6 shall not apply to, and there shall be excluded from Attributable Debt in any computation under this Section 3.6, Attributable Debt with respect to any Sale and Lease-Back Transaction if:

(1) such Sale and Lease-Back Transaction is entered into in connection with transactions which are part of an industrial development or pollution control financing or,

(2) the only parties involved in such Sale and Lease-Back Transaction are the Company and/or any of its Subsidiaries.

Notwithstanding the foregoing, the Company and its Subsidiaries may enter into, create, assume and suffer to exist Sale and Lease-Back Transactions, not otherwise permitted hereby, if at the time of, and after giving effect to, such Sale and Lease-Back Transaction, the total consolidated Attributable Debt of the Company and its Subsidiaries does not exceed 5% of Consolidated Net Tangible Assets.

ARTICLE IV

CONSOLIDATION, MERGER AND SALE

Section 4.01 Limitation on Mergers and Consolidations

The Company shall not consolidate with or merge into any other entity or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless (a) the corporation, limited liability company, limited partnership, joint stock company, or trust formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance, transfer or lease the

properties and assets of the Company substantially as an entirety shall expressly assume, by a supplemental indenture hereto, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, the due and punctual payment of the principal of and interest on all the Securities, and the performance of every covenant of this Indenture on the part of the Company to be performed or observed, (b) immediately after giving effect to such transaction, no Default or Event of Default, shall have happened and be continuing, and (c) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance, transfer or lease and such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

Section 4.02 Successors Substituted

In case of any such consolidation, merger, sale, lease or conveyance, and following such an assumption by the successor Person, such successor Person shall succeed to and be substituted for the Company, with the same effect as if it had been named herein. Such successor Person may cause to be signed, and may issue either in its own name or in the name of the Company prior to such succession any or all of the Securities issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor Person, instead of the Company, and subject to all the terms, conditions and limitations in this Indenture prescribed, the Trustee shall authenticate and shall deliver any Securities which previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication, and any Securities which such successor Person thereafter shall cause to be signed and delivered to the Trustee for that purpose. All of the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Securities had been issued at the date of the execution hereof.

In case of any such consolidation, merger, sale, lease or conveyance such changes in phrasing and form (but not in substance) may be made in the Securities thereafter to be issued as may be appropriate. In the event of any such sale or conveyance (other than a conveyance by way of lease) the Company or any successor Person which shall theretofore have become such in the manner described in this Article shall be discharged from all obligations and covenants under this Indenture, and the Securities and may be liquidated and dissolved.

ARTICLE V

DEFAULTS AND REMEDIES

Section 5.01 Events of Default

"Event of Default," means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any interest (or Liquidated Damages, if any) upon any Security when it becomes due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal of (or premium, if any, on) any Security at its Maturity; or

(3) default in the performance, or breach, of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with), and continuance of such default or breach for

a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in principal amount of the outstanding Securities a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; provided, however, that the occurrence of any of the events described in this clause (3) shall not constitute an Event of Default if such occurrence is the result of changes in generally accepted accounting principles as recognized by the American Institute of Certified Public Accountants at the date as of which this Indenture is executed and a certificate to such effect is delivered to the Trustee by the Company's independent public accountants; or

(4) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of the property of the Company, or ordering the winding up or liquidation of the affairs of the Company, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 90 consecutive days; or

(5) the commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or of any substantial part of the property of the Company, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action.

The Trustee shall not be deemed to know of a Default or Event of Default unless a Responsible Officer at the Corporate Trust Office of the Trustee has actual knowledge of such Default or Event of Default or the Trustee receives written notice at the Corporate Trust Office of the Trustee of such Default or Event of Default with specific reference to such Default.

When a Default is cured, or when an Event of Default is deemed cured pursuant to Section 5.04, such Default, or Event of Default, as the case may be, ceases.

Section 5.02 Acceleration

If an Event of Default (other than an Event of Default specified in clause (5) or (6) of Section 5.01 hereof with respect to the Company) occurs and is continuing, the Trustee by notice to the Company, or the Holders of at least 25% in principal amount of the then outstanding Securities by notice to the Company and the Trustee, may declare the principal of and premium, if any, and accrued and unpaid interest and Liquidated Damages, if any, on all then outstanding Securities to be due and payable immediately. Upon any such declaration the amounts due and payable on the Securities, as determined in accordance with the next succeeding paragraph, shall be due and payable immediately. If an Event of Default specified in clause (5) or (6) of Section 5.01 hereof with respect to the Company occurs, the principal of and premium, if any, and accrued and unpaid interest and Liquidated Damages, if any, on all

Securities then outstanding shall ipso facto become and be immediately due and payable without any declaration, notice or other act on the part of the Trustee or any Holder.

At any time after such a declaration of acceleration with respect to the Securities has been made and before a judgment for payment of the money due has been obtained by the Trustee as hereinafter in this Article V provided, the Holders of a majority in principal amount of the outstanding Securities, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay:

(A) all overdue interest on all Securities,

(B) the principal of (and premium, if any, on) any Securities which have become due otherwise than by such declaration of acceleration and Liquidated Damages, if any, and any interest thereon at the rate or rates prescribed therefor in such Securities or in this Indenture,

(C) to the extent that payment of such interest is lawful, interest upon overdue interest and overdue Liquidated Damages, if any, at the rate or rates prescribed therefor in the Securities or in this Indenture, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;

and

(2) all Events of Default, other than the non-payment of the principal of Securities which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 5.04.

No such rescission shall affect any subsequent Default or impair any right consequent thereon.

If the maturity of the Securities is accelerated pursuant to this Section 5.02, 100% of the principal amount thereof shall become due and payable plus premium, if any, and accrued interest and Liquidated Damages, if any, to the date of payment.

Section 5.03 Other Remedies

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of, or premium, if any, Liquidated Damages, if any, or interest on the Securities or to enforce the performance of any provision of the Securities, this Indenture or any Registration Rights Agreement.

The Trustee may maintain a proceeding even if it does not possess any of the Securities or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

Section 5.04 Waiver of Existing Defaults

Subject to Sections 5.07 and 8.02 hereof, the Holders of a majority in principal amount of the outstanding Securities by notice to the Trustee may waive an existing Default or Event of Default and its

consequences (including waivers obtained in connection with a tender offer or exchange offer for the Securities or a solicitation of consents in respect of the Securities, provided that in each case such offer or solicitation is made to all Holders of the Securities then outstanding on equal terms), except (1) a continuing Default or Event of Default in the payment of the principal of, or premium, if any, or interest on the Securities or (2) a continuing Default in respect of a provision that under Section 8.02 hereof cannot be amended without the consent of each Holder affected. Upon any such waiver, such Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereon.

Section 5.05 Control by Majority

The Holders of a majority in principal amount of the Securities then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it hereunder. However, the Trustee may refuse to follow any direction that conflicts with applicable law or this Indenture, that the Trustee determines may be unduly prejudicial to the rights of other Holders, or that may involve the Trustee in personal liability; provided, however, that the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction. Prior to taking any action hereunder, the Trustee shall be entitled to indemnification satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action.

Section 5.06 Limitations on Suits

Subject to Section 5.07 hereof, a Holder may pursue a remedy with respect to this Indenture or the Securities only if:

(1) such Holder gives to the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in principal amount of the Securities then outstanding make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period the Holders of a majority in principal amount of the Securities do not give the Trustee a direction inconsistent with the request.

A Holder may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

Section 5.07 Rights of Holders to Receive Payment

Notwithstanding any other provision of this Indenture, the right of any Holder of a Security to receive payment of principal of, and premium, if any, and interest on the Security, on or after the respective due dates expressed in the Security, or to bring suit for the enforcement of any such payment on or after such respective dates, is absolute and unconditional and shall not be impaired or affected without the consent of such Holder.

Section 5.08 Collection Suit by Trustee

If an Event of Default specified in clause (1) or (2) of Section 5.01 hereof occurs and is continuing, the Trustee is authorized to recover judgment in its own name and as trustee of an express trust against the Company for the amount of principal and premium, if any, and interest (and Liquidated Damages, if any) remaining unpaid on the Securities, and interest on overdue principal, premium, if any, and Liquidated Damages, if any and, to the extent lawful, interest on overdue interest (and Liquidated Damages, if any), and such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

Section 5.09 Trustee May File Proofs of Claim

The Trustee is authorized to file such proofs of claim and other papers or documents and to take such actions, including participating as a member, voting or otherwise, of any committee of creditors, as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and the Holders allowed in any judicial proceedings relative to the Company or its creditors or properties and shall be entitled and empowered to collect, receive and distribute any money or other property payable or deliverable on any such claims and any Custodian in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.07 hereof. To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 6.07 hereof out of the estate in any such proceeding, shall be denied for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties which the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise. Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 5.10 Priorities

If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

First: to the Trustee for amounts due under Section 6.07 hereof;

Second: to Holders for amounts due and unpaid on the Securities for principal, premium, if any, Liquidated Damages, if any, and interest ratably, without preference or priority of any kind, according to the amounts due and payable on the Securities for principal, premium, if any, Liquidated Damages, if any, and interest, respectively; and

Third: to the Company.

The Trustee, upon prior written notice to the Company, may fix a record date and payment date for any payment to Holders pursuant to this Article.

Section 5.11 Undertaking for Costs

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a trustee, a court in its discretion may require the filing

by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by the party litigant. This Section does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 5.07 hereof, or a suit by a Holder or Holders of more than 10% in principal amount of the Securities then outstanding.

ARTICLE VI

TRUSTEE

Section 6.01 Duties of Trustee

(a) If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in such exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) Except during the continuance of an Event of Default:

(1) the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, with respect to certificates or opinions specifically required by any provision hereof to be furnished to it, the Trustee shall examine such certificates and opinions to determine whether or not, on their face, they appear to conform substantially to the requirements of this Indenture.

(c) The Trustee may not be relieved from liabilities for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(1) this paragraph does not limit the effect of paragraph (b) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 5.05 hereof.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Trustee is subject to paragraphs (a), (b) and (c) of this Section.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any liability.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree in writing with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law. All money received by the Trustee shall, until applied as herein provided, be held in trust for the payment of the principal of, and premium if any, and interest on the Securities.

Section 6.02 Rights of Trustee

(a) The Trustee may rely conclusively on any document (whether in its original or facsimile form) believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Officers' Certificate or an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel of its own selection and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

(c) The Trustee may act through agents or attorneys and shall not be responsible for the misconduct or negligence of any agent or attorney appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers conferred upon it by this Indenture.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by an Officer of the Company.

(f) The Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Indenture.

(g) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Indenture shall extend and be enforceable by the Trustee in each of its capacities hereunder and shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and right to indemnity, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the discharge of this Indenture and final payment of the Securities.

(h) The permissive right of the Trustee to take the actions permitted by this Indenture shall not be construed as an obligation or duty to do so.

(i) Except for information provided by the Trustee concerning the Trustee, the Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Securities, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Securities.

(j) The Trustee may request that the Company deliver an Officers' Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officers' Certificate may be signed by any person authorized to sign an Officers' Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

(k) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee security or indemnity satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(l) The Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

Section 6.03 Individual Rights of Trustee

The Trustee in its individual or any other capacity may become the owner or pledgee of Securities and may otherwise deal with the Company or any of its Affiliates with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights. However, the Trustee is subject to Sections 6.10 and 6.11 hereof.

Section 6.04 Trustee's Disclaimer

The Trustee makes no representation as to the validity or adequacy of this Indenture or the Securities, it shall not be accountable for the Company's use of the proceeds from the Securities or any money paid to the Company or upon the Company's direction under any provision hereof, it shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee and it shall not be responsible for any statement or recital herein or any statement in the Securities other than its certificate of authentication.

Section 6.05 Notice of Defaults

If a Default or Event of Default occurs and is continuing and it is actually known to a Responsible Officer of the Trustee, the Trustee shall mail to Holders a notice of the Default or Event of Default within 90 days after it occurs. Except in the case of a Default or Event of Default in payment of principal of, or premium, if any, Liquidated Damages, if any, or interest on any Security, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of Holders.

Section 6.06 Reports by Trustee to Holders

On or before July 15 of each year, beginning with July 15, 2003, the Trustee shall mail to Holders a brief report dated as of a date convenient to the Trustee no more than 60 nor less than 45 days prior thereto, that complies with TIA Section 313(a); provided, however, that if no event described in TIA Section 313(a) has occurred within the twelve months preceding the reporting date, no report need be transmitted. The Trustee also shall comply with TIA Section 313(b). The Trustee shall also transmit by mail all reports as required by TIA Sections 313(c) and 313(d).

A copy of each report at the time of its mailing to Holders shall be filed with the SEC and each securities exchange, if any, on which the Securities are listed. The Company shall notify the Trustee if and when the Securities are listed on any stock exchange or delisted therefrom.

Section 6.07 Compensation and Indemnity

The Company agrees to pay to the Trustee from time to time such compensation as agreed to by the Company and the Trustee, for its acceptance of this Indenture and its services hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company agrees to reimburse the Trustee upon request for all reasonable disbursements, advances and expenses incurred by it. Such expenses shall include the reasonable compensation, disbursements and expenses of the Trustee's agents and counsel.

The Company agrees to fully indemnify the Trustee or any predecessor Trustee and their agents for and to hold them harmless against any and all loss, liability damage, claims, or expense (including taxes, other than taxes based upon, measured by or determined by the income of the Trustee) incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture,

including the costs and expenses of defending itself against any claim (whether asserted by the Company, any Holder or any other Person), except as set forth in the next paragraph. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. The Company shall defend the claim and the Trustee shall cooperate in the defense. The Trustee may have separate counsel, and the Company shall pay the reasonable fees and expenses of such counsel. The Company need not pay for any settlement made without its consent, which consent shall not be unreasonably withheld.

The Company shall not be obligated to reimburse any expense or indemnify against any loss or liability incurred by the Trustee through its own negligence or bad faith.

To secure the payment obligations of the Company in this Section 6.07, the Trustee shall have a lien prior to the Securities on all money or property held or collected by the Trustee, except that held in trust to pay principal of, and premium, if any, and interest and Liquidated Damages, if any, on the Securities. Such lien shall survive the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 5.01(5) or (6) hereof occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under any Bankruptcy Law.

Section 6.08 Replacement of Trustee

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 6.08.

The Trustee may resign and be discharged from the trust hereby created by so notifying the Company. The Holders of a majority in principal amount of the then outstanding Securities may remove the Trustee by so notifying the Trustee and the Company. The Company may remove the Trustee if:

(1) the Trustee fails to comply with Section 6.10 hereof;

(2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;

(3) a Custodian or public officer takes charge of the Trustee or its property; or

(4) the Trustee otherwise becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the Holders of a majority in principal amount of the Securities then outstanding may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 30 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the Holders of at least 10% in principal amount of the Securities then outstanding may petition (at the expense of the Company) any court of competent jurisdiction at the expense of the Company for the appointment of a successor Trustee.

If the Trustee fails to comply with Section 6.10 hereof, any Holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to Holders. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, subject to the lien provided for in

Section 6.07 hereof. Notwithstanding replacement of the Trustee pursuant to this Section 6.08 hereof, the obligations of the Company under Section 6.07 hereof shall continue for the benefit of the retiring Trustee.

Section 6.09 Successor Trustee by Merger, etc

Subject to Section 6.10 hereof, if the Trustee consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business to, another corporation, the successor corporation without any further act shall be the successor Trustee; provided, however, that in the case of a transfer of all or substantially all of its corporate trust business to another corporation, the transferee corporation expressly assumes all of the Trustee's liabilities hereunder.

In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated; and in case at that time any of the Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Securities or in this Indenture provided that the certificate of the Trustee shall have.

Section 6.10 Eligibility; Disqualification

There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia and authorized under such laws to exercise corporate trust power, shall be subject to supervision or examination by Federal or State (or the District of Columbia) authority and shall have, or be a Subsidiary of a bank or bank holding company having, a combined capital and surplus of at least $50 million as set forth in its most recent published annual report of condition.

This Indenture shall always have a Trustee who satisfies the requirements of TIA Sections 310(a)(1), 310(a)(2) and 310(a)(5). The Trustee is subject to and shall comply with the provisions of TIA Section 310(b) during the period of time required by this Indenture. Nothing in this Indenture shall prevent the Trustee from filing with the SEC the application referred to in the penultimate paragraph of TIA Section 310(b).

Section 6.11 Preferential Collection of Claims Against Company

The Trustee is subject to and shall comply with the provisions of TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE VII

DISCHARGE OF INDENTURE

Section 7.01 Termination of Company's Obligations

(a) This Indenture shall cease to be of further effect (except that the Company's obligations under Section 6.07 hereof and the Trustee's and Paying Agent's obligations under Section 7.03 hereof shall survive), and the Trustee, on demand of the Company, shall execute proper instruments acknowledging the satisfaction and discharge of this Indenture and the Securities, when:

(1) either

(A) all outstanding Securities theretofore authenticated and issued (other than destroyed, lost or stolen Securities that have been replaced or paid) have been delivered to the Trustee for cancellation; or

(B) all outstanding Securities not theretofore delivered to the Trustee for cancellation:

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year,

and the Company, in the case of clause (i) or (ii) above, has deposited or caused to be deposited with the Trustee as funds (immediately available to the Holders in the case of clause (i)) in trust for such purpose an amount which, together with earnings thereon, will be sufficient to pay and discharge the entire indebtedness on the Securities for principal, premium, if any, Liquidated Damages, if any, and interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity, as the case may be;

(2) the Company has paid all other sums payable by it hereunder; and

(3) the Company has delivered to the Trustee an Officers' Certificate stating that all conditions precedent to satisfaction and discharge of this Indenture have been complied with, together with an Opinion of Counsel to the same effect.

(b) The Company may, subject as provided herein, terminate all of its obligations under this Indenture with respect to Securities if:

(1) the Company has irrevocably deposited or caused to be irrevocably deposited with the Trustee as trust funds in trust for the purpose of making the following payments dedicated solely to the benefit of the Holders (i) cash in an amount, or (ii) U.S. Government Obligations or (iii) a combination thereof, sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay, without consideration of the reinvestment of any such amounts and after payment of all taxes or other charges or assessments in respect thereof payable by the Trustee, the principal of, and premium, if any, Liquidated Damages, if any, and interest on all Securities on each date that such principal, premium, if any, Liquidated Damages, if any, or interest is due and payable and to pay all other sums payable by it hereunder; provided that the Trustee shall have been irrevocably instructed to apply such money and/or the proceeds of such U.S. Government Obligations to the payment of said principal, premium, if any, Liquidated Damages, if any, and interest with respect to the Securities as the same shall become due;

(2) the Company has delivered to the Trustee an Officers' Certificate stating that all conditions precedent to satisfaction and discharge of this Indenture with respect to the Securities have been complied with, and an Opinion of Counsel to the same effect;

(3) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or, insofar as clauses (5) and (6) of Section 5.01 hereof are concerned, at any time during the period ending on the 91st day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until the expiration of such period);

(4) the Company shall have delivered to the Trustee an Opinion of Counsel from a nationally recognized counsel acceptable to the Trustee or a tax ruling to the effect that the Holders of the Securities will not recognize income, gain or loss for Federal income tax purposes as a result of the Company's exercise of its option under this Section 7.01(b) and will be subject to Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such option had not been exercised;

(5) such deposit and discharge will not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company is a party or by which it is bound;

(6) such deposit and discharge shall not cause the Trustee to have a conflicting interest as defined in TIA Section 310(b); and

(7) the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that after the passage of 91 days following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally.

In such event, this Indenture shall cease to be of further effect (except as provided in the next succeeding paragraph), and the Trustee, on demand of the Company, shall execute proper instruments acknowledging satisfaction and discharge under this Indenture.

However, the Company's obligations in Sections 2.03, 2.04, 2.05, 2.06, 2.07, 2.08, 3.01, 3.02, 3.03, 4.01, 6.07, 6.08, 7.01 and 7.04 hereof, the Company's obligations in Sections 4.01, 6.07, 7.04 and 9.01 hereof and the Trustee's and Paying Agent's obligations in Section 7.03 hereof shall survive until the Securities are no longer outstanding. Thereafter, only the Company's obligations in Section 6.07 hereof and the Trustee's and Paying Agent's obligations in Section 7.03 hereof shall survive such satisfaction and discharge.

After such irrevocable deposit made pursuant to this Section 7.01(b) and satisfaction of the other conditions set forth herein, the Trustee upon request shall acknowledge in writing the discharge of the Company's obligations under this Indenture except for those surviving obligations specified above.

In order to have money available on a payment date to pay principal of, premium, if any, Liquidated Damages, if any, or interest on the Securities, the U.S. Government Obligations shall be payable as to principal or interest on or before such payment date in such amounts as will provide the necessary money. U.S. Government Obligations shall not be callable at the issuer's option.

Section 7.02 Application of Trust Money

The Trustee or a trustee satisfactory to the Trustee and the Company shall hold in trust money or U.S. Government Obligations deposited with it pursuant to Section 7.01 hereof. It shall apply the deposited money and the money from U.S. Government Obligations through the Paying Agent and in accordance with this Indenture to the payment of principal of, premium, if any, Liquidated Damages, if any, and interest on the Securities.

Section 7.03 Repayment to Company

The Trustee and the Paying Agent shall promptly pay to the Company upon written request any excess money or securities held by them at any time.

Subject to the requirements of any applicable abandoned property laws, the Trustee and the Paying Agent shall pay to the Company upon written request any money held by them for the payment of principal, premium, if any, Liquidated Damages, if any, or interest that remains unclaimed for two years after the date upon which such payment shall have become due; provided, however, that the Company shall have either caused notice of such payment to be mailed to each Holder entitled thereto no less than 30 days prior to such repayment or within such period shall have published such notice in a financial newspaper of widespread circulation published in The City of New York. After payment to the Company, Holders entitled to the money must look to the Company for payment as general creditors unless an applicable abandoned property law designates another Person, and all liability of the Trustee and the Paying Agent with respect to such money shall cease.

Section 7.04 Reinstatement

If the Trustee or the Paying Agent is unable to apply any money or U. S. Government Obligations in accordance with Section 7.01 hereof by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the obligations of the Company under this Indenture and the Securities shall be revived and reinstated as though no deposit had occurred pursuant to Section 7.01 hereof until such time as the Trustee or the Paying Agent is permitted to apply all such money or U. S. Government Obligations in accordance with Section 7.01 hereof; provided, however, that if the Company has made any payment of principal of or interest on any Securities because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Securities to receive such payment from the money or U.S. Government Obligations held by the Trustee or the Paying Agent.

ARTICLE VIII

AMENDMENTS

Section 8.01 Without Consent of Holders

The Company and the Trustee may amend or supplement this Indenture or any of the Securities or waive any provision hereof or thereof without the consent of any Holder:

(1) to cure any ambiguity, omission, defect or inconsistency;

(2) to comply with Sections 4.01 and 4.02 hereof;

(3) to provide for uncertificated Securities in addition to or in place of certificated Securities;

(4) to add any additional Events of Default;

(5) to add to, change or eliminate any of the provisions of this Indenture to such extent as shall be necessary to permit or facilitate the issuance of Securities in bearer form, registrable or not registrable as to principal, and with or without interest coupons;

(6) to provide for the acceptance of appointment hereunder of a successor trustee in compliance with the provisions hereof;

(7) to secure the Securities pursuant to the requirements of Section 3.09 or otherwise;

(8) to comply with any requirement in order to effect or maintain the qualification of this Indenture under the TIA;

(9) to comply with any requirements of the SEC in connection with qualifying this Indenture under the TIA;

(10) to add to the covenants of the Company for the benefit of the Holders or to surrender any right or power herein conferred upon the Company; or

(11) to make any change that does not adversely affect the rights hereunder of any Holder in any material respect.

Upon the request of the Company accompanied by a resolution of the Board of Directors of the Company authorizing the execution of any such supplemental indenture, and upon receipt by the Trustee of the documents described in Section 8.06 hereof, the Trustee shall join with the Company in the

execution of any supplemental indenture authorized or permitted by the terms of this Indenture and make any further appropriate agreements and stipulations that may be therein contained. After an amendment, supplement or waiver under this Section 8.01 becomes effective, the Company shall mail to the Holders of each Security affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Section 8.02 With Consent of Holders

Except as provided below in this Section 8.02, the Company and the Trustee may amend or supplement this Indenture or the Securities with the written consent (including consents obtained in connection with a tender offer or exchange offer for the Securities or a solicitation of consents in respect of the Securities, provided that in each case such offer or solicitation is made to all Holders of the Securities then outstanding on equal terms) of the Holders of at least a majority in principal amount of the Securities then outstanding.

Upon the request of the Company accompanied by a resolution of the Board of Directors of the Company authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of the Holders as aforesaid, and upon receipt by the Trustee of the documents described in Section 8.06 hereof, the Trustee shall join with the Company in the execution of such supplemental indenture.

It shall not be necessary for the consent of the Holders under this Section 8.02 to approve the particular form of any proposed amendment, supplement or waiver, but it shall be sufficient if such consent approves the substance thereof.

The Holders of a majority in principal amount of the Securities then outstanding may waive compliance in a particular instance by the Company with any provision of this Indenture or the Securities (including waivers obtained in connection with a tender offer or exchange offer for the Securities or a solicitation of consents in respect of the Securities, provided that in each case such offer or solicitation is made to all Holders of the Securities then outstanding on equal terms).

Without the consent of each Holder affected, an amendment, supplement or waiver under this Section may not:

(1) reduce the percentage of principal amount of the Securities whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the rate of or change the time for payment of interest, including default interest, on any Security;

(3) reduce the principal of or change the fixed maturity of any Security or alter the premium or other provisions with respect to redemption under Section 9.07 or specified in the Securities;

(4) change the place of payment or make any Security payable in money other than that stated in the Security;

(5) impair the right to institute suit for the enforcement of any payment of principal of, or premium, if any, or interest on any Security pursuant to Sections 5.07 and 5.08 hereof, except as limited by Section 5.06 hereof;

(6) make any change in the percentage of principal amount of the Securities necessary to waive compliance with certain provisions of this Indenture pursuant to Section 5.04 or 5.07 hereof or this clause of this Section 8.02; or

(7) waive a continuing Default or Event of Default in the payment of principal of, or premium, if any, or interest on the Securities.

The right of any Holder to participate in any consent required or sought pursuant to any provision of this Indenture (and the obligation of the Company to obtain any such consent otherwise required from such Holder) may be subject to the requirement that such Holder shall have been the Holder of record of the Securities with respect to which such consent is required or sought as of a date identified by the Trustee in a notice furnished to Holders in accordance with the terms of this Indenture.

Section 8.03 Compliance with Trust Indenture Act

Every amendment to this Indenture or the Securities shall comply in form and substance with the TIA as then in effect.

Section 8.04 Revocation and Effect of Consents

A consent to an amendment (which includes a supplement) or waiver by a Holder is a continuing consent by the Holder and every subsequent Holder of a Security or portion of a Security that evidences the same debt as the consenting Holder's Security, even if notation of the consent is not made on any Security. However, any such Holder or subsequent Holder may revoke the consent as to his or her Security or portion of a Security if the Trustee receives written notice of revocation at any time prior to (but not after) the date the Trustee receives an Officers' Certificate certifying that the Holders of the requisite principal amount of Securities have consented (and not theretofore revoked such consent) to the amendment, supplement or waiver. An amendment, supplement or waiver becomes effective in accordance with its terms and thereafter binds every Holder.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the Holders entitled to consent to any amendment or waiver or to take any other action under this Indenture. If a record date is fixed, then notwithstanding the provisions of the immediately preceding paragraph, those Persons who were Holders at such record date (or their duly designated proxies), and only those Persons, shall be entitled to consent to such amendment, supplement or waiver or to revoke any consent previously given, whether or not such Persons continue to be Holders after such record date. No consent shall be valid or effective for more than 90 days after such record date unless consents from Holders of the principal amount of the Securities required hereunder for such amendment or waiver to be effective shall have also been given and not revoked within such 90-day period.

After an amendment, supplement or waiver becomes effective, it shall bind every Holder, unless it is of the type described in any of clauses (1) through (7) of Section 8.02 hereof. In such case, the amendment or waiver shall bind each Holder who has consented to it and every subsequent Holder that evidences the same debt as the consenting Holder's Security.

Section 8.05 Notation on or Exchange of Securities

If an amendment changes the terms of a Security, the Trustee may require the Holder of the Security to deliver it to the Trustee. The Trustee may place an appropriate notation on the Security regarding the changed terms and return it to the Holder. Alternatively, if the Company or the Trustee so determines, the Company in exchange for the Security shall issue and the Trustee shall authenticate a new Security that reflects the changed terms. Failure to make the appropriate notation or to issue a new Security shall not affect the validity of such amendment.

Section 8.06 Trustee to Sign Amendments, etc.

The Trustee shall sign any amendment, waiver or supplemental indenture authorized pursuant to this Article if the amendment, waiver or supplemental indenture does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In

signing or refusing to sign such amendment, waiver or supplemental indenture, the Trustee shall receive, and subject to Section 6.01 hereof, shall be fully protected in relying upon, an Opinion of Counsel and an Officers' Certificate, as conclusive evidence that such amendment, waiver or supplemental indenture is authorized or permitted by this Indenture, that it is not inconsistent herewith, and that it will be valid and binding upon the Company in accordance with its terms.

ARTICLE IX

REDEMPTION

Section 9.01 Notices to Trustee

If the Company elects to redeem Securities pursuant to the redemption provisions of Section 9.07, it shall furnish to the Trustee, at least 45 days but not more than 60 days before a Redemption Date (unless the Trustee consents in writing to a shorter period of at least 30 days prior to the Redemption Date), an Officers' Certificate setting forth the Redemption Date, the principal amount of such Securities to be redeemed and the Redemption Price.

Section 9.02 Selection of Securities to be Redeemed

If less than all of the Securities are to be redeemed, the Trustee shall select the Securities to be redeemed by such method as the Trustee in its sole discretion shall deem appropriate. The particular Securities to be redeemed shall be selected, unless otherwise provided herein, not less than 30 days nor more than 60 days prior to the Redemption Date by the Trustee from the outstanding Securities not previously called for redemption.

The Trustee shall promptly notify the Company in writing of the Securities selected for redemption and, in the case of any Security selected for partial redemption, the principal amount thereof to be redeemed. Securities and portions of them selected shall be in amounts of $1,000 or whole multiples of $1,000. Except as provided in the preceding sentence, provisions of this Indenture that apply to Securities called for redemption also apply to portions of Securities called for redemption.

Section 9.03 Notices to Holders

(a) At least 30 days but not more than 60 days before a Redemption Date, the Company shall mail in conformity with Section 10.02 a notice of redemption to each Holder whose Securities are to be redeemed.

The Notice shall identify the Securities to be redeemed (including CUSIP numbers, if any) and shall state:

(i) the Redemption Date;

(ii) the Redemption Price;

(iii) if any Security is being redeemed in part, the portion of the principal amount of such Security to be redeemed and that, after the Redemption Date, upon surrender of such Security, a new Security or Securities in principal amount equal to the unredeemed portion will be issued;

(iv) the name and address of the Paying Agent;

(v) that Securities called for redemption must be surrendered to the Paying Agent at the address specified in such notice to collect the Redemption Price;

(vi) that unless the Company defaults in making the redemption payment, interest on Securities called for redemption ceases to accrue on and after the Redemption Date and the only remaining right of the Holders is to receive payment of the Redemption Price upon surrender to the Paying Agent of the Securities; and

(vii) the aggregate principal amount of Securities being redeemed.

If any of the Securities to be redeemed is in the form of a Global Security, then the Company shall modify such notice to the extent necessary to accord with the procedures of the Depositary applicable to redemptions.

(b) At the Company's request, the Trustee shall give the notice required in Section 9.03(a) in the Company's name; provided, however, that the Company shall deliver to the Trustee, at least 45 days prior to the Redemption Date (unless the Trustee consents in writing to a shorter period at least 30 days prior to the Redemption Date), an Officers' Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in Section 9.03(a).

Section 9.04 Effect of Notices of Redemption

Once notice of redemption is mailed pursuant to Section 9.03, Securities called for redemption become due and payable on the Redemption Date at the Redemption Price. Upon surrender to the Paying Agent, such Securities shall be paid out at the Redemption Price.

Section 9.05 Deposit of Redemption Price

At or prior to 11:00 am New York City time on the Redemption Date, the Company shall deposit with the Trustee or with the Paying Agent money sufficient to pay the Redemption Price of all Securities to be redeemed on that date. The Trustee or the Paying Agent shall return to the Company any money not required for that purpose less the expenses of the Trustee as provided herein.

If the Company complies with the preceding paragraph, interest on the Securities or portions thereof to be redeemed (whether or not such Securities are presented for payment) will cease to accrue on the applicable Redemption Date. If any Security called for redemption shall not be so paid upon surrender because of the failure of the Company to comply with the preceding paragraph, then interest will be paid on the unpaid principal and premium, if any, from the Redemption Date until such principal and premium are paid and, to the extent lawful, on any interest not paid on such unpaid principal, in each case at the rate provided in the Securities and in Section 3.01.

Section 9.06 Securities Redeemed in Part

Upon surrender of a Security that is redeemed in part, the Company shall issue and the Trustee shall authenticate for the Holder, at the expense of the Company, a new Security equal in principal amount to the unredeemed portion of the Security surrendered.

Section 9.07 Optional Redemption

The Securities may be redeemed at any time, at the option of the Company, in whole or from time to time in part, at the Redemption Price specified in such Securities.

Any redemption pursuant to this Section 9.07 shall be made, to the extent applicable, pursuant to the provisions of Sections 9.01 through 9.06.

ARTICLE X

MISCELLANEOUS

Section 10.01 Trust Indenture Act Controls

If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the required provision shall control. If this Indenture excludes any provision of the TIA that is required to be included, such provision shall be deemed included herein.

Section 10.02 Notices

Any notice or communication by the Company or the Trustee to the others is duly given if in writing and delivered in person or mailed by first-class mail (registered or certified, return receipt requested), telecopier or overnight air courier guaranteeing next day delivery, to the other's address:

If to the Company:

Transcontinental Gas Pipe Line Corporation
2800 Post Oak Blvd.
Houston, Texas 77056
Telecopier No.: (713) 215-2435
Attention: Treasurer

If to the Trustee:

Citibank N.A.
111 Wall Street, 14th Floor
New York, New York 10005
Telecopier No.:(212) 657-3862
Attention: Citibank Agency & Trust

Each of the Company and the Trustee by notice to the others may designate additional or different addresses for subsequent notices or communications.

All notices and communications shall be deemed to have been duly given: at the time delivered by hand, if personally delivered; five Business Days after being deposited in the mail, postage prepaid, if mailed; when receipt acknowledged, if telecopied; and the next Business Day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery. Notwithstanding the foregoing, notices to the Trustee shall be effective only upon receipt.

Any notice or communication to a Holder shall be mailed by first-class mail, postage prepaid, to the Holder's address shown on the register kept by the Registrar. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

All notices or communications, including without limitation notices to the Trustee or the Company by Holders, shall be in writing, except as set forth below, and in the English language.

In case by reason of the suspension of regular mail service, or by reason of any other cause, it shall be impossible to mail any notice required by this Indenture, then such method of notification as shall be made with the approval of the Trustee shall constitute a sufficient mailing of such notice.

Section 10.03 Communication by Holders with Other Holders

Holders may communicate pursuant to TIA Section 312(b) with other Holders with respect to their rights under this Indenture or the Securities. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

Section 10.04 Certificate and Opinion as to Conditions Precedent

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall, if requested by the Trustee, furnish to the Trustee:

(1) an Officers' Certificate (which shall include the statements set forth in Section 10.05 hereof) stating that, in the opinion of the signers, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel (which shall include the statements set forth in Section 10.05 hereof) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been complied with.

Notwithstanding the foregoing, no such Opinion of Counsel shall be required in connection with the issuance of the Series A Securities pursuant to the Original Offering.

Section 10.05 Statements Required in Certificate or Opinion

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(1) a statement that the Person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such Person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with.

Section 10.06 Rules by Trustee and Agents

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or the Paying Agent may make reasonable rules and set reasonable requirements for its functions.

Section 10.07 Legal Holidays

If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period.

Section 10.08 No Recourse Against Others

A director, officer, employee or stockholder of the Company as such, shall not have any liability for any obligations of the Company under the Securities or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Security waives and releases all such liability. The waiver and release shall be part of the consideration for the issue of the Securities.

Section 10.09 Governing Law

This Indenture and the Securities shall be governed by and constructed in accordance with the laws of the State of New York.

Section 10.10 No Adverse Interpretation of Other Agreements

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company, or any other Subsidiary of the Company. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

Section 10.11 Successors

All agreements of the Company in this Indenture and the Securities shall bind its successors. All agreements of the Trustee in this Indenture shall bind its successors.

Section 10.12 Severability

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 10.13 Counterpart Originals

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

Section 10.14 Table of Contents, Headings, etc

The Table of Contents, Cross-Reference Table and Headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

Company:

TRANSCONTINENTAL GAS PIPE LINE CORPORATION

By: /s/ Jeffrey P. Heinrichs

Name: Jeffrey P. Heinrichs

Title: Treasurer

Trustee:

CITIBANK N.A.

By: /s/ Wafaa Orfy

Name: Wafaa Orfy

Title: Vice President

[FACE OF SECURITY]

[Global Securities Legend]

[UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR SECURITIES IN DEFINITIVE FORM, THIS SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY. THE DEPOSITORY TRUST COMPANY SHALL ACT AS THE DEPOSITARY UNTIL A SUCCESSOR SHALL BE APPOINTED BY THE COMPANY AND THE REGISTRAR. UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR SUCH OTHER ENTITY AS MAY BE REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]*

[Transfer Restricted Securities Legend]

[THIS SECURITY (OR ITS PREDECESSOR) HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, AND, ACCORDINGLY, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS, EXCEPT AS SET FORTH IN THE NEXT SENTENCE. BY ITS ACQUISITION HEREOF OR OF A BENEFICIAL INTEREST HEREIN, THE HOLDER:

(1) REPRESENTS THAT (A) IT IS A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT, OR (B) IT HAS ACQUIRED THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT;

(2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THIS SECURITY, EXCEPT (A) TO TRANSCONTINENTAL GAS PIPE LINE CORPORATION OR ANY OF ITS SUBSIDIARIES, (B) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (C) IN AN OFFSHORE TRANSACTION MEETING THE REQUIREMENTS OF RULE 904 OF THE SECURITIES ACT, (D) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144 UNDER THE SECURITIES ACT, OR (E) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND, IN EACH OF THE CASES, IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION;

(3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY OR AN INTEREST HEREIN IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND; AND

(4) AGREES THAT, BEFORE THE HOLDER OFFERS, SELLS OR OTHERWISE TRANSFERS THIS SECURITY, TRANSCONTINENTAL GAS PIPE LINE CORPORATION MAY REQUIRE THE HOLDER OF THIS SECURITY TO DELIVER A WRITTEN OPINION, CERTIFICATIONS AND/OR OTHER INFORMATION THAT IT REASONABLY REQUIRES TO CONFIRM THAT SUCH PROPOSED TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE UNITED STATES.

AS USED IN THIS SECURITY, THE TERMS "OFFSHORE TRANSACTION," "U.S. PERSON" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY RULE 902 OF REGULATION S UNDER THE SECURITIES ACT.]***

TRANSCONTINENTAL GAS PIPE LINE CORPORATION

8-7/8% Series [A/B] Note due July 15, 2012

CUSIP [ ]

No. $

Transcontinental Gas Pipe Line Corporation, a Delaware corporation (the "Company"), for value received promises to pay to _____ or registered assigns, the principal sum of _____ United States Dollars [or such greater or lesser amount as is indicated on the Schedule of Exchanges of Securities on the other side of this Security]***** on July 15, 2012.

Interest Payment Dates: January 15 and July 15

Record Dates: January 1 and July 1

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*This paragraph should be included only if the Security is a Global Security.

**These paragraphs should be included only if the Security is a Transfer Restricted Security.

***This phrase should be included only if the Security is a Global Security.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

IN WITNESS WHEREOF, the Company has caused this Security to be signed manually or by facsimile by its duly authorized officer.

Dated:

TRANSCONTINENTAL GAS PIPE LINE CORPORATION

By: ----------

Name: ----------

Title: ----------

Certificate of Authentication:

CITIBANK N.A.,
as Trustee, certifies that this is one of the Securities referred to in the within-mentioned Indenture.

By: ----------

Authorized Signatory

[REVERSE OF SECURITY]

TRANSCONTINENTAL GAS PIPE LINE CORPORATION

8-7/8% Series [A/B] Note due July 15, 2012

This Security is one of a duly authorized issue of 8-7/8% Series [A/B] Notes due July 15, 2012 (the "Securities") of Transcontinental Gas Pipe Line Corporation, a Delaware corporation (the "Company").

1. Interest. The Company promises to pay interest on the principal amount of this Security at 8-7/8% per annum from _____ __, ____ until maturity. The Company will pay interest semiannually on January 15 and July 15 of each year (each an "Interest Payment Date"), or if any such day is not a Business Day, on the next succeeding Business Day. Interest on the Securities will accrue from the most recent Interest Payment Date on which interest has been paid or, if no interest has been paid, from _____ __, ____; provided that if there is no existing Default in the payment of interest, and if this Security is authenticated between a record date referred to on the face hereof and the next succeeding Interest Payment Date, interest shall accrue from such next succeeding Interest Payment Date; provided, further, that the first Interest Payment Date shall be _____ __, ____ and interest accrued from _____ __, ____ shall be payable on such date. Further, the Company shall pay interest on overdue principal and premium, if any, from time to time on demand at a rate equal to the interest rate then in effect; it shall pay interest on overdue installments of interest (without regard to any applicable grace periods) from time to time on demand at the same rate to the extent lawful. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment. The Company will pay interest on the Securities (except defaulted interest) to the Persons who are registered Holders of Securities at the close of business on the record date next preceding the Interest Payment Date, even if such Securities are canceled after such record date and on or before such Interest Payment Date. The Holder must surrender this Security to a Paying Agent to collect payments of principal and premium, if any. The Company will pay the principal of, and premium, if any, and interest on the Securities in money of the United States of America that at the time of payment is legal tender for payment of public and private debts. Payments in respect of the Securities represented by a Global Security (including principal, premium, if any, Liquidated Damages, if any, and interest) will be made by wire transfer of immediately available funds to the accounts specified by The Depository Trust Company. The Company will make all payments in respect of a certificated Security (including principal, premium, if any, Liquidated Damages, if any, and interest) by mailing a check to the registered address of each Holder thereof; provided, however, that payments on a certificated Security will be made by wire transfer to a U.S. dollar account maintained by the payee with a bank in the United States if such Holder elects payment by wire transfer by giving written notice to the Trustee or the Paying Agent to such effect designating such account no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its discretion).

3. Ranking. The Securities are senior unsecured obligations of the Company.

4. Optional Redemption. The Securities may be redeemed at any time, at the option of the Company, in whole or from time to time in part, at a price equal to the greater of (i) 100% of the principal amount of the Securities then outstanding to be redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon from the Redemption Date to the Stated Maturity Date computed by discounting such payments to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a rate equal to the sum of 50 basis points plus the Adjusted Treasury Rate on the third Business Day prior to the Redemption Date, as calculated by an Independent Investment Banker.

"Adjusted Treasury Rate" means (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which contains yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the remaining term of the Securities, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue will be determined and the Adjusted Treasury Rate will be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month), or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury

Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

"Comparable Treasury Issue" means the U.S. Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Securities that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Securities or, if, in the reasonable judgment of the Independent Investment Banker, there is no such security, then the Comparable Treasury Issue will mean the U.S. Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity or maturities comparable to the remaining term of the Securities.

"Comparable Treasury Price" means (i) the average of five Reference Treasury Dealer Quotations for the applicable Redemption Date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (ii) if the Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means Salomon Smith Barney Inc. and any successor firm, or if any such firm is unwilling or unable to serve as such, an independent investment and banking institution of national standing appointed by the Company.

"Reference Treasury Dealer Quotations" means the average, as determined by the Independent Investment Banker of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker and the Trustee at 5:00 p.m., New York City time, on the third Business Day preceding such Redemption Date.

Periodic interest installments with respect to which the Interest Payment Date is on or prior to any Redemption Date will be payable to Holders of record at the close of business on the relevant record dates referred to herein, all as provided in the Indenture.

Notice of redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each Holder of Securities to be redeemed at his registered address. Securities in denominations larger than $1,000 may be redeemed in part but only in whole multiples of $1,000. On or after the Redemption Date interest will cease to accrue on Securities or on the portions thereof called for redemption, as the case may be.

5. Paying Agent and Registrar. Initially, Citibank N.A. (the "Trustee"), the Trustee under the Indenture, will act as Paying Agent and Registrar. The Company may change any Paying Agent, Registrar, co-registrar or additional paying agent without notice to any Holder. The Company or any of its subsidiaries may act in any such capacity.

6. Indenture. The Company issued the Securities under an Indenture dated as of July 3, 2002 (as amended, supplemented or otherwise modified form time to time, the "Indenture") between the Company and the Trustee. The terms of the Securities include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S. Code Sections 77aaa-77bbbb), as in effect on the date of execution of the Indenture (the "TIA"). The Securities are subject to all such terms, and Holders are referred to the Indenture and such Act for a statement of such terms. The Securities are unsecured general obligations of the Company. Capitalized terms used but not defined in this Security have the respective meanings given to such terms in the Indenture.

7. Denominations, Transfer, Exchange. The Securities are in registered form without coupons in denominations of $1,000 and integral multiples of $1,000. The transfer of Securities may be registered and Securities may be exchanged as provided in the Indenture. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not exchange or register the transfer of any Securities during the period between a record date and the corresponding Interest Payment Date.

8. Persons Deemed Owners. The registered Holder of a Security shall be treated as its owner for all purposes.

9. Amendments and Waivers. Subject to certain exceptions and limitations, the Indenture or the Securities may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the then outstanding Securities, and compliance in a particular instance by the Company with any provision of the Indenture may be waived (other than certain provisions, including any continuing Default or Event of Default in the payment of the principal of, or premium, if any, or interest on the Securities) by the Holders of at least a majority in principal amount of the Securities then outstanding in accordance with the terms of the Indenture. Without the consent of any Holder, the Company and the Trustee may amend or supplement the Indenture or the Securities to cure any ambiguity, omission, defect or inconsistency; to comply with the Indenture in the case of the merger, consolidation or sale or other disposition of all or substantially all of the assets of the Company; to provide for uncertificated Securities in addition to or in place of certificated Securities; to add any additional Events of Default; to provide for the acceptance under the Indenture of a successor trustee in compliance with the provisions thereof; to secure the Securities pursuant to the requirements under the Indenture; to comply with any requirements in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act of 1939, as amended; to comply with any requirements of the SEC in connection with qualifying the Indenture under the TIA; to add to the covenants of the Company for the benefit of the Holders or to surrender any power conferred upon the Company; or to make any change that does not adversely affect the rights of any Holder in any material respect.

The right of any Holder to participate in any consent required or sought pursuant to any provision of the Indenture (and the obligation of the Company to obtain any such consent otherwise required from such Holder) may be subject to the requirement that such Holder shall have been the Holder of record of any Securities with respect to which such consent is required or sought as of a date identified by the Trustee in a notice furnished to Holders in accordance with the terms of the Indenture.

Without the consent of each Holder affected, the Company may not (i) reduce the percentage of principal amount of Securities whose Holders must consent to an amendment, supplement or waiver, (ii) reduce the rate of or change the time for payment of interest, including default interest, on any Security, (iii) reduce the principal of or change the fixed maturity of any Security or alter the premium or other provisions with respect to redemption, (iv) make any Security payable in money other than that stated in the Security, (v) impair the right to institute suit for the enforcement of any payment of principal of, or premium, if any, or interest on any Security, (vi) make any change in the percentage of principal amount of Securities necessary to waive compliance with certain provisions of the Indenture or (vii) waive a continuing Default or Event of Default in the payment of principal of, or premium, if any, or interest on the Securities.

10. Defaults and Remedies. Events of Default include: default in payment of interest or Liquidated Damages, if any, on the Securities for 30 days; default in payment of principal of, or premium, if any, on the Securities; default in the performance, or breach, of any of its other covenants, warranties or agreements in the Indenture by the Company for 90 days after written notice by the Trustee or by the Holders of at least 25% of the aggregate principal amount of the Securities then outstanding; certain voluntary or involuntary events involving bankruptcy, insolvency or reorganization of the Company. If an Event of Default occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Securities may declare the principal of, and premium, if any, and interest on all the Securities to be immediately due and payable, except that in the case of an Event of Default arising from certain events of bankruptcy, insolvency or reorganization of the Company, all outstanding Securities become due and payable immediately without further action or notice. The amount due and payable upon the acceleration of any Security is equal to 100% of the principal amount thereof plus premium, if any, and accrued interest to the date of payment. Holders may not enforce the Indenture or the Securities except as provided in the Indenture. The Trustee may require indemnity reasonably satisfactory to it before it enforces the Indenture or the Securities. Subject to certain limitations, Holders of a majority in principal amount of the then outstanding Securities may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from Holders notice of any continuing default (except a default in payment of principal or premium, if any, or interest) if it determines that withholding notice is in their interests. The Company must furnish an annual compliance certificate to the Trustee.

11. Discharge Prior to Maturity. The Indenture shall be discharged and canceled upon the payment of all of the Securities and shall be discharged except for certain obligations upon the irrevocable deposit with the Trustee of funds or U.S. Government Obligations sufficient for such payment.

12. Trustee Dealings with the Company. The Trustee, in its individual or any other capacity, may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not Trustee.

13. No Recourse Against Others. A director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Security waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Securities.

14. Authentication. This Security shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

15. CUSIP Numbers. Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures, the Company has caused CUSIP numbers to be printed on the Securities as a convenience to the Holders of the Securities. No representation is made as to the accuracy of such numbers as printed on the Securities and reliance may be placed only on the other identification numbers printed thereon.

16. Abbreviations. Customary abbreviations may be used in the name of a Holder or an assignee, such as: TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and U/G/M/A (= Uniform Gifts to Minors Act).

17. Governing Law. The Indenture and the Securities shall be governed by and constructed in accordance with, the laws of the State of New York.

18. [Additional Rights and Obligations of Holders of Transfer Restricted Securities. In addition to the rights provided to Holders of Securities under the Indenture, Holders of Transfer Restricted Securities shall have all the rights set forth in the Registration Rights Agreement applicable to such Securities. Each Holder of a Transfer Restricted Security , by his acceptance thereof, acknowledges and agrees to the provisions of such Registration Rights Agreement, including without limitation the obligations of the Holders with respect to a registration and the indemnification of the Company to the extent provided therein.]**

The Company will furnish to any Holder upon written request and without charge a copy of the Indenture. Request may be made to:

Transcontinental Gas Pipe Line Corporation
2800 Post Oak Blvd.
Houston, Texas 77056
Telecopier No.: (713) 215-2435
Attention: Treasurer

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**This paragraph should be included only if the Security is a Transfer Restricted Security.

ASSIGNMENT FORM

To assign this Security, fill in the form below: (I) or (we) assign and transfer this Security to

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(Insert assignee's social security or tax I.D. number)

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ as agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Date:

Your Signature:

(Sign exactly as your name appears on the face of this Security)

Signature Guarantee:

(Participant in a Recognized Signature Guaranty Medallion Program)

In connection with any transfer of any of the Securities evidenced by this certificate occurring prior to the expiration of the period referred to in Rule 144(k) under the Securities Act after the later of the date of original issuance of such Securities and the last date, if any, on which such Securities were owned by the Company or any Affiliate of the Company, the undersigned confirms that such Securities are being transferred as specified below:

CHECK ONE

(1) [ ] to the Company or a Subsidiary thereof; or

(2) [ ] to a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act of 1933) that purchases for its own account or for the account of a qualified institutional buyer to whom notice is given that such transfer is being made in reliance on Rule 144A, in each case pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or

(3) [ ] outside the United States to a "foreign person" in compliance with Rule 904 of Regulation S under the Securities Act of 1933; or

(4) [ ] pursuant to an effective registration statement under the Securities Act of 1933; or

(5) [ ] pursuant to an exemption from the registration requirements of the Securities Act of 1933, provided by Rule 144 thereunder.

and unless the box below is checked, the undersigned confirms that such Security is not being transferred to an "affiliate" of the Company as defined in Rule 144 under the Securities Act of 1933 (an "Affiliate"):

> [ ] The transferee is an Affiliate of the Company.

Unless one of items (1) through (5) above is checked, the Trustee will refuse to register any of the Securities evidenced by this certificate in the name of any person other than the registered Holder thereof; provided, however, that if item (3) or (5) is checked, the Company or the Trustee may require, prior to registering any such transfer of the Securities, in their sole discretion, such written legal opinions, certifications (including an investment letter, and in the case of a transfer pursuant to item (3), a Regulation S Letter in substantially the form set forth below) and other information as the Trustee or the Company have reasonably requested to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.

If none of the foregoing items are checked, the Trustee or Registrar shall not be obligated to register this Security in the name of any person other than the Holder hereof unless and until the conditions to any such transfer of registration set forth herein and in Section 2.06 of the Indenture shall have been satisfied.

Signed:

(Sign exactly as your name appears on the other side of this Security)

Signature Guarantee:

TO BE COMPLETED BY PURCHASER IF (2) ABOVE IS CHECKED

The undersigned represents and warrants that it is purchasing this Security for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act of 1933 and is aware that the sale to it is being made in reliance on Rule 144A and acknowledges that it has received such information regarding the Company as the undersigned has requested pursuant to Rule 144A or has determined not to request such information and that it is aware that the transferor is relying upon the undersigned's foregoing representations in order to claim the exemption from registration provided by Rule 144A.

Dated:

Notice: to be executed by an executive officer***

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***These paragraphs should be included only if the Security is a Transfer Restricted Security.

FORM OF REGULATION S LETTER TO BE DELIVERED
IN CONNECTION WITH TRANSFERS PURSUANT TO REGULATION S

----------, ----

Citibank, N.A., as Trustee.
111 Wall Street, 14th Floor
New York, New York 10005
Telecopier No.: (212) 657-3862
Attention: Citibank Agency & Trust

Re: 8-7/8% Series A Notes due July 15, 2012 of Transcontinental Gas Pipe Line Corporation.

Gentlemen:

In connection with our proposed sale of $_____ principal amount of the above referenced Securities (the "Securities"), we confirm that such sale has been effected pursuant to and in accordance with Regulation S under the Securities Act of 1933, as amended (the "Securities Act"), and, accordingly, we represent that:

(1) the offer of the Securities was not made to a person in the United States of America;

(2) at the time the buy order was originated, the transferee was outside the United States of America or we and any person acting on our behalf reasonably believed that the transferee was outside the United States of America;

(3) no directed selling efforts have been made by us in the United States of America in contravention of the requirements of Rule 903(b) or Rule 904(b) of Regulation S, as applicable; and

(4) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

You and Transcontinental Gas Pipe Line Corporation are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby. Terms used but not defined in this letter have the meanings set forth in Regulation S under the Securities Act.

Very truly yours,

[Name of Transferor]

By

Authorized Signature

SCHEDULE OF EXCHANGES OF SECURITIES***

The following exchanges, redemptions or repurchases of a part of this Global Security have been made:

Date of Transaction	Amount of decrease in Principal Amount of Global Security	Amount of increase in Principal Amount of Global Security	Principal Amount of Global Security following such decrease (or increase)	Signature of authorized Officer, Trustee or Securities Custodian

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***This Schedule should be included only if the Security is a Global Security.

EXHIBIT 10.1

PURCHASE AGREEMENT

BY AND BETWEEN

E-BIRCHTREE, LLC

AND

ENTERPRISE PRODUCTS OPERATING L.P.

DATED AS OF

JULY 31, 2002

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Exhibit Index

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "Agreement") is made and entered into as of this 31st day of July, 2002, by and between E-Birchtree, LLC, a Delaware limited liability company (the "Seller"), and Enterprise Products Operating L.P., a Delaware limited partnership (the "Buyer").

WITNESSETH:

WHEREAS, Williams Natural Gas Liquids, Inc., a Delaware corporation ("WNGL"), owned 100% of the issued and outstanding equity interests of Mid-America Pipeline Company, a Delaware corporation ("MAPCO"), and 80% of each class of issued and outstanding capital stock of Seminole Pipeline Company, a Delaware corporation ("Seminole" and such interest in such capital stock, the "Seminole Stock");

WHEREAS, MAPCO was converted (the "MAPL Conversion") into Mid-America Pipeline Company, LLC, a Delaware limited liability company ("MAPL") and WNGL owned all of the issued and outstanding limited liability company interests in MAPL immediately following the conversion (the "MAPL Membership Interests");

WHEREAS, MAPL distributed ("Excluded Subsidiaries Distribution") all of its equity interests in the Juarez Pipeline Company and MAPL Investments, Inc. to WNGL (such entities, together with any subsidiaries of such entities, the "Excluded Subsidiaries");

WHEREAS, Williams Midstream Natural Gas Liquids, Inc., a Delaware limited liability company ("WMNGL") owned (i) the natural gas liquids terminals described on Exhibit A and (ii) the storage and other facilities described on Exhibit B (the "Terminals and Storage Assets");

WHEREAS, WMNGL formed and owned 100% of the issued and outstanding limited liability company interests (the "Sapling Membership Interests") of Sapling, LLC, a Delaware limited liability company ("Sapling") and contributed the Terminals and Storage Assets to Sapling (the "Sapling Asset Transfer");

WHEREAS, WMNGL distributed the Sapling Membership Interests to The Williams Companies, Inc., a Delaware corporation ("WMB"), which then contributed the Sapling Membership Interests to WNGL, which then contributed the Sapling Membership Interests to MAPL (such distribution and contribution together with the Sapling Asset Transfer, collectively the "Sapling Contributions");

WHEREAS, WNGL has formed and owned 100% of the issued and outstanding limited liability company interests (the "Company Membership Interests") of Mapletree, LLC, a Delaware limited liability company (the "Company");

WHEREAS, WNGL contributed the MAPL Membership Interests to the Company (the "MAPL Contributions");

WHEREAS, WNGL has formed and owned 100% of the issued and outstanding limited liability company interests (the "Oaktree Membership Interests") of E-Oaktree, LLC, a Delaware limited liability company ("Oaktree");

WHEREAS, WNGL contributed the Seminole Stock to Oaktree (the "Seminole Contributions");

WHEREAS, except for the Class B Unit, as defined in the amended and restated limited liability company agreement of Seller (the "Golden Unit"), which unit has not been issued prior to the transactions contemplated by this Agreement, WNGL has formed and owns 100% of the issued and outstanding limited liability company interests of Seller ("Seller Membership Interests" and together with the Company Membership Interests, the MAPL Membership Interests, the Sapling Membership Interests and the Oaktree Membership Interests, the "Membership Interests");

WHEREAS, WNGL contributed the Company Membership Interests and the Oaktree Membership Interests to Seller (the "Seller Contributions" and, together with the Sapling Contributions, the Seminole Contributions and the MAPL Contributions, the "Contributions"); and

WHEREAS, upon the terms and subject to the conditions set forth herein Seller desires to sell to the Buyer, and the Buyer desires to purchase from Seller (a) 98% of the Company Membership Interests (the "Subject Membership Interest") and (b) the Golden Unit.

NOW, THEREFORE, in consideration of the mutual terms, conditions and other agreements set forth herein, the parties hereto hereby agree as follows:

ARTICLE I

SALE AND PURCHASE

Section 1.1 Agreement to Sell and to Purchase. Upon the terms and subject to the conditions set forth in this Agreement, on the date hereof, in exchange for an aggregate purchase price of $940,169,097.30 in cash (the "Purchase Price"), as adjusted, the Seller is (a) selling, assigning, transferring, conveying and delivering to the Buyer the Subject Membership Interest, free and clear of any pledges, restrictions on transfer, proxies and voting or other agreements, liens, claims, charges, mortgages, security interests or other legal or equitable encumbrances, limitations or restrictions of any nature whatsoever ("Encumbrances"), and (b) selling and issuing to the Buyer the Golden Unit, and the Buyer is purchasing and accepting the Golden Unit.

Section 1.2 Closing. The closing of the sale and purchase of Subject Membership Interest and the Golden Unit (the "Closing") shall take place at 10:00 A.M. on the date hereof (the "Closing Date"), at the offices of Vinson & Elkins L.L.P., 1001 Fannin Street, Suite 2300, Houston, Texas 77002 or at such other place as the parties hereto shall agree in writing.

Section 1.3 Deliveries by the Seller. Upon the Closing, the Seller is delivering to the Buyer or its designee:

(a) an assignment, in form and substance reasonably satisfactory to the Buyer and the Seller, transferring to the Buyer the Subject Membership Interest in the Company, duly executed by the Seller;

(b) resolutions of the Board of Directors of the Seller authorizing the execution, delivery and performance of this Agreement and a certificate of an officer of the Seller, dated as of the date of this Agreement, to the effect that such resolutions were duly adopted and are in full force and effect;

(c) a copy of the fairness opinion delivered by Merrill Lynch to the Seller or its affiliates covering the transactions under this Agreement;

(d) the limited liability company agreement of the Company (the "Company LLC Agreement"), in form and substance reasonably satisfactory to the Buyer and the Seller, duly executed by the Seller;

(e) the amended and restated limited liability company agreement of the Seller (the "Seller LLC Agreement"), in form and substance reasonably satisfactory to the Buyer and the Seller, duly executed by the Seller;

(f) a Transition Services Agreement to be entered into between MAPL and WNGL (the "Transition Services Agreement"), substantially in the form of Exhibit C hereto, duly executed by WNGL;

(g) a guaranty agreement, in form and substance reasonably satisfactory to the Buyer, duly executed by WMB and WNGL;

(h) a release, in form and substance reasonably satisfactory to the Buyer, duly executed by WMB and WNGL;

(i) an omnibus assignment, in form and substance reasonably satisfactory to the Buyer, duly executed by WMB and WNGL; and

(j) all other previously undelivered documents required to be delivered by the Seller to the Buyer at or prior to the Closing Date.

Section 1.4 Deliveries by the Buyer.

(a) Upon the Closing, the Buyer is delivering to the Seller:

(i) the Purchase Price, less the Prudential Debt (as hereinafter defined), by wire transfer of immediately available funds to the account or accounts specified by the Seller in a

written notice to be delivered to the Buyer on or prior to the date hereof;

(ii) resolutions of the Board of Directors of the general partner of the Buyer authorizing the execution, delivery and performance of this Agreement and a certificate of an officer of the general partner of the Buyer, dated as of the date of this Agreement, to the effect that such resolutions were duly adopted and are in full force and effect;

(iii) the Company LLC Agreement, duly executed by the Buyer;

(iv) the Seller LLC Agreement, duly executed by a designee of the Buyer;

(v) the Transition Services Agreement, duly executed by MAPL; and

(vi) all other previously undelivered documents required to be delivered by the Buyer to the Seller at or prior to the Closing Date.

(b) Contemporaneously with the Closing, the Buyer shall pay to The Prudential Insurance Company of America ("Prudential"), on the Seller's and MAPL's behalf, the outstanding principal and any interest due, together with any prepayment penalties (the "Prudential Debt" and such amount being a portion of the Purchase Price), under those certain notes issued by MAPL to Prudential pursuant to the Note Purchase Agreements identified on Schedule 1.4(b), by wire transfer of immediately available funds to the account or accounts specified by Prudential in a written notice to be delivered by the Seller to the Buyer on or prior to the date hereof.

Section 1.5 Reserved.

Section 1.6 Adjustment to Purchase Price.

(a) As soon as possible following the Closing (but in any event within 15 days following the Closing), the Seller shall prepare and deliver to the Buyer a statement (the "Benchmark Working Capital Statement") setting forth the amount of Benchmark Working Capital (as defined below in Section 1.6(c)) and a statement (the "Final Working Capital Statement") setting forth the amount of Final Working Capital (as defined below in Section 1.6(c)). The Buyer shall have 15 days to review the Benchmark Working Capital Statement and the Final Working Capital Statement and supporting documentation and shall have reasonable access to the books, records and personnel of the Seller for purposes of verifying the accuracy of the calculation of Benchmark Working Capital and Final Working Capital. The Seller's calculation of Benchmark Working Capital and Final Working Capital shall be deemed final

and binding unless the Buyer raises an objection in writing within 15 days of its receipt thereof, specifying in reasonable detail the nature and extent of such objection. If the Buyer raises such an objection to the calculation of Benchmark Working Capital and Final Working Capital within such 15-day period, and if the Seller and the Buyer are unable to resolve such objection within 15 days of the date the Seller receives such objection, then the disputed matter shall be submitted for determination to PriceWaterhouseCoopers or such other accounting firm of national reputation mutually agreeable to the Seller and the Buyer, which shall have up to 10 days to render its determination with respect to such disputed matter. The determination of such accounting firm shall be final and binding for all purposes. The fees and expenses of such accounting firm shall be borne equally by the Seller and the Buyer.

(b) If Final Working Capital exceeds the Benchmark Working Capital, then the Buyer will pay the Seller the amount of such excess. If Final Working Capital is less than Benchmark Working Capital, then the Seller will pay the Buyer the amount of such shortfall. Any such payments will be made within 5 business days of the determination of the adjustment by wire transfer of immediately available funds and any such payments shall be deemed to be an adjustment to the Purchase Price.

(c) The following terms shall have the following meanings:

"Benchmark Working Capital" shall mean the Working Capital on the close of business on June 30, 2002 as determined pursuant to this Section 1.6 and in accordance with the methodologies employed in the preparation of the balance sheet attached hereto as Schedule 1.6.

"Final Working Capital" shall mean the Working Capital on the close of business on the Closing Date as determined pursuant to this Section 1.6 and in accordance with the methodologies employed in the preparation of the balance sheet attached hereto as Schedule 1.6.

"Working Capital" shall mean the current assets minus current liabilities of the Company and its Subsidiaries (on a pro forma consolidated basis excluding the Excluded Subsidiaries, all intercompany accounts (except trade receivables due to the Company or its Subsidiaries), and all income taxes payable (or due under a tax sharing agreement) by the Company or its Subsidiaries) determined in accordance with generally accepted accounting principles as consistently applied by the Seller with respect to the businesses contributed to the Company immediately prior to the date hereof.

(d) The Seller shall remit to the Buyer as soon as practicable after the receipt thereof any revenue received by the Seller or any affiliate of the Seller subsequent to the Closing that is attributable to the Assets.

(e) Notwithstanding anything herein to the contrary, the

amounts payable to the Buyer pursuant to this Section 1.6 shall not be subject to the Deductible (as defined in Section 8.2(c)) or the Cap (as defined in Section 8.2(c)).

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller hereby represents and warrants as follows:

Section 2.1 Corporate Organization. The Seller, the Company, MAPL, Sapling and Oaktree are each limited liability companies duly organized and validly existing under the laws of Delaware. The Seller, the Company and each of the Subsidiaries (as defined below in Section 2.3) of the Company have all requisite power and authority and all governmental licenses, authorizations, permits, consents and approvals to own their respective properties and assets and to conduct their businesses as now conducted, except for immaterial failures to have such licenses, authorizations, permits, consents and approvals. The Seller, the Company and each of the Subsidiaries of the Company are duly qualified to do business as a foreign entity and are in good standing in every jurisdiction where the character of the properties owned or leased by them or the nature of the business conducted by them makes such qualification necessary, except where the failure to be so qualified or in good standing would not individually or in the aggregate have a Material Adverse Effect (as defined in Section 9.13). Schedule 2.1 sets forth all of the jurisdictions in which the Seller, the Company and each of the Subsidiaries of the Company are qualified to do business. Copies of the Organizational Documents (as defined below) of the Seller and each of its Subsidiaries with all amendments thereto to the date hereof, have been furnished by the Seller to the Buyer or their representatives, and such copies are accurate and complete as of the date hereof. "Organizational Documents" shall mean certificates of incorporation, by-laws, certificates of formation, limited liability company operating agreements, partnership or limited partnership agreements or other formation or governing documents of a particular entity.

Section 2.2 Capitalization; Title. Prior to the issuance of the Golden Unit, all of the outstanding Seller Membership Interests are owned of record and beneficially by WNGL, free and clear of any Encumbrances. All of the outstanding Company Membership Interests are owned of record and beneficially by Seller, free and clear of any Encumbrances. All of the outstanding MAPL Membership Interests are owned of record and beneficially by the Company, free and clear of any Encumbrances. All of the outstanding Sapling Membership Interests are owned of record and beneficially by MAPL, free and clear of any Encumbrances. All of the Membership Interests have been duly authorized and validly issued. Except for this Agreement, the Seminole Purchase Agreement (as defined in Section 9.13) and as set forth on Schedule 2.2, there are no outstanding options, warrants, agreements, conversion rights, preemptive rights or other rights to subscribe for, purchase or otherwise acquire any of the Membership Interests. There are no voting trusts or other agreements or understandings to which any of the Seller or any of its Subsidiaries is a party with respect to the voting of the

Membership Interests. There is no indebtedness of the Company having general voting rights issued and outstanding. Except for this Agreement and the Seminole Purchase Agreement, there are no outstanding obligations of any person to repurchase, redeem or otherwise acquire outstanding Membership Interests or any securities convertible into or exchangeable for any Membership Interests. The Seller has valid and marketable title to the Subject Membership Interest, and the sale and transfer of the Subject Membership Interest by the Seller to the Buyer hereunder will transfer title to the Subject Membership Interest to the Buyer free and clear of any Encumbrances. The Golden Unit has been duly authorized and validly issued.

Section 2.3 Subsidiaries and Equity Interests. Except for the Company, MAPL, Sapling, Oaktree and Seminole, which are Subsidiaries of the Seller, the Seller does not own, directly or indirectly, any shares of capital stock, voting rights or other equity interests or investments in any other person or any interests in any other asset. Except for MAPL and Sapling, which are Subsidiaries of the Company, the Company does not own, directly or indirectly, any shares of capital stock, voting rights or other equity interests or investments in any other person. "Subsidiary" shall mean, with respect to a specified person, any person in which such specified person owns, directly or indirectly, any shares of capital stock, voting rights or other equity interests or investments. The Company and each of its Subsidiaries do not have any rights to acquire by any means, directly or indirectly, any capital stock, voting rights, equity interests or investments in another person. All references in this Agreement to the Company and its Subsidiaries shall in no way be deemed to include any reference to assets or businesses previously owned by the Company or its Subsidiaries which were distributed out of such entities (including, without limitation, the Excluded Subsidiaries) prior to the Closing.

Section 2.4 Validity of Agreement; Authorization. The Seller has the power to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by the Seller, and no other proceedings on the part of the Seller are necessary to authorize such execution, delivery and performance. This Agreement has been duly executed by each of the Seller and constitutes the Seller's valid and binding obligation enforceable against the Seller in accordance with its terms (except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar law affecting the enforcement of creditors' rights generally or by general equitable principles). Each of the MAPL Conversion, the Contributions and the Excluded Subsidiaries Distribution (collectively, the "Reorganization Transactions") were duly authorized, and the instruments executed in connection therewith (the "Reorganization Instruments") were duly executed and constitute the valid and binding obligations enforceable against the parties thereto (the "Reorganization Parties") in accordance with their terms (except to the extent that their enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar law affecting the enforcement of creditors' rights generally or by general equitable principles).

Section 2.5 No Conflict or Violation. Except as set forth on Schedule 2.5, (x) the execution, delivery and performance by the Seller of this Agreement and the

documents to be delivered at the Closing and (y) the execution, delivery and performance of the Reorganization Instruments by the Reorganization Parties, does not and will not:

(a) violate or conflict with any provision of the Organizational Documents of the Seller, the Company or any of its Subsidiaries or any other Reorganization Party;

(b) materially violate any applicable provision of a material law, statute, judgment, order, writ, injunction, decree, award, rule, or regulation of any foreign, federal, tribal, state or local government, court, arbitrator, agency or commission or other governmental or regulatory body or authority ("Governmental Authority");

(c) materially violate, result in a material breach of, constitute (with due notice or lapse of time or both) a material default or cause any material obligation, penalty or premium to arise or accrue under, accelerate or permit the acceleration of the performance required by, or require any consent, authorization or approval under (i) any material contract, lease, loan agreement, mortgage, security agreement, trust indenture or other material agreement or instrument to which the Seller, the Company, or any of its Subsidiaries or any other Reorganization Party are a party or by which any of them is bound or to which any of their respective properties or assets is subject or (ii) any mortgage, security agreement, trust indenture, loan or debt agreement or any other agreement or instrument evidencing indebtedness for money borrowed to which the Seller or any of its affiliates, the Company, any of its Subsidiaries or any other Reorganization Party is a party or by which any of them is bound or to which any their respective properties or assets is subject; or

(d) result in the creation or imposition of any Encumbrance except Permitted Encumbrances upon any of the properties or assets of the Seller or any of its affiliates, the Company or any of its Subsidiaries.

Section 2.6 Consents and Approvals. Except as set forth on Schedule 2.6, no material consent, approval, authorization, license, order or permit, or declaration, filing or registration with, or notification to any Governmental Authority or any other person, is required to be obtained by the Seller or the Seller's affiliates (including, without limitation, the Company and its Subsidiaries) in connection with the Reorganization Transactions, the execution and delivery of this Agreement by the Seller or the performance of the Seller's obligations hereunder. Except as set forth on Schedule 2.6, the Reorganization Transactions do not (a) breach, violate or result in any default under any agreements or instruments to which the Seller or any of the Seller's affiliates (including the Company and its Subsidiaries) are parties or otherwise are bound or (b) trigger, violate or otherwise create any right in or for any person under any right of first refusal, preferential rights to purchase or similar rights applicable in connection with the Reorganization Transactions or the transactions contemplated by this Agreement.

Section 2.7 Financial Statements. The Seller has heretofore furnished

to the Buyer copies of the financial statements of the Company's Subsidiaries (other than Sapling) and the Excluded Subsidiaries as of December 31, 2001 (the "2001 Financials") and the pro forma financial statements of the Company's Subsidiaries (other than Sapling) as of June 30, 2002 (the "Pro Forma Financials and, together with the 2001 Financials, the "Financial Statements"). The Financial Statements were prepared on the basis of the information contained in the books and records of the Seller and (a) the 2001 Financials were prepared in accordance with U.S. generally accepted accounting principles ("GAAP") consistently applied and (b) the Pro Forma Financials were prepared in a manner consistent with the principles of GAAP. Except as described on Schedule 2.7, the 2001 Financials fairly present in all material respects the financial position, results of operations and changes in cash flow of the Company's Subsidiaries (other than Sapling) and the Excluded Subsidiaries as of the dates of such 2001 Financials and for the periods then ended (subject to normal year-end audit adjustments consistent with prior periods).

Section 2.8 Absence of Certain Changes or Events. Except as set forth in Schedule 2.8 (a) and except for the Reorganization Transactions, since (x) December 31, 2001, the business of the Company and its Subsidiaries has been conducted in the ordinary course consistent with past practices and (y) since June 30, 2002 neither the Company nor any of its Subsidiaries has taken any of the actions described in Schedule 2.8(b), except in connection with entering into this Agreement. Since December 31, 2001, there has not been:

(a) any material destruction of, damage to, or loss of, any material asset of the Company or its Subsidiaries (whether or not covered by insurance) that has not been repaired or replaced;

(b) any material citation received or to the Seller's knowledge, any other citation received by the Seller, the Company or any of its Subsidiaries for any material violations of any act, law, rule, regulation, or code of any Governmental Authority related to the activities or business of the Seller, the Company or any of its Subsidiaries; or

(c) any other event or condition of any character that has had, or would reasonably be expected to have, a Material Adverse Effect.

Section 2.9 Tax Matters.

(a) For purposes of this Agreement, (i) "Tax Returns" shall mean returns, reports, exhibits, schedules, information statements and other documentation (including any additional or supporting material) filed or maintained, or required to be filed or maintained, in connection with the calculation, determination, assessment or collection of any Tax and shall include any amended returns; (ii) "Tax" or "Taxes" shall mean any and all Federal, state, local, foreign and other taxes, levies, fees, imposts, duties and charges of whatever kind (including any interest, penalties or additions to the tax imposed in connection therewith or with respect thereto), including, without limitation, taxes

imposed on, or measured by, income, franchise, profits or gross receipts, ad valorem, value added, sales, use, service, real or personal property, capital stock, license, payroll, withholding, employment, social security, workers' compensation, unemployment compensation, utility, severance, production, excise, stamp, occupation, premium, windfall profits, transfer and gains taxes and customs duties; (iii) the "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time (or any corresponding provision of succeeding law) and (iv) "Treasury Regulations" shall mean the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time.

(b) Except as disclosed on Schedule 2.9, (i) all income and other material Tax Returns required under applicable law to be filed by or with respect to the Company, any of its Subsidiaries or predecessors thereto (including MAPCO) have been timely filed; (ii) all such Tax Returns were true, correct and complete in all material respects; (iii) all income and other material Taxes required to be paid by or with respect to the Company, any of its Subsidiaries or predecessors thereto (including MAPCO) (whether or not shown on any Tax Return) have been timely paid (except for Taxes which are being contested in good faith in appropriate proceedings); (iv) there is no action, suit, proceeding, audit or claim now pending or threatened in writing against, or with respect to, the Company, any of its Subsidiaries or predecessors thereto (including MAPCO) in respect of any income or other material Tax or assessment for any income or other material Tax; (v) all deficiencies or assessments asserted against the Company, any of its Subsidiaries or predecessors thereto (including MAPCO) by any Tax authority or with respect to Taxes have been paid or fully and finally settled and, to the knowledge of the Seller, no issue previously raised in writing by any such Tax authority reasonably could be expected to result in a material assessment on or after the date hereof; (vi) no written claim has been made by any Tax authority in a jurisdiction where the Company, any of its Subsidiaries or predecessors thereto (including MAPCO) have not filed a Tax Return that any of them are or may be subject to Tax by such jurisdiction, nor to the Seller's knowledge has any such assertion been threatened in writing; (vii) there are no extensions or outstanding requests for extensions of time within which to pay Taxes or file Tax Returns of or with respect to the Company, any of its Subsidiaries or predecessors thereto (including MAPCO); (viii) there has been no waiver, extension or request for extension of any applicable statute of limitations for the assessment or collection of any Taxes of the Company, any of its Subsidiaries or predecessors thereto (including MAPCO); (ix) each of the Company and its Subsidiaries has been a disregarded entity for Federal income tax purposes at all times from its formation prior to the sale and purchase of the Subject Membership Interest; (x) Seller is not a "foreign person" within the meaning of Section 1445 of the Code; (xi) neither the Company nor any of its Subsidiaries or any of their predecessors is a party to any agreement, whether written or unwritten, providing for the payment of Taxes, payment for Tax losses, entitlements to refunds or similar Tax matters; (xii) each of the Company, its Subsidiaries and predecessors thereto (including MAPCO) has withheld and paid

all material Taxes required to be withheld by it in connection with any amounts paid or owing to any employee, creditor, independent contractor or other third party; (xiii) there are no Encumbrances on the assets of the Company or any of its Subsidiaries relating to or attributable to Taxes, other than liens for Taxes not yet due and payable or Taxes being contested in good faith in appropriate proceedings; (xiv) beginning on March 27, 1998, MAPCO was a member of the affiliated group, within the meaning of Section 1504 of the Code, of which WMB is the common parent (the "WMB Parent Group"); (xv) MAPCO was never a member of an affiliated group (within the meaning of Section 1504 of the Code) or an affiliated, combined, consolidated, unitary or similar group for state, local or foreign Tax purposes, other than the WMB Parent Group; (xvi) neither the Company nor any of its Subsidiaries has any liability for the Taxes of any person under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise, with the exception of MAPL's liability as the successor of MAPCO for Taxes of WMB Parent Group; (xvii) neither the Company nor any of its Subsidiaries is a party to any contract, agreement, plan or arrangement that, individually or in the aggregate, could give rise to the payment of any amount that would not be deductible pursuant to Section 280G or 162(m) of the Code; (xviii) MAPCO did not constitute either a "distributing corporation" or a "controlled corporation" in a distribution of stock qualifying for tax-free treatment under Section 355 of the Code in the two years prior to the date of this Agreement or in a distribution which could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) in conjunction with the transactions contemplated by this Agreement; (xix) none of the assets or properties of the Company or any of its Subsidiaries is required to be treated as tax-exempt use property within the meaning of Section 168(h)(1) of the Code; (xx) neither the Company nor any of its Subsidiaries has participated in a reportable transaction within the meaning of Treasury Regulations Section 1.6011-4T or participated in a transaction that has been disclosed pursuant to IRS Announcement 2002-2, 2002-2 I.R.B. 304; and (xxi) the Financial Statements include adequate provision under generally accepted accounting principles for all unpaid Taxes of the Company, its Subsidiaries and any predecessors thereto (including MAPCO) as of the date thereof.

Section 2.10 Absence of Undisclosed Liabilities.

(a) Except as disclosed on Schedule 2.10, the Company and its Subsidiaries have no material, individually or in the aggregate, indebtedness or liability, absolute or contingent, direct or indirect, which is not shown or provided for in the Financial Statements other than liabilities incurred or accrued in the ordinary course of business (including liens for current Taxes not yet due and payable and assessments not in default) since December 31, 2001. Except for liabilities arising in connection with its ownership of the Company or Oaktree or under the Seminole Purchase Agreement, Seller has no indebtedness or liability, absolute or contingent, direct or indirect.

(b) None of the Company or any of its Subsidiaries is obligated for any "off balance sheet indebtedness" which, but for the structure of such indebtedness would be required to be reflected on a balance sheet in accordance with generally accepted accounting principles.

Section 2.11 Real and Personal Property; Sufficiency of Assets of the Company.

(a) Except as set forth on Schedule 2.11(a), the Company or one of its Subsidiaries owns marketable fee title to, or holds a valid leasehold interest in, or right-of-way easements through (collectively, the "Rights of Way") all material real property (collectively, "Real Property") used or necessary for the conduct of the Company's and its Subsidiaries' businesses, as they are presently conducted and as conducted immediately prior to the Contributions, and except for the Omnibus Excluded Assets (as defined below), the Company or one of its Subsidiaries has good and valid title to all of the material tangible assets used or necessary for the conduct of the Company's and its Subsidiaries' businesses as they are presently conducted and as conducted immediately prior to the Contributions or which material tangible assets are reflected on the Financial Statements (except for assets sold, consumed or otherwise disposed of in the ordinary course of business since the date of the Financial Statements) and (ii) all such material Real Property and assets (other than Rights of Way) are owned or leased by the Company or its Subsidiaries free and clear of all Encumbrances, except for (A) Encumbrances set forth on Schedule 2.11(a), (B) liens for current Taxes not yet due and payable or for Taxes the validity of which is being contested in good faith in appropriate proceedings, (C) rights of way, laws, ordinances and regulations affecting building use and occupancy (collectively, "Property Restrictions") imposed or promulgated by law or any Governmental Authority with respect to Real Property, including zoning regulations, provided they do not materially adversely affect the current use of the applicable real property, and (D) mechanics', carriers', workmen's and repairmen's liens and other Encumbrances of any kind, if any, which do not materially detract from the value of or materially interfere with the present use of any Real Property or assets subject thereto or affected thereby and which have arisen or been incurred in the ordinary course of business (clauses (A) through (D) above are referred to collectively as "Permitted Encumbrances"). All Rights of Way used or necessary for the conduct of the Company's and its Subsidiaries' businesses, as they are presently conducted and as conducted immediately prior to the Contributions, are owned or leased by the Company or one of its Subsidiaries, free and clear of all Encumbrances created by the Seller, any affiliate of the Seller, the Company or any Subsidiary of Company, except for the Permitted Encumbrances.

(b) The Pipeline Systems are contiguous to all points of delivery and receipt, except for such failures to be contiguous that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(c) There are no material structural defects relating to any of the improvements to the Real Property (including, without limitation, the Pipeline Systems) and all tangible assets and seasonal property used or necessary for the conduct of the Company's and its Subsidiaries' businesses, as they are presently conducted and as conducted immediately prior to the Contributions, are in good operating condition, ordinary wear and tear and obsolescence excepted. To the Company's knowledge, all improvements to the real property used or necessary for the conduct of the Company's and its Subsidiaries' businesses, as they are presently conducted and as conducted immediately prior to the Contributions, do not encroach in any respect on property of others (other than encroachments that would not materially impair the operations of the Company and its Subsidiaries currently conducted thereon).

(d) Except as set forth on Schedule 2.11(d) and except for the Omnibus Excluded Assets, the assets owned, leased or licensed by the Company and its Subsidiaries constitute all of the assets and rights used by the Seller, the Seller's affiliates, the Company and its Subsidiaries to conduct the businesses of the Company and its Subsidiaries and the operation of the Pipeline Systems and the Terminals and Storage Assets as they are presently conducted and as conducted immediately prior to the Contributions.

(e) Except as set forth on Schedule 2.11(e), there is no pending or, to the Seller's knowledge, threatened condemnation of any part of the Real Property used or necessary for the conduct of the Company's and its Subsidiaries' businesses, as they are presently conducted and as conducted immediately prior to the Contributions, by any Governmental Authority which would materially adversely affect the Company's or its Subsidiaries' use of such Real Property.

Section 2.12 Regulatory Matters.

(a) None of the Company or any of its Subsidiaries is a "Natural Gas Company" as that term is defined in Section 2 of the Natural Gas Act ("NGA"). None of the Company or its Subsidiaries is a "public utility company," "holding company" or "subsidiary" or "affiliate" of a holding company as such terms are defined in the Public Utility Holding Company Act of 1935 (the "1935 Act"). No approval of (i) the Securities and Exchange Commission under the 1935 Act or (ii) FERC under the NGA, the Interstate Commerce Act ("ICA") or the Federal Power Act is required in connection with (x) the Reorganization Transactions, (y) the execution of this Agreement by the Seller or (z) the performance of the transactions contemplated hereby by the Seller.

(b) MAPL is subject to regulation under Chapter 1 of the ICA. MAPL is in material compliance with all applicable provisions of the ICA and all rules and regulations promulgated by FERC pursuant thereto. MAPL is in material compliance with all orders issued by FERC that pertain to terms and

conditions and rates charged for services.

(c) The Company and its Subsidiaries have all licenses, permits and authorizations (other than licenses or permits for the use of land) issued or granted by Governmental Authorities that are necessary for the conduct of the Company's and its Subsidiaries' businesses, as they are presently conducted and as conducted immediately prior to the Contributions, except for such failures that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

Section 2.13 Intellectual Property.

(a) Except as set forth on Schedule 2.13(a), and as may be identified during development of the IT Migration Plan (as defined in Section 4.12 below), and for such matters as would not have a Material Adverse Effect, each of the Company and its Subsidiaries owns all right, title and interest in and to, or has a valid and enforceable license or other right to use, all the Intellectual Property (as defined below) used by the Company in connection with its business, which represents all Intellectual Property rights necessary for the Company to conduct its business as presently conducted.

(b) Neither the Company nor any of its Subsidiaries has materially violated, infringed upon or unlawfully or wrongfully used the intellectual property of others, and neither of the Company's nor any of its Subsidiaries' Intellectual Property or any related rights as used in the businesses now or heretofore conducted by the Company or any of its Subsidiaries, materially infringes upon or otherwise materially violates the rights of others, nor has any person or Governmental Authority asserted in writing a material claim of such infringement or misuse or initiated (or indicated in writing any present or future intention to initiate) any material proceeding with respect to such Intellectual Property.

(c) Except as set forth on Schedule 2.13(c), neither the Company nor any of its Subsidiaries will from and after the Closing be obligated to make any payments for royalties, fees or otherwise to any person in connection with any of the Company's or any of its Subsidiaries' Intellectual Property. None of the Seller, the Company or any of its Subsidiaries is aware of any infringement of the Company's or any of its Subsidiaries' Intellectual Property, and there are no pending infringement actions against another for infringement of the Company's or any of its Subsidiaries' Intellectual Property or theft of trade secrets.

(d) The only representations and warranties given in respect of Intellectual Property and matters and agreements relating thereto are those contained in this Section 2.13, and none of the other representations and warranties shall be deemed to constitute, directly or indirectly, a representation and warranty in respect of Intellectual Property and matters or agreements relating

thereto.

(e) As used in this Agreement, "Intellectual Property" shall mean the trademarks, service marks, trade names, inventions, trade secrets, copyrights and domain names used in connection with the Company's or its Subsidiaries' businesses.

Section 2.14 Compliance with Law. Except as relates to Tax matters (which are provided for in Section 2.9), NGA, ICA and the 1935 Act matters (which are provided for in Section 2.12), or environmental, health and safety matters (which are provided for in Section 2.21) and except as set forth on Schedule 2.14, the operations of the Company, its Subsidiaries and their respective Assets have been conducted in material compliance since December 31, 2001, with all applicable material laws, licenses, regulations, orders and other material requirements of all Governmental Authorities having jurisdiction over the Company and any Subsidiary and their assets, properties and operations. Except as relates to Tax matters (which are provided for in Section 2.9), NGA, ICA and the 1935 Act matters (which are provided for in Section 2.12) or environmental, health and safety matters (which are provided for in Section 2.21), none of the Seller, the Seller's affiliates, the Company or its Subsidiaries has materially violated, been charged with materially violating or, to the knowledge of Seller or any of its affiliates, been threatened with a charge of materially violating of any such law, license, regulation, order or other legal requirement, or are in material default with respect to any material order, writ, judgment, award, injunction or decree of any Governmental Authority, in each case, as applicable to the Company, its Subsidiaries or any of the Company's and its Subsidiaries' assets, properties or operations.

Section 2.15 Litigation. Except as set forth on Schedule 2.15, there are no Legal Proceedings (as hereinafter defined) pending or, to the knowledge of the Seller, the Seller's affiliates, the Company or its Subsidiaries, threatened against or involving the Seller, any of the Seller's affiliates, the Company or any of its Subsidiaries that, individually or in the aggregate, are reasonably likely to:

(a) incur damages or costs to the Company or any of its Subsidiaries in excess of $500,000;

(b) have a Material Adverse Effect; or

(c) materially impair or delay the ability of the Seller to perform their obligations under this Agreement or consummate the transactions contemplated by this Agreement.

Except as set forth on Schedule 2.15, there is no order, judgment, injunction or decree of any Governmental Authority outstanding against the Seller, the Company or any of its Subsidiaries or against any of the Seller's affiliates with respect to the Assets that, individually or in the aggregate, would have any effect referred to in the foregoing clauses (a) and (b). "Legal Proceeding" shall mean any judicial, administrative or arbitral actions, suits, proceedings (public or private), investigations or governmental proceedings

before any Governmental Authority.

Section 2.16 Contracts. Except for Commitments (as defined below in Section 2.16(o)) listed on Schedule 2.13(a) or Schedule 2.18(a), Schedule 2.16 sets forth (subject to the dollar amount limitations of clauses (b) or (c) below) a true and complete list of the following contracts, agreements, instruments and commitments to which the Company or any of its Subsidiaries is a party or otherwise relating to or affecting any of the Assets or the operations of the Company or any of its Subsidiaries, whether written or oral:

(a) any material contracts, agreements and commitments not made in the ordinary course of business;

(b) contracts calling for payments by or to the Company or any of its Subsidiaries of amounts greater than $1,000,000;

(c) contracts, loan agreements, letters of credit, repurchase agreements, mortgages, security agreements, guarantees, pledge agreements, trust indentures and promissory notes and similar documents relating to the borrowing of money or for lines of credit;

(d) agreements with respect to the sharing or allocation of Taxes or Tax costs;

(e) agreements for the sale of any material assets, property or rights other than in the ordinary course of business or for the grant of any options or preferential rights to purchase any material assets, property or rights;

(f) documents granting any power of attorney with respect to the affairs of the Company or its Subsidiaries;

(g) suretyship contracts, performance bonds, working capital maintenance, support agreements, contingent obligation agreements and other forms of guaranty agreements;

(h) any material contracts or commitments limiting or restraining the Company or any Subsidiary from engaging or competing in any lines of business or with any person;

(i) with respect to natural gas liquids, any transportation agreements, product purchase agreements, fractionation agreements, processing agreements, balancing agreements, interconnection agreements and storage agreements, other than any terminaling agreements that are terminable upon notice of one year or less;

(j) any collective bargaining agreements;

(k) any contracts between the Company or its Subsidiaries, on the one hand, and the Seller or its affiliates (other than the Company or its Subsidiaries), on the other hand;

(l) any indemnification agreements not made in the ordinary course of business;

(m) any material partnership, joint venture or similar agreements;

(n) capital leases; and

(o) all amendments, modifications, extensions or renewals of any of the foregoing (the types of contracts, agreements and documents described in subsections (a) through (o) are hereinafter referred to collectively as the "Commitments" and individually as a "Commitment").

Each Commitment is valid, binding and enforceable against the Company and/or each Subsidiary of the Company that is a party thereto in accordance with its terms, and in full force and effect on the date hereof (except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar law affecting the enforcement of creditors' rights generally or by general equitable principles). The Company and each of its Subsidiaries, as the case may be, have performed in all material respects all obligations required to be performed by them under, and are not in material default or breach of in respect of, any Commitment, and no event has occurred which, with due notice or lapse of time or both, would constitute such a default. To the knowledge of the Seller and the Company or any of its Subsidiaries, no other party to any Commitment is in default in any material respect thereof, and no event has occurred which, with due notice or lapse of time or both, would constitute such a default. The Seller has made available to the Buyer or its representatives true and complete originals or copies of all the Commitments and a copy of every material default notice received by the Seller or the Company or any of its Subsidiaries during the past one year with respect to any of the Commitments.

Section 2.17 Books and Records of the Company. The books of account, minute books, record books, and other records of the Company and its Subsidiaries, all of which have been made available to the Buyer or its representatives, are complete and correct in all material respects.

Section 2.18 Employee Plans.

(a) Except as set forth in Schedule 2.18(a), neither the Company nor any of its Subsidiaries' sponsors or maintains or has any liability or obligation with respect to, and at any time during the past five years or, if longer, for any period for which an applicable statute of limitations has not expired, has not sponsored, maintained or had any liability or obligation with respect to, any "employee benefit plan," as defined under Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or any other bonus, pension, stock option, stock purchase, benefit,

welfare, profit-sharing, retirement, disability, vacation, severance, hospitalization, insurance, incentive, deferred compensation and other similar fringe or employee benefit plans, funds, programs or arrangements, whether written or oral ("Employee Plans"), in each of the foregoing cases which cover, are maintained for the benefit of, or relate to any or all current or former employees of the Company. Schedule 2.18(a) sets forth a true and complete list of all Employee Plans which cover, are maintained for the benefit of, or relate to any or all employees of the Seller or its affiliates who are assigned to or perform services primarily for the business of the Company or its Subsidiaries (including the business of operating the assets of Seminole) (the "Business Employees," and such Employee Plans hereinafter referred to as the "Seller Plans"). For purposes of determining Business Employees, a person shall be deemed to be performing services primarily for the business of the Company or any of its Subsidiaries if such person spends at least 50% of their working time in the conduct of the business of operations of the Company or its Subsidiaries.

(b) The Company and its Subsidiaries have no current or former employees. Schedule 2.18(b) sets forth a true and complete list showing the names of all Business Employees. Except as set forth on Schedule 2.18(b), there are no contracts, agreements, plans or arrangements covering any Business Employee with "change of control", severance or similar provisions that would be triggered as a result of the consummation of this Agreement or that could otherwise result in liability to the Company or its Subsidiaries. To the Seller's and the Company's knowledge, no Business Employee is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of such employee's efforts to promote the interests of the Company or the Buyer or that would conflict with the Company's or its Subsidiaries' business as conducted or proposed to be conducted.

(c) None of the employees who provide services to the Company or its Subsidiaries are covered by collective bargaining agreements and, to the Seller's knowledge, there are no union or labor organization efforts respecting such employees.

(d) Neither the Company nor any of its Subsidiaries will have any liability to any person for compensation pursuant to employment or termination of employment as a result of consummating the transactions contemplated by this Agreement.

Section 2.19 Insurance.

(a) Schedule 2.19 sets forth a true and complete list of all policies of property and casualty insurance, including crime insurance, liability and casualty insurance, property insurance, business interruption insurance, workers' compensation, excess or umbrella liability insurance and any other type of property and casualty insurance insuring the properties, assets, employees and/or operations of the Company or its Subsidiaries (collectively, the "Policies"). Upon request, the Seller will make available to the Buyer certificates of insurance and insurance summaries from the insurance broker evidencing the existence of

the Policies. Except as set forth on Schedule 2.19, all such polices are in full force and effect. All premiums payable under such Policies have been paid in a timely manner and the Seller, the Seller's affiliates, the Company and the Company's Subsidiaries have complied fully with the terms and conditions of all such Policies.

(b) Neither the Company nor any of its Subsidiaries is in default under any provisions of the Policies, and there is no claim by the Seller, the Seller's affiliates, the Company or any Subsidiary of the Company or any other person pending under any of the Policies as to which coverage has been questioned, denied or disputed by the underwriters or issuers of such Policies. Except as set forth on Schedule 2.19, none of the Seller, the Seller's affiliates, the Company or any Subsidiary of the Company has received written notice from an insurance carrier issuing any Policies that alteration of any equipment or any improvements located on Real Property, purchase of additional equipment, or modification of any of the methods of doing business of the Company or its Subsidiaries, will be required or suggested after the date hereof.

Section 2.20 Transactions with Directors, Officers and Affiliates. Except as set forth on Schedule 2.20 and for intercompany transactions in the ordinary course of business, since December 31, 2001, there have been no transactions between the Company or its Subsidiaries and any director, officer, employee, stockholder, member or other "affiliate" (as such term is defined in Rule 405 under the Securities Act of 1933, as amended (the "Securities Act")) of the Company, or any Subsidiary or the Seller, including, without limitation, loans, guarantees or pledges to, by or for the Company or Subsidiary from, to, by or for any of such persons. Except as set forth on Schedule 2.11(d), neither the Seller nor any of their "affiliates" (as such term is defined in Rule 405 under the Securities Act) (other than the Company or any Subsidiary) owns or has any rights in or to any of the assets, properties or rights used by the Company or its Subsidiaries in the ordinary course of their business.

Section 2.21 Environmental; Health and Safety Matters.

(a) Except as set forth on Schedule 2.21:

(i) the Company and its Subsidiaries and their respective operations and the Assets are in material compliance with all applicable Environmental Laws, and have been in material compliance with Environmental Laws and, in the case of pipeline safety, prudent industry practices, except for non-compliance that would not reasonably be expected to result in the Company or its Subsidiaries incurring material liabilities under applicable Environmental Laws;

(ii) none of the Seller, the Company or its Subsidiaries has received any written request for information, or has been notified that it is a potentially responsible party, under CERCLA (as hereinafter defined) or any similar state law with respect to any on-site or

off-site location for which material liability is currently being asserted against them with respect to the activities or operations of the Company or its Subsidiaries;

(iii) there are no material writs, injunctions, decrees, orders or judgments outstanding, or any actions, suits, proceedings or investigations pending or to their knowledge threatened, involving the Company or its Subsidiaries relating to (A) their compliance with any Environmental Law, or (B) the release, disposal, discharge, spill, treatment, storage or recycling of Hazardous Materials into the environment at any location which would reasonably be expected to result in the Company or any Subsidiary incurring any material liability under Environmental Laws;

(iv) the Company and its Subsidiaries have obtained, currently maintain and are in material compliance with all material licenses which are required under Environmental Laws for the operation of their respective businesses (collectively, "Environmental Permits"), all such material Environmental Permits are in effect and no appeal nor any other action is pending to revoke any such material Environmental Permit;

(v) there have been no Releases of Hazardous Materials at any current or former property owned, leased or operated by the Company or its Subsidiaries that are reasonably likely to result in material liabilities under applicable Environmental Laws after the Closing Date;

(vi) there have been no ruptures in the Pipeline Systems resulting in injury, loss of life, or material property damage, except to the extent that any liabilities or costs arising as a result of such ruptures have been fully resolved so that the Seller does not expect that the Company or its Subsidiaries will incur material liabilities or costs after the Closing Date; and

(vii) to the knowledge of the Seller and its affiliates, there are no defects, corrosion or other damage to any of the Pipeline Systems that would create a material risk of pipeline integrity failure.

(b) The following terms shall have the following meanings:

"Environmental Claim" shall mean any notice of violation, action, claim, lien, demand, abatement or other order or directive (conditional or otherwise) by any person or Governmental Authority for personal injury (including sickness, disease or death), tangible or intangible property damage, damage to the environment (including natural

resources), nuisance, pollution, contamination, trespass or other adverse effects on the environment, or for fines, penalties or restrictions resulting from or based upon (i) the existence, or the continuation of the existence, of a Release (including, without limitation, sudden or non-sudden accidental or non-accidental Releases) of, or exposure to, any Hazardous Material, odor or audible noise; (ii) the transportation, storage, treatment or disposal of Hazardous Materials; or (iii) the violation, or alleged violation, of any Environmental Laws or Permits issued thereunder.

"Environmental Law" shall mean current local, county, state, federal, and/or foreign law (including common law), statute, code, ordinance, rule, regulation or other legal obligation relating to the protection of the environment or natural resources, including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. section 9601 et seq.), as amended ("CERCLA"), the Resource Conservation and Recovery Act (42 U.S.C. section 6901 et seq.), as amended ("RCRA"), the Federal Water Pollution Control Act (33 U.S.C. section 1251 et seq.), as amended, the Clean Air Act (42 U.S.C. section 7401 et seq.), as amended, the Toxic Substances Control Act (15 U.S.C. section 2601 et seq.), as amended, the Occupational Safety and Health Act (29 U.S.C. section 651 et seq.), as amended, the Federal Natural Gas Pipeline Safety Act of 1968, as amended, the Hazardous Materials Transportation Act (49 U.S.C. section 1801 et seq.), as amended, the Oil Pollution Act (33 U.S.C. section 2701 et seq.), the Safe Drinking Water Act (42 U.S.C. section 300(f) et seq.), as amended, analogous state, tribal or local laws, and any similar, implementing or successor law, and any amendment, rule, regulation, or directive issued thereunder.

"Hazardous Material" shall mean any substance, material or waste which is regulated by any Environmental Law as hazardous, toxic, a pollutant, contaminant or words of similar meaning including, without limitation, petroleum, petroleum products, asbestos, urea formaldehyde and polychlorinated biphenyls.

"Release" shall mean any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of a Hazardous Material.

(c) The representations set forth in this Section 2.21 are the Seller's sole and exclusive representation and warranties related to any environmental matters.

Section 2.22 Brokers. Neither Seller nor any of Seller's affiliates has employed the services of a broker or finder in connection with this Agreement or any of the transactions contemplated hereby for which the Buyer, Buyer's affiliates, the Company or any of the Subsidiaries of the Company would be responsible for paying any fee, commission or other amount.

Section 2.23 No Default. The Company and each of its Subsidiaries is not in default under, and no condition exists that with notice or lapse of time or both would constitute a default under (a) any judgment, order or injunction of any court, arbitrator or governmental agency or (b) any other agreement, contract, lease, license or

other instrument, which default, in the case of either clause (a) or (b), might reasonably be expected to have a Material Adverse Effect or prevent, hinder or delay consummation of the transactions contemplated by this Agreement.

Section 2.24 Contemporaneous Transactions. The Contemporaneous Transactions (as hereinafter defined) have been consummated. The term "Contemporaneous Transactions" shall mean that certain Consent and Fourth Amendment of even date herewith to that certain Credit Agreement dated as of July 25, 2000 among The Williams Companies, Inc., Northwest Pipeline Corporation, Transcontinental Gas Pipe Line Corporation, and Texas Gas Transmission Corporation, as Borrowers, the financial institutions from time to time party thereto, The Chase Manhattan Bank and Commerzbank AG, as Co-Syndication Agents, Credit Lyonnais New York Branch, as Documentation Agent, and Citibank, N.A., as Agent, as amended by a letter agreement dated as of October 10, 2000, by a Waiver and First Amendment dated as of January 31, 2001, by a Second Amendment to Credit Agreement dated as of February 7, 2002, by a Third Amendment dated as of March 3, 2002.

Section 2.25 Reserved.

Section 2.26 Reserved

Section 2.27 Financial Derivatives/Hedging Agreements. Except as set forth on Schedule 2.27 hereto, neither the Company nor any of its Subsidiaries are parties to or otherwise are bound by any Financial Derivative/Hedging Agreement. For purposes of this Section 2.27, Financial Derivative/Hedging Agreement includes (a) any transaction (including an agreement with respect thereto) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) and (b) any combination of these transactions.

Section 2.28 Certain Commercial Contracts. The Seller has or has caused its affiliates to transfer to MAPL all of the Seller's and its affiliates' rights under those contracts set forth in Schedule 2.28.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer hereby represents and warrants as follows:

Section 3.1 Organization. The Buyer is a limited partnership duly formed, validly existing and in good standing under the laws of the state of Delaware and has all requisite power and authority to own its properties and assets and to conduct its business as now conducted. The Buyer is duly qualified to do business as a foreign entity

in every jurisdiction where the character of the properties owned or leased by the Buyer or the nature of the business conducted by the Buyer makes such qualifications necessary.

Section 3.2 Validity of Agreement. The Buyer has the power to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the performance of the Buyer's obligations hereunder have been duly authorized by the Buyer, and no other proceedings on the part of the Buyer are necessary to authorize such execution, delivery and performance. This Agreement has been duly executed by the Buyer and constitutes the valid and binding obligation of the Buyer enforceable against the Buyer in accordance with its terms (except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar law affecting the enforcement of creditors' rights generally or by general equitable principles).

Section 3.3 No Conflict or Violation; No Defaults. The execution, delivery and performance by the Buyer of this Agreement does not and will not violate or conflict with any provision of its Organizational Documents and does not and will not violate any applicable provision of law, or any order, judgment or decree of any Governmental Authority, nor violate or result in a breach of or constitute (with due notice or lapse of time or both) a default under any contract, lease, loan agreement, mortgage, security agreement, trust indenture or other agreement or instrument to which the Buyer is a party or by which it is bound or to which any of its properties or assets is subject, nor result in the creation or imposition of any Encumbrance upon any of its properties or assets where such violations, breaches or defaults in the aggregate would have a material adverse effect on the transactions contemplated hereby or on the assets, properties, business, operations or financial condition of the Buyer.

Section 3.4 Consents and Approvals. Except as set forth on Schedule 3.4, no consent, approval, authorization, license, order or permit, or declaration, filing or registration with, or notification to any Governmental Authority or any other person, is required to be obtained by the Buyer or the Buyer's affiliates in connection with the execution and delivery of this Agreement by the Buyer or the performance of the Buyer's obligations hereunder.

Section 3.5 Brokers. None of the Buyer or any of its affiliates has employed the services of an investment broker, financial advisor, broker or finder in connection with the Agreement or any of the transactions contemplated hereby for which the Seller or any affiliate of the Seller would be responsible for paying any fee, commission or other amount.

Section 3.6 Financial Ability. The Buyer has sufficient immediately available funds, in cash, on the date hereof to pay the Purchase Price, as adjusted.

ARTICLE IV

COVENANTS

Section 4.1 Reserved.

Section 4.2 Reserved.

Section 4.3 Employee Matters.

(a) The Buyer may offer to employ such Business Employees under such terms and conditions as the Buyer may determine, in its sole discretion, subject, however, to the terms and provisions of this Section 4.3. All Business Employees that accept the Buyer's offer of employment shall become the Buyer's employees as of the Transfer Date and all such Business Employees are hereinafter referred to as the "Transferred Employees." The "Transfer Date" for all Transferred Employees shall be the date upon which the Transition Services Agreement terminates pursuant to its terms.

(b) Transferred Employees shall be eligible to participate in employee benefit plans and programs of the Buyer on the same basis as other similarly situated employees of the Buyer.

(c) Each Transferred Employee shall, without duplication of benefits, be given credit for all service with the Sellers prior to the Transfer Date, using the same methodology used by the Sellers as of immediately prior to the Transfer Date for crediting service and determining levels of benefits under all employee benefit plans, programs and arrangements maintained by or contributed to by the Buyer or its affiliates (including, without limitation, the Company) in which the Transferred Employees become participants for purposes of eligibility to participate and vesting.

(d) The Buyer will, or will cause the Company to, (i) waive all limitations as to preexisting conditions exclusions and waiting periods with respect to participation and coverage requirements applicable to the Transferred Employees under any welfare benefit plans that such employees may be eligible to participate in after the Transfer Date, other than limitations or waiting periods that are already in effect with respect to such employees and that have not been satisfied as of the Transfer Date under any welfare plan maintained for the Transferred Employees immediately prior to the Transfer Date, and (ii) provide each Transferred Employee with credit for any co-payments and deductibles paid prior to the Transfer Date in satisfying any applicable deductible or out-of-pocket requirements under any welfare plans that such employees are eligible to participate in after the Transfer Date.

(e) Effective as of the Transfer Date, Transferred Employees shall become fully vested in their accrued benefits under the 401(k) plan maintained by the Seller on behalf of such Transferred Employees (the

"Seller Savings Plan") and distributions of such account balances shall be made available to such Transferred Employees as soon as reasonably practicable following the Transfer Date, in accordance with, the provisions of the Seller Savings Plan and applicable law. Thereafter, the Buyer shall accept rollover contributions from the Seller Savings Plan into a defined contribution or 401(k) plan maintained by the Buyer (the "Buyer Savings Plan") in accordance with the terms of such plan of the account balances distributed to the Transferred Employees from the Seller Savings Plan.

(f) The Buyer and the Seller shall cooperate as necessary to effectuate the provisions of this Section 4.3, including such steps as may reasonably be required to ensure an orderly transition of benefits coverage with respect to the Transferred Employees from the Seller Plans to the Buyer's plans.

(g) Each Transferred Employee shall, without duplication of benefits, be given credit for all accrued but unused paid-time-off under the Seller's paid-time-off program as of the Transfer Date, using the same methodology used by the Seller immediately prior to the Transfer Date for crediting service and determining the amount of such paid-time-off benefits.

(h) Except as specifically provided in this Section 4.3, the Buyer and its affiliates (including the Company and its Subsidiaries) are not assuming any liability or obligations of the Seller or its affiliates with respect to any employee or former employee of the Seller or any of its affiliates with respect to any Seller Plans.

Section 4.4 Reserved.

Section 4.5 Further Assurances. Upon the request of the Buyer at any time after the Closing Date, the Seller will promptly execute and deliver such further instruments of assignment, transfer, conveyance, endorsement, direction or authorization and other documents as the requesting party or parties or its or their counsel may reasonably request in order to perfect title of the Buyer and its successors and assigns to the Subject Membership Interest or otherwise to effectuate the purposes of this Agreement. If it is determined following the Closing that record and/or beneficial title to any of the Assets, are not held by the Company or its Subsidiaries but rather is held by Seller or any of its affiliates, Seller agrees to and to cause its affiliates to execute such documents, agreements and instruments and take such action as may be reasonably required to cause such title to be effectively transferred and conveyed from Seller or its affiliates to the Company or its Subsidiaries free and clear of any Encumbrances.

Section 4.6 Reserved.

Section 4.7 Reserved.

Section 4.8 Reserved.

Section 4.9 Non-Solicitation of Employees. During the period commencing on the date of this Agreement and ending on the second anniversary of the Closing Date hereunder, neither the Seller nor any affiliate thereof shall for themselves or on behalf of or in conjunction with any person, directly or indirectly, solicit, endeavor to entice away from the Buyer or its affiliates (including the Company or its Subsidiaries), or otherwise directly or indirectly interfere with the relationship of the Buyer or its affiliates (including the Company or its Subsidiaries) with any person who, to the knowledge of the Seller, is employed by the Buyer or its affiliates (including the Company or its Subsidiaries) and, directly or indirectly, involved with the business or operations of the Company and its Subsidiaries; provided, however, neither the Seller nor any affiliates thereof shall be precluded from soliciting or hiring any such employee:

(a) who initiates discussions regarding such employment without any direct or indirect solicitation by the Seller or its affiliates;

(b) whose employment with the Company or its Subsidiaries has been terminated prior to commencement of employment with the Seller or its affiliates; or

(c) who responds to a general solicitation of employment not specifically addressed to such employees.

Notwithstanding the foregoing, the Seller may continue to employ each Business Employee until such time as such Business Employee becomes a Transferred Employee.

Section 4.10 Reserved.

Section 4.11 Tax Covenants.

(a) Except to the extent such Taxes are reflected in the Final Working Capital Statement, the Seller shall be liable for, and shall indemnify and hold the Buyer and its affiliates harmless from (i) all liability for Taxes of each of the Company, its Subsidiaries and any predecessors thereto (including MAPCO) for all taxable periods ending on or before the Closing Date; (ii) the portion, determined as described below, of any Taxes which are incurred by the Company, its Subsidiaries or any predecessors thereto (including MAPCO) for any taxable period which begins before and ends after the Closing Date (a "Straddle Period") which is allocable to the portion of the Straddle Period occurring on or before the Closing Date (the "Pre-Closing Period"); (iii) all liability imposed upon the Company or any of its Subsidiaries on account of the inclusion of the Company, its Subsidiaries or any predecessors thereto (including MAPCO) in a consolidated, combined, unitary or similar group, for any period or portion of a period prior to Closing and (iv) any Taxes resulting from the Contributions. The portion of the Taxes for a Straddle Period which are allocable to a Pre-Closing Period shall be determined, in the case of property, ad valorem or franchise Taxes (which are not measured by, or based upon, net income), on a per

diem basis and, in the case of other Taxes, by assuming that the Pre-Closing Period is a separate taxable period and by taking into account the taxable events during such period.

(b) The Seller shall prepare and timely file (or cause to be prepared and timely filed), on a basis consistent with prior Tax Returns, all Tax Returns with the appropriate Federal, state, local and foreign governmental agencies relating to the Company, its Subsidiaries and any predecessors thereto (including MAPCO) for taxable periods ending on or prior to the Closing Date and shall timely pay all Taxes required to be paid with respect to such Tax Returns. The Buyer shall prepare and timely file (or cause to be prepared and timely filed), on a basis consistent with prior Tax Returns, all Tax Returns for Straddle Periods required to be filed by the Company or any of its Subsidiaries and shall timely pay all Taxes required to be paid with respect to such Straddle Tax Returns, provided, however, that the Sellers shall promptly reimburse the Buyer for the portion of such Tax that relates to the Pre-Closing Period. The Seller shall furnish to the Buyer all information and records reasonably requested by the Buyer for use in preparation of any Tax Returns. The Buyer and the Seller agree to cause the Company and each of its Subsidiaries after the Closing Date to file all Tax Returns for any Straddle Period on the basis that the relevant taxable period ended as of the close of business on the Closing Date, to the extent permitted by applicable law. The Seller's covenants in respect of responsibility for Taxes as set forth above in this Section 4.11(b) are in no way intended to be duplicative of the adjustments reflected in the Purchase Price pursuant to Section 1.6.

(c) The Seller shall cause any tax sharing agreement or similar arrangement with respect to Taxes involving the Company, its Subsidiaries or any predecessors thereto (including MAPCO) to be terminated on or before the Closing, to the extent any such agreement or arrangement relates to the Company or its Subsidiaries or any predecessors thereto (including MAPCO), and after the Closing Date neither the Company nor any of its Subsidiaries shall have any obligation to make any payment under any such agreement or arrangement.

(d) Notwithstanding anything to the contrary in this Section 4.11, all excise, sales, use, transfer (including real property transfer or gains), stamp, documentary, filing, recordation and other similar taxes, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties, resulting directly from the transactions contemplated by this Agreement (the "Transfer Taxes"), shall be borne by the party on which such Transfer Taxes are imposed by applicable law. Notwithstanding anything to the contrary in this Section 4.11, any Tax Returns that must be filed in connection with Transfer Taxes shall be prepared and filed when due by the party primarily or customarily responsible under the applicable local law for filing such Tax Returns, and such party shall use reasonable commercial efforts to provide such Tax Returns to the other party at least 10 days

prior to the due date for such Tax Returns.

(e) WNGL will cause the MAPL Conversion and the Excluded Subsidiaries Distribution to be treated for Federal income tax purposes as distributions of the assets and liabilities of MAPCO to WNGL pursuant to Section 332 of the Code. The parties agree to treat the purchase of the Subject Membership Interest hereunder for Federal income tax purposes as a purchase by the Buyer from the Seller of an undivided 98% interest in the assets and liabilities of the Company and the Subsidiaries (other than the membership interests in the Subsidiaries) followed immediately by a contribution by the Buyer and the Seller to the Company of their respective undivided 98% and 2% interests in such assets and liabilities. The parties agree to treat the amount paid by the Buyer to Prudential pursuant to Section 1.4(b) for income Tax purposes as additional consideration paid by the Buyer to the Seller for such assets.

(f) The Buyer and the Seller shall cooperate in good faith to agree within 90 days after the Closing to an allocation of the Purchase Price and the amount paid pursuant to Section 1.4(b), any assumed liabilities and any other relevant items among the assets of the Company and its Subsidiaries, in accordance with Section 1060 of the Code and Treasury Regulations thereunder and any similar provisions of state, local, or foreign law. The Seller and the Buyer agree to complete and file their respective IRS Forms 8594 and similar Tax forms in accordance with the allocations. The parties further agree that they will report the Tax consequences of the purchase and sale hereunder in a manner consistent with the allocations and that they will not take any positions inconsistent therewith in connection with the filing of any Tax Return.

Section 4.12 Information Technology.

(a) The parties shall each designate representatives to a migration team (the "IT Migration Team") that shall be responsible for identifying the specific software and hardware necessary for the Company and its Subsidiaries to continue their respective operations in the manner in which they operate as of the Closing Date (the "IT Assets"); provided, the intellectual property rights referenced in Schedule 4.12(a) shall be handled between the Seller and the Company and its Subsidiaries as reflected in said schedule. The IT Migration Team shall also be responsible for developing a detailed plan to include cost estimates and timetables for: conversion and loading of existing data relating to the assets of the Company and its Subsidiaries, integration of the IT Assets into Buyer's information technology systems, and transfer or replacement of IT Asset licenses and maintenance agreements not currently held in Company's or it's Subsidiaries' name (the "IT Migration Plan"). The IT Migration Team shall complete the creation of the IT Migration Plan no later than 45 days after Closing. The time for implementation of the IT Migration Plan shall be referred to as the "IT Migration Period."

(b) Seller shall and shall cause Seller's affiliates to use

their respective commercially reasonable best efforts to complete the implementation of the IT Migration Plan as soon as possible following the Closing.

(c) On or before the expiration of the IT Migration Period, Seller shall, and shall cause its affiliates, at Seller's sole option, to either: (i) assign to the Company or its Subsidiaries all of their respective right, title and interest in and to the IT Assets, including license and contract rights, and secure any consents necessary for such assignment and for the use by the Seller and its affiliates of the IT Assets on behalf of the Company or the Buyer during the IT Migration Period, provided that the IT Assets transferred hereunder shall provide the Company and its Subsidiaries with a valid and enforceable license or other right to use such IT Assets; or (ii) obtain for the Buyer, on commercially reasonable terms, comparable replacements for any IT Assets not assigned pursuant to (i) above. Except with respect to the transfers/licenses of the CIS, TAS and SCADA systems as specified in Schedule 4.12(a), if the Buyer, during the IT Migration Period, requests that the Seller transfer third party licenses or replace third party software, then the fees for such license transfers or replacements shall be borne by the Buyer. Except for those fees for which the Buyer is responsible in accordance with the preceding sentence, fees for license transfers or replacements shall be borne by the Seller (including any fees for the licenses/transfers of CIS, TAS and SCADA systems). Labor costs related to implementation of the IT Migration Plan shall be borne as follows: The Buyer shall be responsible for labor costs of its employees and representatives (including any independent contractors employed by the Buyer to assist in the IT Migration Plan, and the Seller shall be responsible for labor costs of its employees and representatives (including any independent contractors employed by the Seller or its affiliates to assist in the IT Migration Plan).

Section 4.13 Reserved.

Section 4.14 Bonds. The Seller shall use its reasonable best efforts to maintain the Bonds until they are released and replaced by the Buyer. "Bonds" shall mean all surety bonds, letters of credit, guarantees, cash collateral, performance bonds and bid bonds issued by the Seller and its affiliates (other than the Company and its Subsidiaries) on behalf of the Company or any of its Subsidiaries. The Buyer shall use its reasonable best efforts to replace and release the Bonds as promptly as reasonably practicable after the Closing Date but in no event later than 90 days from the Closing Date. The Buyer shall indemnify, defend and hold harmless the Seller and its affiliates for any and all liability, loss, damage, cost and expense incurred under such Bonds in connection with activities performed after the Closing.

Section 4.15 Transitional Trademark License. Effective upon the Closing Date, the Seller and the Seller's affiliates hereby grant to the Company, the Subsidiaries of the Company and the Buyer a nonexclusive, nontransferable, royalty-free license, without right to sublicense, to use, solely in the Company's and its Subsidiaries' businesses as they are presently conducted, any and all trademarks, service marks, and trade names owned by the Seller and the Seller's affiliates (other than the Company and its Subsidiaries) solely to the extent appearing on existing inventory, advertising materials and property of the Company or its Subsidiaries (such as signage, vehicles, and equipment) (collectively "Seller's Marks") for a period of six (6) months from the Closing Date ("License Period"). The Buyer, the Company and its Subsidiaries may use such existing inventory, advertising materials and property during the License Period, but shall not create new inventory, advertising materials or property using Seller's Marks. The Buyer, the Company and its Subsidiaries shall promptly replace or remove Seller's Marks on inventory, advertising materials and Property, provided that all such use shall cease no later than the end of the License Period. The nature and quality of all uses of the Seller's Marks by the Buyer, the Company and its Subsidiaries shall conform to the Seller's existing quality standards. Immediately upon expiration of the License Period, the Buyer, the Company and its Subsidiaries shall cease all further use of Seller's Marks and shall adopt new trademarks, service marks, and trade names which are not confusingly similar to Seller's Marks. All rights not expressly granted in this section with respect to Seller's Marks are hereby reserved. In the event Buyer, the Company or its Subsidiaries materially breach the provisions of this section, the Seller may immediately terminate the License Period upon twenty (20) days written notice.

Section 4.16 Non-Software Copyright License. Effective upon the Closing Date, the Seller, for themselves and on behalf of their affiliates, hereby grant to the Company, the Subsidiaries of the Company and the Buyer a nonexclusive royalty-free, perpetual license, without right to sublicense, to use, copy, modify, enhance, and to upgrade, solely for their internal business purposes and not as a service bureau, all proprietary manuals, user guides, standards and operation procedures and similar documents owned by Seller and/or its Affiliates and used by Company or its Subsidiaries. All copies of the foregoing must reproduce and include all copyright and other intellectual property rights notices provided by the Seller.

Section 4.17 Intercompany Indebtedness. Immediately prior to the Closing, the Seller shall (a) pay or cause its affiliates to pay to the Company and its Subsidiaries all indebtedness for borrowed money owed by the Seller or any of its affiliates (other than the Company or its Subsidiaries) as of such time and (b) pay to the Company a capital contribution and cause such capital contribution to be applied to pay or satisfy all indebtedness for borrowed money owed by the Company and its Subsidiaries to the Seller or its affiliates (other than the Company and its Subsidiaries) as of such time.

Section 4.18 SEC Required Financial Statements. The Seller, at its sole cost and expense, shall prepare and cause to be delivered to the Buyer prior to September 15, 2002, audited and unaudited financial statements of the Company and its Subsidiaries and their respective operations, in such form and covering such periods as

may be required by applicable securities laws to be filed with the Securities and Exchange Commission by the Buyer or its affiliates as a result of or in connection with the transactions contemplated by this Agreement. Seller shall further provide and cause its affiliates to provide access to their personnel and books and records to the extent necessary for the Buyer and its representatives to confirm and verify the accuracy of such financial statements.

Section 4.19 Release of Certain Obligations. The Seller, for itself and its affiliates, hereby agrees, from and after the Closing, not to make or allow its affiliates to make any claims against and hereby releases, acquits and discharges the Company and its Subsidiaries and the Buyer from any and all claims, demands, obligations or causes of action which the Seller or its affiliates may have against the Companies or its Subsidiaries or the Buyer out of the activities of the Company and its Subsidiaries prior to the Closing Date, including any claims, demands, obligations or causes of action which have arisen or may arise under any agreements between the Seller or an affiliate of the Seller (other than the Company or its Subsidiaries), on the one hand, and one or more of the Company or its Subsidiaries, on the other hand, to the extent that such agreements have been terminated or have expired in accordance with their terms on or prior to the Closing or are otherwise required to be terminated by the provisions of this Agreement. Nothing in this Section 4.19 shall be interpreted or construed as a release of any claims, demands, obligations or causes of action pursuant to this Agreement or pursuant to agreements which continue beyond the Closing or are entered into following the Closing Date.

Section 4.20 Delivery of Records. The Seller shall as soon as possible following the Closing and in any event no later than 30 days following the Closing deliver to the Buyer all Records (as hereinafter defined) pertaining to the Company, the Company's Subsidiaries and their businesses. The term "Records" shall mean all existing land, title, engineering, environmental, operating, FERC, Department of Transportation and other data (whether electronic or hard copy), files, documents (including design documents), instruments, notes, papers, ledgers, journals, reports, abstracts, surveys, maps, books, records and studies arising out of or relating to the Assets (including the Real Property) or such businesses and which are held by the Seller or its affiliates for use in connection with, the ownership, use, operation or maintenance of the Assets (including the Real Property) or such businesses.

Section 4.21 West Texas LPG Pipeline.

(a) After the Closing, the Seller and its affiliates shall use its reasonable efforts to obtain the agreement of each of the limited partners of West Texas LPG Pipeline Limited Partnership ("West Texas LPG") to the transfer of MAPL's 0.2% general partner interest in West Texas LPG (including all rights, obligations and liabilities relating thereto) (the "GP Interest") to WNGL and the release of MAPL's liability with respect thereto. The Buyer and the Seller further agree that upon obtaining the consent of each of the limited partners to the transfer of the GP Interest, the Buyer shall cause MAPL to, in exchange for consideration of $1.00, promptly transfer and assign the GP Interest to WNGL (it

being understood that MAPL shall retain all distributions received in respect of the GP Interest prior to such transfer).

(b) The Seller agrees, at its sole cost and expense, to timely perform and pay all of the obligations of MAPL arising in connection with the GP Interest. Without prejudice to the Buyer's rights under Article VIII, the Seller hereby indemnifies and agrees to defend, save and hold the Buyer Indemnified Parties (as defined in Section 8.2(a)) harmless for any Loss (as defined in Section 8.2(a)) suffered by any such Buyer Indemnified Party at any time or from time to time arising out of, relating to or resulting from the ownership of the GP Interest and/or the operation and maintenance of the assets owned by West Texas LPG, in either case, whether relating to periods of time prior to or after the Closing.

Section 4.22 Farm Fuel Lease.

(a) The Buyer and the Seller shall cooperate and use all reasonable efforts to obtain (i) the consent of the lessor to the assignment to WNGL of that certain Fuel Farm Lease Plot #2, dated January 19, 1989, between the Memphis-Shelby County Airport Authority, as lessor, and Mid-America Pipeline Company, as lessee (the "Fuel Farm Lease"), within 120 days after the Closing, including all rights, liabilities and obligations of the lessee thereunder, and (ii) the full and unconditional release of Mid-America Pipeline Company and its successors and assigns from all liabilities and obligations arising out of, relating to or resulting from the Fuel Farm Lease. The Seller is entitled to all benefits under such lease and Buyer shall cause MAPL to exercise its rights under such lease at the Seller's direction.

(b) The Seller agrees, at its sole cost and expense, to timely perform and pay all of the obligations of MAPL arising under the Fuel Farm Lease. Without prejudice to the Buyer's rights under Article VIII, the Seller hereby indemnifies and agrees to defend, save and hold the Buyer Indemnified Parties harmless for any Loss suffered by any such Buyer Indemnified Party at any time or from time to time arising out of, relating to or resulting from the Fuel Farm Lease or the liabilities or obligations of the lessee thereunder, in any case, whether relating to periods of time prior to or after the Closing, including, without limitation, the obligations of the lessee to remove any and all improvements installed by it and to restore the leased premises to their original condition.

Section 4.23 Connection Agreement.

(a) The Buyer and the Seller shall cooperate and use all reasonable efforts to obtain (i) the consent of the parties to the assignment to WNGL of that certain Connection Agreement, dated August 6, 1984, by and among MAPCO and the Capline System owners referred to therein (the "Connection Agreement"), within 120 days after the Closing, including all rights, liabilities and obligations of MAPCO thereunder, and (ii) the full and

unconditional release of MAPCO and its successors and assigns from all liabilities and obligations arising out of, relating to or resulting from the Connection Agreement. The Seller is entitled to all benefits under such agreement and Buyer shall cause MAPL to exercise its rights under such agreement at the Seller's direction.

(b) The Seller agrees, at its sole cost and expense, to timely perform and pay all of the obligations of MAPL arising under the Connection Agreement. Without prejudice to the Buyer's rights under Article VIII, the Seller hereby indemnifies and agrees to defend, save and hold the Buyer Indemnified Parties harmless for any Loss suffered by any such Buyer Indemnified Party at any time or from time to time arising out of, relating to or resulting from the Connection Agreement or the liabilities or obligations of MAPCO thereunder, in any case whether relating to periods of time prior to or after the Closing, including, without limitation, the obligation of MAPCO to remove at its sole risk and expense the connection facilities referred to therein from the Capline Owners' right-of-way.

Section 4.24 Other Agreements.

(a) The Seller shall use reasonable efforts to transfer and assign that certain Special Provisions Agreement ("Special Provisions Agreement) by and between WNGL, fka MAPCO Natural Gas Liquids, Inc., and Phillips Chemical Company dated as of October 9, 1997 to MAPL as soon as possible following the Closing. MAPL shall be entitled to all benefits and shall, at its sole cost and expense, timely perform and pay all obligations under such agreement from and after the Closing. The Seller shall cause WNGL to exercise its rights under such agreement at the Buyer's discretion.

(b) The Buyer agrees, at its sole cost and expense, to timely perform and pay all of the obligations of Seller arising under the Special Provisions Agreement. Without prejudice to the Seller's rights under Article VIII, the Buyer hereby indemnifies and agrees to defend, save and hold the Seller Indemnified Parties harmless for any Loss suffered by any such Seller Indemnified Party at any time or from time to time arising out of, relating to or resulting from the Special Provisions Agreement or the liabilities or obligations of Seller thereunder, in any case whether relating to periods of time prior to or after the Closing.

ARTICLE V

RESERVED.

ARTICLE VI

RESERVED.

ARTICLE VII

RESERVED.

ARTICLE VIII

INDEMNIFICATION

Section 8.1 Survival. The respective representations and warranties of the parties hereto contained herein or in any certificates or other documents delivered pursuant to this Agreement on the Closing shall survive the Closing for a period of 18 months following the Closing Date; provided however, that the representations and warranties set forth in Section 2.2 (Capitalization; Title) shall survive indefinitely, the representations and warranties set forth in Section 2.21 (Environmental; Health and Safety Matters) shall survive until the fifth anniversary of the Closing Date and the representations and warranties in Section 2.9 (Taxes) shall survive for a period equal to the applicable statute of limitations (including any extensions thereof). The respective covenants and agreements of the parties hereto contained herein or in any certificates or other documents delivered pursuant to this Agreement on the Closing shall survive the Closing for indefinitely.

Section 8.2 Indemnification Coverage.

(a) Notwithstanding the Closing or the delivery of the Subject Membership Interest and the Golden Unit, and regardless of any investigation at any time made by or on behalf of the Buyer or of any knowledge or information that the Buyer may have the Seller hereby indemnifies and agrees to defend, save and hold the Buyer, the Company, the Subsidiaries of the Company and each of their officers, directors, employees, agents and affiliates (other than the Seller) (collectively, the "Buyer Indemnified Parties") harmless for any damage, judgment, fine, penalty, demand, settlement, liability, loss, cost, Tax, expense (including reasonable attorneys', consultants' and experts' fees), claim or cause of action (each, a "Loss") suffered by any such Buyer Indemnified Party at any time or from time to time arising out of, relating to or resulting from any of the following:

(i) any breach or inaccuracy in any representation by the Seller or the breach of any warranty by the Seller contained in this Agreement or any certificates or other documents delivered pursuant to this Agreement on Closing;

(ii) any failure by the Seller to perform or observe any term, provision, covenant, or agreement on the part of the Seller to be performed or observed under this Agreement;

(iii) the Reorganization Transactions; or

(iv) the Excluded Subsidiaries or any assets or obligations of such entities.

(b) Notwithstanding the Closing or the delivery of the Subject Membership Interest and the Golden Unit and regardless of any investigation at any time made by or on behalf of the Seller or of any knowledge or information that the Seller may have, the Buyer hereby indemnifies and agrees to defend, save and hold the Seller and their officers, directors, employees, agents and affiliates (collectively, the "Seller Indemnified Parties") harmless for any Loss suffered by any such Seller Indemnified Party at any time or from time to time arising out of, relating to or resulting from any of the following:

(i) any breach or inaccuracy in any representation by the Buyer or the breach of any warranty by the Buyer contained in this Agreement or any certificates or other documents delivered pursuant to this Agreement on Closing; or

(ii) any failure by the Buyer to perform or observe any term, provision, covenant, or agreement on the part of the Buyer to be performed or observed under this Agreement.

(c) The foregoing indemnification obligations shall be subject to the following limitations:

(i) the Seller's aggregate liability under Section 8.2(a)(i), and 8.2(a)(iii) and the Buyer's aggregate liability under Section 8.2(b)(i) shall not, in either case, exceed 30% of the Purchase Price (the "Cap"); provided, however, that the Cap shall not be applicable to breaches by Seller under Section 2.2 and 2.9;

(ii) no indemnification for any Losses asserted against the Buyer or the Seller, as the case may be, under Section 8.2(a)(i) or Section 8.2(b)(i) shall be required unless and until the cumulative aggregate amount of such Losses exceeds $8,000,000 (the "Threshold"), at which point the Seller or the Buyer, as the case may be, shall be obligated to indemnify the Indemnified Party (as hereinafter defined) only as to the amount of such Losses in excess of $1,000,000 (the "Deductible"), subject to the limitation in Section 8.2(c)(i); provided, however, that the Threshold and the Deductible shall not be applicable to breaches under Sections 2.2, and 2.9;

(iii) the amount of any Losses suffered by

a Seller Indemnified Party or a Buyer Indemnified Party, as the case may be, shall be reduced by any third-party insurance which such party actually receives in respect of or as a result of such Losses. If any Losses for which indemnification was provided hereunder is subsequently reduced by any third-party insurance or other indemnification benefit or recovery actually received by the party for which indemnification was provided, the amount of the reduction shall be remitted to the Indemnifying Party (as hereinafter defined);

(iv) no claim may be asserted nor may any action be commenced (A) against the Seller for breach or inaccuracy of any representation or breach of a warranty, unless written notice of such claim or action is received by the Seller describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim or action on or prior to the date on which the representation or warranty on which such claim or action is based ceases to survive as set forth in Section 8.1 (it being agreed and understood that if a claim for a breach of a representation or warranty is timely made, the representation or warranty shall survive until the date on which such claim is finally liquidated or otherwise resolved), or (B) against the Buyer for breach or inaccuracy of any representation or breach of a warranty, unless written notice of such claim or action is received by the Buyer describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim or action on or prior to the date on which the representation or warranty on which such claim or action is based ceases to survive as set forth in Section 8.1 (it being agreed and understood that if a claim for a breach of a representation or warranty is timely made, the representation or warranty shall survive until the date on which such claim is finally liquidated or otherwise resolved); and

(v) an Indemnified Party shall not be entitled under this Agreement to multiple recovery for the same Losses.

(d) Notwithstanding anything in this Agreement to the contrary (including, without limitation, the provisions of Section 8.2(c)(i) and (ii)), Seller hereby indemnifies and agrees to defend, save and hold the Buyer harmless from all Losses suffered by the Buyer resulting from any judgment or order by a Governmental Authority to return or reassign the Subject Membership Interest or the Golden Unit or the underlying assets of the Company and its Subsidiaries to the Seller or any affiliate of the Seller.

Section 8.3 Procedures. Any Indemnified Party shall notify the Indemnifying Party (with reasonable specificity) promptly after it becomes aware of facts supporting a claim or action for indemnification under this Article VIII, and shall provide to the Indemnifying Party as soon as practicable thereafter all information and documentation in its possession reasonably necessary to support and verify any Losses associated with such claim or action. Subject to Section 8.2(v), the failure to so notify the

Indemnifying Party shall not relieve the Indemnifying Party of any liability that it may have to any Indemnified Party, except to the extent that the Indemnifying Party demonstrates that it has been materially prejudiced by the Indemnified Party's failure to give such notice, in which case the Indemnifying Party shall be relieved from its obligations hereunder to the extent and only to the extent of such material prejudice. The Indemnifying Party shall defend, contest or otherwise protect the Indemnified Party against any such claim or action by counsel of the Indemnifying Party's choice at its sole cost and expense; provided, however, that the Indemnifying Party shall not make any settlement or compromise without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld or delayed) unless the sole relief provided is monetary damages that are paid in full by the Indemnifying Party. The Indemnified Party shall have the right, but not the obligation, to participate at its own expense in the defense thereof by counsel of the Indemnified Party's choice and shall in any event use its reasonable best efforts to cooperate with and assist the Indemnifying Party. If the Indemnifying Party fails timely to defend, contest or otherwise protect against such suit, action, investigation, claim or proceeding, the Indemnified Party shall have the right to do so, including, without limitation, the right to make any compromise or settlement thereof, and the Indemnified Party shall be entitled to recover the entire cost thereof from the Indemnifying Party, including, without limitation, reasonable attorneys' fees, disbursements and amounts paid as the result of such suit, action, investigation, claim or proceeding.

Section 8.4 Remedy. Absent fraud, and except for seeking equitable relief, from and after the Closing the sole remedy of a party in connection with (i) a breach or inaccuracy of the representations, or breach of warranties, in this Agreement or any certificates or other documents delivered pursuant to this Agreement on Closing, or (ii) any failure by a party to perform or observe any term, provision, covenant, or agreement on the part of such party to be performed or observed under this Agreement, shall, in each case, be as set forth in this Article VIII.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.1 Publicity. On or prior to the Closing Date, neither party shall, nor shall it permit its affiliates to, issue or cause the publication of any press release or other announcement with respect to this Agreement or the transactions contemplated hereby without the consent of the other party hereto. Notwithstanding the foregoing, in the event any such press release or announcement is required by law or stock exchange rule to be made by the party proposing to issue the same, such party shall use its reasonable best efforts to consult in good faith with the other party prior to the issuance of any such press release or announcement.

Section 9.2 Successors and Assigns; No Third-Party Beneficiaries. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and assigns; provided, however, that neither party shall assign or delegate any of the obligations created under this Agreement without the prior written

consent of the other party. Except as contemplated by Article VIII, nothing in this Agreement shall confer upon any person or entity not a party to this Agreement, or the legal representatives of such person or entity, any rights or remedies of any nature or kind whatsoever under or by reason of this Agreement.

Section 9.3 Investment Bankers, Financial Advisors, Brokers and Finders.

(a) The Seller shall indemnify and agree to defend and hold the Buyer Indemnified Parties harmless against and in respect of all claims, losses, liabilities and expenses which may be asserted against any Buyer Indemnified Parties by any broker or other person who claims to be entitled to an investment banker's, financial advisor's, broker's, finder's or similar fee or commission in respect of the execution of this Agreement or the consummation of the transactions contemplated hereby, by reason of his acting at the request of the Seller, the Company or any of their Affiliates.

(b) The Buyer shall indemnify and agree to save and hold the Seller Indemnified Parties harmless against and in respect of all claims, losses, liabilities, fees, costs and expenses which may be asserted against them by any broker or other person who claims to be entitled to an investment banker's, financial advisor's, broker's, finder's or similar fee or commission in respect of the execution of this Agreement or the consummation of the transactions contemplated hereby, by reason of his acting at the request of the Buyer or any of its affiliates (other than the Company or any Subsidiary of the Company).

Section 9.4 Fees and Expenses. Except as otherwise expressly provided in this Agreement, all legal, accounting and other fees, costs and expenses of a party hereto incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such fees, costs or expenses; provided, however, that the Seller shall be solely responsible for all legal, accounting and other fees, costs and expenses incurred by the Seller and the Company and the Subsidiaries of the Company.

Section 9.5 Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made if delivered personally or sent by overnight courier or sent by facsimile (with evidence of confirmation of receipt) to the parties at the following addresses:

(a) If to the Buyer, to:

Enterprise Products Operating L.P.
c/o Enterprise Products GP, LLC
2727 N. Loop West, Suite 700
Houston, Texas 77008
Facsimile: (713) 880-6960
Attention: President

with a copy to:

Enterprise Products GP, LLC
2727 N. Loop West, Suite 700
Houston, Texas 77008
Facsimile: (713) 880-6960
Attention: Chief Legal Officer

(b) If to the Seller, to:

The Williams Companies, Inc.,
Williams Natural Gas Liquids, Inc.
One Williams Center
Tulsa, Oklahoma 74172
Facsimile: (918) 573-5942
Attention: William von Glahn, Esq.

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, NY 10036
Facsimile: (212) 735-2000
Attention: Nancy A. Lieberman, Esq.

or to such other persons or at such other addresses as shall be furnished by either party by like notice to the other, and such notice or communication shall be deemed to have been given or made as of the date so delivered or mailed. No change in any of such addresses shall be effective insofar as notices under this Section 9.5 are concerned unless such changed address is located in the United States of America and notice of such change shall have been given to such other party hereto as provided in this Section 9.5.

Section 9.6 Entire Agreement. This Agreement, together with the Disclosure Schedules and the exhibits hereto, represent the entire agreement and understanding of the parties in connection with the purchase and sale of the Subject Membership Interest and the Golden Unit and no representations or warranties have been made in connection with this Agreement other than those expressly set forth herein or in the Disclosure Schedules, exhibits, certificates and other documents delivered in accordance herewith. This Agreement supersedes all prior negotiations, discussions, correspondence, communications, understandings and agreements between the parties

relating to the subject matter of this Agreement and all prior drafts of this Agreement, all of which are merged into this Agreement. No prior drafts of this Agreement and no words or phrases from any such prior drafts shall be admissible into evidence in any action or suit involving this Agreement.

Section 9.7 Waivers and Amendments. The Seller, as a group, or the Buyer, may by written notice to the other:

(a) extend the time for the performance of any of the obligations or other actions of the other;

(b) waive any inaccuracies in the representations or warranties of the other contained in this Agreement or in any document delivered pursuant to this Agreement by the other party;

(c) waive compliance with any of the covenants of the other contained in this Agreement;

(d) waive performance of any of the obligations of the other created under this Agreement; or

(e) waive fulfillment of any of the conditions to its own obligations under this Agreement or in any documents delivered pursuant to this Agreement by the other party. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach, whether or not similar, unless such waiver specifically states that it is to be construed as a continuing waiver. This Agreement may be amended, modified or supplemented only by a written instrument executed by the parties hereto.

Section 9.8 Severability. This Agreement shall be deemed severable, and the invalidity or unenforceability of any term or provision hereof shall not affect the validity or enforceability of this Agreement or of any other term or provision hereof. Furthermore, in lieu of any such invalid or unenforceable term or provision, the parties hereto intend that there shall be added as a part of this Agreement a provision as similar in terms to such invalid or unenforceable provision as may be possible and be valid and enforceable.

Section 9.9 Titles and Headings. The Article and Section headings and any table of contents contained in this Agreement are solely for convenience of reference and shall not affect the meaning or interpretation of this Agreement or of any term or provision hereof.

Section 9.10 Signatures and Counterparts. Facsimile transmission of any signed original document and/or retransmission of any signed facsimile transmission shall be the same as delivery of an original. At the request of the Buyer or the Seller, the parties will confirm facsimile transmission by signing a duplicate original document. This Agreement may be executed in two or more counterparts, each of which shall be deemed

an original and all of which together shall be considered one and the same agreement.

Section 9.11 Enforcement of the Agreement. The parties hereto agree that irreparable damage would occur if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereto, this being in addition to any other remedy to which they are entitled at law or in equity. In no event shall any party hereto be entitled to any punitive, incidental, indirect, special or consequential damages resulting from or arising out of this Agreement or the transactions contemplated hereby.

Section 9.12 Governing Law. This Agreement shall be governed by and construed in accordance with the internal and substantive laws of Delaware and without regard to any conflicts of laws concepts which would apply the substantive law of some other jurisdiction.

Section 9.13 Certain Definitions. For purposes of this Agreement, the term:

(a) "affiliate" of a person means a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the first mentioned person: the Company and its Subsidiaries shall be deemed to be affiliates (i) of the Seller prior to the Closing and (ii) of the Buyer from and after the Closing.

(b) "Assets" means all of the assets (including Real Property, and tangible and intangible assets) used or necessary for the conduct of the Company's and its Subsidiaries' businesses as they are presently conducted and as conducted immediately prior to the Contributions, excluding (i) the assets of the Excluded Subsidiaries and (ii) the Omnibus Excluded Assets.

(c) "Material Adverse Effect" means a material adverse effect on the assets, properties, business, operations, net income or financial condition of the Company and its Subsidiaries taken as a whole, it being understood that none of the following shall be deemed to constitute a Material Adverse Effect: (i) any effect resulting from entering into this Agreement or the announcement of the transactions contemplated by this Agreement; and (ii) any effect resulting from changes in the United States or global economy as a whole, except for such effects which disproportionately impact the Company and its Subsidiaries.

(d) "Omnibus Excluded Assets" means (i) the Intellectual Property which is being addressed through the IT Migration Plan and Transition Services Agreement, (ii) any assets that are designated under this Agreement or the Transition Services Agreement as excluded assets or shared assets to be retained by Seller or its affiliates, and (iii) assets that are used

primarily in the conduct of the business and operation of the business of the Seller or any of its affiliates (other than Company or its Subsidiaries) immediately following the Closing.

(e) "person" means an individual, corporation, association, trust, limited liability company, limited partnership, limited liability partnership, partnership, incorporated organization, other entity or group (as defined in Section 13(d)(3) of the Securities Exchange Act of 1934).

(f) "Pipeline Systems" means the natural gas liquids and other pipelines, lateral lines, pumps, pump stations and other related machinery and equipment that are located on or under the Real Property and that are used or necessary for the conduct of the Company's and its Subsidiaries' businesses as they are presently conducted and as conducted immediately prior to the Contributions.

(g) "Seminole Purchase Agreement" means that certain Purchase Agreement between Oaktree and E-Cypress, LLC of even date herewith.

Section 9.14 Reserved.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

E-BIRCHTREE, LLC

By: /s/ Alan S. Armstrong
Name: Alan Armstrong
Title: Vice President

ENTERPRISE PRODUCTS OPERATING L.P

By: /s/ Michael Creel
Name: Michael Creel
Title: Executive VP and CFO

SCHEDULE 1.4(b)

MAPCO NOTE AGREEMENTS

1. Mid-America Pipeline Company Note Agreement with The Prudential Insurance Company of America dated as of April 30, 1992 for $15,000,000 of 8.51% Series A Senior Notes due April 30, 2007.

2. Mid-America Pipeline Company Note Agreement with The Prudential Insurance Company of America dated as of May 20, 1992 for $35,500,000 of 8.95% Senior Notes due April 30, 2012.

3. Mid-America Pipeline Company Note Agreement with The Prudential Insurance Company of America dated as of July 13, 1992 for $15,000,000 of 8.20% Senior Notes due July 1, 2012.

4. Mid-America Pipeline Company Note Agreement with The Prudential Insurance Company of America dated as of July 20, 1992 for $14,500,000 of 8.59% Senior Notes due July 1, 2017.

5. Mid-America Pipeline Company Note Agreement with The Prudential Insurance Company of America dated as of November 20, 1992 for $15,000,000 of 8.70% Senior Notes due November 20, 2022.

SCHEDULE 2.8(b)
CERTAIN CHANGES AND CONDUCT OF BUSINESS

1. made any material change in the conduct of its businesses or operations;

2. made any change in its Organizational Documents or issued any additional equity securities or granted any option, warrant or right to acquire any equity securities or issue any security convertible into or exchangeable for its equity securities or altered any term of any of its outstanding securities or made any change in its outstanding equity securities or other ownership interests or in its capitalization, whether by reason of a reclassification, recapitalization, stock split or combination, exchange or readjustment of shares, stock dividend or otherwise;

3. other than in the ordinary course of business, (A) incurred, assumed or guaranteed any indebtedness for borrowed money, issue any notes, bonds, debentures or other corporate securities or granted any option, warrant or right to purchase any thereof or (B) issued any securities convertible or exchangeable for debt securities of the Company or any Subsidiary;

4. made any sale, assignment, transfer, abandonment or other conveyance of any of its assets or any part thereof except for dispositions of inventory or of worn-out or obsolete equipment for fair or reasonable value in the ordinary course of business consistent with past practices;

5. subjected any of its assets, or any part thereof, to any Encumbrance other than a Permitted Encumbrance, or permitted the imposition of any Encumbrance other than a Permitted Encumbrance;

6. redeemed, retired, purchased or otherwise acquired, directly or indirectly, any of its equity interests or declared, set aside or paid any dividends or other distribution in respect of such equity interests;

7. acquired any assets or properties other than in the ordinary course of business consistent with past practices;

8. entered into any new or materially amend any existing employee benefit plan, program or arrangement or any employment, severance or consulting agreement, grant any general increase in the compensation of officers or employees (including any such increase pursuant to any bonus, pension, profit-sharing or other plan or commitment) or granted any increase in the compensation payable or to become payable to any employee, except in accordance with pre-existing contractual provisions;

9. made or committed to make any capital expenditure or to invest, advance, loan, pledge or donate any monies to any clients or other persons or to make any

similar commitments with respect to outstanding bids or proposals, except as disclosed on Schedule 4.1;

10. paid, except in the ordinary course of business consistent with past practices, loaned or advanced any amount to, or sold, transferred or leased any properties or assets to, or entered into any agreement or arrangement with, any of its affiliates;

11. intentionally took any other action that would cause any of the representations and warranties made herein not to remain true and correct in all material respects;

12. made any loan, advance or capital contribution to or investment in any person;

13. other than routine compliance filings, made any filings or submit any documents or information to FERC without prior consultation with the Buyer;

14. entered into any material settlement of any pending or threatened litigation;

15. consented to the entry of any decree or order by a governmental body or pay any fine or penalty that would have a Material Adverse Effect;

16. other than in connection with the Reorganization Transactions, merged into or with or consolidated with any other corporation or acquired all or substantially all of the business or assets of any corporation, person or entity;

17. entered into any agreement or amendment, modification, or termination of any contract, lease, or license to which the Company or any Subsidiary is a party, or by which it or any of its assets or properties are bound, except those agreements, amendments, modifications or terminations effected in the ordinary course of business consistent with past practices; or

18. committed itself to do any of the foregoing.

SCHEDULE 2.28

The following contracts:

1. Aux Sable ethane purchase.

2. Aux Sable propane purchase.

3. Aux Sable propane exchange.

4. Equistar exchange (associated with Aux Sable).

5. Ethane incentive tariff and earned storage rights (Conway to MTBV).

6. Pioneer-Fain plant NGL production purchase.

7. Pioneer-Satanta plant NGL production purchase.

SCHEDULE 4.12

a. Customer Information Solution (CIS) - to be owned by MAPL with a nonexclusive, royalty free, transferable license to WNGL

(i) Third party interactive components

(A) Client App - PowerBuilder 6.5, Sybase/PowerSoft

(B) WEB App - Visual Studio 6.0 (ASP, COM), Microsoft Corporation

(C) WEB Encryption - Security Socket Certificate, VeriSign, Inc.

(D) Engines - PL/SQL, Oracle Corporation

(E) Measurement Calculation Program - C/C++, IBM

(F) Measurement Calculation Program (stand-alone) - Visual Basic, Microsoft Corporation

(G) Predictive Models - NuralWare

(H) Web & Report Servers - NT 4.0, Microsoft Corporation

(I) Unix Servers - AIX 4.3.3, IBM

(J) Database - Oracle 8.0.6, Oracle Corporation

(K) Batch Scheduler - Autosys

(L) App Security - Applock

(M) App Distribution - InstallShield Prof, Install Shield Software Corp.

(N) Backup & Recovery - TSM Backup Systems

(O) Code Management - Visual SourceSafe 6.0, Microsoft Corporation

b. Terminal Automation System (truck terminals) - nonexclusive, royalty free, transferable license to MAPL

c. Geographic Information System (GIS) - nonexclusive, royalty free, transferable license to MAPL

(i) third party interactive components

(A) ArcView, ESRI Corporation

d. Maintenance Management System - nonexclusive, royalty free, transferable license to MAPL

e. Natural Gas Liquids SCADA System - hardware to be owned by MAPL; nonexclusive royalty free license of software to MAPL

(i) Metso (Val Met) Oasys 5.2 - licensed to MAPCO Natural Gas Liquids Inc.

(ii) Soaris Unix 2.6

(iii) Sybase 10.9.x

(iv) Metso Operator @ Web

(v) Honeywell Uniformance - Process Historian

(vi) Acrom - licensed to Williams Energy Services

(vii) C2 Technologies Broker Software - Licensed to Mid America Pipeline Co.

(viii) Siemens/TI - Soft Shop

(ix) National Instruments - Lookout

(x) Acrom Control Systems - CIS software

(xi) GE - Versepro

(xii) Allen-Bradley - RS Logix

(xiii) PC Anywhere

EXHIBIT 10.2

PURCHASE AGREEMENT

BY AND BETWEEN

E-BIRCHTREE, LLC

AND

E-CYPRESS, LLC

DATED AS OF

JULY 31, 2002

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PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "Agreement") is made and entered into as of this 31st day of July, 2002, by and between E-Birchtree, LLC, a Delaware limited liability company (the "Seller"), and E-Cypress, LLC, a Delaware limited liability company (the "Buyer").

WITNESSETH:

WHEREAS, Williams Natural Gas Liquids, Inc., a Delaware corporation ("WNGL"), owned 100% of the issued and outstanding equity interests of Mid-America Pipeline Company, a Delaware corporation ("MAPCO"), and 80% of each class of issued and outstanding capital stock of Seminole Pipeline Company, a Delaware corporation ("Seminole," and such interest in such capital stock, the "Seminole Stock");

WHEREAS, MAPCO was converted (the "MAPL Conversion") into Mid-America Pipeline Company, LLC, a Delaware limited liability company ("MAPL") and WNGL owned all of the issued and outstanding limited liability company interests in MAPL immediately following the MAPL Conversion (the "MAPL Membership Interests");

WHEREAS, MAPL distributed ("Excluded Subsidiaries Distribution") all of its equity interests in the Juarez Pipeline Company and MAPL Investments, Inc. to WNGL (such entities, together with any subsidiaries of such entities, the "Excluded Subsidiaries");

WHEREAS, Williams Midstream Natural Gas Liquids, Inc., a Delaware limited liability company ("WMNGL") owned (i) the natural gas liquids terminals described on Exhibit A to the Mapletree Purchase Agreement (defined below) and (ii) the storage and other facilities (the "Terminals and Storage Assets") described on Exhibit B to the Mapletree Purchase Agreement;

WHEREAS, WMNGL formed and owned 100% of the issued and outstanding limited liability company interests (the "Sapling Membership Interests") of Sapling, LLC, a Delaware limited liability company ("Sapling") and contributed the Terminals and Storage Assets to Sapling (the "Sapling Asset Transfer");

WHEREAS, WMNGL distributed the Sapling Membership Interests to The Williams Companies, Inc., a Delaware corporation ("WMB"), which then contributed the Sapling Membership Interests to WNGL, which then contributed the Sapling Membership Interests to MAPL (such distribution and contribution, together with the Sapling Asset Transfer, collectively the "Sapling Contributions");

WHEREAS, WNGL has formed and owned 100% of the issued and outstanding limited liability company interests (the "Mapletree Membership Interests") of Mapletree, LLC, a Delaware limited liability company ("Mapletree");

WHEREAS, WNGL contributed the MAPL Membership Interests to Mapletree (the "MAPL Contributions");

WHEREAS, WNGL has formed and owned 100% of the issued and outstanding limited liability company interests of E-Oaktree, LLC, a Delaware limited liability company (the "Company") (such interests, the "Company Membership Interest");

WHEREAS, WNGL contributed the Seminole Stock to the Company (the "Seminole Contributions");

WHEREAS, except for the Class B Unit, as defined in the amended and restated limited liability company agreement of Seller (the "Seller Golden Unit"), which unit has not been issued prior to the transactions contemplated by the Purchase Agreement by and between Seller and Enterprise Products Operating L.P. ("Buyer Parent") dated as of even date herewith (the "Mapletree Purchase Agreement"), WNGL has formed and owns 100% of the issued and outstanding limited liability company interests of Seller ("Seller Membership Interests" and together with the Company Membership Interest, the "Membership Interests");

WHEREAS, WNGL contributed the Mapletree Membership Interests and the Company Membership Interest to Seller (the "Seller Contributions" and, together with the Sapling Contributions, the Seminole Contributions and the MAPL Contributions, the "Contributions");

WHEREAS, upon the terms and subject to the conditions set forth herein the Seller desires to sell to the Buyer, and the Buyer desires to purchase from Seller 98% of the Company Membership Interests (the "Subject Membership Interest").

NOW, THEREFORE, in consideration of the mutual terms, conditions and other agreements set forth herein, the parties hereto hereby agree as follows:

ARTICLE I

SALE AND PURCHASE

Section 1.1 Agreement to Sell and to Purchase. Upon the terms and subject to the conditions set forth in this Agreement, at the Closing (as hereinafter defined), the Seller shall sell, assign, transfer, convey and deliver to the Buyer the Subject Membership Interest free and clear of any pledges, restrictions on transfer, proxies and voting or other agreements, liens, claims, charges, mortgages, security interests or other legal or equitable encumbrances, limitations or restrictions of any nature whatsoever ("Encumbrances"), and the Buyer shall purchase and accept the Subject Membership Interest from Seller, in exchange for an aggregate purchase price of $254,800,000 payable as set forth in Section 1.4(b) (the "Purchase Price").

Section 1.2 Closing. The closing of the sale and purchase of Subject Membership Interest (the "Closing") shall take place at 10:00 A.M. one business day after the satisfaction or waiver of the last to be satisfied of the conditions contained in

Articles V and VI (other than those conditions that by their nature are to be fulfilled at Closing) or at such other time and date as the parties hereto shall agree in writing (the "Closing Date"), at the offices of Vinson & Elkins L.L.P., 1001 Fannin Street, Suite 2300, Houston, Texas 77002 or at such other place as the parties hereto shall agree in writing.

Section 1.3 Deliveries by the Seller.

(a) On the date hereof, the Seller is delivering to the Buyer or its designee:

(i) resolutions of the Board of Directors of the Seller authorizing the execution, delivery and performance of this Agreement and a certificate of an officer of the Seller, dated as of the date of this Agreement, to the effect that such resolutions were duly adopted and are in full force and effect;

(ii) a copy of the fairness opinion delivered by Merrill Lynch to Seller or its affiliates covering the transactions under this Agreement;

(iii) a guaranty agreement, in form and substance reasonably satisfactory to the Buyer, duly executed by WMB and WNGL; and

(iv) properly executed Internal Revenue Service Forms 8832 electing to treat the Seller and the Company as corporations for federal income tax purposes effective July 29, 2002, which forms shall be returned to Seller upon receipt of evidence that identical forms have been properly filed with the Internal Revenue Service.

(b) At the Closing, the Seller shall deliver to the Buyer or its designee:

(i) an amended and restated limited liability company agreement of the Company in the form and substance satisfactory to Buyer;

(ii) resolutions of the Board of Directors of the Seller authorizing the execution, delivery and performance of this Agreement and a certificate of an officer of the Seller, dated as of the Closing Date, to the effect that such resolutions were duly adopted and are in full force and effect;

(iii) a release, in form and substance reasonably satisfactory to the Buyer, duly executed by WMB and WNGL; and

(iv) all other previously undelivered documents required to be delivered by the Seller to the Buyer at or prior to the Closing Date.

Section 1.4 Deliveries by the Buyer.

(a) On the date hereof, the Buyer is delivering to the Seller resolutions of the Board of Directors of the general partner of the Buyer authorizing the execution, delivery and performance of this Agreement and a certificate of an officer of the general partner of the Buyer, dated as of the date of this Agreement, to the effect that such resolutions were duly adopted and are in full force and effect;

(b) Upon the Closing, the Buyer shall deliver to the Seller:

(i) the Purchase Price by delivery of cash, by wire transfer of immediately available funds to the account or accounts specified by the Seller in a written notice to be delivered to the Buyer two business days prior to the Closing;

(ii) resolutions of the Board of Directors of the general partner of the Buyer authorizing the execution, delivery and performance of this Agreement and a certificate of an officer of the general partner of the Buyer, dated as of the date of this Agreement, to the effect that such resolutions were duly adopted and are in full force and effect;

(iii) an amended and restated limited liability company agreement of the Company in the form and substance satisfactory to the Buyer; and

(iv) all other previously undelivered documents required to be delivered by the Buyer to the Seller at or prior to the Closing Date.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller hereby represents and warrants as follows:

Section 2.1 Corporate Organization. The Seller and the Company are each limited liability companies duly organized and validly existing under the laws of Delaware. The Seller, the Company and each of the Subsidiaries (as defined below in Section 2.3) of the Company have all requisite power and authority and all governmental licenses, authorizations, permits, consents and approvals to own their respective properties and assets and to conduct their businesses as now conducted, except for

immaterial failures to have such licenses, authorizations, permits, consents and approvals. The Seller, the Company and each of the Subsidiaries of the Company are duly qualified to do business as a foreign entity and are in good standing in every jurisdiction where the character of the properties owned or leased by them or the nature of the business conducted by them makes such qualification necessary, except where the failure to be so qualified or in good standing would not individually or in the aggregate have a Material Adverse Effect (as defined in Section 9.13). Schedule 2.1 sets forth all of the jurisdictions in which the Seller, the Company and each of the Subsidiaries of the Company are qualified to do business. Copies of the Organizational Documents (as defined below) of the Seller and each of its Subsidiaries with all amendments thereto to the date hereof, have been furnished by the Seller to the Buyer or their representatives, and such copies are accurate and complete as of the date hereof. "Organizational Documents" shall mean certificates of incorporation, by-laws, certificates of formation, limited liability company operating agreements, partnership or limited partnership agreements or other formation or governing documents of a particular entity.

Section 2.2 Capitalization; Title. Prior to the issuance of the Seller Golden Unit to Buyer Parent, all of the outstanding Seller Membership Interests are owned of record and beneficially by WNGL, free and clear of any Encumbrances. The outstanding Company Membership Interest is owned of record and beneficially by Seller, free and clear of any Encumbrances. The Seminole Stock is owned of record and beneficially by the Company, free and clear of any Encumbrances except as set forth on Schedule 2.2. All of the Membership Interests and the Seminole Stock have been duly authorized and validly issued. Except for this Agreement, the Mapletree Purchase Agreement and as set forth on Schedule 2.2, there are no outstanding options, warrants, agreements, conversion rights, preemptive rights or other rights to subscribe for, purchase or otherwise acquire any of the Membership Interests. There are no voting trusts or other agreements or understandings to which any of the Seller or any of its Subsidiaries is a party with respect to the voting of the Membership Interests. There is no indebtedness of the Company having general voting rights issued and outstanding. Except for this Agreement and the Seminole Purchase Agreement, there are no outstanding obligations of any person to repurchase, redeem or otherwise acquire outstanding Membership Interests or any securities convertible into or exchangeable for any Membership Interests. The Seller has valid and marketable title to the Subject Membership Interest and the sale and transfer of the Subject Membership Interest by the Seller to the Buyer hereunder will transfer title to the Subject Membership Interest to the Buyer free and clear of any Encumbrances.

Section 2.3 Subsidiaries and Equity Interests. Except for the Company, MAPL, Sapling, Mapletree and Seminole, which are Subsidiaries of the Seller, the Seller does not own, directly or indirectly, any shares of capital stock, voting rights or other equity interests or investments in any other person or any interests in any other asset. Except for the Seminole Stock, the Company does not own, directly or indirectly, any shares of capital stock, voting rights or other equity interests or investments in any other person. "Subsidiary" shall mean, with respect to a specified person, any person in which such specified person owns, directly or indirectly, any shares of capital stock, voting rights or other equity interests or investments. The Company and each of its

Subsidiaries do not have any rights to acquire by any means, directly or indirectly, any capital stock, voting rights, equity interests or investments in another person. All references in this Agreement to the Company and its Subsidiaries shall in no way be deemed to include any reference to assets or businesses previously owned by the Company or its Subsidiaries which were distributed out of such entities (including, without limitation, the Excluded Subsidiaries) prior to the Closing.

Section 2.4 Validity of Agreement; Authorization. The Seller has the power to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the performance of its obligations hereunder have been duly authorized by the Seller, and no other proceedings on the part of the Seller are necessary to authorize such execution, delivery and performance. This Agreement has been duly executed by each of the Seller and constitutes the Seller's valid and binding obligation enforceable against the Seller in accordance with its terms (except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar law affecting the enforcement of creditors' rights generally or by general equitable principles). Each of the Seminole Contribution and the contribution of the Company Membership Interest to the Seller (collectively, the "Reorganization Transactions") were duly authorized, and the instruments executed in connection therewith (the "Reorganization Instruments") were duly executed and constitute the valid and binding obligations enforceable against the parties thereto (the "Reorganization Parties") in accordance with their terms (except to the extent that their enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar law affecting the enforcement of creditors' rights generally or by general equitable principles).

Section 2.5 No Conflict or Violation. Except as set forth on Schedule 2.5, (x) the execution, delivery and performance by the Seller of this Agreement and the documents to be delivered at the Closing and (y) the execution, delivery and performance of the Reorganization Instruments by the Reorganization Parties, does not and will not:

(a) violate or conflict with any provision of the Organizational Documents of the Seller, the Company or any of its Subsidiaries or any other Reorganization Party;

(b) materially violate any applicable provision of a material law, statute, judgment, order, writ, injunction, decree, award, rule, or regulation of any foreign, federal, tribal, state or local government, court, arbitrator, agency or commission or other governmental or regulatory body or authority ("Governmental Authority");

(c) materially violate, result in a material breach of, constitute (with due notice or lapse of time or both) a material default or cause any material obligation, penalty or premium to arise or accrue under, accelerate or permit the acceleration of the performance required by, or require any consent, authorization or approval under (i) any material contract, lease, loan agreement, mortgage, security agreement, trust indenture or other material agreement or

instrument to which the Seller, the Company, or any of its Subsidiaries or any other Reorganization Party are a party or by which any of them is bound or to which any of their respective properties or assets is subject or (ii) any mortgage, security agreement, trust indenture, loan or debt agreement or any other agreement or instrument evidencing indebtedness for money borrowed to which the Seller or any of its affiliates, the Company, any of its Subsidiaries or any other Reorganization Party is a party or by which any of them is bound or to which any their respective properties or assets is subject; or

(d) result in the creation or imposition of any Encumbrance except Permitted Encumbrances upon any of the properties or assets of the Seller or any of its affiliates, the Company or any of its Subsidiaries.

Section 2.6 Consents and Approvals. Except as set forth on Schedule 2.6, no material consent, approval, authorization, license, order or permit, or declaration, filing or registration with, or notification to any Governmental Authority or any other person, is required to be obtained by the Seller or the Seller's affiliates (including, without limitation, the Company and its Subsidiaries) in connection with the Reorganization Transactions, the execution and delivery of this Agreement by the Seller or the performance of the Seller's obligations hereunder. Except as set forth on Schedule 2.6, the Reorganization Transactions do not (a) breach, violate or result in any default under any agreements or instruments to which the Seller or any of the Seller's affiliates (including the Company and its Subsidiaries) are parties or otherwise are bound or (b) trigger, violate or otherwise create any right in or for any person under any right of first refusal, preferential rights to purchase or similar rights applicable in connection with the Reorganization Transactions or the transactions contemplated by this Agreement.

Section 2.7 Financial Statements. The Seller has heretofore furnished to the Buyer copies of the audited financial statements of Seminole as of December 31, 2001 and the unaudited financial statements of Seminole as of June 30, 2002 (collectively, the "Financial Statements"). The Financial Statements were prepared on the basis of the information contained in the books and records of Seminole in accordance with U.S. generally accepted accounting principles consistently applied. Except as described on Schedule 2.7, the Financial Statements fairly present in all material respects the financial position, results of operations and changes in cash flow of Seminole as of the dates of such Financial Statements and for the periods then ended (subject to normal year-end audit adjustments consistent with prior periods).

Section 2.8 Absence of Certain Changes or Events. Except as set forth in Schedule 2.8(a) and except for the Reorganization Transactions, since (x) December 31, 2001, the business of the Company and its Subsidiaries has been conducted in the ordinary course consistent with past practices and (y) June 30, 2002, neither the Company nor any of its Subsidiaries has taken any of the actions described in Section 4.1(a), except in connection with entering into this Agreement. Since June 30, 2002, there has not been:

(a) any material destruction of, damage to, or loss of, any material asset of the Company or its Subsidiaries (whether or not covered by insurance) that has not been repaired or replaced;

(b) any material citation received, or to the Seller's knowledge, any other citation received by the Seller, the Company or any of its Subsidiaries for any material violations of any act, law, rule, regulation, or code of any Governmental Authority related to the activities or business of the Seller, the Company or any of its Subsidiaries; or

(c) any other event or condition of any character that has had, or would reasonably be expected to have, a Material Adverse Effect.

Section 2.9 Tax Matters.

(a) For purposes of this Agreement, (i) "Tax Returns" shall mean returns, reports, exhibits, schedules, information statements and other documentation (including any additional or supporting material) filed or maintained, or required to be filed or maintained, in connection with the calculation, determination, assessment or collection of any Tax and shall include any amended returns; (ii) "Tax" or "Taxes" shall mean any and all Federal, state, local, foreign and other taxes, levies, fees, imposts, duties and charges of whatever kind (including any interest, penalties or additions to the tax imposed in connection therewith or with respect thereto), including, without limitation, taxes imposed on, or measured by, income, franchise, profits or gross receipts, ad valorem, value added, sales, use, service, real or personal property, capital stock, license, payroll, withholding, employment, social security, workers' compensation, unemployment compensation, utility, severance, production, excise, stamp, occupation, premium, windfall profits, transfer and gains taxes and customs duties; (iii) the "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time (or any corresponding provision of succeeding law) and (iv) "Treasury Regulations" shall mean the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time.

(b) Except as disclosed on Schedule 2.9, (i) all income and other material Tax Returns required under applicable law to be filed by or with respect to the Company or any of its Subsidiaries have been timely filed; (ii) all such Tax Returns are true, correct and complete in all material respects; (iii) all income and other material Taxes required to be paid by or with respect to the Company or any of its Subsidiaries (whether or not shown on any Tax Return) have been timely paid; (iv) there is no action, suit, proceeding, audit or claim now pending or threatened in writing against, or with respect to, the Company or any of its Subsidiaries in respect of any income or other material Tax or income or other material Tax assessment; (v) all deficiencies or assessments asserted against or with respect to income or other material Taxes of the Company or any of its Subsidiaries by any Tax authority have been paid or fully and finally settled and, to the knowledge of Seller, no issue previously raised in writing by any such Tax

authority reasonably could be expected to result in a material assessment on or after the date hereof; (vi) no written claim has been made by any Tax authority in a jurisdiction where the Company or any of its Subsidiaries does not currently file a Tax Return that any of them are or may be subject to Tax by such jurisdiction, nor to the Seller's knowledge has any such assertion been threatened in writing; (vii) there are no extensions or outstanding requests for extensions of time within which to pay Taxes or file Tax Returns of or with respect to the Company or any of its Subsidiaries; (viii) there has been no waiver, extension or request for extension of any applicable statute of limitations for the assessment or collection of any Taxes of the Company or any of its Subsidiaries; (ix) valid elections to treat the Seller and the Company as corporations effective July 29, 2002 for federal income tax purposes have been filed with the Internal Revenue Service; (x) the Seller is not a "foreign person" within the meaning of Section 1445 of the Code; (xi) neither the Company nor any of its Subsidiaries is a party to any agreement, whether written or unwritten, providing for the payment of Taxes, payment for Tax losses, entitlements to refunds or similar Tax matters; (xii) each of the Company and its Subsidiaries has withheld and paid all material Taxes required to be withheld by it in connection with any amounts paid or owing to any employee, creditor, independent contractor or other third party; (xiii) there are no liens, pledges, charges, claims, restrictions on transfer, mortgages, security interests or other encumbrances of any sort (collectively "Liens") on the assets of the Company or any of its Subsidiaries relating to or attributable to Taxes, other than Liens for Taxes not yet due and payable or Taxes being contested in good faith by appropriate proceedings; (xiv) each of the Seller, the Company and its Subsidiaries are members of the affiliated group, within the meaning of Section 1504 of the Code, of which WMB is the common parent (the "Seller Parent Group") (Seminole having been a member since March 27, 1998); (xv) neither the Company nor any of its Subsidiaries, except for Seminole, has been a member of an affiliated group (within the meaning of Section 1504 of the Code) or an affiliated, combined, consolidated, unitary or similar group for state, local or foreign Tax purposes, other than the Seller Parent Group; (xvi) neither the Company nor any of its Subsidiaries has any liability for the Taxes of any person (other than the Seller Parent Group) under Treasury Regulations Section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise; (xvii) neither the Company nor any of its Subsidiaries is a party to any contract, agreement, plan or arrangement that, individually or in the aggregate, could give rise to the payment of any amount that would not be deductible pursuant to Section 280G or 162(m) of the Code; (xviii) neither the Company nor any of its Subsidiaries has constituted either a "distributing corporation" or a "controlled corporation" in a distribution of stock qualifying for tax-free treatment under Section 355 of the Code in the two years prior to the date of this Agreement or in a distribution which could otherwise constitute part of a "plan" or "series of related transactions" (within the meaning of Section 355(e) of the Code) in conjunction with the transactions contemplated by this Agreement; (xix) none of the assets or properties of the Company or any of its Subsidiaries is required to be treated as tax-exempt use property within the

meaning of Section 168(h)(1) of the Code; (xx) neither the Company nor any of its Subsidiaries has participated in a reportable transaction within the meaning of Treasury Regulations Section 1.6011-4T or participated in a transaction that has been disclosed pursuant to IRS Announcement 2002-2, 2002-2 I.R.B. 304; and (xxi) the Financial Statements include adequate provision under generally accepted accounting principles for all unpaid Taxes of the Company and its Subsidiaries as of the date thereof.

Section 2.10 Absence of Undisclosed Liabilities.

(a) Except as disclosed on Schedule 2.10, the Company and its Subsidiaries have no material, individually or in the aggregate, indebtedness or liability, absolute or contingent, direct or indirect, which is not shown or provided for in the Financial Statements other than liabilities incurred or accrued in the ordinary course of business (including liens for current Taxes not yet due and payable and assessments not in default) since December 31, 2001. Except for liabilities arising in connection with its ownership of the Company or Mapletree or under the Mapletree Purchase Agreement, Seller has no indebtedness or liability, absolute or contingent, direct or indirect.

(b) None of the Company or any of its Subsidiaries is obligated for any "off balance sheet indebtedness" which, but for the structure of such indebtedness would be required to be reflected on a balance sheet in accordance with generally accepted accounting principles.

Section 2.11 Real and Personal Property; Sufficiency of Assets of the Company

(a) Except as set forth on Schedule 2.11(a), the Company or one of its Subsidiaries owns marketable fee title to, or holds a valid leasehold interest in, or right-of-way easements through (collectively, the "Rights of Way") all material real property (collectively, "Real Property") used or necessary for the conduct of the Company's and its Subsidiaries' businesses, as they are presently conducted and as conducted immediately prior to the Contributions and except for the Omnibus Excluded Assets, the Company or one of its Subsidiaries has good and valid title to all of the material tangible assets used or necessary for the conduct of the Company's and its Subsidiaries' businesses as they are presently conducted and as conducted immediately prior to the Contributions or which material tangible assets are reflected on the Financial Statements (except for assets sold, consumed or otherwise disposed of in the ordinary course of business since the date of the Financial Statements) and (ii) all such material Real Property and assets (other than Rights of Way) are owned or leased by the Company or its Subsidiaries free and clear of all Encumbrances, except for (A) Encumbrances set forth on Schedule 2.11(a), (B) liens for current Taxes not yet due and payable or for Taxes the validity of which is being contested in good faith in appropriate proceedings, (C) rights of way, laws, ordinances and regulations affecting building use and occupancy (collectively,

"Property Restrictions") imposed or promulgated by law or any Governmental Authority with respect to Real Property, including zoning regulations, provided they do not materially adversely affect the current use of the applicable real property, and (D) mechanics', carriers', workmen's and repairmen's liens and other Encumbrances of any kind, if any, which do not materially detract from the value of or materially interfere with the present use of any Real Property or assets subject thereto or affected thereby and which have arisen or been incurred in the ordinary course of business (clauses (A) through (D) above are referred to collectively as "Permitted Encumbrances"). All Rights of Way used or necessary for the conduct of the Company's and its Subsidiaries' businesses, as they are presently conducted and as conducted immediately prior to the Contributions, are owned or leased by the Company or one of its Subsidiaries, free and clear of all Encumbrances created by the Seller, any affiliate of the Seller, the Company or any Subsidiary of Company, except for the Permitted Encumbrances. The Pipeline Systems are contiguous to all points of delivery and receipt, except for such failures to be contiguous that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(b) There are no material structural defects relating to any of the improvements to the Real Property (including, without limitation, the Pipeline Systems) and all tangible assets and seasonal property used or necessary for the conduct of the Company's and its Subsidiaries' businesses, as they are presently conducted and as conducted immediately prior to the Contributions, are in good operating condition, ordinary wear and tear and obsolescence excepted. To the Company's knowledge, all improvements to the real property used or necessary for the conduct of the Company's and its Subsidiaries' businesses, as they are presently conducted and as conducted immediately prior to the Contributions, do not encroach in any respect on property of others (other than encroachments that would not materially impair the operations of the Company and its Subsidiaries currently conducted thereon).

(c) Except as set forth on Schedule 2.11(c) and except for the Omnibus Excluded Assets, the assets owned, leased or licensed by the Company and its Subsidiaries constitute all of the assets and rights used by the Seller, the Seller's affiliates, the Company and its Subsidiaries to conduct the businesses of the Company and its Subsidiaries and the operation of the Pipeline Systems as they are presently conducted and as conducted immediately prior to the Contributions.

(d) Except as set forth on Schedule 2.11(d), there is no pending or, to the Seller's knowledge, threatened condemnation of any part of the Real Property used or necessary for the conduct of the Company's and its Subsidiaries' businesses, as they are presently conducted and as conducted immediately prior to the Contributions, by any Governmental Authority which would materially adversely affect the Company's or its Subsidiaries' use of such Real Property.

Section 2.12 Regulatory Matters.

(a) None of the Company or any of its Subsidiaries is a "Natural Gas Company" as that term is defined in Section 2 of the Natural Gas Act ("NGA"). None of the Company or its Subsidiaries is a "public utility company," "holding company" or "subsidiary" or "affiliate" of a holding company as such terms are defined in the Public Utility Holding Company Act of 1935 (the "1935 Act"). No approval of (i) the Securities and Exchange Commission under the 1935 Act or (ii) FERC under the NGA, the Interstate Commerce Act ("ICA") or the Federal Power Act is required in connection with (x) the Reorganization Transactions, (y) the execution of this Agreement by the Seller or (z) the performance of the transactions contemplated hereby by the Seller.

(b) Reserved.

(c) The Company and its Subsidiaries have all licenses, permits and authorizations (other than licenses or permits for the use of land) issued or granted by Governmental Authorities that are necessary for the conduct of the Company's and its Subsidiaries' businesses, as they are presently conducted and as conducted immediately prior to the Contributions, except for such failures that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

Section 2.13 Intellectual Property.

(a) Except as set forth on Schedule 2.13(a) and for such matters as would not have a Material Adverse Effect, each of the Company and its Subsidiaries owns all right, title and interest in and to, or has a valid and enforceable license or other right to use, all the Intellectual Property (as defined below) used by the Company in connection with its business, which represents all Intellectual Property rights necessary for the Company to conduct its business as presently conducted.

(b) Neither the Company nor any of its Subsidiaries has violated, materially infringed upon or unlawfully or wrongfully used the intellectual property of others, and neither of the Company's nor any of its Subsidiaries' Intellectual Property or any related rights as used in the businesses now or heretofore conducted by the Company or any of its Subsidiaries, materially infringes upon or otherwise materially violates the rights of others, nor has any person or Governmental Authority asserted in writing a material claim of such infringement or misuse or initiated (or indicated in writing any present or future intention to initiate) any material proceeding with respect to such Intellectual Property.

(c) Except as set forth on Schedule 2.13(c), neither the Company nor any of its Subsidiaries will from and after the Closing be obligated to make any payments for royalties, fees or otherwise to any person in connection with any of the Company's or any of its Subsidiaries' Intellectual Property. None of the Seller, the Company or any of its Subsidiaries is aware of any infringement of the Company's or any of its Subsidiaries' Intellectual Property, and there are no pending infringement actions against another for infringement of the Company's or any of its Subsidiaries' Intellectual Property or theft of trade secrets.

(d) The only representations and warranties given in respect of Intellectual Property and matters and agreements relating thereto are those contained in this Section 2.13, and none of the other representations and warranties shall be deemed to constitute, directly or indirectly, a representation and warranty in respect of Intellectual Property and matters or agreements relating thereto.

(e) As used in this Agreement, "Intellectual Property" shall mean the trademarks, service marks, trade names, inventions, trade secrets, copyrights and domain names used in connection with the Company's or its Subsidiaries' businesses.

Section 2.14 Compliance with Law. Except as relates to Tax matters (which are provided for in Section 2.9), NGA, ICA and the 1935 Act matters (which are provided for in Section 2.12), or environmental, health and safety matters (which are provided for in Section 2.21) and except as set forth on Schedule 2.14, the operations of the Company, its Subsidiaries and their respective Assets have been conducted in material compliance since December 31, 2001, with all applicable material laws, licenses, regulations, orders and other material requirements of all Governmental Authorities having jurisdiction over the Company and any Subsidiary and their assets, properties and operations. Except as relates to Tax matters (which are provided for in Section 2.9), NGA, ICA and the 1935 Act matters (which are provided for in Section 2.12) or environmental, health and safety matters (which are provided for in Section 2.21), none of the Seller, the Seller's affiliates, the Company or its Subsidiaries has materially violated, been charged with materially violating or, to the knowledge of Seller or any of its affiliates, been threatened with a charge of materially violating of any such law, license, regulation, order or other legal requirement, or are in material default with respect to any material order, writ, judgment, award, injunction or decree of any Governmental Authority, in each case as applicable to the Company, its Subsidiaries or any of the Company's and its Subsidiaries' assets, properties or operations.

Section 2.15 Litigation. Except as set forth on Schedule 2.15 as of the date hereof, there are no Legal Proceedings (as hereinafter defined) pending or, to the knowledge of the Seller, the Seller's affiliates, the Company or its Subsidiaries, threatened against or involving the Seller, any of the Seller's affiliates, the Company or any of its Subsidiaries that, individually or in the aggregate, are reasonably likely to:

(a) incur damages or costs to the Company or any of its Subsidiaries in excess of $500,000;

(b) have a Material Adverse Effect; or

(c) materially impair or delay the ability of the Seller to perform their obligations under this Agreement or consummate the transactions contemplated by this Agreement.

Except as set forth on Schedule 2.15 as of the date hereof, there is no order, judgment, injunction or decree of any Governmental Authority outstanding against the Seller, the Company or any of its Subsidiaries or any of Seller's affiliates with respect to the Assets that, individually or in the aggregate, would have any effect referred to in the foregoing clauses (a) and (b). "Legal Proceeding" shall mean any judicial, administrative or arbitral actions, suits, proceedings (public or private), investigations or governmental proceedings before any Governmental Authority.

Section 2.16 Contracts. Except for Commitments (as defined below in Section 2.16(o)) listed on Schedule 2.13(a) or Schedule 2.18(a), Schedule 2.16 sets forth (subject to the dollar amount limitations of clauses (b) or (c) below) a true and complete list of the following contracts, agreements, instruments and commitments to which the Company or any of its Subsidiaries is a party or otherwise relating to or affecting any of the Assets or the operations of the Company or any of its Subsidiaries, whether written or oral:

(a) any material contracts, agreements and commitments not made in the ordinary course of business;

(b) contracts calling for payments by or to the Company or any of its Subsidiaries of amounts greater than $1,000,000;

(c) contracts, loan agreements, letters of credit, repurchase agreements, mortgages, security agreements, guarantees, pledge agreements, trust indentures and promissory notes and similar documents relating to the borrowing of money or for lines of credit;

(d) agreements with respect to the sharing or allocation of Taxes or Tax costs;

(e) agreements for the sale of any material assets, property or rights other than in the ordinary course of business or for the grant of any options or preferential rights to purchase any material assets, property or rights;

(f) documents granting any power of attorney with respect to the affairs of the Company or its Subsidiaries;

(g) suretyship contracts, performance bonds, working capital maintenance, support agreements, contingent obligation agreements and other forms of guaranty agreements;

(h) any material contracts or commitments limiting or restraining the Company or any Subsidiary from engaging or competing in any lines of business or with any person;

(i) with respect to natural gas liquids, any transportation agreements, product purchase agreements, fractionation agreements, processing agreements, balancing agreements, interconnection agreements and storage agreements other than terminaling contracts terminable on notice of one year or less;

(j) any collective bargaining agreements;

(k) any contracts between the Company or its Subsidiaries, on the one hand, and the Seller or its affiliates (other than the Company or its Subsidiaries), on the other hand;

(l) any indemnification agreements not made in the ordinary course of business;

(m) any material partnership, joint venture or similar agreements;

(n) capital leases; and

(o) all amendments, modifications, extensions or renewals of any of the foregoing (the types of contracts, agreements and documents described in subsections (a) through (o) are hereinafter referred to collectively as the "Commitments" and individually as a "Commitment").

Each Commitment is valid, binding and enforceable against the Company and/or each Subsidiary of the Company that is a party thereto in accordance with its terms, and in full force and effect on the date hereof (except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar law affecting the enforcement of creditors' rights generally or by general equitable principles). The Company and each of its Subsidiaries, as the case may be, have performed in all material respects all obligations required to be performed by them under, and are not in material default or breach of in respect of, any Commitment, and no event has occurred which, with due notice or lapse of time or both, would constitute such a default. To the knowledge of the Seller and the Company or any of its Subsidiaries, no other party to any Commitment is in default in any material respect thereof, and no event has occurred which, with due notice or lapse of time or both, would constitute such a default. The Seller has made available to the Buyer or its representatives true and complete originals or copies of all the Commitments and a copy of every material default notice received by the Seller or the Company or any of its Subsidiaries during the past one year with respect to any of the Commitments.

Section 2.17 Books and Records of the Company. The books of account, minute books, record books, and other records of the Company and its

Subsidiaries, all of which have been made available to the Buyer or its representatives, are complete and correct in all material respects.

Section 2.18 Employee Plans.

(a) Except as set forth in Schedule 2.18(a), neither the Company nor any of its Subsidiaries sponsors or maintains or has any liability or obligation with respect to, and at any time during the past five years or, if longer, for any period for which an applicable statute of limitations has not expired, has not sponsored, maintained or had any liability or obligation with respect to, any "employee benefit plan," as defined under Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or any other bonus, pension, stock option, stock purchase, benefit, welfare, profit-sharing, retirement, disability, vacation, severance, hospitalization, insurance, incentive, deferred compensation and other similar fringe or employee benefit plans, funds, programs or arrangements, whether written or oral ("Employee Plans"), in each of the foregoing cases which cover, are maintained for the benefit of, or relate to any or all current or former employees of the Company. Schedule 2.18(a) sets forth a true and complete list of all Employee Plans which cover, are maintained for the benefit of, or relate to any or all employees of the Seller or its affiliates who are assigned to or perform services primarily for the business of the Company or its Subsidiaries (the "Business Employees," and such Employee Plans hereinafter referred to as the "Seller Plans"). For purposes of determining Business Employees, a person shall be deemed to be performing services primarily for the business of the Company or any of its Subsidiaries if such person spends at least 50% of their working time in the conduct of the business of operations of the Company or its Subsidiaries.

(b) The Company and its Subsidiaries have no current or former employees. Schedule 2.18(b) sets forth a true and complete list showing the names of all Business Employees. Except as set forth on Schedule 2.18(b), there are no contracts, agreements, plans or arrangements covering any Business Employee with "change of control", severance or similar provisions that would be triggered as a result of the consummation of this Agreement or that could otherwise result in liability to the Company or its Subsidiaries. To the Seller's and the Company's knowledge, no Business Employee is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of such employee's efforts to promote the interests of the Company or the Buyer or that would conflict with the Company's or its Subsidiaries' business as conducted or proposed to be conducted.

(c) None of the employees who provide services to the Company or its Subsidiaries are covered by collective bargaining agreements and, to the Seller's knowledge, there are no union or labor organization efforts respecting such employees.

(d) Neither the Company nor any of its Subsidiaries will have any liability to any person for compensation pursuant to employment or termination of employment as a result of consummating the transactions contemplated by this Agreement.

Section 2.19 Insurance.

(a) Schedule 2.19 sets forth a true and complete list of all policies of property and casualty insurance, including crime insurance, liability and casualty insurance, property insurance, business interruption insurance, workers' compensation, excess or umbrella liability insurance and any other type of property and casualty insurance insuring the properties, assets, employees and/or operations of the Company or its Subsidiaries (collectively, the "Policies"). Upon request, the Seller will make available to the Buyer certificates of insurance and insurance summaries from the insurance broker evidencing the existence of the Policies. All premiums payable under such Policies have been paid in a timely manner and the Seller, the Seller's affiliates, the Company and the Company's Subsidiaries have complied fully with the terms and conditions of all such Policies.

(b) Except as set forth on Schedule 2.19, all such Policies are in full force and effect and coverage of the Company and its Subsidiaries under the Policies will terminate upon the Closing Date. The Seller shall use its reasonable best efforts to cause the Company and its Subsidiaries to maintain the coverage under all Policies (or replacements thereof for Policies expiring prior to the Closing Date) in full force and effect through the Closing Date. Neither the Company nor any of its Subsidiaries is in default under any provisions of the Policies, and there is no claim by the Seller, the Seller's affiliates, the Company or any Subsidiary of the Company or any other person pending under any of the Policies as to which coverage has been questioned, denied or disputed by the underwriters or issuers of such Policies. Except as set forth on Schedule 2.19, none of the Seller, the Seller's affiliates, the Company or any Subsidiary of the Company has received written notice from an insurance carrier issuing any Policies that alteration of any equipment or any improvements located on Real Property, purchase of additional equipment, or modification of any of the methods of doing business of the Company or its Subsidiaries, will be required or suggested after the date hereof. The Policies are adequate in accordance with industry standards, the requirements of any applicable agreements and are in at least the minimum amounts required by, and are otherwise sufficient for purposes of, any currently applicable law, rule, or regulation of any Federal, state or local government, agency or authority, including, without limitation, environmental regulations. All Policies are of at least like character and amount as are customarily carried by like businesses similarly situated.

Section 2.20 Transactions with Directors, Officers and Affiliates. Except as set forth on Schedule 2.20 and for intercompany transactions in the ordinary course of business, since December 31, 2001, there have been no transactions between the Company or its Subsidiaries and any director, officer, employee, stockholder, member or other "affiliate" (as such term is defined in Rule 405 under the Securities Act of 1933, as amended (the "Securities Act")) of the Company, or any Subsidiary or the Seller, including, without limitation, loans, guarantees or pledges to, by or for the

Company or Subsidiary from, to, by or for any of such persons. Except as set forth on Schedule 2.11(d), neither the Seller nor any of their "affiliates" (as such term is defined in Rule 405 under the Securities Act) (other than the Company or any Subsidiary) owns or has any rights in or to any of the assets, properties or rights used by the Company or its Subsidiaries in the ordinary course of their business.

Section 2.21 Environmental; Health and Safety Matters.

(a) Except as set forth on Schedule 2.21:

(i) the Company and its Subsidiaries and their respective operations and the Assets are in material compliance with all applicable Environmental Laws, and have been in material compliance with Environmental Laws and, in the case of pipeline safety, prudent industry practices, except for non-compliance that would not reasonably be expected to result in the Company or its Subsidiaries incurring material liabilities under applicable Environmental Laws;

(ii) none of the Seller, the Company or its Subsidiaries has received any written request for information, or has been notified that it is a potentially responsible party, under CERCLA (as hereinafter defined) or any similar state law with respect to any on-site or off-site location for which material liability is currently being asserted against them with respect to the activities or operations of the Company or its Subsidiaries;

(iii) there are no material writs, injunctions, decrees, orders or judgments outstanding, or any actions, suits, proceedings or investigations pending or to their knowledge threatened, involving the Company or its Subsidiaries relating to (A) their compliance with any Environmental Law, or (B) the release, disposal, discharge, spill, treatment, storage or recycling of Hazardous Materials into the environment at any location which would reasonably be expected to result in the Company or any Subsidiary incurring any material liability under Environmental Laws;

(iv) the Company and its Subsidiaries have obtained, currently maintain and are in material compliance with all material licenses which are required under Environmental Laws for the operation of their respective businesses (collectively, "Environmental Permits"), all such material Environmental Permits are in effect and no appeal nor any other action is pending to revoke any such material Environmental Permit;

(v) there have been no Releases of Hazardous Materials at any current or former property owned, leased or operated by the Company or its Subsidiaries that are reasonably likely to

result in material liabilities under applicable Environmental Laws after the Closing Date;

(vi) there have been no ruptures in the Pipeline Systems resulting in injury, loss of life, or material property damage, except to the extent that any liabilities or costs arising as a result of such ruptures have been fully resolved so that the Seller does not expect that the Company or its Subsidiaries will incur material liabilities or costs after the Closing Date; and

(vii) to the knowledge of the Seller and its affiliates, there are no defects, corrosion or other damage to any of the Pipeline Systems that would create a material risk of pipeline integrity failure.

(b) The following terms shall have the following meanings:

"Environmental Claim" shall mean any notice of violation, action, claim, lien, demand, abatement or other order or directive (conditional or otherwise) by any person or Governmental Authority for personal injury (including sickness, disease or death), tangible or intangible property damage, damage to the environment (including natural resources), nuisance, pollution, contamination, trespass or other adverse effects on the environment, or for fines, penalties or restrictions resulting from or based upon (i) the existence, or the continuation of the existence, of a Release (including, without limitation, sudden or non-sudden accidental or non-accidental Releases) of, or exposure to, any Hazardous Material, odor or audible noise; (ii) the transportation, storage, treatment or disposal of Hazardous Materials; or (iii) the violation, or alleged violation, of any Environmental Laws or Permits issued thereunder.

"Environmental Law" shall mean current local, county, state, federal, and/or foreign law (including common law), statute, code, ordinance, rule, regulation or other legal obligation relating to the protection of the environment or natural resources, including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. section 9601 et seq.), as amended ("CERCLA"), the Resource Conservation and Recovery Act (42 U.S.C. section 6901 et seq.), as amended ("RCRA"), the Federal Water Pollution Control Act (33 U.S.C. section 1251 et seq.), as amended, the Clean Air Act (42 U.S.C. section 7401 et seq.), as amended, the Toxic Substances Control Act (15 U.S.C. section 2601 et seq.), as amended, the Occupational Safety and Health Act (29 U.S.C. section 651 et seq.), as amended, the Federal Natural Gas Pipeline Safety Act of 1968, as amended, the Hazardous Materials Transportation Act (49 U.S.C. section 1801 et seq.), as amended, the Oil Pollution Act (33 U.S.C. section 2701 et seq.), the Safe Drinking Water Act (42 U.S.C. section 300(f) et seq.), as amended, analogous state, tribal or local laws, and any similar, implementing or successor law, and any amendment, rule, regulation, or directive issued thereunder.

"Hazardous Material" shall mean any substance, material or waste which is regulated by any Environmental Law as hazardous, toxic, a pollutant, contaminant or words of similar meaning including, without limitation, petroleum, petroleum products, asbestos, urea formaldehyde and polychlorinated biphenyls.

"Release" shall mean any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing of a Hazardous Material.

(c) The representations set forth in this Section 2.21 are the Seller's sole and exclusive representation and warranties related to any environmental matters.

Section 2.22 Brokers. Neither Seller nor any of Seller's affiliates has employed the services of a broker or finder in connection with this Agreement or any of the transactions contemplated hereby for which the Buyer, the Buyer's affiliates, the Company or any of the Subsidiaries of the Company would be responsible for paying any fee, commission or other amount.

Section 2.23 No Default. The Company and each of its Subsidiaries is not in default under, and no condition exists that with notice or lapse of time or both would constitute a default under (a) any judgment, order or injunction of any court, arbitrator or governmental agency or (b) any other agreement, contract, lease, license or other instrument, which default, in the case of either clause (a) or (b), might reasonably be expected to have a Material Adverse Effect or prevent, hinder or delay consummation of the transactions contemplated by this Agreement.

Section 2.24 Contemporaneous Transactions. The Contemporaneous Transactions (as hereinafter defined) have been consummated. The term "Contemporaneous Transactions" shall mean that certain Consent and Fourth Amendment of even date herewith to that certain Credit Agreement dated as of July 25, 2000 among The Williams Companies, Inc., Northwest Pipeline Corporation, Transcontinental Gas Pipe Line Corporation, and Texas Gas Transmission Corporation, as Borrowers, the financial institutions from time to time party thereto, The Chase Manhattan Bank and Commerzbank AG, as Co-Syndication Agents, Credit Lyonnais New York Branch, as Documentation Agent, and Citibank, N.A., as Agent, as amended by a letter agreement dated as of October 10, 2000, by a Waiver and First Amendment dated as of January 31, 2001, by a Second Amendment to Credit Agreement dated as of February 7, 2002, by a Third Amendment dated as of March 3, 2002.

Section 2.25 Bank Accounts. Schedule 2.25 includes the names and locations of all banks in which the Seller or any of its affiliates (including the Company and its Subsidiaries) has an account or safe deposit box relating to the business or operations conducted by the Company or its Subsidiaries.

Section 2.26 Reserved.

Section 2.27 Reserved Financial Derivatives/Hedging Agreements. Except as set forth on Schedule 2.27 hereto, neither the Company nor any of its

Subsidiaries are parties to or otherwise are bound by any Financial Derivative/Hedging Agreement. For purposes of this Section 2.27, "Financial Derivative/Hedging Agreement" includes (a) any transaction (including an agreement with respect thereto) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions) and (b) any combination of these transactions.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer hereby represents and warrants as follows:

Section 3.1 Organization. The Buyer is a limited liability company duly organized and validly existing under the laws of the state of Delaware and has all requisite power and authority to own its properties and assets and to conduct its business as now conducted. The Buyer is duly qualified to do business as a foreign entity in every jurisdiction where the character of the properties owned or leased by the Buyer or the nature of the business conducted by the Buyer makes such qualifications necessary.

Section 3.2 Validity of Agreement. The Buyer has the power to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the performance of the Buyer's obligations hereunder have been duly authorized by the Buyer, and no other proceedings on the part of the Buyer are necessary to authorize such execution, delivery and performance. This Agreement has been duly executed by the Buyer and constitutes the valid and binding obligation of the Buyer enforceable against the Buyer in accordance with its terms (except to the extent that its enforceability may be limited by applicable bankruptcy, insolvency, reorganization or other similar law affecting the enforcement of creditors' rights generally or by general equitable principles).

Section 3.3 No Conflict or Violation; No Defaults. The execution, delivery and performance by the Buyer of this Agreement does not and will not violate or conflict with any provision of its Organizational Documents and does not and will not violate any applicable provision of law, or any order, judgment or decree of any Governmental Authority, nor violate or result in a breach of or constitute (with due notice or lapse of time or both) a default under any contract, lease, loan agreement, mortgage, security agreement, trust indenture or other agreement or instrument to which the Buyer is a party or by which it is bound or to which any of its properties or assets is subject, nor result in the creation or imposition of any Encumbrance upon any of its properties or assets where such violations, breaches or defaults in the aggregate would have a material adverse effect on the transactions contemplated hereby or on the assets, properties, business, operations or financial condition of the Buyer.

Section 3.4 Consents and Approvals. Except as set forth on Schedule 3.4, no consent, approval, authorization, license, order or permit, or declaration, filing or registration with, or notification to any Governmental Authority or any other person, is required to be obtained by the Buyer or the Buyer's affiliates in connection with the execution and delivery of this Agreement by the Buyer or the performance of the Buyer's obligations hereunder.

Section 3.5 Brokers. None of the Buyer or any of its affiliates has employed the services of an investment broker, financial advisor, broker or finder in connection with the Agreement or any of the transactions contemplated hereby for which the Seller or any affiliate of the Seller would be responsible for paying any fee, commission or other amount.

Section 3.6 Financial Ability. The Buyer will have sufficient immediately available funds, in cash, at the Closing to pay the Purchase Price, as adjusted.

ARTICLE IV

COVENANTS

Section 4.1 Certain Changes and Conduct of Business.

(a) Except as expressly provided by this Agreement or Schedule 4.1, from and after the date of this Agreement and until the Closing Date, (x) the Company shall, and shall cause each of its Subsidiaries to, conduct and maintain its business solely in the ordinary course consistent with past practices and (y) without the prior written consent of the Buyer (not to be unreasonably withheld or delayed), the Seller will not permit the Company or any of its Subsidiaries to:

(i) make any material change in the conduct of its businesses or operations;

(ii) make any change in its Organizational Documents or issue any additional equity securities or grant any option, warrant or right to acquire any equity securities or issue any security convertible into or exchangeable for its equity securities or alter any term of any of its outstanding securities or make any change in its outstanding equity securities or other ownership interests or in its capitalization, whether by reason of a reclassification, recapitalization, stock split or combination, exchange or readjustment of shares, stock dividend or otherwise;

(iii) incur, assume or guarantee any indebtedness for borrowed money, issue any notes, bonds, debentures or other corporate securities or grant any option, warrant or right to purchase any thereof or issue any securities convertible or exchangeable for debt

securities of the Company or any Subsidiary;

(iv) make any sale, assignment, transfer, abandonment or other conveyance of any of its assets or any part thereof except for dispositions of inventory or of worn-out or obsolete equipment for fair or reasonable value in the ordinary course of business consistent with past practices;

(v) subject any of its assets, or any part thereof, to any Encumbrance other than a Permitted Encumbrance, or permit the imposition of any Encumbrance other than a Permitted Encumbrance;

(vi) redeem, retire, purchase or otherwise acquire, directly or indirectly, any of its equity interests or declare, set aside or pay any dividends or other distribution in respect of such equity interests, other than dividends made by Seminole to the holders of its common stock in the ordinary course of business consistent with past practices, as set forth in the formula set forth in Schedule 4.1;

(vii) acquire any assets or properties other than in the ordinary course of business consistent with past practices;

(viii) enter into any new or materially amend any existing employee benefit plan, program or arrangement or any employment, severance or consulting agreement, grant any general increase in the compensation of officers or employees (including any such increase pursuant to any bonus, pension, profit-sharing or other plan or commitment) or grant any increase in the compensation payable or to become payable to any employee, except in accordance with pre-existing contractual provisions;

(ix) make or commit to make any capital expenditure or to invest, advance, loan, pledge or donate any monies to any clients or other persons or to make any similar commitments with respect to outstanding bids or proposals, except as disclosed on Schedule 4.1;

(x) pay, except in the ordinary course of business consistent with past practices, loan or advance any amount to, or sell, transfer or lease any properties or assets to, or enter into any agreement or arrangement with, any of its affiliates;

(xi) intentionally take any other action that would cause any of the representations and warranties made herein not to remain true and correct in all material respects;

(xii) make any loan, advance or capital

contribution to or investment in any person;

(xiii) other than routine compliance filings, make any filings or submit any documents or information to FERC without prior consultation with the Buyer;

(xiv) enter into any material settlement of any pending or threatened litigation;

(xv) consent to the entry of any decree or order by a Governmental Authority or pay any fine or penalty that would have a Material Adverse Effect;

(xvi) merge into or with or consolidated with any other corporation or acquired all or substantially all of the business or assets of any corporation, person or entity;

(xvii) enter into any agreement or amendment, modification, or termination of any contract, lease, or license to which the Company or any Subsidiary is a party, or by which it or any of its assets or properties are bound, except those agreements, amendments, modifications or terminations effected in the ordinary course of business consistent with past practices;

(xviii) enter into any transaction that is reasonably likely to delay materially or to affect materially and adversely the ability of any of the parties hereto to obtain any consent, authorization, order or approval of any governmental commission, board or other regulatory body or the expiration of any applicable waiting period required to consummate the transactions contemplated by this Agreement; or itself to do any of the foregoing.

(b) From and after the date hereof and until the Closing Date, the Seller shall cause the Company and each Subsidiary to:

(i) keep its books of account, records and files in the ordinary course and in accordance with existing practices; and

(ii) use reasonable efforts to continue to maintain existing business relationships with affiliates, suppliers and customers to the extent that such relationships are, at the same time, reasonably judged by the Seller to be economically beneficial to the Company acting reasonably.

Section 4.2 Access to Properties and Records. Except as may be otherwise provided for in the Transition Services Agreement, the Seller shall afford, and shall cause the Company to afford, to the Buyer and the Buyer's accountants, counsel and

representatives full reasonable access during normal business hours throughout the period prior to the Closing Date (or the earlier termination of this Agreement pursuant to Article VII hereof) to all the Company's and its Subsidiaries' properties, books, contracts, Commitments and records (including, but not limited to, all environmental studies, reports and other environmental records) and, during such period, shall furnish promptly to the Buyer all information concerning the Company's and its Subsidiaries' business, properties, liabilities and personnel as the Buyer may reasonably request, provided that no investigation or receipt of information pursuant to this Section 4.2 shall affect any representation or warranty of the Seller or the conditions to the obligations of the Buyer.

Section 4.3 Reserved.

Section 4.4 Consents and Approvals. The Seller and the Buyer shall each use their commercially reasonable best efforts to obtain, or, in the case of the Seller, cause the Company to obtain, all necessary consents, waivers, authorizations and approvals of all Governmental Authorities, and of all other persons required in connection with the execution, delivery and performance by them of this Agreement.

Section 4.5 Further Assurances. Upon the request of the Buyer at any time after the Closing Date, the Seller will promptly execute and deliver such further instruments of assignment, transfer, conveyance, endorsement, direction or authorization and other documents as the requesting party or parties or its or their counsel may reasonably request in order to perfect title of the Buyer and its successors and assigns to the Subject Membership Interest or otherwise to effectuate the purposes of this Agreement. If it is determined following the Closing that record and/or beneficial title to any of the Assets, are not held by the Company or its Subsidiaries but rather is held by Seller or any of its affiliates, Seller agrees to and to cause its affiliates to execute such documents, agreements and instruments and take such action as may be reasonably required to cause such title to be effectively transferred and conveyed from Seller or its affiliates to the Company or its Subsidiaries free and clear of any Encumbrances.

Section 4.6 Reasonable Best Efforts. Upon the terms and subject to the conditions of this Agreement, each of the parties hereto will use its commercially reasonable best efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable, consistent with applicable law to consummate and make effective in the most expeditious manner practicable the transactions contemplated hereby.

Section 4.7 Notice of Breach. Through the Closing Date, each of the parties hereto shall promptly give to the other parties written notice with particularity upon having knowledge of any matter that constitutes a breach of any representation, warranty, agreement or covenant contained in this Agreement.

Section 4.8 Confidential Information. During the period commencing on the date of this Agreement and ending on the second anniversary of the Closing Date hereunder, except as required by law, Governmental Authority or stock exchange rule or under the Seller's and its affiliates' obligations pursuant to any other agreement between

the Seller and the Buyer, the Seller and its affiliates shall not, directly or indirectly, disclose to any person or entity other than an affiliate or use any information not in the public domain or generally known in the industry, in any form, whether acquired prior to or after the Closing Date, relating to the business and operations of the Company or any of its Subsidiaries, including but not limited to information regarding customers, vendors, suppliers, trade secrets, training programs, manuals or materials, technical information, contracts, systems, procedures, mailing lists, know-how, trade names, improvements, price lists, financial or other data (including the revenues, costs or profits associated with any of the Company's services), business plans, code books, invoices and other financial statements, computer programs, software systems, databases, discs and printouts, plans (business, technical or otherwise), customer and industry lists, correspondence, internal reports, personnel files, sales and advertising material, telephone numbers, names, addresses or any other compilation of information, written or unwritten, which is or was used by the Company or any Subsidiary, regardless of whether such information was or is owned on the date hereof by the Company or any Subsidiary (collectively, "Protected Information"); provided, however, that if any of the Seller or its affiliates are presently in possession of Protected Information that (x) is necessary to use in the ordinary course of business of WMB or any controlled affiliate of WMB other than the Company or any of its Subsidiaries (collectively, "WMB and its Other Subsidiaries") and (y) cannot reasonably be redacted, segregated or otherwise separated from information about or owned by WMB and its Other Subsidiaries which is necessary to use in the ordinary course of business of WMB and its Other Subsidiaries (hereinafter, "Mixed Information"), then the Protected Information which is so imbedded in such Mixed Information may be used by WMB and its Other Subsidiaries in the ordinary course of business; provided, that WMB and its Other Subsidiaries may not use any such Protected Information to compete or seek to compete with the business or operations of the Company or any of its Subsidiaries as existing on the Closing Date. Upon the request of the Company, Seller Parent and its Other Subsidiaries shall reasonably cooperate with the Company in the development of procedures intended to further implement the intent of this Section 4.8.

Section 4.9 Non-Solicitation of Employees. During the period commencing on the date of this Agreement and ending on the second anniversary of the Closing Date hereunder, neither the Seller nor any affiliate thereof shall for themselves or on behalf of or in conjunction with any person, directly or indirectly, solicit, endeavor to entice away from the Buyer or its affiliates (including the Company or its Subsidiaries), or otherwise directly or indirectly interfere with the relationship of the Buyer or its affiliates (including the Company or its Subsidiaries) with any person who, to the knowledge of the Seller, is employed by the Buyer or its affiliates (including the Company or its Subsidiaries) and, directly or indirectly, involved with the business or operations of the Company and its Subsidiaries; provided, however, neither the Seller nor any affiliates thereof shall be precluded from soliciting or hiring any such employee:

(a) who initiates discussions regarding such employment without any direct or indirect solicitation by the Seller or its affiliates;

(b) whose employment with the Company or its Subsidiaries has been terminated prior to commencement of employment with the Seller or its affiliates; or

(c) who responds to a general solicitation of employment not specifically addressed to such employees.

Notwithstanding the foregoing, the Seller may continue to employ each Business Employee until such time as such Business Employee becomes a Transferred Employee.

Section 4.10 Negotiations. Subject to applicable law, from and after the date hereof, neither the Seller nor the Company, nor their officers, directors, employees, affiliates, stockholders, representatives, agents, nor anyone acting on behalf of them shall, directly or indirectly, encourage, solicit, engage in discussions or negotiations with, or provide any information to, any person, firm, or other entity or group (other than the Buyer or its representatives) concerning any merger, sale of assets, purchase or sale of the Subject Membership Interest or similar transaction involving the Company or any division or Subsidiary thereof unless this Agreement is terminated pursuant to and in accordance with Article VII hereof. The Seller shall promptly communicate to the Buyer any inquiries or communications concerning any such transaction which they may receive or of which they may become aware.

Section 4.11 Tax Covenants.

(a) WMB and Buyer shall make timely, irrevocable and effective elections under Section 338(h)(10) of the Code and any similar elections under any applicable state, local or foreign income tax law (collectively the "Section 338(h)(10) Elections") with respect to Buyer's purchase of the Subject Membership Interest and the deemed purchase(s) for Tax purposes of the stock or interests in Seminole and any other Subsidiary of the Company that is a corporation for United States federal income tax purposes (collectively, the "Qualified Stock Purchases"). To facilitate such elections, within ninety (90) days of the Closing Date, WMB shall deliver to Buyer an Internal Revenue Service Form 8023 and any similar forms under applicable state, local or foreign income tax law (the "Forms") with respect to the Qualified Stock Purchases, which Forms shall have been duly executed by an authorized person for WMB. Buyer and WMB shall, within one hundred and twenty (120) days of the Closing Date, agree to a schedule showing the allocation of the deemed purchase price for Seminole among the assets of Seminole and any relevant Subsidiaries of Seminole, consistent with the principles of Section 338(h)(10) of the Code and the regulations thereunder (the "Allocation"). Buyer shall complete the Forms in a manner consistent with the Allocation, cause the Forms to be duly executed by an authorized person for Buyer, cause the Forms to be timely filed with the appropriate Tax authorities and provide a copy of the executed Forms to WMB. If, after filing such Forms, any changes or supplements are required to such Forms, WMB and Buyer shall promptly endeavor to agree on such changes and, if agreed, properly execute such amended Forms. Buyer shall timely file the Forms

and any required supplements thereto that have been agreed to by the parties, and shall promptly deliver a copy of such Forms to WMB. WMB and Seller shall provide such information as Buyer shall reasonably request in connection with the preparation of the Forms and any amendments or supplements thereto. Buyer, the Company and its Subsidiaries, Seller, and WMB will file all Tax Returns in a manner consistent with the Allocation.

(b) The Seller shall be liable for, and shall indemnify and hold the Buyer and its affiliates harmless from (i) any Taxes caused by or arising from the sale of the Subject Membership Interest (including, without limitation, all Taxes caused by or resulting from the Section 338(h)(10) Elections), (ii) all liability for Taxes of the Company and each of its Subsidiaries for all taxable periods ending on or before the Closing Date; (iii) the portion, determined as described below, of any Taxes which are incurred by the Company or any of its Subsidiaries for any taxable period which begins before and ends after the Closing Date (a "Straddle Period") which is allocable to the portion of the Straddle Period ending on the Closing Date (the "Pre-Closing Period") and (iv) all liability imposed upon the Company or any of its Subsidiaries on account of the inclusion of the Company or any of its Subsidiaries in a consolidated, combined, unitary or similar group, for any period or portion of a period prior to Closing. The portion of the Taxes for a Straddle Period which are allocable to a Pre-Closing Period shall be determined, in the case of property, ad valorem or franchise Taxes (which are not measured by, or based upon, net income), on a per diem basis and excluding the consequences of the Section 338(h)(10) Elections and, in the case of other Taxes, by assuming that the Pre-Closing Period is a separate taxable period and by taking into account the taxable events during such period.

(c) The Seller shall prepare and timely file (or cause to be prepared and timely filed), on a basis consistent with prior Tax Returns, all Tax Returns with the appropriate Federal, state, local and foreign governmental agencies relating to the Company and its Subsidiaries for taxable periods ending on or prior to the Closing Date and shall timely pay all Taxes required to be paid with respect to such Tax Returns. The Buyer shall prepare and file (or cause to be prepared and timely filed), on a basis consistent with prior Tax Returns, all Tax Returns for Straddle Periods required to be filed by the Company or any of its Subsidiaries and shall timely pay all Taxes required to be paid with respect to such Straddle Tax Return, provided, however, that the Seller shall promptly reimburse the Buyer for the portion of such Tax that relates to the Pre-Closing Period. The Seller shall furnish to the Buyer all information and records reasonably requested by the Buyer for use in preparation of any Tax Returns. The Buyer and the Seller agree to cause the Company and each of its Subsidiaries after the Closing Date to file all Tax Returns for any Straddle Period on the basis that the relevant taxable period ended as of the close of business on the Closing Date, to the extent permitted by applicable law.

(d) The Seller shall cause any tax sharing agreement or

similar arrangement with respect to Taxes involving the Company or any Subsidiary to be terminated effective as of the Closing Date, to the extent any such agreement or arrangement relates to the Company or any Subsidiary, and after the Closing Date neither the Company nor any of its Subsidiaries shall have any obligation to make any payment under any such agreement or arrangement.

(e) All excise, sales, use, transfer (including real property transfer or gains), stamp, documentary, filing, recordation and other similar taxes, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties, resulting directly from the transactions contemplated by this Agreement (the "Transfer Taxes"), shall be borne by the party on which such Transfer Taxes are imposed by applicable law. Notwithstanding anything to the contrary in this Section 4.11, any Tax Returns that must be filed in connection with Transfer Taxes shall be prepared and filed when due by the party primarily or customarily responsible under the applicable local law for filing such Tax Returns, and such party shall use reasonable commercial efforts to provide such Tax Returns to the other party at least 10 days prior to the due date for such Tax Returns.

Section 4.12 Reserved.

Section 4.13 Reserved.

Section 4.14 Bonds. The Seller shall use its reasonable best efforts to maintain the Bonds until they are released and replaced by the Buyer. "Bonds" shall mean all surety bonds, letters of credit, guarantees, cash collateral, performance bonds and bid bonds issued by the Seller and its affiliates (other than the Company and its Subsidiaries) on behalf of the Company or any of its Subsidiaries. The Buyer shall use its reasonable best efforts to replace and release the Bonds as promptly as reasonably practicable after the Closing Date but in no event later than 90 days from the Closing Date. The Buyer shall indemnify, defend and hold harmless the Seller and its affiliates for any and all liability, loss, damage, cost and expense incurred under such Bonds in connection with activities performed after the Closing.

Section 4.15 Transitional Trademark License. Effective upon the Closing Date, the Seller and the Seller's affiliates hereby grant to the Company, the Subsidiaries of the Company and the Buyer a nonexclusive, nontransferable, royalty-free license, without right to sublicense, to use, solely in the Company's and its Subsidiaries' businesses as they are presently conducted, any and all trademarks, service marks, and trade names owned by the Seller and the Seller's affiliates solely to the extent appearing on existing inventory, advertising materials and property of the Company or its Subsidiaries (such as signage, vehicles, and equipment) (collectively "Seller's Marks") for a period of six (6) months from the Closing Date ("License Period"). The Buyer, the Company and its Subsidiaries may use such existing inventory, advertising materials and property during the License Period, but shall not create new inventory, advertising

materials or property using Seller's Marks. The Buyer, the Company and its Subsidiaries shall promptly replace or remove Seller's Marks on inventory, advertising materials and Property, provided that all such use shall cease no later than the end of the License Period. The nature and quality of all uses of the Seller's Marks by the Buyer, the Company and its Subsidiaries shall conform to the Seller's existing quality standards. Immediately upon expiration of the License Period, the Buyer, the Company and its Subsidiaries shall cease all further use of Seller's Marks and shall adopt new trademarks, service marks, and trade names which are not confusingly similar to Seller's Marks. All rights not expressly granted in this section with respect to Seller's Marks are hereby reserved. In the event Buyer, the Company or its Subsidiaries materially breach the provisions of this section, the Seller may immediately terminate the License Period upon twenty (20) days written notice.

Section 4.16 Non-Software Copyright License. Effective upon the Closing Date, the Seller, for themselves and on behalf of their affiliates, hereby grant to the Company, the Subsidiaries of the Company and the Buyer a nonexclusive royalty-free, perpetual license, without right to sublicense, to use, copy, modify, enhance, and to upgrade, solely for their internal business purposes and not as a service bureau, all proprietary manuals, user guides, standards and operation procedures and similar documents owned by Seller and/or its Affiliates and used by Company or its Subsidiaries. All copies of the foregoing must reproduce and include all copyright and other intellectual property rights notices provided by the Seller.

Section 4.17 Intercompany Indebtedness. Immediately prior to the Closing, the Seller shall (a) pay or cause its affiliates to pay to the Company and its Subsidiaries all indebtedness for borrowed money owed by the Seller or any of its affiliates (other than the Company or its Subsidiaries) as of such time and (b) pay to the Company a capital contribution and cause such capital contribution to be applied to pay or satisfy all indebtedness for borrowed money owed by the Company and its Subsidiaries to the Seller or its affiliates (other than the Company and its Subsidiaries) as of such time.

Section 4.18 SEC Required Financial Statements. The Seller, at its sole cost and expense, shall prepare and cause to be delivered to the Buyer prior to September 15, 2002, audited and unaudited financial statements of the Company and its Subsidiaries and their respective operations, in such form and covering such periods as may be required by applicable securities laws to be filed with the Securities and Exchange Commission by the Buyer or its affiliates as a result of or in connection with the transactions contemplated by this Agreement. Seller shall further provide and cause its affiliates to provide access to their personnel and books and records to the extent necessary for the Buyer and its representatives to confirm and verify the accuracy of such financial statements.

Section 4.19 Release of Certain Obligations. The Seller, for itself and its affiliates, hereby agrees, from and after the Closing, not to make or allow its affiliates to make any claims against and hereby releases, acquits and discharges the Company and its Subsidiaries and the Buyer from any and all claims, demands, obligations or causes of

action which the Seller or its affiliates may have against the Companies or its Subsidiaries or the Buyer out of the activities of the Company and its Subsidiaries prior to the Closing Date, including any claims, demands, obligations or causes of action which have arisen or may arise under any agreements between the Seller or an affiliate of the Seller (other than the Company or its Subsidiaries), on the one hand, and one or more of the Company or its Subsidiaries, on the other hand, to the extent that such agreements have been terminated or have expired in accordance with their terms on or prior to the Closing or are otherwise required to be terminated by the provisions of this Agreement. Nothing in this Section 4.19 shall be interpreted or construed as a release of any claims, demands, obligations or causes of action pursuant to this Agreement or pursuant to agreements which continue beyond the Closing or are entered into following the Closing Date.

Section 4.20 Delivery of Records. The Seller shall as soon as possible following the Closing and in any event no later than 30 days following the Closing, deliver to the Buyer all Records (as hereinafter defined) pertaining to the Company, the Company's Subsidiaries and their businesses. The term "Records" shall mean all existing land, title, engineering, environmental, operating, FERC, Department of Transportation and other data (whether electronic or hard copy), files, documents (including design documents), instruments, notes, papers, ledgers, journals, reports, abstracts, surveys, maps, books, records and studies arising out of or relating to the Assets (including the Real Property) or such businesses and which are held by the Seller or its affiliates for use in connection with, the ownership, use, operation or maintenance of the Assets (including the Real Property) or such businesses.

ARTICLE V

CONDITIONS TO OBLIGATIONS OF THE BUYER

The obligations of the Buyer to consummate the transactions contemplated by this Agreement are subject to the fulfillment, at or before the Closing Date, of the following conditions, any one or more of which may be waived by the Buyer in its sole discretion:

Section 5.1 Reserved.

Section 5.2 No Violation of Orders. No preliminary or permanent injunction or other order issued by any Governmental Authority, nor any statute, rule, regulation, decree or executive order promulgated or enacted by any Governmental Authority, which declares this Agreement invalid or unenforceable in any respect or prevents the consummation of the transactions contemplated hereby, shall be in effect which permanently restrains, enjoins or otherwise prohibits the transactions contemplated by this Agreement and which order, decree, ruling or other action is not subject to appeal; provided, however, that prior to invoking this condition with regard to any injunction or other order issued by any Governmental Authority, the Buyer shall have used its reasonable best efforts to have such injunction or other order lifted or vacated.

Section 5.3 Compliance.

(a) The Seller shall have performed and complied in all material respects with each of the covenants and agreements it is required under this Agreement to have performed or complied with prior to Closing; and

(b) Each of the Seller's representations and warranties made in this Agreement qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects, on and as of the time of the Closing as though made as of such time, except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects, on and as of such earlier time.

ARTICLE VI

CONDITIONS TO OBLIGATIONS OF THE SELLER

The obligations of the Seller to consummate the transactions contemplated by this Agreement are subject to the fulfillment, at or before the Closing Date, of the following conditions, any one or more of which may be waived by the Seller in its sole discretion:

Section 6.1 Reserved.

Section 6.2 No Violation of Orders. No preliminary or permanent injunction or other order issued by any Governmental Authority, nor any statute, rule, regulation, decree or executive order promulgated or enacted by any Governmental Authority, that declares this Agreement invalid or unenforceable in any respect or prevents the consummation of the transactions contemplated hereby shall be in effect which permanently restrains, enjoins or otherwise prohibits the transactions contemplated by this Agreement and which order, decree, ruling or other action is not subject to appeal; provided, however, that prior to invoking this condition with regard to any injunction or other order issued by any Governmental Authority, the Seller shall have used its reasonable best efforts to have such injunction or other order lifted or vacated.

Section 6.3 Compliance.

(a) The Buyer shall have performed and complied in all material respects with each of the covenants and agreements it is required under this Agreement to have performed or complied with prior to Closing; and

(b) Each of the Buyer's representations and warranties made in this Agreement qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects, on and as of the time of the Closing as though made as of such time, except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects, on and as of such earlier time.

ARTICLE VII

TERMINATION AND ABANDONMENT

Section 7.1 Methods of Termination. This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time before the Closing:

(a) by the mutual written consent of the Seller and the Buyer;

(b) by the Seller, in the event that any of the conditions set forth in Section 6.1 or 6.2 cannot be satisfied;

(c) by the Buyer, in the event that any of the conditions set forth in Sections 5.1 or 5.2 cannot be satisfied;

(d) by the Buyer, in the event that Seller breaches or fails to perform any of its representations, warranties, covenants or agreements contained herein, which breach or failure to perform would give rise to the failure of the conditions set forth in Section 5.3 and shall not have been cured within 10 business days after receipt of written notice thereof by Buyer;

(e) by the Seller, in the event that Buyer breaches or fails to perform any of its representations, warranties, covenants or agreements contained herein, which breach or failure to perform would give rise to the failure of the conditions set forth in Section 6.3 and shall not have been cured within 10 business days after receipt of written notice thereof by Seller; and

(f) by the Buyer or the Seller at any time after December 31, 2002; provided, however, that the right to terminate this Agreement pursuant to this Section 7.1(d) shall not be available if the party seeking to terminate under this provision shall have failed to perform or observe in any material respect any of its obligations under this Agreement and such failure shall have been the cause of, or resulted in, the failure of the Closing to occur on or before such date.

Section 7.2 Procedure Upon Termination. In the event of termination and abandonment of this Agreement pursuant to Section 7.1, written notice thereof shall forthwith be given to the other party hereto and this Agreement shall terminate and the transactions contemplated hereby shall be abandoned, without further action by the Seller or the Buyer. If this Agreement is terminated as provided herein, no party to this Agreement shall have any liability or further obligation to any other party to this Agreement except as provided in Sections 9.3 and 9.4 hereof; provided, however, that no termination of this Agreement pursuant to this Article VII shall relieve any party of liability for a willful and material breach of any provision of this Agreement occurring before such termination.

ARTICLE VIII

INDEMNIFICATION

Section 8.1 Survival. The respective representations and warranties of the parties hereto contained herein or in any certificates or other documents delivered pursuant to this Agreement on the Closing shall survive the Closing for a period of 18 months following the Closing Date; provided however, that the representations and warranties set forth in Section 2.2 (Capitalization; Title) shall survive indefinitely, the representations and warranties set forth in Section 2.21 (Environmental; Health and Safety Matters) shall survive until the fifth anniversary of the Closing Date and the representations and warranties in Section 2.9 (Taxes) shall survive for a period equal to the applicable statute of limitations (including any extensions thereof). The respective covenants and agreements of the parties hereto contained herein or in any certificates or other documents delivered pursuant to this Agreement on the Closing shall survive the Closing for indefinitely.

Section 8.2 Indemnification Coverage.

(a) Notwithstanding the Closing or the delivery of the Subject Membership Interest, and regardless of any investigation at any time made by or on behalf of the Buyer or of any knowledge or information that the Buyer may have the Seller hereby indemnifies and agrees to defend, save and hold the Buyer, the Company, the Subsidiaries of the Company and each of their officers, directors, employees, agents and affiliates (other than the Seller) (collectively, the "Buyer Indemnified Parties") harmless for any damage, judgment, fine, penalty, demand, settlement, liability, loss, cost, Tax, expense (including reasonable attorneys', consultants' and experts' fees), claim or cause of action (each, a "Loss") suffered by any such Buyer Indemnified Party at any time or from time to time arising out of, relating to or resulting from any of the following:

(i) any breach or inaccuracy in any representation by the Seller or the breach of any warranty by the Seller contained in this Agreement or any certificates or other documents delivered pursuant to this Agreement on Closing;

(ii) any failure by the Seller to perform or observe any term, provision, covenant, or agreement on the part of the Seller to be performed or observed under this Agreement; or

(iii) the Reorganization Transactions.

(b) Notwithstanding the Closing or the delivery of the Subject Membership Interest and regardless of any investigation at any time made by or on behalf of the Seller or of any knowledge or information that the Seller may have, the Buyer hereby indemnifies and agrees to defend, save and hold the

Seller and their officers, directors, employees, agents and affiliates (collectively, the "Seller Indemnified Parties") harmless for any Loss suffered by any such Seller Indemnified Party at any time or from time to time arising out of, relating to or resulting from any of the following:

(i) any breach or inaccuracy in any representation by the Buyer or the breach of any warranty by the Buyer contained in this Agreement or any certificates or other documents delivered pursuant to this Agreement on Closing; or

(ii) any failure by the Buyer to perform or observe any term, provision, covenant, or agreement on the part of the Buyer to be performed or observed under this Agreement.

(c) The foregoing indemnification obligations shall be subject to the following limitations:

(i) the Seller's aggregate liability under Section 8.2(a)(i) and 8.2(a)(iii) and the Buyer's aggregate liability under Section 8.2(b)(i) shall not, in either case, exceed 30% of the Purchase Price (the "Cap"); provided, however, that the Cap shall not be applicable to breaches by Seller under Section 2.2 and 2.9;

(ii) no indemnification for any Losses asserted against the Buyer or the Seller, as the case may be, under Section 8.2(a)(i) or Section 8.2(b)(i) shall be required unless and until the cumulative aggregate amount of such Losses exceeds $2,000,000 (the "Threshold"), at which point the Seller or the Buyer, as the case may be, shall be obligated to indemnify the Indemnified Party (as hereinafter defined) only as to the amount of such Losses in excess of $250,000 (the "Deductible"), subject to the limitation in Section 8.2(c)(i); provided, however, that the Threshold and the Deductible shall not be applicable to breaches under Sections 2.2 and 2.9;

(iii) the amount of any Losses suffered by a Seller Indemnified Party or a Buyer Indemnified Party, as the case may be, shall be reduced by any third-party insurance which such party actually receives in respect of or as a result of such Losses. If any Losses for which indemnification was provided hereunder is subsequently reduced by any third-party insurance or other indemnification benefit or recovery actually received by the party for which indemnification was provided, the amount of the reduction shall be remitted to the Indemnifying Party (as hereinafter defined);

(iv) no claim may be asserted nor may any action be commenced (A) against the Seller for breach or inaccuracy of any representation or breach of a warranty, unless written notice of such

claim or action is received by the Seller describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim or action on or prior to the date on which the representation or warranty on which such claim or action is based ceases to survive as set forth in Section 8.1 (it being agreed and understood that if a claim for a breach of a representation or warranty is timely made, the representation or warranty shall survive until the date on which such claim is finally liquidated or otherwise resolved), or (B) against the Buyer for breach or inaccuracy of any representation or breach of a warranty, unless written notice of such claim or action is received by the Buyer describing in reasonable detail the facts and circumstances with respect to the subject matter of such claim or action on or prior to the date on which the representation or warranty on which such claim or action is based ceases to survive as set forth in Section 8.1 (it being agreed and understood that if a claim for a breach of a representation or warranty is timely made, the representation or warranty shall survive until the date on which such claim is finally liquidated or otherwise resolved); and

(v) an Indemnified Party shall not be entitled under this Agreement to multiple recovery for the same Losses.

(d) Notwithstanding anything in this Agreement to the contrary (including, without limitation, the provisions of Section 8.2(c)(i) and (ii)), Seller hereby indemnifies and agrees to defend, save and hold the Buyer harmless from all Losses suffered by the Buyer resulting from any judgment or order by a Governmental Authority to return or reassign the Subject Membership Interest or the underlying assets of the Company and its Subsidiaries to the Seller or any affiliate of the Seller.

Section 8.3 Procedures. Any Indemnified Party shall notify the Indemnifying Party (with reasonable specificity) promptly after it becomes aware of facts supporting a claim or action for indemnification under this Article VIII, and shall provide to the Indemnifying Party as soon as practicable thereafter all information and documentation in its possession reasonably necessary to support and verify any Losses associated with such claim or action. Subject to Section 8.2(v), the failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of any liability that it may have to any Indemnified Party, except to the extent that the Indemnifying Party demonstrates that it has been materially prejudiced by the Indemnified Party's failure to give such notice, in which case the Indemnifying Party shall be relieved from its obligations hereunder to the extent and only to the extent of such material prejudice. The Indemnifying Party shall defend, contest or otherwise protect the Indemnified Party against any such claim or action by counsel of the Indemnifying Party's choice at its sole cost and expense; provided, however, that the Indemnifying Party shall not make any settlement or compromise without the prior written consent of the Indemnified Party (which consent shall not be unreasonably withheld or delayed) unless the sole relief provided is monetary damages that are paid in full by the Indemnifying Party. The Indemnified Party shall have the right, but not the obligation, to participate at its own

expense in the defense thereof by counsel of the Indemnified Party's choice and shall in any event use its reasonable best efforts to cooperate with and assist the Indemnifying Party. If the Indemnifying Party fails timely to defend, contest or otherwise protect against such suit, action, investigation, claim or proceeding, the Indemnified Party shall have the right to do so, including, without limitation, the right to make any compromise or settlement thereof, and the Indemnified Party shall be entitled to recover the entire cost thereof from the Indemnifying Party, including, without limitation, reasonable attorneys' fees, disbursements and amounts paid as the result of such suit, action, investigation, claim or proceeding.

Section 8.4 Remedy. Absent fraud, and except for seeking equitable relief, from and after the Closing the sole remedy of a party in connection with (i) a breach or inaccuracy of the representations, or breach of warranties, in this Agreement or any certificates or other documents delivered pursuant to this Agreement on Closing, or (ii) any failure by a party to perform or observe any term, provision, covenant, or agreement on the part of such party to be performed or observed under this Agreement, shall, in each case, be as set forth in this Article VIII.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.1 Publicity. On or prior to the Closing Date, neither party shall, nor shall it permit its affiliates to, issue or cause the publication of any press release or other announcement with respect to this Agreement or the transactions contemplated hereby without the consent of the other party hereto. Notwithstanding the foregoing, in the event any such press release or announcement is required by law or stock exchange rule to be made by the party proposing to issue the same, such party shall use its reasonable best efforts to consult in good faith with the other party prior to the issuance of any such press release or announcement.

Section 9.2 Successors and Assigns; No Third-Party Beneficiaries. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and assigns; provided, however, that neither party shall assign or delegate any of the obligations created under this Agreement without the prior written consent of the other party. Except as contemplated by Article VIII, nothing in this Agreement shall confer upon any person or entity not a party to this Agreement, or the legal representatives of such person or entity, any rights or remedies of any nature or kind whatsoever under or by reason of this Agreement.

Section 9.3 Investment Bankers, Financial Advisors, Brokers and Finders.

(a) The Seller shall indemnify and agree to defend and hold the Buyer Indemnified Parties harmless against and in respect of all claims, losses, liabilities and expenses which may be asserted against any Buyer Indemnified Parties by any broker or other person who claims to be entitled to an

investment banker's, financial advisor's, broker's, finder's or similar fee or commission in respect of the execution of this Agreement or the consummation of the transactions contemplated hereby, by reason of his acting at the request of the Seller, the Company or any of their Affiliates.

(b) The Buyer shall indemnify and agree to save and hold the Seller Indemnified Parties harmless against and in respect of all claims, losses, liabilities, fees, costs and expenses which may be asserted against them by any broker or other person who claims to be entitled to an investment banker's, financial advisor's, broker's, finder's or similar fee or commission in respect of the execution of this Agreement or the consummation of the transactions contemplated hereby, by reason of his acting at the request of the Buyer or any of its affiliates (other than the Company or any Subsidiary of the Company).

Section 9.4 Fees and Expenses. Except as otherwise expressly provided in this Agreement, all legal, accounting and other fees, costs and expenses of a party hereto incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such fees, costs or expenses; provided, however, that the Seller shall be solely responsible for all legal, accounting and other fees, costs and expenses incurred by the Seller and the Company and the Subsidiaries of the Company.

Section 9.5 Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made if delivered personally or sent by overnight courier or sent by facsimile (with evidence of confirmation of receipt) to the parties at the following addresses:

(a) If to the Buyer, to:

E-Cypress, LLC
c/o Enterprise Products GP, LLC
2727 N. Loop West, Suite 700
Houston, Texas 77008
Facsimile: (713) 880-6960
Attention: President

Enterprise Products GP, LLC
2727 N. Loop West, Suite 700
Houston, Texas 77008
Facsimile: (713) 880-6960
Attention: Chief Legal Officer

(b) If to the Seller, to:

The Williams Companies, Inc.,
Williams Natural Gas Liquids, Inc.
One Williams Center
Tulsa, Oklahoma 74172
Facsimile: (918) 573-5942
Attention: William von Glahn, Esq.

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, NY 10036
Facsimile: (212) 735-2000
Attention: Nancy A. Lieberman, Esq.

or to such other persons or at such other addresses as shall be furnished by either party by like notice to the other, and such notice or communication shall be deemed to have been given or made as of the date so delivered or mailed. No change in any of such addresses shall be effective insofar as notices under this Section 9.5 are concerned unless such changed address is located in the United States of America and notice of such change shall have been given to such other party hereto as provided in this Section 9.5.

Section 9.6 Entire Agreement. This Agreement, together with the Disclosure Schedules and the exhibits hereto, represent the entire agreement and understanding of the parties in connection with the purchase and sale of the Subject Membership Interest and no representations or warranties have been made in connection with this Agreement other than those expressly set forth herein or in the Disclosure Schedules, exhibits, certificates and other documents delivered in accordance herewith. This Agreement supersedes all prior negotiations, discussions, correspondence, communications, understandings and agreements between the parties relating to the subject matter of this Agreement and all prior drafts of this Agreement, all of which are merged into this Agreement. No prior drafts of this Agreement and no words or phrases from any such prior drafts shall be admissible into evidence in any action or suit involving this Agreement.

Section 9.7 Waivers and Amendments. The Seller, as a group, or the Buyer, may by written notice to the other:

(a) extend the time for the performance of any of the obligations or other actions of the other;

(b) waive any inaccuracies in the representations or warranties of the other contained in this Agreement or in any document delivered pursuant to this Agreement by the other party;

(c) waive compliance with any of the covenants of the other contained in this Agreement;

(d) waive performance of any of the obligations of the other created under this Agreement; or

(e) waive fulfillment of any of the conditions to its own obligations under this Agreement or in any documents delivered pursuant to this Agreement by the other party. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach, whether or not similar, unless such waiver specifically states that it is to be construed as a continuing waiver. This Agreement may be amended, modified or supplemented only by a written instrument executed by the parties hereto.

Section 9.8 Severability. This Agreement shall be deemed severable, and the invalidity or unenforceability of any term or provision hereof shall not affect the validity or enforceability of this Agreement or of any other term or provision hereof. Furthermore, in lieu of any such invalid or unenforceable term or provision, the parties hereto intend that there shall be added as a part of this Agreement a provision as similar in terms to such invalid or unenforceable provision as may be possible and be valid and enforceable.

Section 9.9 Titles and Headings. The Article and Section headings and any table of contents contained in this Agreement are solely for convenience of reference and shall not affect the meaning or interpretation of this Agreement or of any term or provision hereof.

Section 9.10 Signatures and Counterparts. Facsimile transmission of any signed original document and/or retransmission of any signed facsimile transmission shall be the same as delivery of an original. At the request of the Buyer or the Seller, the parties will confirm facsimile transmission by signing a duplicate original document. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall be considered one and the same agreement.

Section 9.11 Enforcement of the Agreement. The parties hereto agree that irreparable damage would occur if any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereto, this being in addition to any other remedy to which they are entitled at law or in equity. In no event shall any party hereto be entitled to any punitive, incidental, indirect, special or consequential damages resulting from or arising out of this Agreement or the transactions contemplated hereby.

Section 9.12 Governing Law. This Agreement shall be governed by and construed in accordance with the internal and substantive laws of Delaware and without regard to any conflicts of laws concepts which would apply the substantive law of some other jurisdiction.

Section 9.13 Certain Definitions. For purposes of this Agreement, the term:

(a) "affiliate" of a person means a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the first mentioned person: the Company and its Subsidiaries shall be deemed to be affiliates (i) of the Seller prior to the Closing and (ii) of the Buyer from and after the Closing.

(b) "Assets" means all of the assets (including Real Property, and tangible and intangible assets) used or necessary for the conduct of the Company's and its Subsidiaries' businesses as they are presently conducted and as conducted immediately prior to the Contributions, excluding the Omnibus Excluded Assets.

(c) "Material Adverse Effect" means a material adverse effect on the assets, properties, business, operations, net income or financial condition of the Company and its Subsidiaries taken as a whole, it being understood that none of the following shall be deemed to constitute a Material Adverse Effect: (i) any effect resulting from entering into this Agreement or the announcement of the transactions contemplated by this Agreement; and (ii) any effect resulting from changes in the United States or global economy as a whole, except for such effects which disproportionately impact the Company and its Subsidiaries.

(d) "Omnibus Excluded Assets" means (i) the Intellectual Property which is being addressed through the IT Migration Plan and Transition Services Agreement (as such terms are defined in the Mapletree Purchase Agreement), (ii) any assets that are designated under this Agreement or the Transition Services Agreement as excluded assets or shared assets to be retained by Seller or its affiliates and (iii) assets that are used primarily in the conducts of the business and operation of the assets owned by the Seller or any of its Affiliates (other than Company or its Subsidiaries) immediately following the Closing, and (iv) any assets used by MAPL and not owned by Seminole to provide operating services to Seminole.

(e) "person" means an individual, corporation, association, trust, limited liability company, limited partnership, limited liability partnership, partnership, incorporated organization, other entity or group (as defined in Section 13(d)(3) of the Securities Exchange Act of 1934).

(f) "Pipeline Systems" means the natural gas liquids and other pipelines, lateral lines, pumps, pump stations and other related machinery and equipment that are located on or under the Real Property and that are used or necessary for the conduct of the Company's and its Subsidiaries' businesses as they are presently conducted and as conducted immediately prior to the Contributions.

Section 9.14 Reserved.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

E-BIRCHTREE, LLC

By: /s/ Alan S. Armstrong

Name: Alan S. Armstrong
Title: V.P.

E-CYPRESS, LLC

By: /s/ Michael A. Creel

Name: Michael A. Creel
Title: V.P.

EXHIBIT 10.3

EXECUTION COPY

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$900,000,000

CREDIT AGREEMENT

AMONG

THE WILLIAMS COMPANIES, INC.

WILLIAMS PRODUCTION HOLDINGS LLC

WILLIAMS PRODUCTION RMT COMPANY,

AS BORROWER,

THE SEVERAL LENDERS

FROM TIME TO TIME PARTIES HERETO,

LEHMAN BROTHERS INC.,

AS LEAD ARRANGER AND BOOK MANAGER

LEHMAN COMMERCIAL PAPER INC.,

AS SYNDICATION AGENT

AND

LEHMAN COMMERCIAL PAPER INC.,

AS ADMINISTRATIVE AGENT

DATED AS OF JULY 31, 2002

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SCHEDULES:

EXHIBITS:

CREDIT AGREEMENT, dated as of July 31, 2002, among The Williams Companies, Inc., a Delaware corporation ("Parent"), Williams Production Holdings LLC, a Delaware limited liability company ("Holdings"), Williams Production RMT Company, a Delaware corporation (the "Borrower"), the several banks and other financial institutions or entities from time to time parties to this Agreement as lenders (the "Lenders"), LEHMAN BROTHERS INC., as advisor, lead arranger and book manager (in such capacity, the "Arranger"), LEHMAN COMMERCIAL PAPER INC., as syndication agent (in such capacity, the "Syndication Agent"), and LEHMAN COMMERCIAL PAPER INC., as administrative agent (in such capacity, the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, the Borrower intends to provide Holdings with the net proceeds of the Term Loans (as defined below) in the form of a loan to Holdings and Holdings will provide Parent with an amount equal to such loan from the Borrower in the form of a loan to Parent;

WHEREAS, the Lenders are willing to make such Terms Loans available upon and subject to the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the agreements hereinafter set forth, the parties hereto hereby agree as follows:

SECTION 1 - DEFINITIONS

1.1 Defined Terms.

As used in this Agreement, the terms listed in this Section 1.1 shall have the respective meanings set forth in this Section 1.1.

"Administrative Agent": as defined in the preamble hereto.

"Affiliate": as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Affiliated Fund": means, with respect to any Lender that is a fund that invests (in whole or in part) in commercial loans, any other fund that invests (in whole or in part) in commercial loans and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"Agents": the collective reference to the Syndication Agent and the Administrative Agent.

"Aggregate Exposure": with respect to any Lender at any time, an amount equal to (a) until the Closing Date, the aggregate amount of such Lender's Commitments at such time and (b) thereafter, the aggregate then unpaid principal amount of such Lender's Term Loans.

"Agreement": this Credit Agreement, as amended, supplemented, replaced or otherwise modified from time to time in accordance with this Agreement.

"Approved Engineer": any independent engineer recognized in the U.S. oil and gas loan syndication market and reasonably satisfactory to the Administrative Agent.

"Arranger": as defined in the preamble hereto.

"Asset Sale": any Disposition of Property or series of related Dispositions of Property (excluding any such Disposition permitted by clauses (a), (b), (c) or (d) of Section 7.5) by Holdings, the Borrower or any of the Borrower's Subsidiaries other than a Company Sale.

"Assignee": as defined in Section 10.6(c).

"Assignment and Acceptance": as defined in Section 10.6(c).

"Assignor": as defined in Section 10.6(c).

"Base Rate": for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%.

"Base Rate Loans": Term Loans for which the applicable rate of interest is based upon the Base Rate.

"Benefited Lender": as defined in Section 10.7(a).

"Bison Entities": means, collectively, Bison Royalty LLC, Piceance Production Holdings LLC and Rulison Production Company LLC.

"Board": the Board of Governors of the Federal Reserve System of the United States (or any successor).

"Borrower": as defined in the preamble hereto.

"Borrower Liquidity Reserve": the sum of (a) cash and Cash Equivalents owned by the Borrower (excluding (a) Net Cash Proceeds from any Asset Sales, free of Liens, which shall be applied as a mandatory prepayment of the Term Loans pursuant to Section 2.12 and (b) any cash or Cash Equivalents posted as cash collateral for, or the amount of any letter of credit issued in support of, Hedge Agreements) in an amount equal to $65,000,000 in the possession of the Borrower and (b) an irrevocable standby letter of credit naming the Administrative Agent as beneficiary, issued by a financial institution reasonably acceptable to the Administrative Agent, equal to the difference, if any, between (x) $65,000,000 and (y) the aggregate cash and Cash Equivalents referred to in the foregoing clause (a).

"Business Day": (a) for all purposes other than as covered by clause (b) below, a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close and (b) with respect to all notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, any day which is a Business Day described in clause (a) and which is also a day for trading by and between banks in Dollar deposits in the interbank eurodollar market.

"Capital Expenditures": for any period, with respect to any Person, the aggregate of all expenditures by such Person and its Subsidiaries for the acquisition or leasing (pursuant to a capital lease) of fixed or capital assets or additions to equipment (including replacements, capitalized repairs and improvements during such period) which should be capitalized under GAAP on a consolidated balance sheet of such Person and its Subsidiaries.

"Capital Lease Obligations": as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"Capital Stock": any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

"Cash Equivalents": (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurodollar time deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the United States of America or any state thereof having combined capital and surplus of not less than $500,000,000; (c) commercial paper of an issuer rated at least A-1 by Standard & Poor's Ratings Services ("S&P") or P-1 by Moody's Investors Service, Inc. ("Moody's"), or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within six months from the date of acquisition; (d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A by Moody's; (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of

clause (b) of this definition; or (g) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition.

"Closing Date": the date on which the conditions precedent set forth in Section 5.1 shall have been satisfied, which date shall be not later than July 31, 2002.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Collateral": all Property of the Loan Parties, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Document.

"Commitment": as to any Lender, the obligation of such Lender, to make a Term Loan to the Borrower hereunder in a principal amount not to exceed the amount set forth under the heading "Commitment" opposite such Lender's name on Schedule 1 to the Lender Addendum delivered by such Lender, or, as the case may be, in the Assignment and Acceptance pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof; provided that the original aggregate amount of the Commitments is $900,000,000.

"Commonly Controlled Entity": an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group that includes the Borrower and that is treated as a single employer under Section 414 of the Code.

"Company Sale": the Disposition to a third party (other than to Holdings or to an Affiliate thereof) of at least a majority of the fair market value of the Property of the Borrower and its Subsidiaries, whether by asset sale, by sale of at least a majority of the Capital Stock of the Borrower, directly or indirectly, by merger, consolidation, amalgamation or otherwise.

"Compliance Certificate": a certificate duly executed by a Responsible Officer substantially in the form of Exhibit B.

"Consolidated EBITDA": of any Person for any period, Consolidated Net Income of such Person and its Subsidiaries for such period plus, without duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (a) income tax expense, (b) Consolidated Interest Expense of such Person and its Subsidiaries, amortization or write-off of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with Indebtedness (including, in the case of the Borrower, the Term Loans), (c) depreciation and amortization expense, (d) amortization of intangibles (including, but not limited to, goodwill) and organization costs, (e) any extraordinary, unusual or non-recurring expenses or losses (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, losses on sales of assets outside of the ordinary course of business), (f) any non-cash losses in connection with commodity hedge agreements entered into by Parent or one of its Affiliates other than Holdings or any of its Subsidiaries for the benefit of the Borrower or any of its Subsidiaries not otherwise excluded from Consolidated Net Income and (g) any other non-cash charges, and minus, to the extent included in the statement of such Consolidated Net Income for such period, the sum of (w) interest income (except to the extent deducted in determining Consolidated Interest

Expense), (x) any extraordinary, unusual or non-recurring income or gains (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, gains on the sales of assets outside of the ordinary course of business), (y) any non-cash gains in connection with commodity hedge agreements entered into by Parent or one of its Affiliates other than Holdings or any of its Subsidiaries for the benefit of the Borrower or any of its Subsidiaries and (z) any other non-cash income, all as determined on a consolidated basis.

"Consolidated Fixed Charge Coverage Ratio": for any period, the ratio of (a) the difference of (i) the sum of (A) Consolidated EBITDA of the Borrower and its Subsidiaries for such period, plus (B) equity capital contributed to the Borrower or any of its Subsidiaries by any Person except in the case of the Borrower's Subsidiaries, the Borrower, minus (ii) the aggregate amount actually paid by the Borrower and its Subsidiaries in cash during such period on account of Capital Expenditures to (b) Consolidated Fixed Charges for such period.

"Consolidated Fixed Charges": for any period, the sum (without duplication) of (a) Consolidated Interest Expense of the Borrower and its Subsidiaries for such period and (b) provision for cash income taxes made by the Borrower or any of its Subsidiaries on a consolidated basis in respect of such period.

"Consolidated Interest Coverage Ratio": for any period, the ratio of (a) Consolidated EBITDA of the Borrower and its Subsidiaries for such period to (b) Consolidated Interest Expense of the Borrower and its Subsidiaries for such period.

"Consolidated Interest Expense": of any Person for any period, total cash interest expense (including that attributable to Capital Lease Obligations) of such Person and its Subsidiaries for such period with respect to all outstanding Indebtedness of such Person and its Subsidiaries (including, without limitation, all commissions, discounts and other fees and charges owed by such Person with respect to letters of credit and bankers' acceptance financing and net costs of such Person under Hedge Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with GAAP).

"Consolidated Net Income": of any Person for any period, the consolidated net income (or loss) of such Person and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP; provided that in calculating Consolidated Net Income of the Borrower and its consolidated Subsidiaries for any Period, there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of the Borrower or is merged into or consolidated with the Borrower or any of its Subsidiaries, (b) the income (or deficit) of any Person (other than a Subsidiary of the Borrower) in which the Borrower or any of its Subsidiaries has an ownership interest, except to the extent that any such income is actually received by the Borrower or such Subsidiary in the form of dividends or similar distributions and (c) the undistributed earnings of any Subsidiary of the Borrower (other than any of the Bison Entities) to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any Contractual Obligation (other than under any Loan Document) or Requirement of Law applicable to such Subsidiary.

"Continuing Directors": as to any Person, the directors of such Person on the Closing Date, after giving effect to the transactions contemplated hereby, and each other director, if, in

each case, such other director's nomination for election to the board of directors of such Person is recommended by at least 66-2/3% of the then Continuing Directors or such other director receives the vote of each of the shareholders of such Person on the Closing Date in his or her election by the shareholders of such Person.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its Property is bound.

"Default": any of the events specified in Section 8, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Derivatives Counterparty": as defined in Section 7.6.

"Disposition": with respect to any Property, any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition thereof; and the terms "Dispose" and "Disposed of" shall have correlative meanings.

"Disqualified Stock": any Capital Stock or other ownership or profit interest of any Loan Party that any Loan Party is or, upon the passage of time or the occurrence of any event, may become obligated to redeem, purchase, retire, defease or otherwise make any payment in respect of in consideration other than Capital Stock (other than Disqualified Stock).

"Dollars" and "$": dollars in lawful currency of the United States of America.

"Domestic Subsidiary": any Subsidiary of the Borrower organized under the laws of any jurisdiction within the United States.

"Environmental Laws": any and all laws, rules, orders, regulations, statutes, ordinances, guidelines, codes, decrees, or other legally enforceable requirements (including, without limitation, common law) of any international authority, foreign government, the United States, or any state, local, municipal or other Governmental Authority, regulating, relating to or imposing liability or standards of conduct concerning protection of the environment or of human health, or employee health and safety, as has been, is now, or may at any time hereafter be, in effect.

"Environmental Permits": any and all permits, licenses, approvals, registrations, notifications, exemptions and any other authorization required under any Environmental Law.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurocurrency Reserve Requirements": for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the maximum rates (expressed as a decimal) of reserve requirements in effect on such day (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board or other Governmental Authority having jurisdiction with respect thereto) dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board) maintained by a member bank of the Federal Reserve System. Eurodollar Loans shall be

deemed to constitute Eurocurrency Liabilities and to be subject to such reserve requirements without benefit or credit for proration, exceptions or offsets which may be available from time to time to any Lender under Regulation D.

"Eurodollar Base Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on Page 3750 of the British Bankers Association Telerate screen as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on Page 3750 of the British Bankers Association Telerate screen (or otherwise on such screen), the "Eurodollar Base Rate" for purposes of this definition shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent.

"Eurodollar Loans": Term Loans the rate of interest applicable to which is based upon the Eurodollar Rate.

"Eurodollar Rate": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/16th of 1%):

$$\frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurocurrency Reserve Requirements}}$$

"Event of Default": any of the events specified in Section 8; provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"Facility": the Commitments and the Term Loans made thereunder.

"Federal Funds Effective Rate": for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

"Fee Letter": as defined in Section 2.9(a).

"Funding Office": the office specified from time to time by the Administrative Agent as its funding office by notice to the Borrower and the Lenders.

"GAAP": generally accepted accounting principles in the United States of America as in effect from time to time, except that for purposes of Section 7.1, GAAP shall be determined on the basis of such principles in effect on the date hereof and consistent with those used in the preparation of the most recent financial statements delivered pursuant to Section 4.1(b).

"Gas Gathering Systems": the gas plant and those certain gas gathering systems consisting of all equipment, assets, rights-of-way, surface leases, contracts and related assets more particularly described on Schedule 1.1(a) attached hereto.

"Governing Documents": collectively, as to any Person, the articles or certificate of incorporation and bylaws, any shareholders agreement, certificate of formation, limited liability company agreement, partnership agreement or other formation or constituent documents of such Person.

"Governmental Authority": any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantee and Collateral Agreement": the Guarantee and Collateral Agreement to be executed and delivered by Parent, Holdings, the Borrower and each Subsidiary Guarantor, substantially in the form of Exhibit A, as the same may be amended, supplemented, replaced or otherwise modified from time to time in accordance with this Agreement.

"Guarantee Obligation": as to any Person (the "guaranteeing person"), any obligation of (a) the guaranteeing person or (b) another Person (including, without limitation, any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any Property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase Property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"Guarantors": the collective reference to Parent, Holdings and the Subsidiary Guarantors.

"Hedge Agreements": (a) all interest rate swaps, caps or collar agreements or similar arrangements entered into by the Borrower or any of its Subsidiaries providing for protection against fluctuations in interest rates or currency exchange rates or the exchange of nominal interest obligations, either generally or under specific contingencies and (b) all hedging agreements entered into by the Borrower or any of its Subsidiaries in connection with the hedging of commodity prices, including basis (transportation) hedges.

"Holdings": as defined in the preamble hereto.

"Hydrocarbons": oil, gas, casing head gas, condensate, distillate, liquid hydrocarbons, gaseous hydrocarbons, all products refined, separated, settled and dehydrated therefrom and all products refined therefrom, including, without limitation, kerosene, liquefied petroleum gas, refined lubricating oils, diesel fuel, drip gasoline, natural gasoline, helium, sulfur and all other minerals.

"Hydrocarbon Interests": all rights, titles, interests and estates now owned or hereafter acquired by the Borrower or any of its Subsidiaries in any and all oil, gas and other liquid or gaseous hydrocarbon properties and interests, including without limitation, mineral fee or lease interests, production sharing agreements, concession agreements, license agreements, service agreements, risk service agreements or similar Hydrocarbon interests granted by an appropriate Governmental Authority, farmout, overriding royalty and royalty interests, net profit interests, oil payments, production payment interests and similar interests in Hydrocarbons, including any reserved or residual interests of whatever nature.

"Indebtedness": of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of Property or services (other than trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to Property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such Property), (e) all Capital Lease Obligations or Synthetic Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party under acceptance, letter of credit or similar facilities, (g) all obligations of such Person, contingent or otherwise, to purchase, redeem, retire or otherwise acquire for value any Capital Stock of such Person, (h) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (g) above, (i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on Property (including, without limitation, accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation, and (j) for the purposes of Section 8(e) only, all obligations of such Person in respect of Hedge Agreements.

"Indemnified Liabilities": as defined in Section 10.5.

"Indemnitee": as defined in Section 10.5.

"Initial Title Opinions": as defined in Section 6.2(m).

"Insolvency": with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent": pertaining to a condition of Insolvency.

"Intellectual Property": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, state, multinational or foreign laws or otherwise, including, without limitation, copyrights, patents, trademarks, service-marks, technology, know-how and processes, recipes, formulas, trade secrets, or licenses (under which the applicable Person is licensor or licensee) relating to any of the foregoing and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"Interest Payment Date": (a) as to any Base Rate Loan, the last day of each March, June, September and December to occur while such Term Loan is outstanding, (b) as to any Eurodollar Loan, the last day of the relevant Interest Period and (c) as to any Term Loan, the date of any repayment under Section 2.11 or 2.12 or upon the Maturity Date.

"Interest Period": as to any Eurodollar Loan, (a) the three-month period commencing on the Closing Date; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending three months thereafter; provided that all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) any Interest Period that would otherwise extend beyond the date final payment is due on the Term Loans shall end on the date final payment is due; and

(iii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

"Investments": as defined in Section 7.8.

"Lehman Entity": any of Lehman Commercial Paper Inc. or any of its Affiliates (including, without limitation, Syndicated Loan Funding Trust).

"Lender Addendum": with respect to any initial Lender, a Lender Addendum, substantially in the form of Exhibit I, to be executed and delivered by such Lender on the Closing Date as provided in Section 10.18.

"Lenders": as defined in the preamble hereto.

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

"Loan Documents": this Agreement, the Security Documents, the Fee Letter and the Term Notes (if any).

"Loan Parties": Holdings, the Borrower and each Subsidiary of the Borrower that is a party to a Loan Document (including pursuant to Section 6.10).

"Make-Whole Amount": in the event that the Term Loans are repaid in whole or in part prior to the Maturity Date, an amount in cash equal to the amount of interest that would have been paid, accrued or capitalized on such Term Loans through and including the Maturity Date at the rate specified in this Agreement, which amount shall be discounted at a rate per annum equal to (x) the yield on one-year U.S. Treasury notes having a remaining maturity as close as is practical to the remaining term of the Terms Loans (but for the optional prepayment, mandatory prepayment, Parent Liquidity Event or acceleration, as the case may be), as determined by the Administrative Agent plus (y) 0.50%; provided that the portion of interest payable based on the Eurodollar Rate plus 4.0% per annum shall be based on a fixed interest rate equal to the Eurodollar Rate as of the repayment date plus 4.0% per annum.

"Material Adverse Effect": a material adverse effect on or affecting (a) the business, assets, liabilities, property, condition (financial or otherwise), results of operations, prospects, value or management of Parent or the Loan Parties taken as a whole, (b) the validity or enforceability of this Agreement or any of the other Loan Documents, (c) the validity, enforceability or priority of the Liens purported to be created by the Security Documents or (d) the rights or remedies of any Secured Party hereunder or under any of the other Loan Documents; provided that any event that otherwise be a Material Adverse Effect shall not be deemed to be a Material Adverse Effect if disclosed by Parent or any Loan Party in filings with the Securities and Exchange Commission prior to the Closing Date.

"Material Environmental Amount": an amount or amounts payable by the Borrower and/or any of its Subsidiaries, in the aggregate in excess of $1,000,000, for: (a) costs to comply with any Environmental Law; (b) costs of any investigation, and any remediation, of any Materials of Environmental Concern; and (c) compensatory damages (including, without limitation damages to natural resources), punitive damages, fines, and penalties pursuant to any Environmental Law.

"Materials of Environmental Concern": any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products, polychlorinated biphenyls, urea-formaldehyde insulation, asbestos, pollutants, contaminants, radioactivity, and any other substances or forces of any kind, whether or not any such substance or force is defined as hazardous or toxic under any

Environmental Law, that is regulated pursuant to or could give rise to liability under any Environmental Law.

"Maturity Date": the date that is 360 days after the Closing Date.

"Maximum Lawful Rate": as defined in Section 2.15(f).

"Mortgaged Properties": the real properties and leasehold estates listed on Schedule 1.1(b), as to which the Administrative Agent for the benefit of the Secured Parties shall be granted a Lien pursuant to the Mortgages.

"Mortgages": each of the mortgages, deeds of trust and deeds to secure debt made by any Loan Party in favor of, or for the benefit of, the Administrative Agent for the benefit of the Secured Parties, substantially in the form of Exhibit D (with such changes thereto as shall be advisable under the law of the jurisdiction in which such mortgage or deed of trust is to be recorded), as the same may be amended, supplemented, replaced or otherwise modified from time to time in accordance with this Agreement.

"Multiemployer Plan": a Plan that is a multiemployer plan as defined in Section 3(37) or 4001(a)(3) of ERISA.

"Net Cash Proceeds": (a) in connection with any Asset Sale permitted by Section 7.5(e), the proceeds thereof in the form of cash or Cash Equivalents of such Asset Sale, net of reasonable and customary attorneys' fees, accountants' fees, investment banking fees, amounts required to be applied to the repayment of Indebtedness secured by a Lien expressly permitted hereunder on any asset which is the subject of such Asset Sale (other than any Lien pursuant to a Security Document) and other reasonable and customary fees and expenses, in each case, to the extent actually incurred in connection therewith and net of taxes paid or reasonably estimated to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements) and (b) in connection with any issuance or sale of equity securities or debt securities or instruments or the incurrence of loans, the cash proceeds received from such issuance or incurrence, net of reasonable and customary attorneys' fees, investment banking fees, accountants' fees, underwriting discounts and commissions and other reasonable and customary fees and expenses, in each case, to the extent actually incurred in connection therewith.

"Non-Excluded Taxes": as defined in Section 2.20(a).

"Non-U.S. Lender": as defined in Section 2.20(f).

"Notice of Borrowing": a certificate duly executed by a Responsible Officer of the Borrower substantially in the form of Exhibit K.

"Obligations": the unpaid principal of and interest on (including, without limitation, interest accruing after the maturity of the Term Loans and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Parent (with respect to its Obligations under the Guarantee and Collateral Agreement and the transactions contemplated thereby only) or any Loan Party,

whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Term Loans and all other obligations and liabilities of the Loan Parties to the Arranger, to any Agent or to any Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, any other Loan Document or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees (including any deferred set-up fees), Make-Whole Amounts, indemnities, costs, expenses (including, without limitation, all fees, charges and disbursements of counsel to the Arranger, to any Agent or to any Lender that are required to be paid by any Loan Party pursuant hereto or to any other Loan Document) or otherwise.

"Oil and Gas Business" (a) the acquisition, exploration, exploitation, development, operation, management and disposition of interests in Hydrocarbon Interests and Hydrocarbons; (b) gathering, marketing, treating, processing, storage, selling and transporting of any production from such interests or Hydrocarbon Interests, including, without limitation, the marketing of Hydrocarbons obtained from unrelated Persons; (c) any business relating to or arising from exploration for or development, production, treatment, processing, storage, transportation or marketing of oil, gas and other minerals and products produced in association therewith; and (d) any activity that is ancillary or necessary or desirable to facilitate the activities described in clauses (a) through (c) of this definition.

"Oil and Gas Properties" (a) Hydrocarbon Interests; (b) the Property now or hereafter pooled or unitized with Hydrocarbon Interests; (a) all presently existing or future unitization, pooling agreements and declarations of pooled units and the units created thereby (including, without limitation, all units created under orders, regulations and rules of any Governmental Authority) which may affect all or any portion of the Hydrocarbon Interests; (d) all operating agreements, contracts and other agreements which relate to any of the Hydrocarbon Interests or the production, sale, purchase, exchange or processing of Hydrocarbons from or attributable to such Hydrocarbon Interest; (e) all Hydrocarbons in and under and which may be produced and saved or attributable to the Hydrocarbon Interests, the lands covered thereby and all oil in tanks and all rents, issues, profits, proceeds, products, revenues and other income from or attributable to the Hydrocarbon Interests; and (f) all tenements, hereditaments, appurtenances and Property in any manner appertaining, belonging, affixed or incidental to the Hydrocarbon Interests, Property, Gas Gathering System, rights, titles, interests and estates described or referred to above, including, without limitation, any and all Property, now owned or hereinafter acquired and situated upon, used, held for use or useful in connection with the operating, working or development of any of such Hydrocarbon Interests or Property (excluding drilling rigs, automotive equipment or other personal property which may be on such premises for the purpose of drilling a well or for other similar temporary uses) and including any and all oil wells, gas wells, injection wells or other wells, buildings, structures, fuel separators, liquid extraction plants, plant compressors, pumps, pumping units, field gathering systems, tanks and tank batteries, fixtures, valves, fittings, machinery and parts, engines, boilers, meters, apparatus, equipment, appliances, tools, implements, cables, wires, towers, casing, tubing and rods, surface leases, rights-of-way, easements and servitudes together with all additions, substitutions, replacements, accessions and attachments to any and all of the foregoing.

"Original Lenders": Lehman Commercial Paper Inc. and National Indemnity Company.

"Other Taxes": any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"Parent": as defined in the preamble hereto.

"Parent Liquidity Amount": (a) at any time from the Closing Date through the 180th day thereafter, $600,000,000; (b) at any time thereafter through and including the Maturity Date, $750,000,000; and (c) at any time after the Maturity Date, $200,000,000.

"Parent Liquidity Event": any time (a) when the sum of (i) Parent's actual cash and Cash Equivalents on hand and (ii) the unused borrowing capacity of Parent available to it under its credit facilities is less than the Parent Liquidity Amount in the aggregate, (b) Parent's projected forward liquidity determined as of the Closing Date (determined as described in the succeeding sentence) at any time prior to the Maturity Date is less than the Parent Liquidity Amount, (c) Parent's projected liquidity at the Maturity Date after giving effect to the prepayment or repayment of the Term Loans in accordance with this Agreement is less than the Parent Liquidity Amount, (d) there shall occur and be continuing a payment default (beyond any grace period) by Parent or any of its Subsidiaries (other than Holdings or any of its Subsidiaries) with respect to one or more Indebtedness having a principal amount outstanding in excess of $20,000,000 in the aggregate or (e) there shall have occurred and be continuing any event of default under one or more Indebtedness of Parent or any of its Subsidiaries (other than Holdings or any of its Subsidiaries) that, with notice or the passage of time or both, would permit the holders thereof to accelerate such Indebtedness and any other Indebtedness of Parent or any of its Subsidiaries (other than Holdings or any of its Subsidiaries) that may be so accelerated and has an aggregate principal amount outstanding in excess of $20,000,000 in the aggregate. In determining Parent's forward liquidity, Parent may take into account asset sales or other liquidity events projected as of the Closing Date, if, but only if, (i) Parent shall have initiated a Disposition process related to such liquidity event at least six months prior to such Disposition, (ii) such process shall be evidenced by a contract for Disposition from no later than 60 days prior to its scheduled Disposition date through such scheduled Disposition date, and (iii) shall be satisfactory to the Original Lenders and determined by them to be reasonably likely to result in the consummation of such proposed Disposition or liquidity event (at the net proceeds reflected in the projection) prior to such time as the Parent Liquidity Event (at such price) shall occur.

"Participant": as defined in Section 10.6(b).

"Payment Office": the office of the Administrative Agent specified in Section 10.2 or as otherwise specified from time to time by the Administrative Agent as its payment office by notice to the Borrower and the Lenders.

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

"Permits": the collective reference to (i) Environmental Permits, and (ii) any and all other franchises, licenses, leases, permits, approvals, notifications, certifications, registrations,

authorizations, exemptions, qualifications, easements, rights of way, Liens and other rights, privileges and approvals required under any Requirement of Law.

"Permitted Liens": the collective reference to (i) in the case of Collateral other than Pledged Stock, Liens permitted by Section 7.3 and (ii) in the case of Collateral consisting of Pledged Stock, non-consensual Liens permitted by Section 7.3 to the extent arising by operation of law.

"Person": an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan": at a particular time, any employee benefit plan that is covered by ERISA and which the Borrower or any Commonly Controlled Entity maintains, administers, contributes to or is required to contribute to or under which the Borrower or any Commonly Controlled Entity could incur any liability.

"Pledged Stock": as defined in the Guarantee and Collateral Agreement.

"Prime Rate" shall mean the prime lending rate as set forth on the British Banking Association Telerate Page 5 (or such other comparable page as may, in the opinion of the Administrative Agent, replace such page for purpose of displaying such rate), as in effect from time to time. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate actually available. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Pro Forma Balance Sheet": as defined in Section 4.1(a).

"Projections": as defined in Section 6.2(d).

"Property": any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, including, without limitation, Capital Stock and Hydrocarbon Interests.

"Proved Producing Reserves": Proved Reserves that are recoverable from existing wells with current operating methods and expenses and are producing.

"Proved Reserves" those recoverable Hydrocarbons which have been estimated with reasonable certainty, as demonstrated by geological and engineering data, to be economically recoverable from the Oil and Gas Properties by existing producing methods under existing economic conditions.

"Real Estate": All real property held or used by the Borrower or its Subsidiaries, which the Borrower or the relevant Subsidiary owns in fee or in which it holds a leasehold interest as a tenant.

"Register": as defined in Section 10.6(d).

"Regulation D": Regulation D of the Board as in effect from time to time (and any successor to all or a portion thereof).

"Regulation H": Regulation H of the Board as in effect from time to time (and any successor to all or a portion thereof).

"Regulation T": Regulation T of the Board as in effect from time to time (and any successor to all or a portion thereof).

"Regulation U": Regulation U of the Board as in effect from time to time (and any successor to all or a portion thereof).

"Regulation X": Regulation X of the Board as in effect from time to time (and any successor to all or a portion thereof).

"Reorganization": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"Reportable Event": any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .27, .28, .29, .30, .31, .32, .34 or .35 of PBGC Reg. Section 4043.

"Required Lenders": at any time, the holders of more than a majority of (a) until the Closing Date, the Commitments and (b) thereafter, the aggregate unpaid principal amount of the Term Loans then outstanding.

"Requirement of Law": as to any Person, the Governing Documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

"Reserve Report": means a report setting forth the Proved Reserves by reserve category attributable to the Hydrocarbon Interests constituting Proved Reserves owned directly by the Borrower or any Subsidiary thereof, a projection of the rate of production and net operating income with respect thereto, as of a specified date, and such other information as is customarily obtained from and provided in such reports, satisfactory in form and substance to the Administrative Agent. All Reserve Reports prepared after the Closing Date and required by this Agreement or any of the other Loan documents shall be prepared or audited by an Approved Engineer.

"Responsible Officer": as to any Person, the chief executive officer, president or chief financial officer of such Person, but in any event, with respect to financial matters, the chief financial officer of such Person. Unless otherwise qualified, all references to a "Responsible Officer" shall refer to a Responsible Officer of the Borrower.

"Restricted Payments": as defined in Section 7.6.

"Second Tranche Title Opinions": as defined in Section 6.2(m).

"Secured Parties": collectively, the Arranger, the Agents and the Lenders.

"Security Documents": the collective reference to the Guarantee and Collateral Agreement, the Mortgages and all other pledge and security documents hereafter delivered to the Administrative Agent granting a Lien on any Property of any Person to secure the obligations and liabilities of Parent or any Loan Party under any Loan Document.

"Single Employer Plan": any Plan that is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"Solvency Certificate": the Solvency Certificate to be executed and delivered by the chief financial officer of each Loan Party, substantially in the form of Exhibit J, as the same may be amended, supplemented or otherwise modified from time to time in accordance with this Agreement.

"Solvent": when used with respect to any Person, as of any date of determination, (a) the amount of the "present fair saleable value" of the assets of such Person will, as of such date, exceed the amount of all "liabilities of such Person, contingent or otherwise", as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, (d) such Person will be able to pay its debts as they mature, and (e) such Person is not insolvent within the meaning of any applicable Requirements of Law. For purposes of this definition, (i) "debt" means liability on a "claim", and (ii) "claim" means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

"Subsidiary": as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

"Subsidiary Guarantor": each Subsidiary of the Borrower (other than the Bison Entities).

"Syndication Agent": as defined in the preamble hereto.

"Syndication Date": the date on which the Syndication Agent completes the syndication of the Facility and the Persons selected in such syndication process become parties to this Agreement.

"Synthetic Lease Obligations": all monetary obligations of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations which do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the Indebtedness of such Person (without regard to accounting treatment).

"Taking": a taking or voluntary conveyance during the term of this Agreement of all or part of any Mortgaged Property, or any interest therein or right accruing thereto or use thereof, as the result of, or in settlement of, any condemnation or other eminent domain proceeding by any Governmental Authority affecting a Mortgaged Property or any portion thereof, whether or not the same shall have actually been commenced.

"Term Loan Percentage": as to any Lender (a) at any time prior to the Closing Date, the percentage which such Lender's Commitment then constitutes of the aggregate Commitments or (b) at any time after the Closing Date, the percentage which the aggregate principal amount of such Lender's Term Loans then outstanding constitutes of the aggregate principal amount of the Term Loans then outstanding.

"Term Loan": as defined in Section 2.1.

"Term Notes": as defined in Section 2.8(e).

"Transferee": as defined in Section 10.15.

"Type": as to any Term Loan, its nature as a Base Rate Loan or a Eurodollar Loan.

"UCC": the Uniform Commercial Code, as in effect from time to time in any jurisdiction.

"Wholly Owned Subsidiary": as to any Person, any other Person all of the Capital Stock of which (other than directors' qualifying shares required by law) is owned by such Person directly and/or through other Wholly Owned Subsidiaries.

"Wholly Owned Subsidiary Guarantor": any Subsidiary Guarantor that is a Wholly Owned Subsidiary of the Borrower.

1.2 Other Definitional Provisions.

(a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, accounting terms relating to the Borrower and its Subsidiaries not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(e) The expressions "payment in full," "paid in full" and any other similar terms or phrases when used herein with respect to the Obligations shall mean the payment in full, in immediately available funds, of all of the Obligations.

(f) The words "including" and "includes" and words of similar import when used in this Agreement shall not be limiting and shall mean "including without limitation" or "includes without limitation", as the case may be.

SECTION 2 - AMOUNT AND TERMS OF COMMITMENTS

2.1 Commitments. Subject to the terms and conditions hereof, each Lender severally agrees to make a term loan (a "Term Loan") to the Borrower on the Closing Date in an amount not to exceed the amount of the Term Loan Commitment of such Lender. The Term Loans shall be Eurodollar Loans or, if Eurodollar Loans are not available, shall be Base Rate Loans.

2.2 Procedure for Term Loan Borrowing. The Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 10:00 A.M., New York City time, one Business Day prior to the anticipated Closing Date) requesting that the Lenders make the Term Loans on the Closing Date and specifying the amount to be borrowed. Upon receipt of such notice the Administrative Agent shall promptly notify each Lender thereof. Not later than 12:00 Noon, New York City time, on the Closing Date each Lender shall make available to the Administrative Agent at the Funding Office an amount in immediately available funds equal to the Term Loan to be made by such Lender. The Administrative Agent shall make available to the Borrower the aggregate of the amounts made available to the Administrative Agent by the Lenders in like funds.

2.3 Repayment of Term Loans. The Term Loan of each Lender shall mature on the Maturity Date.

2.4 [Intentionally Omitted].

2.5 [Intentionally Omitted].

2.6 [Intentionally Omitted].

2.7 [Intentionally Omitted].

2.8 Repayment of Term Loans; Evidence of Indebtedness. (a) The Borrower unconditionally promises to pay to the Administrative Agent for the account of the appropriate Lender the principal amount of each Term Loan on the Maturity Date (or on such earlier date on

which the Term Loans become due and payable pursuant to Section 2.12 or 8). The Borrower hereby further agrees to pay interest on the unpaid principal amount of the Term Loans from time to time outstanding from the date hereof until payment in full thereof at the rates per annum, and on the dates, and in the form set forth in Section 2.15.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each Term Loan of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent, on behalf of the Borrower, shall maintain the Register pursuant to Section 10.6(d), and a sub-account therein for each Lender, in which shall be recorded (i) the amount of each Term Loan made hereunder and any Term Note evidencing such Term Loan, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(d) The entries made in the Register and the accounts of each Lender maintained pursuant to Section 2.8(b) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Term Loans made to such Borrower by such Lender in accordance with the terms of this Agreement.

(e) The Borrower agrees that, upon the request to the Administrative Agent by any Lender, the Borrower will execute and deliver to such Lender a promissory note of the Borrower evidencing the Term Loan of such Lender, substantially in the form of Exhibit G, with appropriate insertions as to date and principal amount (such notes, "Term Notes").

2.9 Fees, Etc. (a) The Borrower agrees to pay to the Arranger, the Agents and the Lenders the fees in the amounts and on the dates agreed to by the Borrower and the Original Lenders pursuant to the letter agreement, dated as of July 31, 2002 (the "Fee Letter"), among the Original Lenders and the Borrower.

(b) (i) If a Company Sale has occurred on or prior to the Maturity Date (whether or not the Obligations have been repaid in full prior to such Company Sale), the Borrower shall pay to the Lenders, in immediately available funds, a deferred set-up fee (to be shared among them on a pro rata basis based on their respective outstanding balance of the Term Loans immediately prior to the consummation of the Company Sale) in an amount in cash initially equal to the greater of (x) 15% of the principal amount of the Term Loans funded on the Closing Date and (y) 15% (which percentage for the purposes of this clause (y) shall increase by 1% at the beginning of the 60-day period following the Closing Date and by an additional 1% at the beginning of each subsequent 60-day period) of the difference between (A) the aggregate purchase price paid to Parent, Holdings or the Borrower (including, without limitation, the amount of any liabilities assumed by the purchaser in the transaction) in connection with such

Company Sale (such amount for the purposes of this calculation not to exceed $2,500,000,000) and (B) the sum of (1) the principal amount of the then-outstanding Term Loans, plus (2) the aggregate principal amount of any other net Indebtedness of the Borrower and its Subsidiaries then outstanding (which amount as of the Closing Date is set forth on Schedule 2.9(b)) plus (3) accrued and unpaid interest on the Terms Loans to the date of repayment; or (ii) if a Company Sale has not occurred on or prior to the Maturity Date, the Borrower shall pay to the Lenders on the Maturity Date, in immediately available funds, a deferred set-up fee (to be shared among them on a pro rata basis based on their respective Term Loans outstanding immediately prior to the Maturity Date) in an amount in cash equal to 15% of the Term Loans funded on the Closing Date; provided, however, that if a Company Sale occurs within three months following the Maturity Date, then upon such Company Sale the Borrower shall pay to the Lenders (to be shared among them on a pro rata basis based on their respective Term Loans outstanding immediately prior to the Maturity Date) an additional amount in cash equal to the positive difference, if any, between the fee that would have been paid pursuant to clause (i) above had such Company Sale occurred prior to the Maturity Date and the fee paid pursuant to clause (ii) above. This covenant shall survive the termination of this Agreement and the payment in full of the Obligations in cash. Notwithstanding anything to the contrary in this Section 2.9(b), the fees described in this Section shall be earned on the Closing Date and shall be payable to the Lenders regardless of whether the Term Loans are repaid or not.

2.10 [Intentionally Omitted].

2.11 Optional Prepayments.

(a) The principal of the Term Loans may be prepaid in whole or in part at any time, plus the sum of (x) accrued and unpaid interest to the repayment date, plus (y) the Make-Whole Amount, plus (z) a pro rata portion (based on the amount of the Term Loans prepaid) of the applicable deferred set-up fee referred to in Section 2.9(b)(ii), all of which shall be paid by the Borrower immediately upon any such prepayment of Term Loans.

(b) Amounts to be applied in connection with a partial prepayment made pursuant to this Section 2.11 shall be applied, first, to accrued and unpaid interest on the Term Loans, second, to the deferred set-up fee referred to in Section 2.9(b)(ii), third, to outstanding principal of the Terms Loans (including, without limitation, any capitalized interest that has been added to the principal of the Term Loans) and, fourth, to any remaining Obligations outstanding. The application of any repayment pursuant to this Section 2.11 shall be made, first, to Base Rate Loans, if any, and, second, to Eurodollar Loans.

2.12 Mandatory Prepayments.

(a) If on any date Holdings, the Borrower or any of its Subsidiaries shall receive Net Cash Proceeds from any Asset Sale or Disposition permitted by Section 7.5(e), such Net Cash Proceeds promptly (but in any event no later than 2 Business Days after such receipt) shall be paid by the Borrower to the Administrative Agent, for the ratable benefit of the Lenders, to prepay the Obligations in cash at 100% of the principal amount of the Term Loans so prepaid, plus the sum of (x) accrued and unpaid interest to the repayment date, plus (y) the Make-Whole

Amount, plus (z) a pro rata portion (based on the amount of the Term Loans prepaid) of the deferred set-up fee referred to in Section 2.9(b)(ii).

(b) On any date Parent, Holdings or the Borrower receives proceeds from a Company Sale, (i) all such proceeds (whether or not sufficient to make the following payments in full) shall be immediately applied to repay the Obligations in full in cash and to pay to the Administrative Agent, for the pro rata benefit of the Lenders, the sum of 100% of the principal amount of the Term Loans, plus (x) accrued and unpaid interest to the repayment date, plus (y) the Make-Whole Amount, plus (z) the deferred set-up fee referred to in Section 2.9(b)(i); provided that at the time of any such Company Sale, all of the foregoing Obligations shall be paid in full regardless of the amount of proceeds actually received by Parent, holdings or the Borrower.

(c) Unless the Borrower shall otherwise have repaid in full all Obligations under this Agreement, upon (i) 75 days following a Parent Liquidity Event or (ii) an acceleration of the Obligations pursuant to Section 8, the Borrower shall repay the Obligations in full in cash, plus and pay to the Administrative Agent, for the pro rata benefit of the Lenders, including 100% of the principal amount of the outstanding Term Loans, plus the sum of (x) accrued and unpaid interest to the repayment date, plus (y) the Make-Whole Amount, plus (z) the deferred set-up fee referred to in Section 2.9(b)(ii).

(d) Subject to Section 2.18, amounts to be applied in connection with a repayment made pursuant to this Section 2.12, if the Obligations are not paid in full in cash, shall be applied, first, to accrued and unpaid interests on the Term Loans, second, to the deferred set-up fee referred to in Section 2.9(b), third, to outstanding principal of the Terms Loans (including, without limitation, any capitalized interest that has been added to the principal of the Term Loans) and, fourth, to any remaining Obligations outstanding. The application of any repayment pursuant to this Section 2.12 shall be made, first, to Base Rate Loans, if any, and, second, to Eurodollar Loan.

2.13 [Intentionally Omitted].

2.14 [Intentionally Omitted].

2.15 Interest Rates and Payment Dates. (a) Each Eurodollar Loan shall bear interest during each Interest Period with respect thereto at a rate per annum equal to the sum of (i) the Eurodollar Rate determined for such day plus (ii) 4.00% per annum.

(b) Each Base Rate Loan shall bear interest at a rate per annum equal to the sum of (i) the Base Rate plus (ii) 3.00% per annum.

(c) Each Term Loan also shall accrue additional interest at a rate of 14% per annum.

(d) (i) If all or a portion of the principal amount of any Term Loan shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), all outstanding Term Loans (whether or not overdue) shall bear interest at a rate per annum that is equal to the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this

Section plus 2.0%, and (ii) if all or a portion of any interest payable on any Term Loan or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate then applicable to Base Rate Loans plus 2.0%, in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full (after as well as before judgment).

(e) (i) Interest accruing pursuant to paragraphs (a) and (b) above shall be payable by the Borrower in cash in arrears on each Interest Payment Date; (ii) interest accruing pursuant to paragraph (c) above shall be calculated on the outstanding principal amount of the Term Loans on a weighted average daily basis and shall be payable by the Borrower in arrears on each Interest Payment Date by increasing the outstanding principal amount of the Term Loans by the amount of such interest due on a pro rata basis based on the Lenders' outstanding Term Loans immediately prior to such interest payment and (iii) interest accruing pursuant to paragraph (d) above shall be payable in cash from time to time on demand.

(f) Notwithstanding anything to the contrary set forth in this Section 2.15, if a court of competent jurisdiction determines in a final order that the rate of interest payable hereunder exceeds the highest rate of interest permissible under law (the "Maximum Lawful Rate"), then so long as the Maximum Lawful Rate would be so exceeded, the rate of interest payable hereunder shall be equal to the Maximum Lawful Rate; provided, however, that if at any time thereafter the rate of interest payable hereunder is less than the Maximum Lawful Rate, Borrower shall continue to pay interest hereunder at the Maximum Lawful Rate until such time as the total interest received by the Lenders is equal to the total interest which would have been received had the interest rate payable hereunder been (but for the operation of this paragraph) the interest rate payable since the Closing Date as otherwise provided in this Agreement. Thereafter, interest hereunder shall be paid at the rate(s) of interest and in the manner provided in Sections 2.15(a) through (e) above, unless and until the rate of interest again exceeds the Maximum Lawful Rate, and at that time this paragraph shall again apply. In no event shall the total interest received by the Lenders pursuant to the terms hereof exceed the amount which the Lenders could lawfully have received had the interest due hereunder been calculated for the full term hereof at the Maximum Lawful Rate. If the Maximum Lawful Rate is calculated pursuant to this paragraph, such interest shall be calculated at a daily rate equal to the Maximum Lawful Rate divided by the number of days in the year in which such calculation is made. If, notwithstanding the provisions of this Section 2.15(f), a court of competent jurisdiction shall finally determine that the Lenders have received interest hereunder in excess of the Maximum Lawful Rate, the Lenders shall refund any excess to Borrower or as a court of competent jurisdiction may otherwise order.

2.16 Computation of Interest and Fees. (a) Interest, fees and commissions payable on a per annum basis pursuant hereto shall be calculated on the basis of a 360-day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Term Loan resulting from a change in the Base Rate or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the

Borrower and the relevant Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the quotations used by the Administrative Agent in determining any interest rate pursuant to Section 2.15(a).

2.17 Inability to Determine Interest Rate. If prior to the first day of any Interest Period:

(a) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or

(b) the Administrative Agent shall have received notice from the Required Lenders that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lenders (as conclusively certified by such Lenders) of making or maintaining their affected Term Loans during such Interest Period, the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower and the relevant Lenders as soon as practicable thereafter. If such notice is given (x) any Eurodollar Loans requested to be made on the first day of such Interest Period shall be made as Base Rate Loans and (y) any outstanding Eurodollar Loans shall be converted, on the last day of the then current Interest Period with respect thereto, to Base Rate Loans. Until such notice has been withdrawn by the Administrative Agent, no further Eurodollar Loans shall be continued as such.

2.18 Pro Rata Treatment and Payments. (a) Each borrowing by the Borrower from the Lenders hereunder shall be made pro rata according to the respective Term Loan Percentages of the Lenders. Each payment (other than prepayments) in respect of principal or interest in respect of the Term Loans, and each payment in respect of fees or expenses payable hereunder shall be applied to the amounts of such Obligations owing to the Lenders pro rata according to the respective amounts then due and owing to the Lenders.

(b) Each payment (including each prepayment) of the Term Loans outstanding under the Facility shall be allocated among the Lenders holding such Term Loans pro rata based on the principal amount of such Term Loans held by such Lenders. Amounts prepaid on account of the Term Loans may not be reborrowed.

(c) [Intentionally Omitted].

(d) [Intentionally Omitted].

(e) All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim and shall be made prior to 12:00 Noon, New York City time, on the due date thereof to the Administrative Agent, for the account of the Lenders, at the Payment Office,

in Dollars and in immediately available funds. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. In the case of any extension of any payment of principal pursuant to the preceding two sentences, interest thereon shall be payable at the then applicable rate during such extension.

(f) Unless the Administrative Agent shall have been notified in writing by any Lender prior to the Closing Date that such Lender will not make the amount that would constitute its share of such borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Administrative Agent by the required time on the Closing Date, such Lender shall pay to the Administrative Agent, on demand, such amount with interest thereon at a rate equal to the daily average Federal Funds Effective Rate for the period until such Lender makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this paragraph shall be conclusive in the absence of manifest error. If such Lender's share of such borrowing is not made available to the Administrative Agent by such Lender within three Business Days of the Closing Date, the Administrative Agent shall also be entitled to recover such amount with interest thereon at the rate per annum applicable to Base Rate Loans on demand, from the Borrower.

(g) Unless the Administrative Agent shall have been notified in writing by the Borrower prior to the date of any payment being made hereunder that the Borrower will not make such payment to the Administrative Agent, the Administrative Agent may assume that the Borrower is making such payment, and the Administrative Agent may, but shall not be required to, in reliance upon such assumption, make available to the Lenders their respective pro rata shares of a corresponding amount. If such payment is not made to the Administrative Agent by the Borrower within three Business Days of such required date, the Administrative Agent shall be entitled to recover, on demand, from each Lender to which any amount which was made available pursuant to the preceding sentence, such amount with interest thereon at the rate per annum equal to the daily average Federal Funds Effective Rate. Nothing herein shall be deemed to limit the rights of the Administrative Agent or any Lender against the Borrower.

2.19 Requirements of Law. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, or any Eurodollar Loan made by it, or change the basis of

taxation of payments to such Lender in respect thereof (except for Non-Excluded Taxes covered by Section 2.20 and changes in the rate of tax on the overall net income of such Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender that is not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount which such Lender deems to be material, of making or maintaining Eurodollar Loans, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender, upon such Lender's demand, any additional amounts necessary to compensate such Lender on an after-tax basis for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this Section, it shall promptly notify the Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled.

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any Person controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a written request therefor, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender on an after-tax basis for such reduction.

(c) A certificate as to any additional amounts payable pursuant to this Section submitted by any Lender to the Borrower (with a copy to the Administrative Agent) shall be conclusive in the absence of manifest error. The obligations of the Borrower pursuant to this Section shall survive the termination of this Agreement and the payment of the Obligations in full.

2.20 Taxes. (a) All payments made by the Borrower under this Agreement or any other Loan Document shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on the Arranger, any Agent or any Lender as a

result of a present or former connection between the Arranger, such Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Arranger's, such Agent's or such Lender's having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") are required to be withheld from any amounts payable to the Arranger, any Agent or any Lender hereunder, the amounts so payable to the Arranger, such Agent or such Lender shall be increased to the extent necessary to yield to the Arranger, such Agent or such Lender (after payment of all Non-Excluded Taxes) interest or any such other amounts that would have been received hereunder had such withholding not been required; provided, however, that the Borrower or a Guarantor shall not be required to increase any such amounts payable to the Arranger, any Agent or any Lender with respect to any Non-Excluded Taxes that are attributable to the Arranger's, such Agent's or such Lender's failure to comply with the requirements of paragraph (f) of this Section. The Borrower or the applicable Guarantor shall make any required withholding and pay the full amount withheld to the relevant tax authority or other Governmental Authority in accordance with applicable Requirements of Law.

(b) The Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable Requirements of Law.

(c) The Borrower shall indemnify the Arranger, each Agent and any Lender for the full amount of Non-Excluded Taxes or Other Taxes arising in connection with payments made under this Agreement (including, without limitation, any Non-Excluded Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.20) paid by the Arranger, such Agent or Lender or any of their respective Affiliates and any liability (including penalties, additions to tax interest and expenses) arising therefrom or with respect thereto. Payment under this indemnification shall be made within ten days from the date the Arranger, any Agent or any Lender or any of their respective Affiliates makes written demand therefor.

(d) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for the account of the Arranger or the relevant Agent or Lender, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof.

(e) The agreements in this Section 2.20 shall survive the termination of this Agreement and the payment of the Term Loans and all other amounts payable hereunder.

(f) Each Lender (or Transferee) that is not a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America (or any jurisdiction thereof), or any estate or trust that is subject to federal income taxation regardless of the source of its income (a "Non-U.S. Lender") shall deliver to the Borrower and the Administrative Agent (and, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or Form W-8ECI or other appropriate form, establishing a complete exemption from withholding of U.S. taxes under Section 871(h) or 881(c) of the Code and a Form W-8BEN, or any subsequent versions thereof or successors

thereto properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify the Borrower at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(g) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payment under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, provided that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's reasonable judgment such completion, execution or submission would not materially prejudice the legal position of such Lender.

2.21 Indemnity. The Borrower agrees to indemnify each Lender and to hold each Lender harmless from any loss or expense that such Lender may sustain or incur as a consequence of (a) default by the Borrower in making a borrowing of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making a mandatory repayment under Section 2.12 in accordance with the provisions of this Agreement or an optional prepayment after the Borrower has given notice thereof or (c) the making of a repayment of Eurodollar Loans on a day that is not the last day of an Interest Period with respect thereto. Such indemnification may include an amount equal to the excess, if any, of (x) the amount of interest that would have accrued on the amount so repaid, or not so borrowed for the period from the date of such prepayment or of such failure to borrow to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Term Loans provided for herein over (y) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurodollar market. A certificate as to any amounts payable pursuant to this Section submitted to the Borrower by any Lender shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Obligations in full.

2.22 Illegality. Notwithstanding any other provision in this Agreement, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this

Agreement, (a) the commitment of such Lender hereunder to make Eurodollar Loans shall forthwith be canceled and (b) such Lender's Term Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to Base Rate Loans on the respective last days of the then current Interest Periods with respect to such Term Loans or within such earlier period as required by law. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to Section 2.21.

2.23 Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 2.19, 2.20(a) or 2.22 with respect to such Lender, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Term Loans affected by such event with the object of avoiding the consequences of such event; provided that such designation is made on terms that, in the sole judgment of such Lender, cause such Lender and its lending office(s) to suffer no economic, legal or regulatory disadvantage, and provided further that nothing in this Section shall affect or postpone any of the obligations of any Borrower or the rights of any Lender pursuant to Section 2.19, 2.20(a) or 2.22.

SECTION 3 - [INTENTIONALLY OMITTED]

SECTION 4 - REPRESENTATIONS AND WARRANTIES

To induce the Arranger, the Agents and the Lenders to enter into this Agreement and to make the Term Loans, each of Parent, Holdings and the Borrower hereby represent and warrant to the Arranger, each Agent and each Lender that:

4.1 Financial Condition. (a) The unaudited pro forma consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at June 30, 2002 (including the notes thereto) (the "Pro Forma Balance Sheet"), copies of which have heretofore been furnished to each Original Lender, has been prepared giving effect (as if such events had occurred on such date) to (i) the Term Loans to be made on the Closing Date and the use of proceeds thereof and (ii) the payment of fees and expenses in connection with the foregoing. The Pro Forma Balance Sheet has been prepared based on the best information available to the Borrower as of the date of delivery thereof, and presents fairly on a pro forma basis the estimated financial position of Borrower and its consolidated Subsidiaries as at June 30, 2002, assuming that the events specified in the preceding sentence had actually occurred at such date.

(b) The consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 2001, and the related consolidated statements of income and of cash flows for the fiscal year ended on such date present fairly the consolidated financial condition of the Borrower and its Subsidiaries as at such date, and the consolidated results of its operations and its consolidated cash flows for the fiscal year then ended. The unaudited consolidated balance sheet of the Borrower and its Subsidiaries as at June 30, 2002, and the related unaudited consolidated statements of income and cash flows for the six-month period ended on such date, present fairly the consolidated financial condition of the Borrower and its Subsidiaries as at such date, and the consolidated results of their operations and their consolidated cash flows for the six-month period then ended (subject to normal year-end audit adjustments). All such financial statements,

including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved. Except as set forth in Schedule 4.1(a), the Borrower and its Subsidiaries do not have any material Guarantee Obligations, contingent liabilities and liabilities for taxes, or any long-term leases or unusual forward or long-term commitments, including, without limitation, any interest rate or foreign currency swap or exchange transaction or other obligation in respect of derivatives, that are not reflected in the most recent financial statements referred to in this paragraph. Except as set forth on Schedule 4.1(b), during the period from June 30, 2002 to and including the date hereof there has been no Disposition by the Borrower or any of its Subsidiaries of any material part of its business or Property.

4.2 No Change. Since June 30, 2002, there has been no development or event that has had or could reasonably be expected to have a Material Adverse Effect (except as to Parent and as disclosed in Parent's filings with the Securities and Exchange Commission pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended).

4.3 Existence; Compliance with Law. Each of Parent, Holdings, the Borrower and its Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the power and authority, and the legal right, to own and operate its Property, to lease the Property it operates as lessee and to conduct the business in which it is currently engaged, including the Oil and Gas Business, (c) is duly qualified as a foreign entity and in good standing under the laws of each jurisdiction where its ownership, lease or operation of Property or the conduct of its business requires such qualification and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.4 Power; Authorization; Enforceable Obligations. Parent and each Loan Party has the power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Borrower, to borrow hereunder. Parent and each Loan Party has taken all necessary corporate, partnership, limited liability company or other action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and, in the case of the Borrower, to authorize the borrowings on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the borrowings hereunder or with the execution, delivery, performance, validity or enforceability of this Agreement or any of the Loan Documents, except (a) consents, authorizations, filings and notices described in Schedule 4.4, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect and (b) the filings referred to in Section 4.19. Each Loan Document has been duly executed and delivered on behalf of Parent and each Loan Party to the extent it is a party thereto. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of Parent and each Loan Party to the extent it is a party thereto, enforceable against Parent and each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

4.5 No Legal Bar. The execution, delivery and performance of this Agreement, the other Loan Documents, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law or any Contractual Obligation of Parent (or a Subsidiary thereof, other than Holdings, the Borrower or any of the Borrower's Subsidiaries), Holdings, the Borrower or any of the Borrower's Subsidiaries and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation (other than the Liens created by the Security Documents). No Requirement of Law or Contractual Obligation applicable to Parent, Holdings, the Borrower or any of its Subsidiaries could reasonably be expected to have a Material Adverse Effect.

4.6 No Material Litigation. Except as set forth in Schedule 4.6, no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of Parent, Holdings or the Borrower, threatened by or against Parent, Holdings, the Borrower or any of the Borrower's Subsidiaries or against any of their respective properties or revenues (a) with respect to any of the Loan Documents or any of the transactions contemplated hereby or thereby or (b) that could reasonably be expected to have a Material Adverse Effect.

4.7 No Default. None of Parent, Holdings, the Borrower or any of the Borrower's Subsidiaries is in default under or with respect to any of its Contractual Obligations in any respect that could reasonably be expected to have a Material Adverse Effect. and no Default or Event of Default has occurred and is continuing.

4.8 Ownership of Property; Liens. Each of Holdings, the Borrower and the Borrower's Subsidiaries is the sole owner of, legally and beneficially, and has good and defensible title in fee simple to, or a valid leasehold interest in, all its real property , including, those subject to the Mortgages, free and clear of Liens other than Permitted Liens.

4.9 Intellectual Property. Holdings, the Borrower and each of the Borrower's Subsidiaries owns, or is licensed to use, all Intellectual Property necessary for the conduct of its business as currently conducted. No material claim has been asserted or is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property, nor does Parent, Holdings or the Borrower know of any valid basis for any such claim. The use of Intellectual Property by Holdings, the Borrower and the Borrower's Subsidiaries does not infringe on the rights of any Person in any material respect.

4.10 Taxes. Each of Parent, Holdings, the Borrower and each of their respective Subsidiaries has filed or caused to be filed all federal, state and other material tax returns that are required to be filed and has paid all taxes shown to be due and payable on said returns or on any material assessments made against it or any of its Property and all other material taxes, fees or other charges imposed on it or any of its Property by any Governmental Authority (other than any taxes, the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of Parent, Holdings, the Borrower or any of their respective Subsidiaries, as the case may be); the contents of all such material tax returns are correct and complete in all

material respects, no tax Lien has been filed, and, to the knowledge of Parent, Holdings and the Borrower, no claim is being asserted, with respect to any such tax, fee or other charge.

4.11 Federal Regulations. No part of the proceeds of the Term Loans will be used for purchasing or carrying any "margin stock" (within the meaning of Regulation U) or for the purpose of purchasing, carrying or trading in any securities under such circumstances as to involve the Borrower in a violation of Regulation X or to involve any broker or dealer in a violation of Regulation T. No indebtedness being reduced or retired out of the proceeds of the Term Loans was or will be incurred for the purpose of purchasing or carrying any "margin stock" (within the meaning of Regulation U). Following application of the proceeds of the Term Loans, "margin stock" (within the meaning of Regulation U) does not constitute more than 25% of the value of the assets of Parent, Holdings, the Borrower and the Borrower's Subsidiaries. None of the transactions contemplated by this Agreement (including, without limitation, the direct and indirect use of proceeds of the Term Loans) will violate or result in a violation of Regulation T, Regulation U or Regulation X. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1 referred to in Regulation U.

4.12 Labor Matters. There are no strikes, stoppages, slowdowns or other labor disputes against Holdings, the Borrower or any of the Borrower's Subsidiaries pending or, to the knowledge of Parent, Holdings or the Borrower, threatened that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect. Hours worked by and payment made to employees of Holdings, the Borrower and the Borrower's Subsidiaries have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect. All payments due from Holdings, the Borrower or any of the Borrower's Subsidiaries on account of employee health and welfare insurance that (individually or in the aggregate) could reasonably be expected to have a Material Adverse Effect if not paid have been paid or accrued as a liability on the books of Holdings, the Borrower or the relevant Subsidiary.

4.13 ERISA. Except as set forth on Schedule 4.13, neither a Reportable Event nor an "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with all applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in favor of the PBGC or a Plan has arisen, during such five-year period. Except as set forth in Schedule 4.13, the present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits by a material amount. Neither the Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or could reasonably be expected to result in a material liability under ERISA, and neither the Borrower nor any Commonly Controlled Entity would become subject to any material liability under ERISA if the Borrower or any such Commonly Controlled Entity were to

withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. No such Multiemployer Plan is in Reorganization or Insolvent.

4.14 Investment Company Act; Other Regulations. Neither Parent nor any Loan Party is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. Neither Parent nor any Loan Party is subject to regulation under any Requirement of Law (other than Regulation X) which limits or conditions its ability to incur Indebtedness.

4.15 Subsidiaries. (a) The Subsidiaries listed on Schedule 4.15 constitute all the Subsidiaries of Holdings as of the Closing Date. Schedule 4.15 sets forth as of the Closing Date, the name and jurisdiction of incorporation of each Subsidiary of Holdings and, as to each such Subsidiary, the percentage and number of each class of Capital Stock owned by Holdings, the Borrower and the Borrower's Subsidiaries.

(b) There are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than stock options granted to employees or directors and directors' qualifying shares) of any nature relating to any Capital Stock of the Borrower or any Subsidiary, except as disclosed on Schedule 4.15. None of Holdings, the Borrower or any of the Borrower's Subsidiaries has issued, or authorized the issuance of, any Disqualified Stock. Parent owns, beneficially or of record, 100% of the Capital Stock of Holdings, and Holdings owns, beneficially or of record, 100% of the Capital Stock of the Borrower.

4.16 Use of Proceeds. The proceeds of the Term Loans shall be used solely to make a loan to Holdings pursuant to an intercompany note, and shall be used by Holdings to make a Loan to Parent pursuant to an intercompany note, and to pay related fees and expenses.

4.17 Environmental Matters. Other than exceptions to any of the following that could not, individually or in the aggregate, reasonably be expected to result in the payment of a Material Environmental Amount:

(a) Holdings, the Borrower and the Borrower's Subsidiaries: (i) are, and within the period of all applicable statutes of limitation have been, in compliance with all applicable Environmental Laws; and (ii) reasonably believe that compliance with all applicable Environmental Law that is or is expected to become applicable to any of them will be timely attained and maintained, without material expense.

(b) Materials of Environmental Concern are not present at, on, under, in, or about any real property now or formerly owned, leased or operated by Holdings, the Borrower or any of the Borrower's Subsidiaries, or at any other location which could reasonably be expected to (i) give rise to material liability of Holdings, the Borrower or any of the Borrower's Subsidiaries under any applicable Environmental Law or otherwise result in costs to Holdings, the Borrower or any of the Borrower's Subsidiaries, or (ii) materially interfere with Holdings', the Borrower's or any of the Borrower's Subsidiaries' continued operations, or (iii) materially impair the fair saleable value of any Real Estate owned or leased by Holdings, the Borrower or any of the Borrower's Subsidiaries.

(c) There is no judicial, administrative, or arbitral proceeding (including any notice of violation or alleged violation) under or relating to any Environmental Law to which Holdings, the Borrower or any of the Borrower's Subsidiaries is, or to the knowledge of Parent, Holdings or the Borrower will be, named as a party that is pending or, to the knowledge of Parent, Holdings or the Borrower, threatened.

(d) None of Holdings, the Borrower or any of the Borrower's Subsidiaries has received any written request for information, or been notified that it is a potentially responsible party under or relating to the federal Comprehensive Environmental Response, Compensation, and Liability Act or any similar Environmental Law, or with respect to any Materials of Environmental Concern.

(e) None of Holdings, the Borrower or any of the Borrower's Subsidiaries has entered into or agreed to any consent decree, order, or settlement or other agreement, or is subject to any judgment, decree, or order or other agreement, in any judicial, administrative, arbitral, or other forum for dispute resolution, relating to compliance with or liability under any Environmental Law.

(f) Except as disclosed in filings made with the Securities and Exchange Commission for Parent, Holdings or the Borrower, none of Holdings, the Borrower or any of the Borrower's Subsidiaries has assumed or retained, by contract or operation of law, any material liabilities of any kind, fixed or contingent, known or unknown, under any Environmental Law or with respect to any Material of Environmental Concern.

4.18 Accuracy of Information, Etc. No statement or information contained in this Agreement, any other Loan Document, or any other document, certificate or statement furnished to the Arranger, the Administrative Agent, the Syndication Agent or the Lenders or any of them, by or on behalf of Parent, Holdings, the Borrower or any of the Borrower's Subsidiaries for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, contained as of the date such statement, information, document or certificate was so furnished, any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained herein or therein not misleading. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of Parent, Holdings and the Borrower to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount. There is no fact known to Parent, Holdings, the Borrower or any of the Borrower's Subsidiaries that could reasonably be expected to have a Material Adverse Effect that has not been expressly disclosed herein, in the other Loan Documents or in any other documents, certificates and written statements furnished to the Arranger, the Agents and the Lenders for use in connection with the transactions contemplated hereby and by the other Loan Documents.

4.19 Security Documents. (a) The Guarantee and Collateral Agreement is effective to create in favor of the Administrative Agent, for the benefit of the Secured Parties, a legal, valid, binding and enforceable security interest in the Collateral described therein and proceeds and

products thereof. In the case of the Pledged Stock, when any stock certificates representing such Pledged Stock are delivered to the Administrative Agent, and in the case of the other Collateral described in the Guarantee and Collateral Agreement, when financing statements in appropriate form are filed in the offices specified on Schedule 4.19(a)-1 (which financing statements may be filed by the Administrative Agent at any time) and such other filings as are specified on Schedule 3 to the Guarantee and Collateral Agreement are made (all of which filings may be filed by the Administrative Agent at any time), the Guarantee and Collateral Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral and the proceeds and products thereof, as security for the Obligations (as defined in the Guarantee and Collateral Agreement), in each case prior and superior in right to any other Person (except Permitted Liens). Schedule 4.19(a)-2 lists each UCC Financing Statement that (i) names any Loan Party as debtor and (ii) will remain on file after the Closing Date.

(b) Upon the due execution thereof, each of the Mortgages will be effective to create in favor of the Administrative Agent, for the benefit of the Secured Parties, a legal, valid, binding and enforceable Lien on, and security interest in, the Mortgaged Properties described, and as defined, therein and proceeds and products thereof, and when the Mortgages are filed in the offices specified on Schedule 4.19(b), each such Mortgage shall constitute a fully perfected first-priority Lien on, and security interest in, all of the Mortgaged Properties and the proceeds and products thereof, as security for the Obligations, in each case prior and superior in right to any Liens of any other Person other than Permitted Liens.

4.20 Solvency. Each Loan Party is and, after giving effect to the incurrence of all Indebtedness and obligations being incurred in connection with the Loan Documents will be, and will continue to be, Solvent.

4.21 Net Indebtedness. On the Closing Date, the net Indebtedness of the Borrower and its Subsidiaries in the aggregate (other than the Term Loans) shall be approximately as set forth in Schedule 2.9(b).

4.22 Insurance. Each of Holdings, the Borrower and the Borrower's Subsidiaries is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which it is engaged; and none of Holdings, the Borrower or any of the Borrower's Subsidiaries (a) has received notice from any insurer or agent of such insurer that substantial capital improvements or other material expenditures will have to be made in order to continue such insurance or (b) has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers at a cost that could not reasonably be expected to have a Material Adverse Effect.

4.23 [Intentionally Omitted].

4.24 Hydrocarbon Interests. As of the Closing Date, Schedule 4.24 sets forth a list of all of the Hydrocarbon Interests consisting of oil and gas leaseholds, mineral interests, royalty and overriding royalty interests in which the Borrower or any of its Subsidiaries has an interest.

4.25 Permits. (a) Other than exceptions to any of the following that could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect (or, in the case of Environmental Permits, result in the payment of a Material Environmental Amount): (i) each of Holdings, the Borrower and the Borrower's Subsidiaries has obtained and holds all Permits required in respect of all Real Estate and for any other property otherwise operated by or on behalf of, or for the benefit of, such Person and for the operation of each of its businesses as presently conducted and as proposed to be conducted, (ii) all such Permits are in full force and effect, and each of Holdings, the Borrower and the Borrower's Subsidiaries has performed and observed all requirements of such Permits, (iii) no event has occurred which allows or results in, or after notice or lapse of time would allow or result in, revocation or termination by the issuer thereof or in any other impairment of the rights of the holder of any such Permit, (iv) no such Permits contain any restrictions, either individually or in the aggregate, that are materially burdensome to Holdings, the Borrower or any of the Borrower's Subsidiaries, or to the operation of any of its businesses or any property owned, leased or otherwise operated by such Person, (v) each of Holdings, the Borrower and the Borrower's Subsidiaries reasonably believes that each of its Permits will be timely renewed and complied with, without material expense, and that any additional Permits that may be required of such Person will be timely obtained and complied with, without material expense and (vi) none of Parent, Holdings or the Borrower has any knowledge or reason to believe that any Governmental Authority is considering limiting, suspending, revoking or renewing on materially burdensome terms any such Permit.

(b) Except as set forth on Schedule 4.25(b), no consent or authorization of, filing with, Permit from, or other act by or in respect of, any Governmental Authority is required in connection with the execution, delivery, performance, validity or enforceability of, or enforcement of remedies (including, without limitation, foreclosure on the Collateral) pursuant to, this Agreement and the other Loan Documents.

4.26 Lease Payments. Each of Holdings, the Borrower and the Borrower's Subsidiaries has paid all royalties and payments required to be made by it under leases of Oil and Gas Properties (except for properties abandoned in the ordinary course of business or with respect to which the failure to pay such royalties and other payments could not be reasonably expect to have a Material Adverse Effect) where any of the Collateral is or may be located from time to time (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of Holdings, the Borrower or such Subsidiary, as the case may be); no landlord Lien has been filed, and, to the knowledge of Parent, Holdings and the Borrower, no claim is being asserted, with respect to any such payments.

SECTION 5 - CONDITIONS PRECEDENT

5.1 Conditions to Initial Extension of Credit. The agreement of each Lender to make the extension of credit requested to be made by it is subject to the satisfaction, prior to or concurrently with the making of such extension of credit on the Closing Date, of the following conditions precedent:

(a) Loan Documents. The Administrative Agent shall have received (i) this Agreement, executed and delivered by a duly authorized officer of Parent, Holdings and the

Borrower, (ii) the Guarantee and Collateral Agreement, executed and delivered by a duly authorized officer of Parent, Holdings, the Borrower and each Subsidiary Guarantor and (iii) if requested by any Lender, for the account of such Lender, Term Notes conforming to the requirements hereof and executed and delivered by a duly authorized officer of the Borrower.

(b) Pro Forma Balance Sheet; Financial Statements. The Lenders shall have received (i) the Pro Forma Balance Sheet, (ii) satisfactory internally prepared operating reports of the Borrower and its Subsidiaries as of and for the period from August 1, 2001, the date of consummation of the merger of Barrett Resource Corporation with and into the Borrower, through December 31, 2001 and (iii) satisfactory internally prepared operating reports of the Borrower and its Subsidiaries for the six-month period ended June 30, 2002.

(c) Approvals. All governmental and third party approvals (including landlords' and other consents) necessary or, in the discretion of the Original Lenders, advisable in connection with, the continuing operations of Parent, Holdings, the Borrower and the Borrower's Subsidiaries and the transactions contemplated hereby shall have been obtained and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority which would restrain, prevent or otherwise impose adverse conditions on the financing contemplated hereby.

(d) Fees. The Original Lenders, the Arranger, the Syndication Agent and the Administrative Agent shall have received all fees required to be paid, and all expenses for which invoices have been presented (including, without limitation, the reasonable fees, disbursements and other charges of counsel to the Agents and the Lenders), on or before the Closing Date. All such amounts will be paid with proceeds of Term Loans made on the Closing Date and will be reflected in the funding instructions given by the Borrower to the Administrative Agent on or before the Closing Date.

(e) Solvency. The Lenders shall have received a Solvency Certificate executed by the chief financial officer of Holdings, the Borrower and each other Loan Party and a solvency analysis of the chief financial officer of such Loan Parties in form and substance satisfactory to the Agents, in each case, which shall document the solvency of Holdings, the Borrower and each other Loan Party before and after giving effect to the transactions contemplated hereby.

(f) Lien Searches. The Administrative Agent shall be satisfied with the results of a recent lien, tax lien, judgment and litigation search in each of the jurisdictions or offices (including, without limitation, in the United States Patent and Trademark Office and the United States Copyright Office) specified by the Administrative Agent in which UCC financing statements or other filings or recordations should be made to evidence or perfect (with the priority required under the Loan Documents) security interests in all Property of the Loan Parties, and such search shall reveal no Liens on any of the assets of Holdings, the Borrower or the Borrower's Subsidiaries except for Permitted Liens.

(g) Closing Certificate. The Administrative Agent shall have received a certificate of Parent and each Loan Party, dated as of the Closing Date, substantially in the form of Exhibit C, with appropriate insertions and attachments.

(h) Other Certifications. The Administrative Agent shall have received the following:

(i) a copy of the charter of Parent, Holdings, the Borrower and each of the Borrower's Subsidiaries and each amendment thereto, certified (as of a date reasonably near the date of the initial extension of credit) as being a true and correct copy thereof by the Secretary of State or other applicable Governmental Authority of the jurisdiction in which Parent and each such Loan Party is organized;

(ii) a copy of a certificate of the Secretary of State or other applicable Governmental Authority of the jurisdiction in which each such Loan Party is organized, dated reasonably near the date of the initial extension of credit, listing the charter of such Loan Party and each amendment thereto on file in such office and certifying that (A) such amendments are the only amendments to such Person's charter on file in such office, (B) such Person has paid all franchise taxes to the date of such certificate and (C) such Person is duly organized and in good standing under the laws of such jurisdiction;

(iii) a telephonic confirmation from the Secretary of State or other applicable Governmental Authority of each jurisdiction in which each such Person is organized certifying that Parent, Holdings, the Borrower and each of the Borrower's Subsidiaries is duly organized and in good standing under the laws of such jurisdiction on the date of the initial extension of credit, together with a written confirmatory report in respect thereof prepared by, or on behalf of, a filing service acceptable to the Administrative Agent; and

(iv) a copy of a certificate of the Secretary of State or other applicable Governmental Authority of each jurisdiction in which Parent, Holdings, the Borrower and each of the Borrower's Subsidiaries is required to be qualified as a foreign corporation or entity.

(i) Legal Opinions. The Administrative Agent shall have received the following executed legal opinions:

(i) the legal opinion of Skadden, Arps, Slate, Meagher & Flom LLP, counsel to Parent, Holdings, the Borrower and the Borrower's Subsidiaries, substantially in the form of Exhibit F-1;

(ii) the legal opinion of the general counsel of the Parent, Holdings, the Borrower and the Borrower's subsidiaries, substantially in the form of Exhibit F-2

(iii) the legal opinion of Davis Graham & Stubbs LLP, counsel to the Borrower, substantially in the form of Exhibit F-3; and

(iv) such other legal opinions of local counsel as are requested by the Administrative Agent in form and substance satisfactory to the Administrative Agent.

Each such legal opinion shall cover such other matters incident to the transactions contemplated by this Agreement and the other Loan Documents as the Administrative Agent may reasonably require.

(j) Pledged Stock; Stock Power; Pledged Notes. The Administrative Agent shall have received (i) the certificates representing the shares of Capital Stock pledged pursuant to the Guarantee and Collateral Agreement, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof and (ii) each promissory note pledged to the Administrative Agent pursuant to the Guarantee and Collateral Agreement endorsed (without recourse) in blank (or accompanied by an executed transfer form in blank satisfactory to the Administrative Agent) by the pledgor thereof.

(k) Filings, Registrations and Recordings. Each document (including, without limitation, any UCC financing statement) required by the Security Documents or under law or reasonably requested by the Administrative Agent to be filed, registered or recorded in order to create in favor of the Administrative Agent, for the benefit of the Secured Parties, a perfected Lien on, and security interest in, the Collateral described therein, prior and superior in right to any other Person (other than Permitted Liens), shall have been delivered to the Administrative Agent in proper form for filing, registration or recordation.

(l) Insurance. The Administrative Agent shall have received insurance certificates satisfying the requirements of Section 4.24 and of Section 5.3 of the Guarantee and Collateral Agreement.

(m) Representations and Warranties. Each of the representations and warranties made by Parent or any Loan Party in or pursuant to the Loan Documents shall be true and correct on the Closing Date.

(n) No Default. No Default or Event of Default shall have occurred and be continuing on the Closing Date or after giving effect to the extensions of credit requested to be made on the Closing Date, Parent shall have provided evidence satisfactory to the Administrative Agent of all consents and waivers necessary under Parent's credit facilities and a borrowing availability thereunder of at least $400,000,000.

(o) Capital Structure. The capital structure of Holdings, the Borrower and its Subsidiaries both before and after giving effect to the borrowing of the Term Loans and the use of the proceeds of the Term Loans as contemplated in this Agreement shall be satisfactory to the Administrative Agent.

(p) Satisfactory Documentation. The loan by the Borrower to Holdings, and by Holdings to Parent, of the net proceeds of the Term Loans shall have been consummated by documentation satisfactory to the Agents, and no provision of any such documentation shall have been waived, amended, supplemented or otherwise amended without the consent of the Agents.

(q) Reserve Reports. The Lenders shall have received Reserve Reports dated as of December 31, 2001, covering the Hydrocarbon Interests of the Borrower and its Subsidiaries in form and substance satisfactory to the Administrative Agent.

(r) Funds Received on Closing Date. Parent shall have received $3,400,000,000 (including, without limitation, evidence of available liquidity under its credit facilities), including proceeds of the Terms Loans, all of which shall be funded into escrow and none of which shall be released until all such funds are released. On the Closing Date, Parent shall have borrowed at least $5,000,000 under its $700,000,000 revolving credit facility. The Administrative Agent shall be satisfied with the sufficiency of the amounts available to the Borrower to meet the Borrower's and its Subsidiaries' ongoing working capital needs after the borrowing of the Term Loans hereunder. The Borrower shall have cash on hand on the Closing Date, after giving effect to the transactions contemplated by the Loan Documents, of not less than $65,000,000, free of Liens.

(s) Intercompany Indebtedness. The Lenders shall have receive a schedule in form and substance satisfactory to them setting forth the Indebtedness between Parent or any of its Affiliates (other than Holdings and its Subsidiaries), on the one hand, and Holdings, the Borrower or any of the Borrower's Subsidiaries, on the other hand. Parent, Holdings and the Borrower shall deliver evidence satisfactory to the Administrative Agent that immediately prior to the borrowing of the Term Loans, there are no intercompany balances owed by Holdings, the Borrower or any of the Borrower's Subsidiaries to Parent or any of its Subsidiaries (other than Holdings and its Subsidiaries).

(t) Oil and Gas Mortgages. The Lenders shall have received evidence satisfactory to them of the filing of oil and gas mortgages on all of the Borrower's real property in the Powder River Basin, the Piecance Basin and the Raton Basin, which mortgages the Borrower has represented to cover at least 85% of the value of the Borrower's and its Subsidiaries' Hydrocarbon Interests.

(u) Environmental. The Lenders shall be satisfied with the environmental affairs of the Borrower and its Subsidiaries.

(v) Miscellaneous. The Administrative Agent shall have received such other documents, agreements, certificates and information as it shall reasonably request.

SECTION 6 - AFFIRMATIVE COVENANTS

Parent, Holdings and the Borrower hereby jointly and severally agree that, so long as any Term Loan or other amount is owing to any Lender, the Arranger or any Agent hereunder, each of Parent, Holdings and the Borrower shall, and shall cause each of the Borrower's Subsidiaries to:

6.1 Financial Statements. Furnish to each Agent and each Lender:

(a) as soon as available, but in any event within 105 days after the end of each fiscal year of the Borrower, a copy of the audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by a firm of

independent certified public accountants of nationally recognized standing satisfactory to the Administrative Agent;

(b) as soon as available, but in any event not later than 60 days after the end of each of the first three quarterly periods of each fiscal year of the Borrower, the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments); and

(c) as soon as available, but in any event not later than 45 days after the end of each month occurring during each fiscal year of the Borrower (other than the third, sixth, ninth and twelfth such month), the unaudited consolidated balance sheet of the Borrower and the Borrower's Subsidiaries as at the end of such month and the related unaudited consolidated statements of income and of cash flows for such month and the portion of the fiscal year through the end of such month, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments);

all such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein).

6.2 Certificates; Other Information. Furnish to each Agent and each Lender, or, in the case of clause (i), to the relevant Lender:

(a) concurrently with the delivery of the financial statements referred to in Section 6.1(a), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default, except as specified in such certificate;

(b) concurrently with the delivery of any financial statements pursuant to Section 6.1, (i) a certificate of a Responsible Officer stating that, to the best of each such Responsible Officer's knowledge, Parent and each Loan Party during such period has observed or performed all of its covenants and other agreements, and satisfied every condition, contained in this Agreement and the other Loan Documents to which it is a party to be observed, performed or satisfied by it, and that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and (ii) in the case of quarterly or annual financial statements, (x) a Compliance Certificate containing all information and calculations necessary for determining compliance by Parent, Holdings, the Borrower and the Borrower's Subsidiaries with Section 7.1 as of the last day of the fiscal quarter or fiscal year of the Borrower, as the case may be, and (y) to the extent not previously disclosed to the Administrative Agent in writing, a listing of any county, state, territory, province, region or any other jurisdiction, or any political subdivision thereof, whether of the United States or otherwise,

where any Loan Party keeps inventory or equipment (other than mobile goods) and of any Intellectual Property acquired by any Loan Party since the date of the most recent list delivered pursuant to this clause (y) (or, in the case of the first such list so delivered, since the Closing Date);

(c) concurrently with any Compliance Certificate delivered pursuant to paragraph (b) above, (i) a production statement that identifies the most recent information available relating to the gross volumes of Hydrocarbons produced in the aggregate from the Hydrocarbon Interests of the Borrower and its Subsidiaries and (ii) a statement of revenues and expenses attributable to the Hydrocarbon Interests of the Borrower and its Subsidiaries for such fiscal quarter ended;

(d) as soon as available, and in any event no later than 45 days after the end of each fiscal year of the Borrower, a detailed consolidated budget for the following fiscal year (including a projected consolidated balance sheet of the Borrower and the Borrower's Subsidiaries as of the end of the following fiscal year, and the related consolidated statements of projected cash flow, projected changes in financial position and projected income), and, as soon as available, significant revisions, if any, of such budget and projections with respect to such fiscal year (collectively, the "Projections"), which Projections shall in each case be accompanied by a certificate of a Responsible Officer stating that such Projections are based on reasonable estimates, information and assumptions and that such Responsible Officer has no reason to believe that such Projections are incorrect or misleading in any material respect;

(e) within 60 days after the end of each fiscal quarter of the Borrower, a narrative discussion and analysis of the financial condition and results of operations of the Borrower and the Borrower's Subsidiaries for such fiscal quarter and for the period from the beginning of the then current fiscal year to the end of such fiscal quarter, as compared to the portion of the Projections covering such periods and to the comparable periods of the previous year;

(f) no later than 10 Business Days prior to the effectiveness thereof, copies of substantially final drafts of any proposed amendment, supplement, waiver or other modification with respect the Governing Documents of Holdings, the Borrower or any of the Borrower's Subsidiaries;

(g) within five days after the same are sent, copies of all financial statements and reports that Holdings, the Borrower or any of the Borrower's Subsidiaries sends to the holders of any class of its debt securities or public equity securities and, within five days after the same are filed, copies of all financial statements and reports that Holdings, the Borrower or any of the Borrower's Subsidiaries may make to, or file with, the SEC;

(h) as soon as possible and in any event within 5 days of obtaining knowledge thereof: (i) notice of any development, event, or condition that, individually or in the aggregate with other developments, events or conditions, could reasonably be expected to result in the payment by Holdings, the Borrower or any of the Borrower's Subsidiaries, in the aggregate, of a Material Environmental Amount; and (ii) any notice that any Governmental Authority may condition approval of, or any application for, an Environmental Permit or any other material

Permit held by Holdings, the Borrower or any of the Borrower's Subsidiaries on terms and conditions that are materially burdensome to Holdings, the Borrower or any of the Borrower's Subsidiaries, or to the operation of any of its businesses or any property owned, leased or otherwise operated by such Person;

(i) to the extent not included in clauses (a) through (h) above, no later than the date the same are required to be delivered thereunder, copies of all agreements, documents or other instruments (including, without limitation, (i) audited and unaudited, pro forma and other financial statements, reports, forecasts, and projections, together with any required certifications thereon by independent public auditors or officers of Holdings, the Borrower or any of the Borrower's Subsidiaries or otherwise), (ii) press releases and (iii) statements or reports) furnished to any other holder of the securities of Holdings, the Borrower or any of the Borrower's Subsidiaries;

(j) weekly, on the first Business Day of each week (or on a more frequent basis if requested by the Administrative Agent), (i) a certificate of the chief financial officer of Parent certifying that no Parent Liquidity Event has occurred and (ii) a 12-month liquidity projection as of such date. In determining Parent's forward liquidity, Parent may take into account asset sales or other liquidity events if, but only if, at the date of the projection Parent shall have initiated a Disposition process related to such liquidity event reasonably satisfactory to the Administrative Agent and determined by the Administrative Agent to be reasonably likely to result in the consummation of such proposed Disposition or liquidity event within such 12-month period);

(k) no later than 45 days following the Closing Date, Reserve Reports with respect to the Hydrocarbon Interests of the Borrower and its Subsidiaries dated as of July 1, 2002 accompanied by a report thereon by Ryder Scott satisfactory to the Administrative Agent (other than with respect to the reserves located in the Powder River Basin and the Raton Basin, as to which the Borrower shall deliver a Reserve Report dated as of July 1, 2002 accompanied by a report thereon by Netherland Sewel satisfactory to the Administrative Agent), each of which shall be in form and substance satisfactory to the Administrative Agent. Such Reserve Reports shall not contain information materially worse, taken as a whole, than the information contained in the Reserve Reports with three price cases as of July 1, 2001 previously delivered pursuant to Section 5.1 (except with respect to commodity prices), as determined by the Administrative Agent in their reasonable discretion;

(l) no later than 75 days after the Closing Date, (i) audited consolidated financial statements for the Borrower and its Subsidiaries as of and for the year ended December 31, 2001, accompanied by the unqualified opinion of an independent auditing firm satisfactory to the Administrative Agent and (ii) unaudited interim consolidated financial statements as of and for the six months ended June 30, 2002, accompanied by the interim review report pursuant to SAS 71 of such independent auditors. None of the foregoing financial statements shall be different in any materially adverse respect from the internally prepared operating reports as of and for the aforementioned dates delivered pursuant to Section 5.1; and

(m) furnish to the Administrative Agent, within 60 days of identification thereof by the Administrative Agent, limited mortgage title opinions in form and content

reasonably satisfactory to the Administrative Agent showing the Administrative Agent as having a valid and perfected first-priority Lien (subject to Permitted Liens) covering the Borrower's interest in at least 250 producing wells included in the Oil and Gas Properties, as selected by the Administrative Agent (the "Initial Title Opinions"). If the Initial Title Opinions show material defects to title which render the Borrower's title to its interests in wells representing more than 10% of the aggregate reserve value of the examined wells less than defensible in accordance with oil and gas industry standards, then the Administrative Agent may request additional limited mortgage title opinions covering an additional 50 producing wells included in the Oil and Gas Properties to be delivered within 45 days from the Administrative Agent's request therefor (the "Second Tranche Title Opinions"). If the Second Tranche Title Opinions show material defects to title which render the Borrower's title to its interests in wells representing more than 10% of the aggregate reserve value of all the examined wells less than defensible in accordance with oil and gas industry standards, then the Administrative Agent may request additional limited mortgage title opinions covering an additional 50 wells included in the Oil and Gas Properties to be delivered within 45 days from the Administrative Agent's request therefor; and

(n) promptly, such additional financial and other information as any Lender may from time to time reasonably request.

6.3 Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of Holdings, the Borrower or the Borrower's Subsidiaries, as the case may be.

6.4 Conduct of Business and Maintenance of Existence, Etc. (a) (i) Preserve, renew and keep in full force and effect its corporate, partnership or limited liability company existence and (ii) take all reasonable action to maintain all rights, privileges, franchises Permits and licenses necessary or desirable in the normal conduct of its business, except, in each case, as otherwise permitted by Section 7.4 and except, in the case of clause (ii) above, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) to then extent not in conflict with this Agreement or the other Loan Documents comply with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

6.5 Maintenance of Property; Leases; Insurance. (a) Keep all Property and systems useful and necessary in its business in good working order and condition, ordinary wear and tear excepted.

(b) Maintain all rights of way, easements, grants, privileges, licenses, certificates, and permits necessary or advisable for the use of any Real Estate and will not, without the prior written consent of the Administrative Agent, consent to any public or private restriction as to the use of any Real Estate.

(c) Comply with the terms of each lease in respect of Oil and Gas Properties so as to not permit any material uncured default on its part to exist in respect of such lease, except such defaults that could not be reasonably expected to have a Material Adverse Effect.

(d) Maintain with financially sound and reputable insurance companies insurance on all its Property (including, without limitation, all inventory, equipment and vehicles) in at least such amounts and against at least such risks as are usually insured against in the same general area by companies engaged in the same or a similar business; and furnish to the Administrative Agent with copies for each Secured Party, upon written request, full information as to the insurance carried; provided that in any event each of Holdings, the Borrower and the Borrower's Subsidiaries will maintain, to the extent obtainable on commercially reasonable terms, (i) property insurance on an all risks basis (including the perils of flood and quake, loss by fire, explosion and theft and such other risks and hazards as are covered by an all risk policy), covering the repair or replacement cost, business interruption and extra expense (which shall include reconstruction costs and business interruption losses as are otherwise generally available to similar businesses), and (ii) public liability insurance, such property insurance shall include to the satisfaction of the Administrative Agent coverage for the increased cost of construction, debris removal and/or demolition expenses incurred as a result of the application of any building law and/or ordinance. All such insurance with respect to each of Holdings, the Borrower and the Borrower's Subsidiaries shall be provided by insurers or re-insurers which (x) in the case of United States insurers and re-insurers, have an A.M. Best rating of not less than A- with respect to primary insurance and B+ with respect to excess insurance and (y) in the case of non-United States insurers or re-insurers, the providers of at least 80% of such insurance have either an ISI policyholders rating of not less than A, an A.M. Best rating of not less than A- or a surplus of not less than $500,000,000 with respect to primary insurance, and an ISI policyholders rating of not less than BBB or an A.M. Best rating of not less than B+ with respect to excess insurance, or such other insurers as the Administrative Agent may approve in writing. To the extent obtainable from the Borrower's and its Subsidiaries' insurers, all insurance shall (i) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least 30 days after receipt by the Administrative Agent of written notice thereof, (ii) contain a waiver of subrogation against any Secured Party, (iii) contain a standard noncontributory mortgagee clause naming the Administrative Agent (and/or such other party as may be designated by the Administrative Agent) as the party to which all payments made by such property insurance company shall be paid, (iv) if requested by the Administrative Agent, provide that none of Holdings, the Borrower or any of the Borrower's Subsidiaries, any Secured Party or any other Person shall be a co-insurer under such insurance policies, and (v) be reasonably satisfactory in all other respects to the Administrative Agent. Each Secured Party shall be named as an additional insured on all liability insurance policies of each of Holdings, the Borrower and the Borrower's Subsidiaries and the Administrative Agent shall be named as loss payee on all property insurance policies of each such Person.

(e) Deliver to the Administrative Agent on behalf of the Secured Parties, (i) on the Closing Date, a certificate dated such date showing the amount and types of insurance coverage as of such date, (ii) upon request of any Secured Party from time to time, full information as to the insurance carried, (iii) promptly following receipt of notice from any insurer, a copy of any notice of cancellation or material change in coverage from that existing on the Closing Date, (iv) forthwith, notice of any cancellation or non-renewal of coverage by any of

Holdings, the Borrower or any of the Borrower's Subsidiaries and (v) promptly after such information is available to any of Holdings, the Borrower or any of the Borrower's Subsidiaries, full information as to any claim for an amount in excess of $1,000,000 with respect to any property and casualty insurance policy maintained by any of Holdings, the Borrower or the Borrower's Subsidiaries.

(f) Preserve and protect the Lien status of each respective Mortgage and, if any Lien (other than unrecorded Liens permitted under Section 7.3 that arise by operation of law and other Liens permitted under Section 7.3(f)) is asserted against a Mortgaged Property, promptly and at its expense, give the Administrative Agent a detailed written notice of such Lien and pay the underlying claim in full or take such other action so as to cause it to be released or bonded over in a manner satisfactory to the Administrative Agent.

6.6 Inspection of Property; Books and Records; Discussions. (a) Keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities and (b) permit representatives of any Lender to visit and inspect any of its properties and examine and, at the Borrower's Subsidiaries' expense, make abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired and to discuss the business, operations, properties and financial and other condition of Parent, Holdings, the Borrower and the Borrower's Subsidiaries with officers and employees of Parent, Holdings, the Borrower and the Borrower's Subsidiaries and with their respective independent certified public accountants.

6.7 Notices. Promptly give notice to the Administrative Agent and each Lender of:

(a) the occurrence of any Default or Event of Default;

(b) any (i) default or event of default (or alleged default) under any Contractual Obligation of Holdings, the Borrower or any of the Borrower's Subsidiaries or (ii) litigation, investigation or proceeding which may exist at any time between Holdings, the Borrower or any of the Borrower's Subsidiaries and any Governmental Authority, that in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect;

(c) any litigation or proceeding affecting Holdings, the Borrower or any of the Borrower's Subsidiaries in which the amount involved is $1,000,000 or more and not covered by insurance or in which injunctive or similar relief is sought;

(d) the following events, as soon as possible and in any event within 30 days after Holdings, the Borrower or any of the Borrower's Subsidiaries knows or has reason to know thereof: (i) the occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to a Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Plan;

(e) any development or event that has had or could reasonably be expected to have a Material Adverse Effect; and

(f) any notice of default given to the Borrower or any of the Borrower's Subsidiaries from a landlord in connection with any leased property where inventory of the Borrower or the Borrower's Subsidiaries is located.

Each notice pursuant to this Section shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action Holdings, the Borrower or the relevant Subsidiary proposes to take with respect thereto.

6.8 Environmental Laws. (a) Comply in all material respects with, and ensure compliance in all material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws and Environmental Permits, and obtain, maintain and comply in all material respects with and maintain, and ensure that all tenants and subtenants obtain, maintain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws.

(b) Conduct and complete all material investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws.

6.9 Parent Liquidity Event. Within two Business Days following the occurrence of a Parent Liquidity Event or Default (provided that the foregoing shall not limit the rights of the Administrative Agent or the Lenders set forth in Section 8), Parent shall retain Lehman Brothers Inc. or an Affiliate thereof and another independent financial advisor reasonably acceptable to the Original Lenders to commence a process with respect to the consummation of a Company Sale for fair value and such Company Sale shall occur within 75 days of such Parent Liquidity Event or such Default (provided that the foregoing shall not limit the rights of the Administrative Agent or the Lenders set forth in Section 8). Parent shall cause Lehman Brothers Inc. or such Affiliate and such other independent financial advisor to report to the Administrative Agent on the status of such process on a weekly basis.

6.10 Additional Collateral, Guarantors, Etc.

(a) With respect to any Property acquired after the Closing Date, the Borrower or any of the Borrower's Subsidiaries (other than any Property described in paragraphs (b) or (c) of this Section 6.10), promptly (and, in any event, within 10 days following the date of such acquisition) (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement or such other documents as the Administrative Agent deems necessary or advisable to grant to the Administrative Agent, for the benefit of the Secured Parties, a security interest in such Property and (ii) take all actions necessary or advisable to grant to the Administrative Agent, for the benefit of the Secured Parties, a perfected first-priority security interest (subject to Permitted Liens) in such Property, including, without limitation, the filing of UCC financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be requested by the Administrative Agent.

(b) In the case of any Wholly-Owned Subsidiary of any Loan Party that is a Domestic Subsidiary, such Loan Party shall cause such Wholly-Owned Subsidiary to execute a supplement, amendment or joinder or otherwise become a party to the guaranty contained in the Guarantee and Collateral Agreement to the satisfaction of the Administrative Agent.

(c) Notwithstanding anything to the contrary in this Section 6.10, paragraph shall not apply to any Property or new Subsidiary created or acquired after the Closing Date, as applicable, as to which the Administrative Agent has determined in its sole discretion that the collateral value thereof is insufficient to justify the difficulty, time and/or expense of obtaining a perfected security interest therein.

6.11 [Intentionally Omitted].

6.12 Use of Proceeds. Use the proceeds of the Term Loans only for the purposes specified in Section 4.16.

6.13 [Intentionally Omitted].

6.14 Further Assurances. From time to time execute and deliver, or cause to be executed and delivered, such additional instruments, certificates or documents, and take all such actions, as the Administrative Agent may reasonably request, for the purposes of implementing or effectuating the provisions of this Agreement and the other Loan Documents, or of more fully perfecting or renewing the rights of the Administrative Agent and the Lenders with respect to the Collateral (or with respect to any additions thereto or replacements or proceeds or products thereof or with respect to any other property or assets hereafter acquired by the Borrower or any Subsidiary which may be deemed to be part of the Collateral) pursuant hereto or thereto. Upon the exercise by the Administrative Agent or any Lender of any power, right, privilege or remedy pursuant to this Agreement or the other Loan Documents which requires any consent, approval, recording, qualification or authorization of any Governmental Authority, the Borrower will execute and deliver, or will cause the execution and delivery of, all applications, certifications, instruments and other documents and papers that the Administrative Agent or such Lender may be required to obtain from the Borrower or any of the Borrower's Subsidiaries for such governmental consent, approval, recording, qualification or authorization.

6.15 Other Provisions Relating to Holdings and the Borrower.

(a) Parent, Holdings and the Borrower shall hedge the Borrower's commodity price risk as set forth on Schedule 6.15(a).

(b) Holdings and the Borrower shall (a) do all things necessary to permit each of the Original Lenders to appoint a representative to act as an observer at all meetings of the Board of Directors of the Borrower or committees thereof and (b) shall provide to the Original Lenders (i) all notices of such meetings when they are sent to the members of the Board of Directors or any such committee, as the case may be, and (ii) all information distributed to the members of the Board of Directors or such committee in advance of and in connection with any such meeting.

6.16 Capital Expenditures. The Borrower and its Subsidiaries shall make Capital Expenditures in the ordinary course consistent with past practice.

SECTION 7 - NEGATIVE COVENANTS

Parent, Holdings and the Borrower hereby jointly and severally agree that, so long as any Obligations are owing to any Lender, the Arranger or any Agent hereunder, Holdings and the Borrower shall not, and the Borrower shall not permit any of its Subsidiaries to, directly or indirectly:

7.1 Financial Condition Covenants.

(a) Consolidated Interest Coverage Ratio. On the last day of any fiscal quarter, permit the Consolidated Interest Coverage Ratio of the Borrower to be less than 1.50 to 1.00 for any four consecutive fiscal quarter period beginning two fiscal quarters prior to such date and ending two fiscal quarters subsequent to such date; provided that the financial information used for the two fiscal-quarter period shall be the relevant information disclosed in the most recent Projections delivered to the Administrative Agent.

(b) Consolidated Fixed Charge Coverage Ratio. On the last day of any fiscal quarter, permit the Consolidated Fixed Charge Coverage Ratio of the Borrower to be less than 1.15 to 1.00 for any four consecutive fiscal quarter period beginning two fiscal quarters prior to such date and ending two fiscal quarters subsequent to such date; provided that the financial information used for the two fiscal-quarter period shall be the relevant information disclosed in the most recent Projections delivered to the Administrative Agent.

7.2 Limitation on Indebtedness. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness of any Loan Party created under any Loan Document;

(b) Unsecured Indebtedness of the Borrower to any Solvent Subsidiary and of any Wholly Owned Subsidiary Guarantor to the Borrower or any other Solvent Subsidiary;

(c) Indebtedness permitted by Section 7.16; and

(d) Indebtedness of the Borrower and the Borrower's Subsidiaries outstanding on the date hereof and listed on Schedule 7.2(d).

7.3 Limitation on Liens. Other than with respect to the Bison Entities, create, incur, assume or suffer to exist any Lien upon any of its Property, whether now owned or hereafter acquired, except for (with respect to the Borrower and its Subsidiaries only):

(a) Lessors' royalties, overriding royalties, reversionary interests and similar burdens;

(b) Any required third-party consents to assignment of leases and contracts and preferential purchase rights;

(c) Liens for taxes or assessments not yet due or not yet delinquent or, if delinquent, that are being contested in good faith in the normal course of business and for which adequate reserves are maintained in accordance with GAAP;

(d) all rights to consent by, required notices to, filings with, or other actions by Governmental Authorities in connection with the sale or conveyance of the assets if the same is customarily obtained subsequent to such sale or conveyance;

(e) Rights of reassignment upon the surrender or expiration of any lease;

(f) easements, rights-of-way, servitudes, permits, surface leases and other rights with respect to surface operations on, over or in respect of any of the Oil and Gas Properties or any restriction on access thereto and that do not materially interfere with the operation of the affected Oil and Gas Property;

(g) Materialman's, mechanics', repairman's, employees', contractors', operators or other similar Liens or charges arising in the ordinary course of business incidental to construction, maintenance or operation of the assets of Holdings, the Borrower or the Borrower's Subsidiaries, (i) if they have not been filed pursuant to law and the time for filing has expired, (ii) if filed, they have not yet become due and payable or payment is being withheld as provided by law or (iii) if their validity is being contested in good faith by appropriate action;

(h) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(i) deposits by or on behalf of the Borrower or any of the Borrower's Subsidiaries to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(j) Liens in existence on the date hereof listed on Schedule 7.3(j), securing Indebtedness permitted by Section 7.2(d), provided that no such Lien is spread to cover any additional Property after the Closing Date and that the amount of Indebtedness secured thereby is not increased;

(k) any interest or title of a lessor under any lease entered into by the Borrower or any of the Borrower's Subsidiaries in the ordinary course of its business and covering only the assets so leased;

(l) Liens arising out of all presently existing and future division and transfer orders, advance payment agreements, processing contracts, gas processing plant agreements, operating agreements, gas balancing or deferred production agreements, pooling, unitization or communitization agreements, pipeline, gathering or transportation agreements, platform agreements, drilling contracts, injection or repressuring agreements, cycling agreements, construction agreements, salt water or other disposal agreements, leases or rental agreements, farm-out and farm-in agreements, exploration and development agreements, and any and all other contracts or agreements covering, arising out, used or useful in connection with or pertaining to the exploration, development, operation, production, sale, use, purchase, exchange,

storage, separation, dehydration, treatment, compression, gathering, transportation, processing, improvement, marketing, disposal, or handling of any Hydrocarbon Interest of the Borrower or any Subsidiary thereof; provided that such agreements are entered into in the ordinary course of business and contain terms customary for such agreements in the industry; and provided further that no Liens described in this paragraph (j) shall be granted or created in connection with the incurrence of Indebtedness;

(m) Rights reserved to or vested in any Governmental Authority to control or regulate any of the Oil and Gas Properties in any manner and all Requirements of Law of general applicability in that area;

(n) Liens arising out of operating agreements, unitization and pooling agreements and production sales contracts securing amounts not yet due or, if due, being contested in good faith in the ordinary course of business;

(o) Gas imbalances that obligate the Borrower to provide and make up free of charge, and that other third parties are entitled to take without paying for, under applicable contracts, as a result of any imbalances in production or sales from the assets at any wells, in any pipelines, at any gas plant or in storage;

(p) defects, irregularities and deficiencies in the title to any rights of way or any Hydrocarbon Interest of the Borrower or any Subsidiary thereof which in the aggregate do not materially impair the use of such rights of way or any Hydrocarbon Interest for the purposes for which such rights of way and any other Hydrocarbon Interest are held by such Person, and defects, irregularities and deficiencies in title to any Hydrocarbon Interest of the Borrower or any of its Subsidiaries, which defects, irregularities or deficiencies have been cured by possession under applicable statutes of limitations; and

(q) Liens granted pursuant to the Loan Documents.

7.4 Limitation on Fundamental Changes. Other than with respect to the Bison Entities, enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of all or substantially all of its Property or business, except that:

(a) any Solvent Subsidiary of the Borrower may be merged or consolidated with or into the Borrower (provided that the Borrower shall be the continuing or surviving corporation) or with or into any Subsidiary Guarantor (provided that the Subsidiary Guarantor shall be the continuing or surviving corporation); and

(b) any Subsidiary of the Borrower may Dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Borrower or any Subsidiary Guarantor.

7.5 Limitation on Disposition of Property. Dispose of any of its Property (including, without limitation, receivables and leasehold interests), whether now owned or hereafter acquired, or, in the case of any Subsidiary of Holdings, issue or sell any shares of such Subsidiary's Capital Stock to any Person, except:

(a) the Disposition of obsolete or worn out property in the ordinary course of business;

(b) the sale of Hydrocarbons or other inventory in the ordinary course of business;

(c) Dispositions permitted by Section 7.4(b);

(d) the sale or issuance of (i) any Capital Stock of a Subsidiary of the Borrower (other than Disqualified Stock) to the Borrower or any Subsidiary Guarantor or (ii) the Borrower's Capital Stock (other than Disqualified Stock) to Holdings; and

(e) (i) an Asset Sale or (ii) Dispositions the prohibition of which would conflict with any material Indebtedness or financing agreement of Parent as in effect on the Closing Date; provided that the proceeds of any such Asset Sale or Disposition, as the case may be, are solely in the form of cash and the Loan Parties party to such Asset Sale or Disposition, as the case may be, comply with the provisions of Section 2.12.

7.6 Limitation on Restricted Payments. Other than with respect to the Bison Entities, declare or pay any dividend (other than dividends payable solely in common stock (excluding Disqualified Stock) of the Person making such dividend) on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Capital Stock of Holdings, the Borrower or any of the Borrower's Subsidiaries, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of Holdings, the Borrower or any of the Borrower's Subsidiaries, or enter into any derivatives or other transaction with any counterparty (a "Derivatives Counterparty") obligating the Borrower or any of the Borrower's Subsidiaries to make payments to such Derivatives Counterparty as a result of any change in market value of any such Capital Stock (collectively, "Restricted Payments"), except that:

(a) a Subsidiary may make Restricted Payments to the Borrower or any Subsidiary Guarantor; and

(b) the Borrower and Holdings may pay dividends or lend funds to Holdings and Parent (i) on the Closing Date, in an amount equal to the net proceeds of the Term Loans; and (ii) thereafter, in cash, to the extent (A) no Default or Event of Default has occurred and is continuing and (B) pro forma for making such dividend or lending such funds, the Borrower still maintains 100% of the Borrower Liquidity Reserve.

7.7 Limitation on Capital Expenditures. Make or commit to make any Capital Expenditure, except Capital Expenditures of the Borrower and the Borrower's Subsidiaries in the ordinary course of business not exceeding $300,000,000 for each fiscal year and (ii) Capital Expenditures made pursuant to this clause (a) during any fiscal year shall be deemed made, first, in respect of amounts permitted for such fiscal year as provided above and second, in respect of amounts carried over from the prior fiscal year pursuant to subclause (i) above.

7.8 Limitation on Investments. Make any advance, loan, extension of credit (by way of guaranty or otherwise) or capital contribution to, or purchase any Capital Stock, bonds, notes, debentures or other debt securities of, or any assets constituting an ongoing business from, or make any other investment in, any other Person (all of the foregoing, "Investments"), except:

(a) extensions of trade credit in the ordinary course of business;

(b) Investments in Cash Equivalents;

(c) Investments arising in connection with the incurrence of Indebtedness permitted by Section 7.2(b);

(d) loans and advances to employees of the Borrower or any Subsidiaries of the Borrower in the ordinary course of business (including, without limitation, for travel, entertainment and relocation expenses) in an aggregate amount for Holdings, the Borrower and Subsidiaries of the Borrower not to exceed $1,000,000 at any one time outstanding; and

(e) Investments (other than those relating to the incurrence of Indebtedness permitted by Section 7.8(c)) by Holdings, the Borrower or any of the Borrower's Subsidiaries in the Borrower or any Person that, prior to such Investment, is a Subsidiary Guarantor.

7.9 Limitation on Optional Payments and Modifications of Indebtedness. (a) Other than the Bison Entities, make or offer to make any optional or voluntary payment, prepayment, repurchase or redemption of, or otherwise voluntarily or optionally defease, any Indebtedness, or segregate funds for any such payment, prepayment, repurchase, redemption or defeasance, or enter into any derivative or other transaction with any Derivatives Counterparty obligating Holdings, the Borrower or any of the Borrower's Subsidiaries to make payments to such Derivatives Counterparty as a result of any change in market value of such Indebtedness, other than the prepayment of Indebtedness incurred hereunder, (b) amend, modify or otherwise change, or consent or agree to any amendment, modification, waiver or other change to, any of the terms (including, without limitation, the subordination terms) of any Indebtedness (excluding the Indebtedness hereunder) (other than any such amendment, modification, waiver or other change which (i) would extend the maturity or reduce the amount of any payment of principal thereof, reduce the rate or extend the date for payment of interest thereon or relax any covenant or other restriction applicable to Holdings, the Borrower or any of the Borrower's Subsidiaries and (ii) does not involve the payment of a consent fee), or (c) amend or permit the amendment of its Governing Documents in any manner determined by the Administrative Agent to be adverse to the Lenders.

7.10 Limitation on Transactions with Affiliates. Enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of Property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than the Borrower or any Subsidiary Guarantor) unless such transaction is (a) otherwise permitted under this Agreement, (b) in the ordinary course of business of the Holdings, Borrower or such Subsidiary, as the case may be, and (c) upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary, as the case may be, than it would obtain in a comparable arm's-length transaction with a Person that is not an Affiliate; provided that Holdings, the

Borrower or any of the Borrower's Subsidiaries may not enter into any transaction with an Affiliate thereof if the value of such transaction is greater than $1,000,000 individually and the value of all such transactions by Holdings, the Borrower and the Borrower's Subsidiaries is greater than $5,000,000 in the aggregate.

7.11 Limitation on Sales and Leasebacks. Enter into any arrangement with any Person providing for the leasing by Holdings, the Borrower or any of the Borrower's Subsidiaries of Property which has been or is to be sold or transferred by Holdings, the Borrower or such Subsidiary to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such Property or rental obligations of Holdings, the Borrower or such Subsidiary.

7.12 Limitation on Changes in Fiscal Periods. Permit the fiscal year of Holdings, the Borrower or any of the Borrower's Subsidiaries to end on a day other than December 31 or change Holdings', the Borrower's or any of the Borrower's Subsidiaries' method of determining fiscal quarters, in each case, without the prior written consent of the Administrative Agent. The Lenders hereby authorize the Agents to enter into such amendments to effect such modifications, if any, in accordance with the provisions of this Section.

7.13 Limitation on Negative Pledge Clauses. Other than with respect to the Bison Entities, enter into or suffer to exist or become effective any agreement that prohibits or limits the ability of Holdings, the Borrower or any of the Borrower's Subsidiaries to create, incur, assume or suffer to exist any Lien upon any of its Property or revenues, whether now owned or hereafter acquired, to secure the Obligations or, in the case of any guarantor, its obligations under the Guarantee and Collateral Agreement, other than (a) this Agreement and the other Loan Documents, (b) any agreements governing any purchase money Liens or Capital Lease Obligations otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets financed thereby) and (c) any agreements in effect on the date of this Agreement.

7.14 Limitation on Restrictions on Subsidiary Distributions, Etc. Other than the Bison Entities, enter into or suffer to exist or become effective any consensual encumbrance or restriction on the ability of the Borrower or any of the Borrower's Subsidiaries to (a) make Restricted Payments in respect of any Capital Stock of such Subsidiary held by, or pay or subordinate any Indebtedness owed to, Holdings, the Borrower or any other Subsidiary, (b) make Investments in Holdings, the Borrower or any other Subsidiary or (c) transfer any of its assets to Holdings, the Borrower or any other Subsidiary, except for such encumbrances or restrictions existing under or by reason of (i) any restrictions existing under the Loan Documents and (ii) any restrictions with respect to a Subsidiary imposed pursuant to an agreement that has been entered into in connection with the Disposition of all or substantially all of the Capital Stock or assets of such Subsidiary.

7.15 Business Activities. The Borrower shall not, and shall not permit its Subsidiaries to, engage in any business activity other than the Oil and Gas Business. In the case of Holdings, notwithstanding anything to the contrary in this Agreement or any other Loan Document, (a) conduct, transact or otherwise engage in, or commit to conduct, transact or otherwise engage in, any business or operations other than those incidental to its ownership of the Capital Stock of

the Borrower, (b) incur, create, assume or suffer to exist any Indebtedness or other liabilities or financial obligations, except (i) nonconsensual obligations imposed by operation of law, (ii) pursuant to the Loan Documents to which it is a party and (iii) obligations with respect to its Capital Stock, or (c) own, lease, manage or otherwise operate any properties or assets (including cash (other than cash received in connection with dividends made by the Borrower in accordance with Section 7.6 pending application in the manner contemplated by said Section) and Cash Equivalents) other than the ownership of shares of Capital Stock of the Borrower.

7.16 Intercompany Indebtedness. Other than (a) as otherwise permitted by Section 7.2, (b) the loan of the net proceeds of the Term Loans (less $65,000,000) from the Borrower to Holdings on the Closing Date evidenced by that certain Intercompany Note, dated July 31, 2002, made by Holdings in favor of the Borrower, (c) the loan of the net proceeds of the Intercompany Note referred to in the foregoing clause (b) from the Holdings to Parent on the Closing Date evidenced by that certain Intercompany Note, dated July 31, 2002, made by Parent in favor of Holdings, (d) the loan of the remaining $65,000,000 of the net proceeds of the Term Loans from the Borrower to Holdings subsequent to the Closing Date evidenced by an intercompany note to be made by Holdings in favor of the Borrower in an aggregate principal amount of $65,000,000 and (e) the loan of the net proceeds of the Intercompany Note referred to in the foregoing clause (d) from Holdings to Parent subsequent to the Closing Date evidenced by an intercompany note to be made by Parent in favor of Holdings in an aggregate principal amount of $65,000,000; provided that on or before the issuance of the intercompany notes referred to in the foregoing clauses (d) and (e), Parent shall have caused an irrevocable standby letter of credit in an amount equal to $65,000,000 to be issued in favor of the Administrative Agent as specified in the definition of "Borrower Liquidity Reserve" in this Agreement and (d) with respect to the Bison Entities, at all times there shall be no net Indebtedness owed by Holdings, the Borrower and/or any of the Borrower's Subsidiaries to Parent or any of its Affiliates (other than Holdings, the Borrower or the Borrower's Subsidiaries), unless (x) no Default or Event of Default has occurred and is continuing, (y) such Indebtedness is set forth in the forward liquidity projections delivered by Parent pursuant to Section 6.2(j) and (z) the Borrower is maintaining 100% of the Borrower Liquidity Reserve at the time of the incurrence of such Indebtedness.

7.17 Subsidiaries. Form or create any direct or indirect Subsidiary.

7.18 Limitation on Hedge Agreements and Firm Transportation Contracts. Other than the Borrower, enter into any Hedge Agreement or firm transportation contracts relating to the production of the Borrower and its Subsidiaries; provided, however, that the Borrower shall not enter into any such Hedge Agreement with a price less than $3 per mmbtu without the prior written consent of the Administrative Agent.

7.19 Partnerships and Joint Ventures. Become a general or limited partner in a partnership or a joint venturer in any joint venture that constitutes a separate legal entity, or permit Holdings, the Borrower or any of the Borrower's Subsidiaries to do so.

7.20 Negative Pledge; Limitation on Assets. Solely with respect to Holdings, (a) create, incur, assume or suffer to exist any Lien upon any of its Property or revenues, whether now owned or hereafter acquired, to secure any Indebtedness of Holdings or (b) hold any

Property other than (i) all of the Capital Stock of the Borrower and (ii) that certain Intercompany Note, dated as of July 31, 2002, made by Parent in favor of Holdings.

SECTION 8 - EVENTS OF DEFAULT

If any of the following events shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Loan when due in accordance with the terms hereof; or the Borrower shall fail to pay any interest on any Loan; or Parent or any Loan Party shall fail to pay any other amount payable hereunder or under any other Loan Document, within five days after any such interest or other amount becomes due in accordance with the terms hereof;

(b) Any representation or warranty made or deemed made by Parent or any Loan Party herein or in any other Loan Document or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect on or as of the date made or deemed made;

(c) (i) Parent or any Loan Party shall default in the observance or performance of any agreement contained in Section 6.2(k) which default is not cured within 2 days after the occurrence thereof, clause (i) or (ii) of Section 6.4(a) (with respect to Holdings and the Borrower only), Section 6.7(a), Section 6.9, Section 6.10(a), Section 7 or Section 5 of the Guarantee and Collateral Agreement, (ii) an "Event of Default" under and as defined in any material Mortgage shall have occurred and be continuing or (iii) Holdings, Borrower or any of its Subsidiaries shall transfer or otherwise dispose of any of its properties or assets to Parent or any of its Subsidiaries (other than the Loan Parties), except to the extent provided for in Section 7.6;

(d) Parent or any Loan Party shall default in the observance or performance of any other covenant or agreement contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (c) of this Section), and such default shall continue unremedied for a period of 30 days;

(e) Parent, Holdings, the Borrower or any of the Borrower's Subsidiaries shall (i) default in making any payment of any principal of any Indebtedness (including, without limitation, any Guarantee Obligation, but excluding the Term Loans) on the scheduled or original due date with respect thereto; or (ii) default in making any payment of any interest on any such Indebtedness beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; or (iii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or beneficiary of such Indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or (in the case of any such Indebtedness constituting a Guarantee Obligation) to become payable; provided that a default, event or condition described in clause (i), (ii) or (iii) of this paragraph (e) shall not at any time constitute an Event of Default

unless, at such time, one or more defaults, events or conditions of the type described in clauses (i), (ii) and (iii) of this paragraph (e) shall have occurred and be continuing with respect to Indebtedness the outstanding principal amount of which exceeds in the aggregate $10,000,000; provided further that with respect to Parent only, a default, event or condition described in clause (i), (ii) or (iii) of this paragraph (e) shall not at any time constitute an Event of Default unless, at such time, one or more defaults, events or conditions of the type described in clauses (i), (ii) and (iii) of this paragraph (e) shall have occurred and be continuing with respect to Indebtedness the outstanding principal amount of which exceeds in the aggregate $60,000,000

(f) (i) Parent, Holdings, the Borrower or any of the Borrower's Subsidiaries shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or Parent, Holdings, the Borrower or any of the Borrower's Subsidiaries shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against Parent, Holdings, the Borrower or any of the Borrower's Subsidiaries any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against Parent, Holdings, the Borrower or any of the Borrower's Subsidiaries any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) Parent, Holdings, the Borrower or any of the Borrower's Subsidiaries shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) Parent, Holdings, the Borrower or any of the Borrower's Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due;

(g) (i) Any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of the Borrower or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Borrower or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan, (vi) the Borrower, any of the Borrower's Subsidiaries or any Commonly Controlled Entity shall be required to make during any fiscal year of the Borrower payments pursuant to any employee welfare benefit plan (as defined in Section

3(1) of ERISA) that provides benefits to retired employees (or their dependents) that, in the aggregate, exceed the amount set forth on Schedule 8(g)(i) with respect to such fiscal year, (vii) the Borrower, any of the Borrower's Subsidiaries or any Commonly Controlled Entity shall be required to make during any fiscal year of the Borrower contributions to any defined benefit pension plan subject to Title IV of ERISA (including any Multiemployer Plan) that, in the aggregate, exceed the amount set forth on Schedule 8(g)(ii) with respect to such fiscal year or (viii) any other similar event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (viii) above, such event or condition, together with all other such events or conditions, if any, could, in the sole judgment of the Required Lenders, reasonably be expected to have a Material Adverse Effect;

(h) One or more judgments or decrees shall be entered against Holdings, the Borrower or any of the Borrower's Subsidiaries involving for Holdings, the Borrower and the Borrower's Subsidiaries taken as a whole a liability (not paid or fully covered by insurance as to which the relevant insurance company has acknowledged coverage) of $10,000,000 or more, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 30 days from the entry thereof;

(i) Any of the Security Documents shall cease, for any reason (other than pursuant to the terms thereof), to be in full force and effect, or any Loan Party or any Affiliate of any Loan Party shall so assert, or any Lien created by any of the Security Documents shall cease to be enforceable and of the same effect and priority purported to be created thereby;

(j) The guarantee contained in Section 2 of the Guarantee and Collateral Agreement shall cease, for any reason (other than pursuant to the terms thereof), to be in full force and effect or Parent any Loan Party or any Affiliate of Parent or any Loan Party shall so assert;

(k) Parent or any Loan Party or any Affiliate of Parent or any Loan Party shall assert that any provision of any Loan Document is not in full force and effect;

(l) (i) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), shall become, or obtain rights (whether by means or warrants, options or otherwise) to become, the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of more than 50% of the outstanding common stock of Parent or Holdings; (ii) the board of directors of Parent or Holdings shall cease to consist of a majority of Continuing Directors; or (iii) Parent or Holdings shall cease to own and control, of record and beneficially, directly, 100% of each class of outstanding Capital Stock of the Borrower (other than the Class B Common Stock of the Borrower) free and clear of all Liens (except Liens created by the Guarantee and Collateral Agreement); or

(m) Parent, Holdings or the Borrower has not consummated the Company Sale referred to in Section 6.9 within 75 days of the Parent Liquidity Event giving rise to the obligation to consummate such Company Sale and if the Obligations have not been repaid in full with the net proceeds of such Company Sale;

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (f) above with respect to Parent or any Loan Party, automatically the Commitments shall immediately terminate and the Term Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents shall immediately become due and payable, and (B) if such event is any other Event of Default, with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower, declare the Term Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents to be due and payable forthwith, whereupon the same shall immediately become due and payable. Upon the occurrence and during the continuation of an Event of Default, the Administrative Agent and the Lenders shall be entitled to exercise any and all remedies available under the Security Documents, including, without limitation, the Guarantee and Collateral Agreement and the Mortgages, or otherwise available under applicable law or otherwise.

SECTION 9 - THE AGENTS; THE ARRANGER

9.1 Appointment. Each Lender hereby irrevocably designates and appoints the Agents as the agents of such Lender under this Agreement and the other Loan Documents, and each such Lender irrevocably authorizes each Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to such Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the other Loan Documents, the Fee Letter and the syndication and fee sharing letter, dated July 31, 2002, among the Original Lenders, no Agent shall have any duties or responsibilities, except those expressly set forth herein or therein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against any Agent.

9.2 Delegation of Duties. Each Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. No Agent shall be responsible for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care.

9.3 Exculpatory Provisions. None of the Arranger, any Agent or any of their respective officers, directors, partners, employees, agents, attorneys and other advisors, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except to the extent that any of the foregoing are found by a final and non-appealable decision of a court of competent jurisdiction to have resulted solely and proximately from its or such Person's own gross negligence or willful misconduct in breach of a duty owed to the party asserting liability) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by Parent or any Loan Party or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement

or other document referred to or provided for in, or received by the Arranger or the Agents under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of Parent or any Loan Party party thereto to perform its obligations hereunder or thereunder. The Agents shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of Parent or any Loan Party.

9.4 Reliance by Agents. Each Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to Parent, Holdings or the other Loan Parties), independent accountants and other experts selected by such Agent. The Agents shall deem and treat the payee of any Term Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent as recorded in the Register. Each Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders or the requisite Lenders required under Section 10.1 to authorize or require such action (or, if so specified by this Agreement, all Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. Each Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders or the requisite Lenders under Section 10.1 to authorize or require such action (or, if so specified by this Agreement, all Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Term Loans.

9.5 Notice of Default. No Agent shall be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless such Agent has received notice from a Lender, Holdings or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the requisite Lenders (or, if so specified by this Agreement, all Lenders); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

9.6 Non-Reliance on Agents and Other Lenders. Each Lender expressly acknowledges that none of the Arranger, the Agents or any of their respective officers, directors, employees, agents, attorneys and other advisors, partners, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by the Arranger or any Agent hereinafter taken, including any review of the affairs of Parent or a Loan Party or any Affiliate of

Parent or a Loan Party, shall be deemed to constitute any representation or warranty by the Arranger or any Agent to any Lender. Each Lender represents to the Arranger and the Agents that it has, independently and without reliance upon the Arranger or any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition, prospects and creditworthiness of Parent or the Loan Parties and their Affiliates and made its own decision to make its Term Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Arranger or any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition, prospects and creditworthiness of Parent or the Loan Parties and their affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, neither the Arranger nor any Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of Parent or any Loan Party or any Affiliate of Parent or a Loan Party that may come into the possession of the Arranger or such Agent or any of its officers, directors, employees, agents, attorneys and other advisors, partners, attorneys-in-fact or affiliates.

9.7 Indemnification. The Lenders agree to indemnify the Arranger and each Agent in its capacity as such (to the extent not reimbursed by Holdings or the Borrower and without limiting the obligation of Holdings or the Borrower to do so), ratably according to their respective Term Loan Percentages in effect on the date on which indemnification is sought under this Section (or, if indemnification is sought after the date upon which the Commitments shall have terminated and the Term Loans shall have been paid in full, ratably in accordance with such Term Loan Percentages immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (including, without limitation, at any time following the payment of the Term Loans) be imposed on, incurred by or asserted against the Arranger or such Agent in any way relating to or arising out of, the Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Arranger or such Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and non-appealable decision of a court of competent jurisdiction to have resulted solely and proximately from the Arranger's or such Agent's gross negligence or willful misconduct in breach of a duty owed to such Lender. The agreements in this Section 9.7 shall survive the payment of the Term Loans and all other amounts payable hereunder.

9.8 Arranger and Agents in Their Individual Capacities. The Arranger and each Agent and their respective Affiliates may make loans to, accept deposits from and generally engage in any kind of business with Parent or any Loan Party as though the Arranger was not the Arranger and such Agent was not an Agent. With respect to its Term Loans made or renewed by

it, the Arranger and each Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not the Arranger or an Agent, as the case may be, and the terms "Lender" and "Lenders" shall include the Arranger and each Agent in their respective individual capacities.

9.9 Successor Agents. The Administrative Agent may resign as Administrative Agent upon 10 days' notice to the Lenders and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall (unless an Event of Default under Section 8(a) or Section 8(f) with respect to the Borrower shall have occurred and be continuing) be subject to approval by the Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Term Loans. If no successor agent has accepted appointment as Administrative Agent by the date that is 10 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective, and the Lenders shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. The Syndication Agent may, at any time, by notice to the Lenders and the Administrative Agent, resign as Syndication Agent hereunder, whereupon the duties, rights, obligations and responsibilities of the Syndication Agent hereunder shall automatically be assumed by, and inure to the benefit of, the Administrative Agent, without any further act by the Arranger, the Syndication Agent, the Administrative Agent or any Lender. After any retiring Agent's resignation as Agent, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement and the other Loan Documents.

9.10 Authorization to Release Liens. The Administrative Agent is hereby irrevocably authorized by each of the Lenders to release any Lien covering any Property of the Borrower or any of the Borrower's Subsidiaries that is the subject of a Disposition which is permitted by this Agreement or which has been consented to in accordance with Section 10.1.

9.11 The Arranger. The Arranger, in its capacity as such, shall have no duties or responsibilities, and shall incur no liability, under this Agreement and the other Term Loan Documents.

(a) To the extent required by any applicable law, the Administrative Agent may withhold from any interest payment to any Lender an amount equivalent to any applicable withholding tax. If the forms or other documentation required by Section 2.20(f) are not delivered to the Administrative Agent, then the Administrative Agent may withhold from any interest payment to any Lender not providing such forms or other documentation, an amount equivalent to the applicable withholding tax.

(b) If the Internal Revenue Service or any authority of the United States or other jurisdiction asserts a claim that the Administrative Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate form was not delivered, was not properly executed, or because such Lender failed to notify the Administrative Agent of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason), such Lender shall indemnify the Administrative Agent fully for all amounts paid, directly or indirectly, by the Administrative Agent as tax or otherwise, including penalties and interest, together with all expenses incurred, including legal expenses, allocated staff costs and any out of pocket expenses.

(c) If any Lender sells, assigns, grants a participation in, or otherwise transfers its rights under this Agreement, the purchaser, assignee, participant or transferee, as applicable, shall comply and be bound by the terms of Sections 2.20(f) and 9.12.

SECTION 10 - MISCELLANEOUS

10.1 Amendments and Waivers. Neither this Agreement nor any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 10.1. The Required Lenders and Parent and/or each Loan Party party to the relevant Loan Document may, or (with the written consent of the Required Lenders) the Agents and Parent and/or each Loan Party party to the relevant Loan Document may, from time to time, (a) enter into written amendments, supplements or modifications hereto and to the other Loan Documents (including amendments and restatements hereof or thereof) for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or Parent and the Loan Parties hereunder or thereunder or (b) waive, on such terms and conditions as may be specified in the instrument of waiver, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (i) forgive or reduce the principal amount or extend the final scheduled date of maturity of any Term Loan, extend the scheduled date of any amortization payment in respect of any Term Loan, reduce the stated rate of any interest or fee payable hereunder or extend the scheduled date of any payment thereof, in each case without the consent of each Lender directly affected thereby; (ii) amend, modify or waive any provision of this Section or reduce any percentage specified in the definition of Required Lenders or Required Lenders, consent to the assignment or transfer by Parent or any Loan Party of any of its rights and obligations under this Agreement and the other Loan Documents, release all or substantially all of the Collateral or release all or substantially all of the Subsidiary Guarantors from their guarantee obligations under the Guarantee and Collateral Agreement, in each case without the consent of all Lenders; (iii) reduce the percentage specified in the definition of Required Lenders with respect to the Facility without the written consent of all Lenders under such Facility; (iv) amend, modify or waive any provision of Section 9 without the consent of the Arranger or any Agent directly affected thereby; or (v) amend, modify or waive any provision of Section 2.12 or Section 2.18 without the consent of each Lender directly affected thereby. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon Parent and the Loan Parties, the Lenders, the Agents, the Arranger and all future holders of the Term Loans. In the case of any waiver, Parent, the Loan Parties, the Lenders, the Arranger and the Agents shall be restored to

their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon. Any such waiver, amendment, supplement or modification shall be effected by a written instrument signed by the parties required to sign pursuant to the foregoing provisions of this Section; provided that delivery of an executed signature page of any such instrument by facsimile transmission shall be effective as delivery of a manually executed counterpart thereof.

10.2 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed (a) in the case of Holdings, the Borrower, the Arranger and the Agents, as follows and (b) in the case of the Lenders, as set forth on Schedule I to the Lender Addendum to which such Lender is a party or, in the case of a Lender which becomes a party to this Agreement pursuant to an Assignment and Acceptance, in such Assignment and Acceptance or (c) in the case of any party, to such other address as such party may hereafter notify to the other parties hereto:

Parent:	The Williams Companies, Inc. One Williams Center Suite 4100 Tulsa, Oklahoma 74172 Attention: Legal Department Telecopy: (918) 573-4503
Holdings:	Williams Production Holdings LLC One Williams Center Suite 4100 Tulsa, Oklahoma 74172 Attention: Legal Department Telecopy: (918) 573-4503
The Borrower:	Williams Production RMT Company One Williams Center Suite 4100 Tulsa, Oklahoma 74172 Attention: Legal Department Telecopy: (918) 573-4503

The Syndication Agent:	Lehman Commercial Paper Inc. 745 Seventh Avenue New York, New York 10019 Attention: Francis Chang Telecopy: (212) 526-0242 Telephone: (212) 526-5390
with a copy to:	Weil, Gotshal & Manges LLP 767 Fifth Avenue New York, New York 10153 Attention: Jeremy W. Dickens Telecopy: (212) 310-8007 Telephone: (212) 310-8753
The Administrative Agent:	Lehman Commercial Paper Inc. 745 Seventh Avenue New York, New York 10019 Attention: Francis Chang/Diane Albanese Telecopy: (212) 526-0242/(212) 526-6643 Telephone: (212) 526-5390/(212) 526-4979
with a copy to:	Weil, Gotshal & Manges LLP 767 Fifth Avenue New York, New York 10153 Attention: Jeremy W. Dickens Telecopy: (212) 310-8007 Telephone: (212) 310-8753
The Arranger:	Lehman Brothers Inc. 745 Seventh Avenue New York, New York 10019 Attention: Francis Chang Telecopy: (212) 526-0242 Telephone: (212) 526-5390

with a copy to: Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153
Attention: Jeremy W. Dickens
Telecopy: (212) 310-8007
Telephone: (212) 310-8753

; provided that any notice, request or demand to or upon any Agent or any Lender shall not be effective until received.

10.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Arranger, any Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.4 Survival of Representations and Warranties. All representations and warranties made hereunder, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Term Loans and other extensions of credit hereunder.

10.5 Payment of Expenses. The Borrower agrees (a) to pay or reimburse the Arranger, the Agents and the Lenders for all their reasonable out-of-pocket costs and expenses incurred in connection with the syndication of the Facility (other than fees payable to syndicate members) and the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements and other charges of counsel and other consultants to each of the Arranger, the Administrative Agent and the Syndication Agent and the charges of IntraLinks, (b) to pay or reimburse each Lender, the Arranger and each Agent for all its costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Loan Documents and any such other documents, including, without limitation, the fees and disbursements of counsel (including the allocated fees and disbursements and other charges of in-house counsel) to each Lender and of counsel to the Arranger and each Agent and the charges of IntraLinks, (c) to pay, indemnify, and hold each Lender, the Arranger and the Agents harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents, and (d) to pay, indemnify, and hold each Lender, the Arranger, each Agent, their respective Affiliates, and their respective officers, directors, partners, trustees, employees, affiliates, shareholders, attorneys and other advisors, agents, attorneys-in-

fact and controlling persons (each, an "Indemnitee") harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to or arising out of the execution, delivery, enforcement, performance and administration of this Agreement, the other Loan Documents and any such other documents, including, without limitation, any of the foregoing relating to the use of proceeds of the Term Loans, the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of any Loan Party or any of the Properties or the use by unauthorized persons of information or other materials sent through electronic, telecommunications or other information transmission systems that are intercepted by such persons and the fees and disbursements and other charges of legal counsel in connection with claims, actions or proceedings by any Indemnitee against the Borrower hereunder (all the foregoing in this clause (d), collectively, the "Indemnified Liabilities"); provided that the Borrower shall have no obligation hereunder to any Indemnitee with respect to Indemnified Liabilities to the extent such Indemnified Liabilities are found by a final and non-appealable decision of a court of competent jurisdiction to have resulted solely and proximately from the gross negligence or willful misconduct of such Indemnitee in breach of a duty owed to the Borrower. Without limiting the foregoing, and to the extent permitted by applicable law, each of Holdings and the Borrower agrees not to assert, and the Borrower agrees to cause its Subsidiaries not to assert, and each of Holdings and the Borrower hereby waives, and the Borrower agrees to cause the its Subsidiaries so to waive, all rights for contribution or any other rights of recovery with respect to all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, under or related to Environmental Laws, that any of them might have by statute or otherwise against any Indemnitee. All amounts due under this Section shall be payable not later than five days after written demand therefor. Statements payable by the Borrower pursuant to this Section shall be submitted to the Borrower in accordance with Section 10.2, or to such other Person or address as may be hereafter designated by the Borrower in a written notice to the Administrative Agent. The agreements in this Section shall survive repayment of the Term Loans and all other amounts payable hereunder.

10.6 Successors and Assigns; Participations and Assignments. (a) This Agreement shall be binding upon and inure to the benefit of Parent, Holdings, the Borrower, the Lenders, the Arranger, the Agents, all future holders of the Term Loans and their respective successors and assigns, except that none of Parent, Holdings or the Borrower may assign or transfer any of their respective rights or obligations under this Agreement without the prior written consent of the Arranger, the Agents and each Lender.

(b) Any Lender may, without the consent of the Borrower or any other Person, in accordance with applicable law, at any time sell to one or more banks, financial institutions or other entities (each, a "Participant") participating interests in any Term Loan owing to such Lender, any Commitment of such Lender or any other interest of such Lender hereunder and under the other Loan Documents. In the event of any such sale by a Lender of a participating interest to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Term Loan for all purposes under this Agreement and the other Loan Documents, and the Borrower, the Arranger and the Agents shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan

Documents. In no event shall any Participant under any such participation have any right to approve any amendment or waiver of any provision of any Loan Document, or any consent to any departure by Parent or any Loan Party therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Term Loans or any fees payable hereunder, or postpone the date of the final maturity of the Term Loans, in each case to the extent subject to such participation. The Borrower agrees that if amounts outstanding under this Agreement and the Term Loans are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall, to the maximum extent permitted by applicable law, be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement; provided that, in purchasing such participating interest, such Participant shall be deemed to have agreed to share with the Lenders the proceeds thereof as provided in Section 10.7(a) as fully as if it were a Lender hereunder. The Borrower also agrees that each Participant shall be entitled to the benefits of Sections 2.19, 2.20 and 2.21 with respect to its participation in the Commitments and the Term Loans outstanding from time to time as if it was a Lender; provided that, in the case of Section 2.20, such Participant shall have complied with the requirements of said Section and provided further, that no Participant shall be entitled to receive any greater amount pursuant to any such Section than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Any Lender (an "Assignor") may, in accordance with applicable law and upon written notice to the Syndication Agent, at any time and from time to time assign to any Lender any affiliate thereof or Affiliated Fund of the assigning Lender or of another Lender or, with the consent of the Borrower and the Agents (which, in each case, shall not be unreasonably withheld or delayed) (provided that (x) no such consent need be obtained by a Lehman Entity for a period of 180 days following the Closing Date and (y) the consent of the Borrower need not be obtained with respect to any assignment of Term Loans), to an additional bank, financial institution or other entity (an "Assignee") all or any part of its rights and obligations under this Agreement pursuant to an Assignment and Acceptance, substantially in the form of Exhibit E (an "Assignment and Acceptance"), executed by such Assignee and such Assignor (and, where the consent of the Borrower or the Agents is required pursuant to the foregoing provisions, by the Borrower and such other Persons) and delivered to the Administrative Agent for its acceptance and recording in the Register; provided that no such assignment to an Assignee (other than any Lender or any affiliate thereof or Affiliated Fund) shall be in an aggregate principal amount of less than $10,000,000, unless otherwise agreed by the Borrower, the Syndication Agent and the Administrative Agent. Any such assignment need not be ratable as among the Facility. Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Assignment and Acceptance, (x) the Assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder with Term Loans as set forth therein, and (y) the Assignor thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of an Assignor's rights and obligations under this Agreement, such Assignor shall cease to be a party hereto). Notwithstanding any provision of this Section, the consent of the Borrower shall not be

required for any assignment that occurs at any time when any Event of Default shall have occurred and be continuing.

(d) The Administrative Agent shall, on behalf of the Borrower, maintain at its address referred to in Section 10.2 a copy of each Assignment and Acceptance delivered to it and a register (the "Register") for the recordation of the names and addresses of the Lenders and the principal amount of, and interest accrued on, the Term Loans owing to each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders shall treat each Person whose name is recorded in the Register as the owner of the Term Loans and any Term Notes evidencing such Term Loans recorded therein for all purposes of this Agreement. Any assignment of any Term Loan, whether or not evidenced by a Term Note, shall be effective only upon appropriate entries with respect thereto being made in the Register (and each Term Note shall expressly so provide). Any assignment or transfer of all or part of a Term Loan evidenced by a Term Note shall be registered on the Register only upon surrender for registration of assignment or transfer of the Term Note evidencing such Term Loan, accompanied by a duly executed Assignment and Acceptance; thereupon one or more new Term Notes in the same aggregate principal amount shall be issued to the designated Assignee, and the old Term Notes shall be returned by the Administrative Agent to the Borrower marked "canceled". The Register shall be available for inspection by the Borrower or any Lender (with respect to any entry relating to such Lender's Term Loans) at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an Assignment and Acceptance executed by an Assignor and an Assignee (and, in any case where the consent of any other Person is required by Section 10.6(c), by each such other Person) together with payment to the Administrative Agent of a registration and processing fee of $3,500 (except that no such registration and processing fee shall be payable (y) in connection with an assignment by or to an Original Lender) or (z) in the case of an Assignee which is already a Lender or is an affiliate of a Lender or an Affiliated Fund), the Administrative Agent shall (i) promptly accept such Assignment and Acceptance and (ii) on the effective date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Borrower. On or prior to such effective date, the Borrower, at its own expense, upon request, shall execute and deliver to the Administrative Agent (in exchange for the applicable Term Notes, as the case may be, of the assigning Lender) new applicable Term Notes to such Assignee or its registered assigns in an amount equal to the applicable Term Loans, assumed or acquired by it pursuant to such Assignment and Acceptance and, if the Assignor has retained Term Loans, upon request, new Term Notes, to the Assignor or its registered assigns in an amount equal to the applicable Term Loans, as the case may be, retained by it hereunder. Such new Term Note or Term Notes shall be dated the Closing Date and shall otherwise be in the form of the Term Note or Term Notes replaced thereby.

(f) For the avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this Section concerning assignments of Term Loans and Term Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by a Lender of any Term Loan or Term Note to any Federal Reserve Bank in accordance with applicable law.

10.7 Adjustments; Set-off. (a) Except to the extent that this Agreement provides for payments to be allocated to a particular Lender or to the Lenders, if any Lender (a "Benefited Lender") shall at any time receive any payment of all or part of the Obligations owing to it, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 8(f), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's Obligations, such Benefited Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Obligations, or shall provide such other Lenders with the benefits of any such collateral, as shall be necessary to cause such Benefited Lender to share the excess payment or benefits of such collateral ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to Holdings or the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise), to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower. Each Lender agrees to notify promptly the Borrower and the Administrative Agent after any such setoff and application made by such Lender; provided that the failure to give such notice shall not affect the validity of such setoff and application.

10.8 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

10.9 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.10 Integration. This Agreement and the other Loan Documents represent the agreement of Parent, Holdings, the Borrower, the Agents, the Arranger and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Arranger, any Agent or any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

10.11 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

10.12 Submission To Jurisdiction; Waivers. Each of Parent, Holdings and the Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its Property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to Parent, Holdings or the Borrower, as the case may be, at its address set forth in Section 10.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

10.13 Suretyship Waivers. Each of Holdings and the Borrower hereby waives any and all defenses applicable or available to guarantors or sureties whether arising as a result of the joint and several nature of the obligations of Parent, Holdings and the Borrower hereunder or otherwise. Without limiting the generality of the foregoing, the waivers of the Guarantors (as defined in the Guarantee and Collateral Agreement) set forth in Section 2.5 of the Guarantee and Collateral Agreement are hereby incorporated herein by this reference mutatis mutandis and such waivers shall be deemed to be made by Parent, Holdings and the Borrower hereunder as if such waivers had been expressly set forth herein.

10.14 Acknowledgments. Each of Parent, Holdings and the Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) neither the Arranger, any Agent nor any Lender has any fiduciary relationship with or duty to Parent, Holdings or the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Arranger, the Agents and Lenders, on one hand, and Parent, Holdings and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Arranger, the Agents and the Lenders or among Parent, Holdings, the Borrower and the Lenders.

10.15 Confidentiality. Each of the Arranger, the Agents and the Lenders agrees to keep confidential all non-public information provided to it by Parent or any Loan Party pursuant to this Agreement that is designated by Parent or such Loan Party as confidential; provided that nothing herein shall prevent the Arranger, any Agent or any Lender from disclosing any such information (a) to the Arranger, any Agent, any other Lender or any affiliate of any thereof, (b) to any Participant or Assignee (each, a "Transferee") or prospective Transferee that agrees to comply with the provisions of this Section, (c) to any of its employees, directors, agents, attorneys, accountants and other professional advisors, (d) upon the request or demand of any Governmental Authority having jurisdiction over it, (e) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (f) if requested or required to do so in connection with any litigation or similar proceeding, (g) that has been publicly disclosed other than in breach of this Section, (h) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender or (i) in connection with the exercise of any remedy hereunder or under any other Loan Document.

10.16 Release of Collateral and Guarantee Obligations. (a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, upon request of the Borrower in connection with any Disposition of Property permitted by the Loan Documents, the Administrative Agent shall take such actions as shall be required to release its security interest in any Collateral being Disposed of in such Disposition, and to release any guarantee obligations of any Person being Disposed of in such Disposition, to the extent necessary to permit consummation of such Disposition in accordance with the Loan Documents; provided that the Borrower shall have delivered to the Administrative Agent, at least ten Business Days prior to the date of the proposed release, a written request for release identifying the relevant Collateral being Disposed of in such Disposition and the terms of such Disposition in reasonable detail, including the date thereof, the price thereof and any expenses in connection therewith, together with a certification by the Borrower stating that such transaction is in compliance with this Agreement and the other Loan Documents and that the proceeds of such Disposition will be applied in accordance with this Agreement and the other Loan Documents.

(b) Notwithstanding anything to the contrary contained herein or any other Loan Document, when all Obligations have been paid in full, upon request of the Borrower, the Administrative Agent shall take such actions as shall be required to release its security interest in all Collateral, and to release all guarantee obligations provided for in any Loan Document.

10.17 Accounting Changes. In the event that any "Accounting Change" (as defined below) shall occur and such change results in a change in the method of calculation of financial covenants, standards or terms in this Agreement, then Parent, Holdings, the Borrower and the Administrative Agent agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the Borrower's Subsidiaries' financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made. Until such time as such an amendment shall have been executed and delivered by Parent, Holdings, the Borrower, the Administrative Agent and the Required Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred. "Accounting Changes" refers to changes in accounting principles required or permitted by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or, if applicable, the SEC.

10.18 Delivery of Lender Addenda. Each initial Lender shall become a party to this Agreement by delivering to the Administrative Agent and the Syndication Agent a Lender Addendum duly executed by such Lender, Parent, Holdings, the Borrower and each Agent.

10.19 Construction. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

10.20 WAIVERS OF JURY TRIAL. PARENT, HOLDINGS, THE BORROWER, THE ARRANGER, THE AGENTS AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

THE WILLIAMS COMPANIES, INC.

By: /s/ Steven J. Malcolm

Name: Steven J. Malcolm
Title: Chief Executive Officer and President

WILLIAMS PRODUCTION HOLDINGS LLC

By: /s/ Ralph A. Hill

Name: Ralph A. Hill
Title: Senior Vice President

WILLIAMS PRODUCTION RMT COMPANY

By: /s/ Phillip D. Wright

Name: Phillip D. Wright
Title: President

LEHMAN BROTHERS INC.,
as Arranger

By: /s/ Michele Swanson

Name: Michele Swanson
Title: Authorized Signatory

LEHMAN COMMERCIAL PAPER INC., as
Syndication Agent

By: /s/ Michele Swanson

Name: Michele Swanson
Title: Authorized Signatory

LEHMAN COMMERCIAL PAPER INC., as
Administrative Agent

By: /s/ Michele Swanson

Name: Michele Swanson
Title: Authorized Signatory

EXECUTION COPY

EXHIBIT 10.4

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GUARANTEE AND COLLATERAL AGREEMENT

made by

THE WILLIAMS COMPANIES, INC.,

WILLIAMS PRODUCTION HOLDINGS LLC,

WILLIAMS PRODUCTION RMT COMPANY

and certain of its Subsidiaries

in favor of

LEHMAN COMMERCIAL PAPER INC.,

as Administrative Agent

Dated as of July 31, 2002

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GUARANTEE AND COLLATERAL AGREEMENT, dated as of July 31, 2002, made by WILLIAMS PRODUCTION RMT COMPANY, a Delaware corporation (the "Borrower"), and each of the other signatories hereto (together with any other entity that may become a party hereto as provided herein, the "Guarantors"), in favor of LEHMAN COMMERCIAL PAPER INC., as Administrative Agent (in such capacity, the "Administrative Agent") for the financial institutions from time to time party to the Credit Agreement (the "Lenders"), dated as of July 31, 2002 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), among THE WILLIAMS COMPANIES, Inc., a Delaware corporation ("Parent"), WILLIAMS PRODUCTION HOLDINGS LLC, a Delaware limited liability company ("Holdings"), the Borrower, the Lenders, LEHMAN BROTHERS INC., as advisor, lead arranger and book manager (in such capacity, the "Arranger"), LEHMAN COMMERCIAL PAPER INC., as syndication agent (in such capacity, the "Syndication Agent"), and the Administrative Agent.

W I T N E S S E T H:

WHEREAS, pursuant to the Credit Agreement, the Lenders have severally agreed to make extensions of credit to the Borrower upon the terms and subject to the conditions set forth therein;

WHEREAS, the Borrower is a member of an affiliated group of companies that includes each Guarantor;

WHEREAS, the Borrower and the Guarantors are engaged in related businesses, and each Guarantor will derive substantial direct and indirect benefit from the making of the extensions of credit under the Credit Agreement; and

WHEREAS, it is a condition precedent to the obligation of the Lenders to make their respective extensions of credit to the Borrower under the Credit Agreement that the Borrower and the Guarantors shall have executed and delivered this Agreement to the Administrative Agent for the benefit of the Secured Parties;

NOW, THEREFORE, in consideration of the premises and to induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective extensions of credit to the Borrower thereunder, the Borrower and each Guarantor hereby agrees with the Administrative Agent, for the benefit of the Secured Parties, as follows:

SECTION 1. DEFINED TERMS

1.1 Definitions. (a) Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement and the following terms which are defined in the New York UCC (as defined below) are used herein as so defined: Accounts, Certificated Security, Chattel Paper, Commercial Tort Claims, Documents, Equipment, Farm Products, Goods, Instruments, Inventory and Letter of Credit Rights.

(b) The following terms shall have the following meanings:

"Agreement": this Guarantee and Collateral Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"Borrower Credit Agreement Obligations": the collective reference to the unpaid principal of and interest on the Term Loans and all other obligations and liabilities of the Borrower (including, without limitation, interest accruing at the then applicable rate provided in the Credit Agreement after the maturity of the Term Loans and interest accruing at the then applicable rate provided in the Credit Agreement after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) to the Administrative Agent or any Lender, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, the Credit Agreement, this Agreement, or the other Loan Documents, or any other document made, delivered or given in connection therewith, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to the Lenders that are required to be paid by the Borrower pursuant to the terms of any of the foregoing agreements).

"Borrower Obligations": the collective reference to (i) the Borrower Credit Agreement Obligations, and (ii) all other obligations and liabilities of the Borrower, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to the Lenders that are required to be paid by the Borrower pursuant to the terms of this Agreement).

"Collateral": as defined in Section 3.

"Collateral Account": any collateral account established by the Administrative Agent as provided in Section 6.1 or 6.4.

"Contracts": the contracts and agreements listed in Schedule 9, as the same may be amended, supplemented or otherwise modified from time to time, including, without limitation, (i) all rights of any Grantor to receive moneys due and to become due to it thereunder or in connection therewith, (ii) all rights of any Grantor to damages arising thereunder and (iii) all rights of any Grantor to perform and to exercise all remedies thereunder.

"Copyrights": (i) all copyrights arising under the laws of the United States, any other country or any political subdivision thereof, whether registered or unregistered and whether published or unpublished (including, without limitation, those listed in Schedule 6), all registrations and recordings thereof, and all applications in connection therewith, including, without limitation, all registrations, recordings and applications in the United States Copyright Office, and (ii) the right to obtain all renewals thereof.

"Copyright Licenses": any written agreement naming any Grantor as licensor or licensee (including, without limitation, those listed in Schedule 6), granting any right under any Copyright, including, without limitation, the grant of rights to manufacture, distribute, exploit and sell materials derived from any Copyright.

"Deposit Account": as defined in the Uniform Commercial Code of any applicable jurisdiction and, in any event, including, without limitation, any demand, time, savings, passbook or like account maintained with a depositary institution.

"Excluded Assets": (1) the Capital Stock owned by the Borrower in (a) Bison Royalty LLC, (b) Piceance Productions Holdings LLC, and (c) Rulison Production Company LLC, and (2) the Capital Stock owned by Holdings in the Borrower, in each case to the extent the grant by the relevant Grantor of a security interest pursuant to this Agreement in such Grantor's right, title and interest in such Capital Stock is prohibited or would constitute a breach, event of default or event which with notice or lapse of time would become an event of default under any contract, agreement, instrument or indenture binding on Parent or any of its Subsidiaries and in effect on the date hereof.

"General Intangibles": all "general intangibles" as such term is defined in Article 9 of the New York UCC and, in any event, including, without limitation, with respect to any Grantor, all contracts, agreements, instruments and indentures in any form, and portions thereof, to which such Grantor is a party or under which such Grantor has any right, title or interest or to which such Grantor or any property of such Grantor is subject, as the same may from time to time be amended, supplemented or otherwise modified, including, without limitation, (a) all rights of such Grantor to receive moneys due and to become due to it thereunder or in connection therewith, (b) all rights of such Grantor to damages arising thereunder and (c) all rights of such Grantor to perform and to exercise all remedies thereunder.

"Grantor Obligations": with respect to the Borrower, the Borrower Obligations, and with respect to Holdings, its Guarantor Obligations.

"Grantors": the collective reference to the Borrower and Holdings.

"Guarantor Obligations": with respect to any Guarantor, all obligations and liabilities of such Guarantor which may arise under or in connection with this Agreement (including, without limitation, Section 2) or any other Loan Document to which such Guarantor is a party, in each case whether on account of guarantee obligations, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all fees and disbursements of counsel to the Administrative Agent or to the Lenders that are required to be paid by such Guarantor pursuant to the terms of this Agreement or any other Loan Document).

"Intellectual Property": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including, without limitation, the Copyrights, the Copyright Licenses, the Patents, the Patent Licenses, the Trademarks and the

Trademark Licenses, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"Intercompany Note": any promissory note evidencing loans made by any Grantor to Holdings or any of its Subsidiaries.

"Investment Property": the collective reference to (i) all "investment property" as such term is defined in Article 9 of the New York UCC and (ii) whether or not constituting "investment property" as so defined, all Pledged Notes and all Pledged Stock.

"Issuers": the collective reference to each issuer of a Pledged Security.

"New York UCC": the Uniform Commercial Code as from time to time in effect in the State of New York.

"Obligations": (i) in the case of the Borrower, the Borrower Obligations, (ii) in the case of each Guarantor, its Guarantor Obligations, and (iii) in the case of each Grantor, its Grantor Obligations.

"Patents": (i) all letters patent of the United States, any other country or any political subdivision thereof, all reissues and extensions thereof and all goodwill associated therewith, including, without limitation, any of the foregoing referred to in Schedule 6, (ii) all applications for letters patent of the United States or any other country and all divisions, continuations and continuations-in-part thereof, including, without limitation, any of the foregoing referred to in Schedule 6, and (iii) all rights to obtain any reissues or extensions of the foregoing.

"Patent License": all agreements, whether written or oral, providing for the grant by or to any Grantor of any right to manufacture, use or sell any invention covered in whole or in part by a Patent, including, without limitation, any of the foregoing referred to in Schedule 6.

"Pledged Notes": all promissory notes listed on Schedule 2, all Intercompany Notes at any time issued to any Grantor and all other promissory notes issued to or held by any Grantor (other than promissory notes issued in connection with extensions of trade credit by any Grantor in the ordinary course of business).

"Pledged Securities": the collective reference to the Pledged Notes and the Pledged Stock.

"Pledged Stock": the shares of Capital Stock listed on Schedule 2, together with any other shares, stock certificates, options or rights of any nature whatsoever in respect of the Capital Stock of any Person that may be issued or granted to, or held by, any Grantor while this Agreement is in effect.

"Proceeds": all "proceeds" as such term is defined in Article 9 of the New York UCC and, in any event, including, without limitation, all dividends or other income from

the Investment Property, collections thereon or distributions or payments with respect thereto.

"Receivable": any right to payment for goods sold or leased or for services rendered, whether or not such right is evidenced by an Instrument or Chattel Paper and whether or not it has been earned by performance (including, without limitation, any Account).

"Securities Act": the Securities Act of 1933, as amended.

"Trademarks": (i) all trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers, and all goodwill associated therewith, now existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, whether in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof, or otherwise, and all common-law rights related thereto, including, without limitation, any of the foregoing referred to in Schedule 6, and (ii) the right to obtain all renewals thereof.

"Trademark License": any agreement, whether written or oral, providing for the grant by or to any Grantor of any right to use any Trademark, including, without limitation, any of the foregoing referred to in Schedule 6.

"Vehicles": all cars, trucks, trailers, construction and earth moving equipment and other vehicles covered by a certificate of title law of any state and all tires and other appurtenances to any of the foregoing.

1.2 Other Definitional Provisions. (a) The words "hereof," "herein", "hereto" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section and Schedule references are to this Agreement unless otherwise specified.

(b) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

(c) Where the context requires, terms relating to the Collateral or any part thereof, when used in relation to a Grantor, shall refer to such Grantor's Collateral or the relevant part thereof.

SECTION 2. GUARANTEE

2.1 Guarantee. (a) The Guarantors hereby, jointly and severally, unconditionally and irrevocably, guarantee to the Administrative Agent, for the benefit of the Secured Parties and their respective successors, indorsees, transferees and assigns, the prompt and complete payment and performance by the Borrower when due (whether at the stated maturity, by acceleration or otherwise) of the Borrower Obligations.

(b) Anything herein or in any other Loan Document to the contrary notwithstanding, the maximum liability of each Guarantor hereunder and under the other Loan Documents shall in no event exceed the amount which can be guaranteed by such Guarantor under applicable federal and state laws relating to the insolvency of debtors (after giving effect to the right of contribution established in Section 2.2).

(c) Each Guarantor agrees that the Borrower Obligations may at any time and from time to time exceed the amount of the liability of such Guarantor hereunder without impairing the guarantee contained in this Section 2 or affecting the rights and remedies of the Administrative Agent or any Lender hereunder.

(d) The guarantee contained in this Section 2 shall remain in full force and effect until all the Borrower Obligations and the obligations of each Guarantor under the guarantee contained in this Section 2 shall have been satisfied by payment in full, notwithstanding that from time to time during the term of the Credit Agreement the Borrower may be free from any Borrower Obligations.

(e) No payment made by the Borrower, any of the Guarantors, any other guarantor or any other Person or received or collected by the Administrative Agent or any Lender from the Borrower, any of the Guarantors, any other guarantor or any other Person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Borrower Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of any Guarantor hereunder which shall, notwithstanding any such payment (other than any payment made by such Guarantor in respect of the Borrower Obligations or any payment received or collected from such Guarantor in respect of the Borrower Obligations), remain liable for the Borrower Obligations up to the maximum liability of such Guarantor hereunder until the Borrower Obligations are paid in full.

2.2 Right of Contribution. Each Subsidiary Guarantor hereby agrees that to the extent that a Subsidiary Guarantor shall have paid more than its proportionate share of any payment made hereunder, such Subsidiary Guarantor shall be entitled to seek and receive contribution from and against any other Subsidiary Guarantor hereunder which has not paid its proportionate share of such payment. Each Subsidiary Guarantor's right of contribution shall be subject to the terms and conditions of Section 2.3. The provisions of this Section 2.2 shall in no respect limit the obligations and liabilities of any Subsidiary Guarantor to the Administrative Agent and the Lenders, and each Subsidiary Guarantor shall remain liable to the Administrative Agent and the Lenders for the full amount guaranteed by such Subsidiary Guarantor hereunder.

2.3 No Subrogation. Notwithstanding any payment made by any Guarantor hereunder or any set-off or application of funds of any Guarantor by the Administrative Agent or any Lender, no Guarantor shall be entitled to be subrogated to any of the rights of the Administrative Agent or any Lender against the Borrower or any other Guarantor or any collateral security or guarantee or right of offset held by the Administrative Agent or any Lender for the payment of the Borrower Obligations, nor shall any Guarantor seek or be entitled to seek any contribution or reimbursement from the Borrower or any other Guarantor in respect of payments made by such Guarantor hereunder, until all amounts owing to the Administrative Agent and the Lenders by the Borrower on account of the Borrower Obligations are paid in full. If any amount shall be paid to any Guarantor on account of such subrogation rights at any time

when all of the Borrower Obligations shall not have been paid in full, such amount shall be held by such Guarantor in trust for the Administrative Agent and the Lenders, segregated from other funds of such Guarantor, and shall, forthwith upon receipt by such Guarantor, be turned over to the Administrative Agent in the exact form received by such Guarantor (duly indorsed by such Guarantor to the Administrative Agent, if required), to be applied against the Borrower Obligations, whether matured or unmatured, in such order as the Administrative Agent may determine.

2.4 Amendments, Etc. With Respect to the Borrower Obligations. Each Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against any Guarantor and without notice to or further assent by any Guarantor, any demand for payment of any of the Borrower Obligations made by the Administrative Agent or any Lender may be rescinded by the Administrative Agent or such Lender and any of the Borrower Obligations continued, and the Borrower Obligations, or the liability of any other Person upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Administrative Agent or any Lender, and the Credit Agreement and the other Loan Documents and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part, as the Administrative Agent (or the Required Lenders or all Lenders, as the case may be) may deem advisable from time to time, and any collateral security, guarantee or right of offset at any time held by the Administrative Agent or any Lender for the payment of the Borrower Obligations may be sold, exchanged, waived, surrendered or released. Neither the Administrative Agent nor any Lender shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Borrower Obligations or for the guarantee contained in this Section 2 or any property subject thereto.

2.5 Guarantee Absolute and Unconditional. Each Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Borrower Obligations and notice of or proof of reliance by the Administrative Agent or any Lender upon the guarantee contained in this Section 2 or acceptance of the guarantee contained in this Section 2; the Borrower Obligations, and any of them, shall conclusively be deemed to have been created, contracted or incurred, or renewed, extended, amended or waived, in reliance upon the guarantee contained in this Section 2; and all dealings between the Borrower and any of the Guarantors, on the one hand, and the Administrative Agent and the Lenders, on the other hand, likewise shall be conclusively presumed to have been had or consummated in reliance upon the guarantee contained in this Section 2. Each Guarantor waives diligence, presentment, protest, demand for payment and notice of default or nonpayment to or upon the Borrower or any of the Guarantors with respect to the Borrower Obligations. Each Guarantor understands and agrees that the guarantee contained in this Section 2 shall be construed as a continuing, absolute and unconditional guarantee of payment without regard to (1) the validity or enforceability of the Credit Agreement or any other Loan Document, any of the Borrower Obligations or any other collateral security therefor or guarantee or right of offset with respect thereto at any time or from time to time held by the Administrative Agent or any Lender, (2) any defense, set-off or counterclaim (other than a defense of payment or performance) which may at any time be available to or be asserted by the Borrower or any other Person against the Administrative Agent

or any Lender, or (3) any other circumstance whatsoever (with or without notice to or knowledge of the Borrower or such Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Borrower for the Borrower Obligations, or of such Guarantor under the guarantee contained in this Section 2, in bankruptcy or in any other instance. When making any demand hereunder or otherwise pursuing its rights and remedies hereunder against any Guarantor, the Administrative Agent or any Lender may, but shall be under no obligation to, make a similar demand on or otherwise pursue such rights and remedies as it may have against the Borrower, any other Guarantor or any other Person or against any collateral security or guarantee for the Borrower Obligations or any right of offset with respect thereto, and any failure by the Administrative Agent or any Lender to make any such demand, to pursue such other rights or remedies or to collect any payments from the Borrower, any other Guarantor or any other Person or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Borrower, any other Guarantor or any other Person or any such collateral security, guarantee or right of offset, shall not relieve any Guarantor of any obligation or liability hereunder, and shall not impair or affect the rights and remedies, whether express, implied or available as a matter of law, of the Administrative Agent or any Lender against any Guarantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

2.6 Reinstatement. The guarantee contained in this Section 2 shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Borrower Obligations is rescinded or must otherwise be restored or returned by the Administrative Agent or any Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of the Borrower or any Guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, the Borrower or any Guarantor or any substantial part of its property, or otherwise, all as though such payments had not been made.

2.7 Payments. Each Guarantor hereby guarantees that payments hereunder will be paid to the Administrative Agent without set-off or counterclaim in Dollars at the Payment Office specified in the Credit Agreement.

SECTION 3. GRANT OF SECURITY INTEREST

Each Grantor hereby assigns and transfers to the Administrative Agent, and hereby grants to the Administrative Agent, for the benefit of the Secured Parties, a security interest in, all of the following property now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Collateral"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of such Grantor's Obligations:

(a) all Accounts;

(b) all Chattel Paper;

(c) all Contracts;

(d) all Deposit Accounts;

(e) all Documents;

(f) all Equipment;

(g) all General Intangibles;

(h) all Instruments;

(i) all Intellectual Property;

(j) all Inventory;

(k) all Investment Property;

(l) all Letter of Credit Rights;

(m) all Vehicles;

(n) all Commercial Tort Claims described on Schedule 8 and on any supplement thereto received by the Administrative Agent pursuant to Section 5.13;

(o) all Goods and other property, whether tangible or intangible and wherever located, not otherwise described above;

(p) all books and records pertaining to the Collateral; and

(q) to the extent not otherwise included, all Proceeds and products of any and all of the foregoing and all collateral security and guarantees given by any Person with respect to any of the foregoing;

provided, that the Collateral shall not include (i) the loan of the net proceeds of the Term Loans (less $65,000,000) from the Borrower to Holdings on the Closing Date evidenced by that certain Intercompany Note, dated July 31, 2002, made by Holdings in favor of the Borrower, (ii) the loan of the net proceeds of the Intercompany Note referred to in the foregoing clause (i) from Holdings to Parent on the Closing Date evidenced by that certain Intercompany Note, dated July 31, 2002, made by Parent in favor of Holdings, (iii) the loan of the remaining $65,000,000 of the net proceeds of the Term Loans from the Borrower to Holdings subsequent to the Closing Date evidenced by an Intercompany Note to be made by Holdings in favor of the Borrower in an aggregate principal amount of $65,000,000 and (iv) the loan of the net proceeds of the Intercompany Note referred to in the foregoing clause (iii) from Holdings to Parent subsequent to the Closing Date evidenced by an Intercompany Note to be made by Parent in favor of Holdings in an aggregate principal amount of $65,000,000 (provided, that on or before the issuance of the Intercompany Notes referred to in the foregoing clauses (iii) and (iv), Parent shall have caused an irrevocable standby letter of credit in an amount equal to $65,000,000 to be issued in favor of the

Administrative Agent as specified in the definition of "Borrower Liquidity Reserve" in the Credit Agreement); provided, further, that the Collateral shall not include the Excluded Assets; provided, further, that if and when the prohibition which prevents the granting by such Grantor to the Administrative Agent of a security interest in such Excluded Asset is removed or otherwise terminated, the Administrative Agent will be deemed to have, and at all times from and after the date hereof to have had, a security interest in such Excluded Asset, as the case may be.

SECTION 4. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into the Credit Agreement and to induce the Lenders to make their respective extensions of credit to the Borrower thereunder, each Grantor, and with respect to Section 4.1, each Guarantor, hereby represents and warrants to the Administrative Agent, each Lender and each other Secured Party that:

4.1 Representations in Credit Agreement. In the case of each Guarantor, the representations and warranties set forth in Section 4 of the Credit Agreement as they relate to such Guarantor or to the Loan Documents to which such Guarantor is a party, each of which is hereby incorporated herein by reference, are true and correct, and the Administrative Agent and each Lender shall be entitled to rely on each of them as if they were fully set forth herein, provided that each reference in each such representation and warranty to the Borrower's knowledge shall, for the purposes of this Section 4.1, be deemed to be a reference to such Guarantor's knowledge.

4.2 Title; No Other Liens. Except for the security interest granted to the Administrative Agent for the ratable benefit of the Lenders pursuant to this Agreement and the other Liens permitted to exist on the Collateral by the Credit Agreement, such Grantor owns each item of the Collateral free and clear of any and all Liens or claims of others. No financing statement or other public notice with respect to all or any part of the Collateral is on file or of record in any public office, except such as have been filed in favor of the Administrative Agent, for the ratable benefit of the Lenders, pursuant to this Agreement or as are permitted by the Credit Agreement.

4.3 Perfected First-Priority Liens. The security interests granted pursuant to this Agreement (a) upon completion of the filings and other actions specified on Schedule 3 (which, in the case of all filings and other documents referred to on said Schedule, have been delivered to the Administrative Agent in completed and duly executed form) will constitute valid perfected security interests in all of the Collateral in favor of the Administrative Agent, for the ratable benefit of the Lenders, as collateral security for such Grantor's Obligations, enforceable in accordance with the terms hereof against all creditors of such Grantor and any Persons purporting to purchase any Collateral from such Grantor and (b) are prior to all other Liens on the Collateral in existence on the date hereof except for (i) unrecorded Liens permitted by the Credit Agreement which have priority over the Liens on the Collateral by operation of law and (ii) Liens described on Schedule 7.

4.4 Chief Executive Office. On the date hereof, such Grantor's jurisdiction of organization, organizational identification number, if any, and the location of such Grantor's chief executive office or sole place of business are specified on Schedule 4.

4.5 Inventory and Equipment. On the date hereof, the Inventory and the Equipment (other than mobile goods) are kept at the locations listed on Schedule 5.

4.6 Farm Products. None of the Collateral constitutes, or is the Proceeds of, Farm Products.

4.7 Pledged Securities. (a) The shares of Pledged Stock pledged by such Grantor hereunder constitute all the issued and outstanding shares of all classes of the Capital Stock of each Issuer directly owned by such Grantor.

(b) All the shares of the Pledged Stock have been duly and validly issued and are fully paid and nonassessable.

(c) Each of the Pledged Notes constitutes the legal, valid and binding obligation of the obligor with respect thereto, enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(d) Such Grantor is the record and beneficial owner of, and has good and marketable title to, the Investment Property pledged by it hereunder, free of any and all Liens or options in favor of, or claims of, any other Person, except the security interest created by this Agreement.

4.8 Receivables. (a) No amount payable to such Grantor under or in connection with any Receivable is evidenced by any Instrument or Chattel Paper which has not been delivered to the Administrative Agent to the extent required by Section 5.2.

(b) None of the obligors on any Receivable is a Governmental Authority[, except for Receivables constituting not more than 5% of the face amount of all Receivables].

(c) The amounts represented by such Grantor to the Lenders from time to time as owing to such Grantor in respect of the Receivables will at such times be accurate.

4.9 Vehicles. The aggregate book value of all Vehicles owned by all Grantors is less than $1,100,000.

4.10 Intellectual Property. (a) Schedule 6 lists all Intellectual Property owned by such Grantor in its own name on the date hereof.

(b) On the date hereof, all material Intellectual Property of such Grantor described on Schedule 6 is valid, subsisting, unexpired and enforceable, has not been abandoned and does not infringe the intellectual property rights of any other Person.

(c) Except as set forth in Schedule 6, on the date hereof, none of the Intellectual Property is the subject of any licensing or franchise agreement pursuant to which such Grantor is the licensor or franchisor.

(d) No holding, decision or judgment has been rendered by any Governmental Authority which would limit, cancel or question the validity of, or such Grantor's rights in, any Intellectual Property in any respect that could reasonably be expected to have a Material Adverse Effect.

(e) No action or proceeding is pending, or, to the knowledge of such Grantor, threatened, on the date hereof (i) seeking to limit, cancel or question the validity of any material Intellectual Property or such Grantor's ownership interest therein, or (ii) which, if adversely determined, would have a material adverse effect on the value of any Intellectual Property.

4.11 Contracts. (a) No consent of any party (other than such Grantor) to any Contract is required, or purports to be required, in connection with the execution, delivery and performance of this Agreement.

(b) Each Contract is in full force and effect and constitutes a valid and legally enforceable obligation of the parties thereto, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

(c) No consent or authorization of, filing with or other act by or in respect of any Governmental Authority is required in connection with the execution, delivery, performance, validity or enforceability of any of the Contracts by any party thereto other than those which have been duly obtained, made or performed, are in full force and effect and do not subject the scope of any such Contract to any material adverse limitation, either specific or general in nature.

(d) Neither such Grantor nor (to the best of such Grantor's knowledge) any of the other parties to the Contracts is in default in the performance or observance of any of the terms thereof.

(e) The right, title and interest of such Grantor in, to and under the Contracts are not subject to any defenses, offsets, counterclaims or claims.

(f) Such Grantor has delivered to the Administrative Agent a complete and correct copy of each Contract, including all amendments, supplements and other modifications thereto.

(g) No amount payable to such Grantor under or in connection with any Contract is evidenced by any Instrument or Chattel Paper which has not been delivered to the Administrative Agent.

(h) None of the parties to any Contract is a Governmental Authority.

4.12 Commercial Tort Claims. The only existing or potential Commercial Tort Claims of any Grantor existing on the date hereof (regardless of whether the amount, defendant or other material facts can be determined and regardless of whether such Commercial Tort Claim has been asserted, threatened or has otherwise been made known to the obligee thereof or whether litigation has been commenced for such claims) are those listed on Schedule 8, which sets forth such information separately for each Grantor.

SECTION 5. COVENANTS

Each Grantor, and with respect to Sections 5.1 and 5.14, each Guarantor, covenants and agrees with the Administrative Agent and the Lenders that, from and after the date of this Agreement until the Obligations shall have been paid in full:

5.1 Covenants in Credit Agreement. In the case of each Guarantor, such Guarantor shall take, or shall refrain from taking, as the case may be, each action that is necessary to be taken or not taken, as the case may be, so that no Default or Event of Default is caused by the failure to take such action or to refrain from taking such action by such Guarantor or any of its Subsidiaries.

5.2 Delivery of Instruments and Chattel Paper. If any amount payable under or in connection with any of the Collateral shall be or become evidenced by any Instrument, Certificated Security or Chattel Paper, such Instrument, Certificated Security or Chattel Paper shall be immediately delivered to the Administrative Agent, duly indorsed in a manner satisfactory to the Administrative Agent, to be held as Collateral pursuant to this Agreement; provided that the Grantors shall not be obligated to deliver to the Administrative Agent any Instruments or Chattel Paper held by any Grantor at any time to the extent that the aggregate face amount of all such Instruments and Chattel Paper held by all Grantors at such time does not exceed $500,000.

5.3 Maintenance of Insurance. (a) Such Grantor will maintain, with financially sound and reputable companies, insurance on all its Property (including, without limitation, all Inventory, Equipment and Vehicles) in at least such amounts and against at least such risks as are usually insured against by businesses of similar size and character of such Grantor, including, without limitation, (i) property insurance against loss by fire, explosion, theft and such other casualties as may be reasonably satisfactory to the Administrative Agent and (ii) insurance covering such Grantor, the Administrative Agent and the Lenders against liability for personal injury and property damage relating to such Property, such policies to be in such form and amounts and having such coverage as may be reasonably satisfactory to the Administrative Agent and the Lenders.

(b) All such insurance shall (i) provide that no cancellation, material reduction in amount or material change in coverage thereof shall be effective until at least 30 days after receipt by the Administrative Agent of written notice thereof, (ii) name the Administrative Agent as an additional insured party under such liability insurance and loss payee under such property insurance, (iii) if reasonably requested by the Administrative Agent and to the extent obtainable on commercially reasonable terms, include a breach of warranty clause and (iv) be reasonably satisfactory in all other respects to the Administrative Agent.

(c) The Borrower shall deliver to the Administrative Agent and the Lenders a report of a reputable insurance broker with respect to such insurance substantially concurrently with the delivery by the Borrower to the Administrative Agent of its audited financial statements for each fiscal year and such supplemental reports with respect thereto as the Administrative Agent may from time to time reasonably request.

5.4 Payment of Obligations. Such Grantor will pay and discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all taxes, assessments and governmental charges or levies imposed upon the Collateral or in respect of income or profits therefrom, as well as all claims of any kind (including, without limitation, claims for labor, materials and supplies) against or with respect to the Collateral, except that no such charge need be paid if the amount or validity thereof is currently being contested in good faith by appropriate proceedings, reserves in conformity with GAAP with respect thereto have been provided on the books of such Grantor and such proceedings could not reasonably be expected to result in the sale, forfeiture or loss of any material portion of the Collateral or any interest therein.

5.5 Maintenance of Perfected Security Interest; Further Documentation. (a) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 4.3 and shall defend such security interest against the claims and demands of all Persons whomsoever.

(b) Such Grantor will furnish to the Administrative Agent and the Lenders from time to time statements and schedules further identifying and describing the assets and property of such Grantor and such other reports in connection with the Collateral as the Administrative Agent may reasonably request, all in reasonable detail.

(c) At any time and from time to time, upon the written request of the Administrative Agent, and at the sole expense of such Grantor, such Grantor will promptly and duly execute and deliver, and have recorded, such further instruments and documents and take such further actions as the Administrative Agent may reasonably request for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, including, without limitation, (i) the filing of any financing or continuation statements under the Uniform Commercial Code (or other similar laws) in effect in any jurisdiction with respect to the security interests created hereby and (ii) in the case of Investment Property, Deposit Accounts and any other relevant Collateral, taking any actions necessary to enable the Administrative Agent to obtain "control" (within the meaning of the applicable Uniform Commercial Code) with respect thereto.

5.6 Changes in Locations, Name, Etc. Such Grantor will not, except upon 15 days' prior written notice to the Administrative Agent and delivery to the Administrative Agent of (a) all additional executed financing statements and other documents reasonably requested by the Administrative Agent to maintain the validity, perfection and priority of the security interests provided for herein and (b) if applicable, a written supplement to Schedule 5 showing any additional location at which Inventory or Equipment shall be kept:

(i) permit any of the Inventory or Equipment to be kept at a location other than those listed on Schedule 5;

(ii) change its jurisdiction of organization or the location of its chief executive office or sole place of business from that referred to in Section 4.4; or

(iii) change its name, identity or corporate structure to such an extent that any financing statement filed by the Administrative Agent in connection with this Agreement would become misleading.

5.7 Notices. Such Grantor will advise the Administrative Agent and the Lenders promptly, in reasonable detail, of:

(a) any Lien (other than security interests created hereby or Liens permitted under the Credit Agreement) on any of the Collateral which would adversely affect the ability of the Administrative Agent to exercise any of its remedies hereunder; and

(b) the occurrence of any other event which could reasonably be expected to have a material adverse effect on the aggregate value of the Collateral or on the security interests created hereby.

5.8 Investment Property. (a) If such Grantor shall become entitled to receive or shall receive any stock certificate (including, without limitation, any certificate representing a stock dividend or a distribution in connection with any reclassification, increase or reduction of capital or any certificate issued in connection with any reorganization), option or rights in respect of the Capital Stock of any Issuer, whether in addition to, in substitution of, as a conversion of, or in exchange for, any shares of the Pledged Stock, or otherwise in respect thereof, such Grantor shall accept the same as the agent of the Administrative Agent and the Lenders, hold the same in trust for the Administrative Agent and the Lenders and deliver the same forthwith to the Administrative Agent in the exact form received, duly indorsed by such Grantor to the Administrative Agent, if required, together with an undated stock power covering such certificate duly executed in blank by such Grantor and with, if the Administrative Agent so requests, signature guaranteed, to be held by the Administrative Agent, subject to the terms hereof, as additional collateral security for the Obligations. Any sums paid upon or in respect of the Investment Property upon the liquidation or dissolution of any Issuer shall be paid over to the Administrative Agent to be held by it hereunder as additional collateral security for the Obligations, and in case any distribution of capital shall be made on or in respect of the Investment Property, or any property shall be distributed upon or with respect to the Investment Property pursuant to the recapitalization or reclassification of the capital of any Issuer or pursuant to the reorganization thereof, the property so distributed shall, unless otherwise subject to a perfected security interest in favor of the Administrative Agent, be delivered to the Administrative Agent to be held by it hereunder as additional collateral security for the Obligations. If any sums of money or property so paid or distributed in respect of the Pledged Securities shall be received by such Grantor, such Grantor shall, until such money or property is paid or delivered to the Administrative Agent, hold such money or property in trust for the Lenders, segregated from other funds of such Grantor, as additional collateral security for the Obligations. Notwithstanding the foregoing, the Grantors shall not be required to pay over to the Administrative Agent or deliver to the Administrative Agent as Collateral any proceeds of any liquidation or dissolution of any Issuer, or any distribution of capital or property in respect of any Investment Property, to the extent that (i) such liquidation, dissolution or distribution, if treated as a Disposition of the relevant Issuer, would be permitted by the Credit Agreement and (ii) the

proceeds thereof are applied toward prepayment of Term Loans to the extent required by the Credit Agreement.

(b) Without the prior written consent of the Administrative Agent, such Grantor will not (i) vote to enable, or take any other action to permit, any Issuer to issue any stock or other equity securities of any nature or to issue any other securities convertible into or granting the right to purchase or exchange for any stock or other equity securities of any nature of any Issuer, unless such securities are delivered to the Administrative Agent, concurrently with the issuance thereof, to be held by the Administrative Agent as Collateral, (ii) sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Investment Property or Proceeds thereof (except pursuant to a transaction expressly permitted by the Credit Agreement), (iii) create, incur or permit to exist any Lien or option in favor of, or any claim of any Person with respect to, any of the Investment Property or Proceeds thereof, or any interest therein, except for the security interests created by this Agreement or (iv) enter into any agreement or undertaking restricting the right or ability of such Grantor or the Administrative Agent to sell, assign or transfer any of the Pledged Securities or Proceeds thereof.

(c) In the case of each Grantor which is an Issuer, such Issuer agrees that (i) it will be bound by the terms of this Agreement relating to the Pledged Securities issued by it and will comply with such terms insofar as such terms are applicable to it, (ii) it will notify the Administrative Agent promptly in writing of the occurrence of any of the events described in Section 5.8(a) with respect to the Pledged Securities issued by it and (iii) the terms of Sections 6.3(c) and 6.7 shall apply to it, mutatis mutandis, with respect to all actions that may be required of it pursuant to Section 6.3(c) or 6.7 with respect to the Pledged Securities issued by it.

(d) For each Issuer that is a partnership or a limited liability company, each Grantor (i) confirms that none of the terms of any equity interest issued by such Issuer provides that such equity interest is a "security" within the meaning of Article 8 of the New York UCC (a "Security"), (ii) agrees that such Issuer will take no action to cause or permit any such equity interest to become a Security, (iii) agrees that such Issuer will not issue any certificate representing any such equity interest and (iv) agrees that if, notwithstanding the foregoing, any such equity interest shall be or become a Security, such Issuer will (and the Grantor that holds such equity interest hereby instructs such Issuer to) comply with instructions originated by the Administrative Agent without further consent by such Grantor.

5.9 Receivables. (a) Other than in the ordinary course of business consistent with its past practice, such Grantor will not (i) grant any extension of the time of payment of any Receivable, (ii) compromise or settle any Receivable for less than the full amount thereof, (iii) release, wholly or partially, any Person liable for the payment of any Receivable, (iv) allow any credit or discount whatsoever on any Receivable or (v) amend, supplement or modify any Receivable in any manner that could adversely affect the value thereof.

(b) Such Grantor will deliver to the Administrative Agent a copy of each material demand, notice or document received by it that questions or calls into doubt the validity or enforceability of more than 5% of the aggregate amount of the then outstanding Receivables.

5.10 Contracts. (a) Such Grantor will perform and comply in all material respects with all its obligations under the Contracts.

(b) Such Grantor will not amend, modify, terminate or waive any provision of any Contract in any manner which could reasonably be expected to materially adversely affect the value of such Contract as Collateral.

(c) Such Grantor will exercise promptly and diligently each and every material right which it may have under each Contract (other than any right of termination).

(d) Such Grantor will deliver to the Administrative Agent a copy of each material demand, notice or document received by it relating in any way to any Contract that questions the validity or enforceability of such Contract.

5.11 Intellectual Property. (a) Such Grantor (either itself or through licensees) will (i) continue to use each material Trademark on each and every trademark class of goods applicable to its current line as reflected in its current catalogs, brochures and price lists in order to maintain such Trademark in full force free from any claim of abandonment for non-use, (ii) maintain as in the past the quality of products and services offered under such Trademark, (iii) use such Trademark with the appropriate notice of registration and all other notices and legends required by applicable Requirements of Law, (iv) not adopt or use any mark which is confusingly similar or a colorable imitation of such Trademark unless the Administrative Agent, for the ratable benefit of the Lenders, shall obtain a perfected security interest in such mark pursuant to this Agreement, and (v) not (and not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby such Trademark may become invalidated or impaired in any way.

(b) Such Grantor (either itself or through licensees) will not do any act, or omit to do any act, whereby any material Patent may become forfeited, abandoned or dedicated to the public.

(c) Such Grantor (either itself or through licensees) (i) will employ each material Copyright and (ii) will not (and will not permit any licensee or sublicensee thereof to) do any act or knowingly omit to do any act whereby any material portion of the Copyrights may become invalidated or otherwise impaired. Such Grantor will not (either itself or through licensees) do any act whereby any material portion of the Copyrights may fall into the public domain.

(d) Such Grantor (either itself or through licensees) will not do any act that knowingly uses any material Intellectual Property to infringe the intellectual property rights of any other Person.

(e) Such Grantor will notify the Administrative Agent and the Lenders immediately if it knows, or has reason to know, that any application or registration relating to any material Intellectual Property may become forfeited, abandoned or dedicated to the public,

or of any adverse determination or development (including, without limitation, the institution of, or any such determination or development in, any proceeding in the United States Patent and Trademark Office, the United States Copyright Office or any court or tribunal in any country) regarding such Grantor's ownership of, or the validity of, any material Intellectual Property or such Grantor's right to register the same or to own and maintain the same.

(f) Whenever such Grantor, either by itself or through any agent, employee, licensee or designee, shall file an application for the registration of any Intellectual Property with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, such Grantor shall report such filing to the Administrative Agent within five Business Days after the last day of the fiscal quarter in which such filing occurs. Upon request of the Administrative Agent, such Grantor shall execute and deliver, and have recorded, any and all agreements, instruments, documents, and papers as the Administrative Agent may request to evidence the Administrative Agent's and the Lenders' security interest in any Copyright, Patent or Trademark and the goodwill and general intangibles of such Grantor relating thereto or represented thereby.

(g) Such Grantor will take all reasonable and necessary steps, including, without limitation, in any proceeding before the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency in any other country or any political subdivision thereof, to maintain and pursue each application relating to any material Intellectual Property (and to obtain the relevant registration) and to maintain each registration of the material Intellectual Property, including, without limitation, filing of applications for renewal, affidavits of use and affidavits of incontestability.

(h) In the event that any material Intellectual Property is infringed, misappropriated or diluted by a third party, such Grantor shall (i) take such actions as such Grantor shall reasonably deem appropriate under the circumstances to protect such Intellectual Property and (ii) if such Intellectual Property is of material economic value, promptly notify the Administrative Agent after it learns thereof and sue for infringement, misappropriation or dilution, to seek injunctive relief where appropriate and to recover any and all damages for such infringement, misappropriation or dilution.

5.12 Vehicles. The aggregate book value of all Vehicles owned by all such Grantors will not exceed $4,000,000 or such higher book value as shall be reasonably satisfactory to the Administrative Agent.

5.13 Notice of Commercial Tort Claims. Such Grantor agrees that, if it shall acquire any interest in any Commercial Tort Claim (whether from another Person or because such Commercial Tort Claim shall have come into existence), (i) such Grantor shall, immediately upon such acquisition, deliver to the Administrative Agent, in each case in form and substance satisfactory to the Administrative Agent, a notice of the existence and nature of such Commercial Tort Claim and deliver a supplement to Schedule 8 containing a specific description of such Commercial Tort Claim, certified by such Grantor as true, correct and complete, (ii) the provision of Section 3 shall apply to such Commercial Tort Claim (and the Grantor authorizes the Administrative Agent to supplement such schedule with a description of such Commercial Tort Claim if such Grantor fails to deliver the supplement described in clause (i)) and (iii) such Grantor shall execute and deliver to the Administrative Agent, in each case in form and

substance satisfactory to the Administrative Agent, any certificate, agreement and other document, and take all other action, deemed by the Administrative Agent to be reasonably necessary or appropriate for the Administrative Agent to obtain, on behalf of the Secured Parties, a first-priority, perfected security interest in all such Commercial Tort Claims. Any supplement to Schedule 8 delivered pursuant to this Section 5.13 shall become part of Schedule 8 for all purposes hereunder other than, absent a written consent of the Administrative Agent, for purpose of the representations and warranties set forth in Section 4.12.

5.14 Subordination. Any Indebtedness of the Borrower or any of its Subsidiaries to Parent, Holdings or any of Parent's Subsidiaries (other than Holdings, Borrower or any of Borrower's Subsidiaries) shall be subordinated in right of payment to the Obligations under the Loan Documents.

SECTION 6. REMEDIAL PROVISIONS

6.1 Certain Matters Relating to Receivables. (a) The Administrative Agent shall have the right, at any time after the occurrence and during the continuance of an Event of Default, to make test verifications of the Receivables in any manner and through any medium that it reasonably considers advisable, and each Grantor shall furnish all such assistance and information as the Administrative Agent may require in connection with such test verifications. At any time and from time to time after the occurrence and during the continuance of an Event of Default, upon the Administrative Agent's request and at the expense of the relevant Grantor, such Grantor shall cause independent public accountants or others satisfactory to the Administrative Agent to furnish to the Administrative Agent reports showing reconciliations, aging and test verifications of, and trial balances for, the Receivables.

(b) The Administrative Agent hereby authorizes each Grantor to collect such Grantor's Receivables, subject to the Administrative Agent's direction and control after the occurrence and during the continuance of an Event of Default, and the Administrative Agent may curtail or terminate said authority at any time after the occurrence and during the continuance of an Event of Default. If required by the Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, any payments of Receivables, when collected by any Grantor, (i) shall be forthwith (and, in any event, within two Business Days) deposited by such Grantor in the exact form received, duly indorsed by such Grantor to the Administrative Agent if required, in a Collateral Account maintained under the sole dominion and control of the Administrative Agent, subject to withdrawal by the Administrative Agent for the account of the Lenders only as provided in Section 6.5, and (ii) until so turned over, shall be held by such Grantor in trust for the Administrative Agent and the Lenders, segregated from other funds of such Grantor. Each such deposit of Proceeds of Receivables shall be accompanied by a report identifying in reasonable detail the nature and source of the payments included in the deposit.

(c) At the Administrative Agent's request, each Grantor shall deliver to the Administrative Agent all original and other documents evidencing, and relating to, the agreements and transactions which gave rise to the Receivables, including, without limitation, all original orders, invoices and shipping receipts.

(d) At any time after the occurrence and during the continuance of an Event of Default, each Grantor will cooperate with the Administrative Agent to establish a system of lockbox accounts, under the sole dominion and control of the Administrative Agent, into which all Receivables shall be paid and from which all collected funds will be transferred to a Collateral Account.

6.2 Communications with Obligors; Grantors Remain Liable. (a) The Administrative Agent in its own name or in the name of others may at any time after the occurrence and during the continuance of an Event of Default communicate with obligors under the Receivables and parties to the Contracts to verify with them to the Administrative Agent's satisfaction the existence, amount and terms of any Receivables or Contracts.

(b) Upon the request of the Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, each Grantor shall notify obligors on the Receivables and parties to the Contracts that the Receivables and the Contracts have been assigned to the Administrative Agent for the ratable benefit of the Lenders and that payments in respect thereof shall be made directly to the Administrative Agent.

(c) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Receivables (or any agreement giving rise thereto) and Contracts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Neither the Administrative Agent nor any Lender shall have any obligation or liability under any Receivable (or any agreement giving rise thereto) or Contract by reason of or arising out of this Agreement or the receipt by the Administrative Agent or any Lender of any payment relating thereto, nor shall the Administrative Agent or any Lender be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Receivable (or any agreement giving rise thereto) or Contract, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

6.3 Pledged Stock. (a) Unless an Event of Default shall have occurred and be continuing and the Administrative Agent shall have given notice to the relevant Grantor of the Administrative Agent's intent to exercise its corresponding rights pursuant to Section 6.3(b), each Grantor shall be permitted to receive all cash dividends paid in respect of the Pledged Stock and all payments made in respect of the Pledged Notes, in each case paid in the normal course of business of the relevant Issuer and consistent with past practice, to the extent permitted in the Credit Agreement, and to exercise all voting and corporate rights with respect to the Pledged Securities; provided, however, that no vote shall be cast or corporate right exercised or other action taken which, in the Administrative Agent's reasonable judgment, would impair the Collateral or which would be inconsistent with or result in any violation of any provision of the Credit Agreement, this Agreement or any other Loan Document.

(b) If an Event of Default shall occur and be continuing, (i) the Administrative Agent shall have the right to receive any and all cash dividends, payments or other Proceeds paid in respect of the Pledged Securities and make application thereof to the Obligations in the order

set forth in Section 6.5, and (ii) any or all of the Pledged Securities shall be registered in the name of the Administrative Agent or its nominee, and the Administrative Agent or its nominee may thereafter exercise (x) all voting, corporate and other rights pertaining to such Pledged Securities at any meeting of shareholders of the relevant Issuer or Issuers or otherwise and (y) any and all rights of conversion, exchange and subscription and any other rights, privileges or options pertaining to such Pledged Securities as if it were the absolute owner thereof (including, without limitation, the right to exchange at its discretion any and all of the Pledged Securities upon the merger, consolidation, reorganization, recapitalization or other fundamental change in the corporate structure of any Issuer, or upon the exercise by any Grantor or the Administrative Agent of any right, privilege or option pertaining to such Pledged Securities, and in connection therewith, the right to deposit and deliver any and all of the Pledged Securities with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as the Administrative Agent may determine), all without liability except to account for property actually received by it, but the Administrative Agent shall have no duty to any Grantor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(c) Each Grantor hereby authorizes and instructs each Issuer of any Pledged Securities pledged by such Grantor hereunder to (i) comply with any instruction received by it from the Administrative Agent in writing that (x) states that an Event of Default has occurred and is continuing and (y) is otherwise in accordance with the terms of this Agreement, without any other or further instructions from such Grantor, and each Grantor agrees that each Issuer shall be fully protected in so complying, and (ii) unless otherwise expressly permitted hereby, pay any dividends or other payments with respect to the Pledged Securities directly to the Administrative Agent.

6.4 Proceeds to be Turned Over To Administrative Agent. In addition to the rights of the Administrative Agent and the Lenders specified in Section 6.1 with respect to payments of Receivables, if an Event of Default shall occur and be continuing, all Proceeds received by any Grantor consisting of cash, checks and Instruments shall be held by such Grantor in trust for the Administrative Agent and the Lenders, segregated from other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, be turned over to the Administrative Agent in the exact form received by such Grantor (duly indorsed by such Grantor to the Administrative Agent, if required). All Proceeds received by the Administrative Agent hereunder shall be held by the Administrative Agent in a Collateral Account maintained under its sole dominion and control. All Proceeds while held by the Administrative Agent in a Collateral Account (or by such Grantor in trust for the Administrative Agent and the Lenders) shall continue to be held as collateral security for all the Obligations and shall not constitute payment thereof until applied as provided in Section 6.5.

6.5 Application of Proceeds. At such intervals as may be agreed upon by the Borrower and the Administrative Agent, or, if an Event of Default shall have occurred and be continuing, at any time at the Administrative Agent's election, the Administrative Agent may apply all or any part of Proceeds constituting Collateral, whether or not held in any Collateral Account, and any proceeds of the guarantee set forth in Section 2, in payment of the Obligations in the following order:

First, to pay incurred and unpaid fees and expenses of the Administrative Agent under the Loan Documents;

Second, to the Administrative Agent, for application by it towards payment of amounts then due and owing and remaining unpaid in respect of the Obligations, pro rata among the Lenders according to the amounts of the Obligations then due and owing and remaining unpaid to the Lenders;

Third, to the Administrative Agent, for application by it towards prepayment of the Obligations, pro rata among the Lenders according to the amounts of the Obligations then held by the Lenders; and

Fourth, any balance of such Proceeds remaining after the Obligations shall have been paid in full shall be paid over to the Borrower or to whomsoever may be lawfully entitled to receive the same.

6.6 Code and Other Remedies. If an Event of Default shall occur and be continuing, the Administrative Agent, on behalf of the Lenders, may exercise, in addition to all other rights and remedies granted to them in this Agreement and in any other instrument or agreement securing, evidencing or relating to the Obligations, all rights and remedies of a secured party under the New York UCC or any other applicable law. Without limiting the generality of the foregoing, the Administrative Agent, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements and notices are hereby waived), may in such circumstances forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, lease, assign, give option or options to purchase, or otherwise dispose of and deliver the Collateral or any part thereof (or contract to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Administrative Agent or any Lender or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Administrative Agent or any Lender shall have the right upon any such public sale or sales, and, to the extent permitted by law, upon any such private sale or sales, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption in any Grantor, which right or equity is hereby waived and released. Each Grantor further agrees, at the Administrative Agent's request, to assemble the Collateral and make it available to the Administrative Agent at places which the Administrative Agent shall reasonably select, whether at such Grantor's premises or elsewhere. The Administrative Agent shall apply the net proceeds of any action taken by it pursuant to this Section 6.6, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Administrative Agent and the Lenders hereunder, including, without limitation, reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Obligations, in such order as the Administrative Agent may elect, and only after such application and after the payment by the Administrative Agent of any other amount required by any provision of law, including, without limitation, Section 9-608(a)(1)(C) of the New York UCC, need the Administrative Agent account for the surplus, if any, to any Grantor. To the extent permitted by applicable law, each Grantor waives all claims, damages and demands it may

acquire against the Administrative Agent or any Lender arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least 10 days before such sale or other disposition.

6.7 Registration Rights. (a) If the Administrative Agent shall determine to exercise its right to sell any or all of the Pledged Stock pursuant to Section 6.6, and if in the opinion of the Administrative Agent it is necessary or advisable to have the Pledged Stock, or that portion thereof to be sold, registered under the provisions of the Securities Act, the relevant Grantor will cause the Issuer thereof to (i) execute and deliver, and cause the directors and officers of such Issuer to execute and deliver, all such instruments and documents, and do or cause to be done all such other acts as may be, in the opinion of the Administrative Agent, necessary or advisable to register the Pledged Stock, or that portion thereof to be sold, under the provisions of the Securities Act, (ii) use its best efforts to cause the registration statement relating thereto to become effective and to remain effective for a period of one year from the date of the first public offering of the Pledged Stock, or that portion thereof to be sold, and (iii) make all amendments thereto and/or to the related prospectus which, in the opinion of the Administrative Agent, are necessary or advisable, all in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto. Each Grantor agrees to cause such Issuer to comply with the provisions of the securities or "Blue Sky" laws of any and all jurisdictions which the Administrative Agent shall designate and to make available to its security holders, as soon as practicable, an earnings statement (which need not be audited) which will satisfy the provisions of Section 11(a) of the Securities Act.

(b) Each Grantor recognizes that the Administrative Agent may be unable to effect a public sale of any or all the Pledged Stock, by reason of certain prohibitions contained in the Securities Act and applicable state securities laws or otherwise, and may be compelled to resort to one or more private sales thereof to a restricted group of purchasers which will be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Administrative Agent shall be under no obligation to delay a sale of any of the Pledged Stock for the period of time necessary to permit the Issuer thereof to register such securities for public sale under the Securities Act, or under applicable state securities laws, even if such Issuer would agree to do so.

(c) Each Grantor agrees to use its best efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of all or any portion of the Pledged Stock pursuant to this Section 6.7 valid and binding and in compliance with any and all other applicable Requirements of Law. Each Grantor further agrees that a breach of any of the covenants contained in this Section 6.7 will cause irreparable injury to the Administrative Agent and the Lenders, that the Administrative Agent and the Lenders have no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 6.7 shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such

covenants except for a defense that no Event of Default has occurred under the Credit Agreement.

6.8 Waiver; Deficiency. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Obligations and the fees and disbursements of any attorneys employed by the Administrative Agent or any Lender to collect such deficiency.

SECTION 7. THE ADMINISTRATIVE AGENT

7.1 Administrative Agent's Appointment as Attorney-in-Fact, etc. (a) Each Grantor hereby irrevocably constitutes and appoints the Administrative Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of this Agreement, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of this Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Administrative Agent the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any or all of the following:

(i) in the name of such Grantor or its own name, or otherwise, take possession of and indorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Receivable or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Administrative Agent for the purpose of collecting any and all such moneys due under any Receivable or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Administrative Agent may request to evidence the Administrative Agent's and the Lenders' security interest in such Intellectual Property and the goodwill and general intangibles of such Grantor relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against the Collateral, effect any repairs or any insurance called for by the terms of this Agreement and pay all or any part of the premiums therefor and the costs thereof;

(iv) execute, in connection with any sale provided for in Section 6.6 or 6.7, any indorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral; and

(v) (1) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Administrative Agent or as the Administrative Agent shall direct; (2) ask or demand for, collect, and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral;

(3) sign and indorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral; (4) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral; (5) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral; (6) settle, compromise or adjust any such suit, action or proceeding and, in connection therewith, give such discharges or releases as the Administrative Agent may deem appropriate; (7) assign any Copyright, Patent or Trademark (along with the goodwill of the business to which any such Copyright, Patent or Trademark pertains), throughout the world for such term or terms, on such conditions, and in such manner, as the Administrative Agent shall in its sole discretion determine; and (8) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Administrative Agent were the absolute owner thereof for all purposes, and do, at the Administrative Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things which the Administrative Agent deems necessary to protect, preserve or realize upon the Collateral and the Administrative Agent's and the Lenders' security interests therein and to effect the intent of this Agreement, all as fully and effectively as such Grantor might do.

Anything in this Section 7.1 (a) to the contrary notwithstanding, the Administrative Agent agrees that it will not exercise any rights under the power of attorney provided for in this Section 7.1(a) unless an Event of Default shall have occurred and be continuing.

(b) If any Grantor fails to perform or comply with any of its agreements contained herein, the Administrative Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The expenses of the Administrative Agent incurred in connection with actions undertaken as provided in this Section 7.1, together with interest thereon at a rate per annum equal to the rate per annum at which interest would then be payable on past due Eurodollar Loans under the Credit Agreement, from the date of payment by the Administrative Agent to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Administrative Agent on demand.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

7.2 Duty of Administrative Agent. The Administrative Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the New York UCC or otherwise, shall be to deal with it in the same manner as the Administrative Agent deals with similar property for its own account. Neither the Administrative Agent, any Lender nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for

any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Administrative Agent and the Lenders hereunder are solely to protect the Administrative Agent's and the Lenders' interests in the Collateral and shall not impose any duty upon the Administrative Agent or any Lender to exercise any such powers. The Administrative Agent and the Lenders shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

7.3 Execution of Financing Statements. Each Grantor authorizes the Administrative Agent to file or record financing statements and other filing or recording documents or instruments with respect to the Collateral without the signature of such Grantor in such form and in such offices as the Administrative Agent reasonably determines appropriate to perfect the security interests of the Administrative Agent under this Agreement. A photographic or other reproduction of this Agreement shall be sufficient as a financing statement or other filing or recording document or instrument for filing or recording in any jurisdiction.

7.4 Authority of Administrative Agent. Each Grantor acknowledges that the rights and responsibilities of the Administrative Agent under this Agreement with respect to any action taken by the Administrative Agent or the exercise or non-exercise by the Administrative Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Agreement shall, as between the Administrative Agent and the Lenders, be governed by the Credit Agreement and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Administrative Agent and the Grantors, the Administrative Agent shall be conclusively presumed to be acting as agent for the Lenders with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

SECTION 8. MISCELLANEOUS

8.1 Amendments in Writing. None of the terms or provisions of this Agreement may be waived, amended, supplemented or otherwise modified except in accordance with Section 10.1 of the Credit Agreement.

8.2 Notices. All notices, requests and demands to or upon the Administrative Agent, the Borrower or any Guarantor hereunder shall be effected in the manner provided for in Section 10.2 of the Credit Agreement; provided that any such notice, request or demand to or upon any Guarantor shall be addressed to such Guarantor at its notice address set forth on Schedule 1.

8.3 No Waiver by Course of Conduct; Cumulative Remedies. Neither the Administrative Agent nor any Lender shall by any act (except by a written instrument pursuant to Section 8.1), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Administrative Agent or any Lender, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial

exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Administrative Agent or any Lender of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Administrative Agent or such Lender would otherwise have on any future occasion. The rights and remedies herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

8.4 Enforcement Expenses; Indemnification. (a) The Borrower and each Guarantor agree to pay, or reimburse each Lender and the Administrative Agent for, all its costs and expenses incurred in collecting against the Borrower or such Guarantor under the guarantee contained in Section 2 or otherwise enforcing or preserving any rights under this Agreement and the other Loan Documents to which the Borrower or such Guarantor is a party, including, without limitation, the fees and disbursements of counsel (including the allocated fees and expenses of in-house counsel) to each Lender and of counsel to the Administrative Agent.

(b) The Borrower and each Guarantor agree to pay, and to save the Administrative Agent and the Lenders harmless from, any and all liabilities with respect to, or resulting from any delay in paying, any and all stamp, excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Agreement.

(c) The Borrower and each Guarantor agree to pay, and to save the Administrative Agent and the Lenders harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement to the extent the Borrower would be required to do so pursuant to Section 10.5 of the Credit Agreement.

(d) The agreements in this Section shall survive repayment of the Obligations and all other amounts payable under the Credit Agreement and the other Loan Documents.

8.5 Successors and Assigns. This Agreement shall be binding upon the successors and assigns of the Borrower and each Guarantor and shall inure to the benefit of the Administrative Agent and the Lenders and their successors and assigns; provided that neither the Borrower nor any Guarantor may assign, transfer or delegate any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent.

8.6 Set-Off. The Borrower and each Guarantor hereby irrevocably authorize the Administrative Agent and each Lender at any time and from time to time while an Event of Default shall have occurred and be continuing, without notice to the Borrower or such Guarantor or any other Guarantor, any such notice being expressly waived by the Borrower and each Guarantor, to set-off and appropriate and apply any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by the Administrative Agent or such Lender to or for the credit or the account of the Borrower or such Guarantor, or any part thereof in such amounts as the Administrative Agent or such Lender may elect, against and on account of the obligations

and liabilities of the Borrower or such Guarantor to the Administrative Agent or such Lender hereunder and claims of every nature and description of the Administrative Agent or such Lender against the Borrower or such Guarantor, in any currency, whether arising hereunder, under the Credit Agreement, any other Loan Document or otherwise, as the Administrative Agent or such Lender may elect, whether or not the Administrative Agent or any Lender has made any demand for payment and although such obligations, liabilities and claims may be contingent or unmatured. The Administrative Agent and each Lender shall notify the Borrower or such Guarantor promptly of any such set-off and the application made by the Administrative Agent or such Lender of the proceeds thereof; provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Administrative Agent and each Lender under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Administrative Agent or such Lender may have.

8.7 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by telecopy), and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

8.8 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.9 Section Headings. The Section headings used in this Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

8.10 Integration. This Agreement and the other Loan Documents represent the agreement of the Borrower, the Guarantors, the Administrative Agent and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to subject matter hereof and thereof not expressly set forth or referred to herein or in the other Loan Documents.

8.11 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

8.12 Submission To Jurisdiction; Waivers. The Borrower and each Guarantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower or such Guarantor at its address referred to in Section 8.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

8.13 Acknowledgements. The Borrower and each Guarantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents to which it is a party;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to the Borrower or any Guarantor arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Borrower and the Guarantors, on the one hand, and the Administrative Agent and Lenders, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Borrower, the Guarantors and the Lenders.

8.14 Additional Guarantors. Each Subsidiary of the Borrower that is required to become a party to this Agreement pursuant to Section 6.10 of the Credit Agreement shall become a Guarantor for all purposes of this Agreement upon execution and delivery by such Subsidiary of an Assumption Agreement in the form of Annex 1 hereto.

8.15 Releases. (a) At such time as the Term Loans and the other Obligations shall have been paid in full, the Collateral shall be released from the Liens created hereby, and this Agreement and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Grantor hereunder shall terminate, all without delivery of any instrument or performance of any act by any party, and all rights to the Collateral shall revert to the Grantors. At the request and sole expense of any Grantor following any such termination, the Administrative Agent shall deliver to such Grantor any Collateral held by the Administrative Agent hereunder, and execute and deliver to such Grantor such documents as such Grantor shall reasonably request to evidence such termination.

(b) If any of the Collateral shall be sold, transferred or otherwise disposed of by any Grantor in a transaction permitted by the Credit Agreement, then the Administrative Agent, at the request and sole expense of such Grantor, shall execute and deliver to such Grantor all releases or other documents reasonably necessary or desirable for the release of the Liens created hereby on such Collateral. At the request and sole expense of the Borrower, a Subsidiary Guarantor shall be released from its obligations hereunder in the event that all the Capital Stock of such Subsidiary Guarantor shall be sold, transferred or otherwise disposed of in a transaction permitted by the Credit Agreement; provided that the Borrower shall have delivered to the Administrative Agent, at least ten Business Days prior to the date of the proposed release, a written request for release identifying the relevant Subsidiary Guarantor and the terms of the sale or other disposition in reasonable detail, including the price thereof and any expenses in connection therewith, together with a certification by the Borrower stating that such transaction is in compliance with the Credit Agreement and the other Loan Documents.

8.16 WAIVER OF JURY TRIAL. THE BORROWER AND EACH GUARANTOR AND, BY ACCEPTANCE OF THE BENEFITS HEREOF, EACH AGENT AND EACH LENDER, HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each of the undersigned has caused this Agreement to be duly executed and delivered as of the date first above written.

THE WILLIAMS COMPANIES, INC.

By: /s/ Steven J. Malcolm
Name: Steven J. Malcolm
Title: Chairman of the Board, Chief Executive Officer and President

WILLIAMS PRODUCTION HOLDINGS LLC

By: /s/ Ralph A. Hill
Name: Ralph A. Hill
Title: Senior Vice President

WILLIAMS PRODUCTION RMT COMPANY

By: /s/ Phillip D. Wright
Name: Phillip D. Wright
Title: President

PLAINS PETROLEUM GATHERING COMPANY

By: /s/ Phillip D. Wright
Name: Phillip D. Wright
Title: Chairman of the Board, Chief Executive Officer and President

BARRETT RESOURCES INTERNATIONAL CORPORATION

By: /s/ Ralph A. Hill
Name: Ralph A. Hill
Title: Senior Vice President

BARGATH INC.

By: /s/ Phillip D. Wright
Name: Phillip D. Wright
Title: President

BARRETT FUELS CORPORATION

By: /s/ Phillip D. Wright

Name: Phillip D. Wright

Title: President

Annex I to
Guarantee and Collateral Agreement

ASSUMPTION AGREEMENT, dated as of _____, 200__, made by _____, a _____ corporation (the "Additional Guarantor"), in favor of LEHMAN COMMERCIAL PAPER INC. ("LCPI"), as administrative agent (in such capacity, the "Administrative Agent") for the financial institutions (the "Lenders") party to the Credit Agreement referred to below. All capitalized terms not defined herein shall have the meaning ascribed to them in such Credit Agreement.

W I T N E S S E T H :

WHEREAS, The Williams Companies, Inc. (the "Parent"), Williams Production Holdings LLC ("Holdings"), Williams Production RMT Company (the "Borrower"), the Lenders, the Administrative Agent, Lehman Brothers Inc., as Arranger, and LCPI, as Syndication Agent have entered into a Credit Agreement, dated as of July 31, 2002 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement");

WHEREAS, in connection with the Credit Agreement, the Parent, Holdings, the Borrower and certain of its Subsidiaries (other than the Additional Guarantor) have entered into the Guarantee and Collateral Agreement, dated as of July 31, 2002 (as amended, supplemented or otherwise modified from time to time, the "Guarantee and Collateral Agreement") in favor of the Administrative Agent for the benefit of the Secured Parties;

WHEREAS, the Credit Agreement requires the Additional Guarantor to become a party to the Guarantee and Collateral Agreement; and

WHEREAS, the Additional Guarantor has agreed to execute and deliver this Assumption Agreement in order to become a party to the Guarantee and Collateral Agreement;

NOW, THEREFORE, IT IS AGREED:

1 Guarantee and Collateral Agreement. By executing and delivering this Assumption Agreement, the Additional Guarantor, as provided in Section 8.14 of the Guarantee and Collateral Agreement, hereby becomes a party to the Guarantee and Collateral Agreement as a Guarantor thereunder with the same force and effect as if originally named therein as a Guarantor and, without limiting the generality of the foregoing, hereby expressly assumes all obligations and liabilities of a Guarantor thereunder. The information set forth in Annex 1-A hereto is hereby added to the information set forth in Schedules _____* to the Guarantee and Collateral Agreement. The Additional Guarantor hereby represents and warrants that each of the representations and warranties contained in Section 4 of the Guarantee and Collateral Agreement is true and correct on and as the date hereof (after giving effect to this Assumption Agreement) as if made on and as of such date.

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* Refer to each Schedule which needs to be supplemented.

2. GOVERNING LAW. THIS ASSUMPTION AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the undersigned has caused this Assumption Agreement to be duly executed and delivered as of the date first above written.

[ADDITIONAL GUARANTOR]

By:

Name:
Title:

Annex II
to
Guarantee and Collateral Agreement

ACKNOWLEDGEMENT AND CONSENT

The undersigned hereby acknowledges receipt of a copy of the Guarantee and Collateral Agreement dated as of July 31, 2002 (the "Agreement"), made by the Borrower and the Guarantors parties thereto in favor of LEHMAN COMMERCIAL PAPER INC., as Administrative Agent. The undersigned agrees for the benefit of the Administrative Agent and the Lenders as follows:

1. The undersigned will be bound by the terms of the Agreement and will comply with such terms insofar as such terms are applicable to the undersigned.

2. The undersigned will notify the Administrative Agent promptly in writing of the occurrence of any of the events described in Section 5.8(a) of the Agreement.

3. The terms of Sections 5.8, 6.3(c) and 6.7 of the Agreement shall apply to it, mutatis mutandis, with respect to all actions that may be required of it, or prohibited, pursuant to Section 5.8, 6.3(c) or 6.7 of the Agreement.

[NAME OF ISSUER]

By:

Name:
Title:

Address for Notices:

Fax:

EXHIBIT 10.5

RETIREMENT AGREEMENT

This AGREEMENT is entered into this 1st day of May, 2002 by and between The Williams Companies, Inc. ("Williams") (as authorized and approved by the Compensation Committee of the Williams Board of Directors at its January 17, 2002 meeting) and Keith E. Bailey ("Mr. Bailey"),

WHEREAS, Mr. Bailey is retiring from his employment with Williams effective May 31, 2002; and

WHEREAS, Williams wishes to retain the services of Mr. Bailey and obtain certain covenants from him, and Mr. Bailey wishes to perform services for Williams and provide such covenants, on the terms and conditions set forth in this Agreement; and

WHEREAS, Williams seeks to achieve a final and amicable resolution of the employment relationship and assure a smooth transition of job functions;

NOW, THEREFORE, in consideration of the mutual promises made herein, and for other good and valuable consideration, the parties hereby agree as follows:

COVENANTS AND OBLIGATIONS OF WILLIAMS

1. Lump Sum Payments. In consideration of the covenants and obligations entered into herein, and in lieu of a 2002 discretionary stock option award, Williams agrees to pay Mr. Bailey a total gross amount of $2,000,000. In recognition of his contributions as Chairman, and in further consideration of the covenants and obligations entered into herein and under the Release Agreement attached hereto as Exhibit A, Williams agrees to pay Mr. Bailey, on the effective date of the Release Agreement a total gross amount of $2,400,000.

2. EICP Bonus. Mr. Bailey shall be eligible to receive a prorated bonus under the Executive Incentive Compensation Program for the 2002 calendar year. Such bonus will be based on a target opportunity of 100% of base pay, actual WMB financial and stock performance, and personal performance based on an "achieves, achieves" level. The bonus will be paid in a lump sum at the same time payment is made to other participants.

3. Restricted and Deferred Stock Awards. All of Mr. Bailey's unvested restricted and deferred stock awards shall vest and become payable upon his retirement.

4. Stock Option Loan. Mr. Bailey's outstanding stock option loan in effect on the date of his retirement from Williams shall continue in force through the remainder of its original term.

5. Home Office Support. Williams shall provide and maintain Mr. Bailey's computer and access to Williams' network and telephone systems via his home offices through December 31, 2003.

6. Financial Services. Williams shall provide Mr. Bailey with access to Williams' Financial Planning Services group for assistance with 2001 and 2002 tax years.

7. Travel Expenses. Williams shall provide Mr. Bailey with transportation and reimbursement of travel expenses for a period of one year following retirement for any obligation that relates to commitments made as an active Williams employee and benefits Williams. Transportation may be provided through use of Williams

aircraft pursuant to approval by Williams' Chairman.

8. Reimbursement of Expenses. Williams shall reimburse Mr. Bailey for all reasonable expenses incurred after his retirement in response to legal actions relating to his responsibilities while employed by Williams. Williams shall also reimburse Mr. Bailey for all otherwise unreimbursed reasonable expenses related to his service on the AEGIS Board of Directors.

9. Insurance and Indemnification. To the extent permitted by law and as provided in its Certificate of Incorporation and By-Laws, Williams shall use its best efforts to maintain directors and officers insurance providing coverage to Mr. Bailey for, and shall indemnify and hold harmless Mr. Bailey from, all claims made against him to the extent they relate to, or arise out of, his employment at Williams as a director, officer or employee.

10. Benefits. Nothing contained herein shall be construed to abrogate Mr. Bailey's rights under any employee benefit or incentive compensation plan. Mr. Bailey's rights under any employee benefit or incentive compensation plan shall be governed by the terms of such plan.

COVENANTS AND OBLIGATIONS OF MR. BAILEY

1. Continuation of Present Employment. From the execution of this Agreement through May 31, 2002, Mr. Bailey agrees to use his best efforts on behalf of Williams to fulfill his assigned responsibilities and effect a successful transition of job functions to his successor.

2. Consulting Services. For a period of two years following his retirement, Mr. Bailey shall, upon the reasonable request of Williams, assist Williams at such times and in such manner as Mr. Bailey and Williams shall mutually agree. Mr. Bailey's on-location requirements will not exceed twelve (12) days per calendar quarter without his consent.

3. Litigation Assistance. Mr. Bailey agrees, upon the reasonable request of Williams, to provide assistance to Williams as may reasonably be required in connection with any litigation that Williams is or may become a party to relating to events occurring during Mr. Bailey's employment with the Company.

4. AEGIS Board. Mr. Bailey agrees to continue to serve on the AEGIS Board of Directors after his retirement.

5. Execution of Release. Mr. Bailey agrees to execute no earlier than June 1, 2002, the Release Agreement attached hereto as Exhibit A.

6. Covenant Not to Compete. To the maximum extent permitted by law, and in further consideration of the payments received herein, Mr. Bailey agrees that for a period of two and one-half years following his retirement he shall not, without the prior written consent of the Chairman of Williams for himself or on behalf of any person, partnership, corporation or other business entity, directly or indirectly engage in the same or substantially similar activities as those management activities he performed for Williams, for or in any other person, firm or entity in competition with the business of Williams, in the continental United States.

7. Confidentiality. Mr. Bailey agrees to keep the existence, terms and substance of this Agreement confidential and further agrees that he will not disclose the terms of this Agreement to anyone outside his immediate family, attorney or financial advisor, except as may be required by law.

GENERAL PROVISIONS

1. Severability. In the event that any provision of this Agreement should be held to be void, voidable, or unenforceable, the remaining portions hereto shall remain in full force and effect. If any provision shall be deemed invalid due to its scope or breadth, such provision shall be deemed valid to the extent permitted by law.

2. Governing Law. This Agreement shall be subject to and construed in accordance with the laws of the State of Oklahoma.

3. Waiver or Amendment. No waiver, alteration, or modification of any of the provisions of this Agreement shall be binding unless in writing and signed both by Mr. Bailey and a duly authorized representative of Williams.

4. Entirety. This Agreement, including the Exhibit A hereto, constitutes the entire agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any and all other negotiations, understandings or agreements, whether oral or in writing between the parties with respect to the subject matter hereof including, without limitation, any and all compensation or benefits payable to Mr. Bailey.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first shown above.

THE WILLIAMS COMPANIES, INC.

By: /s/ Michael P. Johnson

Title: Sr. V.P. Human Resources

/s/ Keith E. Bailey

Keith E. Bailey

EXHIBIT "A"

RELEASE

THIS RELEASE (this "Agreement") is entered into this 1st day of June, 2002 by and between The Williams Companies, Inc. ("Williams") and Keith E. Bailey ("Mr. Bailey") and is effective seven days after the execution hereof by Mr. Bailey.

WHEREAS, the parties entered into a Retirement Agreement dated May 1, 2002 ("Retirement Agreement"); and

WHEREAS, such Retirement Agreement provided for the execution of this Agreement on or after June 1, 2002;

NOW, THEREFORE, in consideration of the mutual promises made herein, and for other good and valuable consideration, the parties hereby agree as follows:

COVENANTS AND OBLIGATIONS OF WILLIAMS

1. Retirement Agreement Payment. On the effective date of this Agreement, Williams shall pay to Mr. Bailey the lump sum payment provided for in the Retirement Agreement.

COVENANTS AND OBLIGATIONS OF MR. BAILEY

1. Release. Except for the obligations specifically set forth in this Agreement and the Retirement Agreement, Mr. Bailey fully and forever relieves, releases and discharges Williams and all of its agents, representatives, officers, directors, shareholders and affiliates from all claims, debts, liabilities, demands, obligations, promises, acts, agreements, costs, expenses, damages, actions, and causes of action whether in law or in equity, whether known or unknown, suspected or unsuspected, arising from Mr. Bailey's employment with Williams or the termination thereof, including but not limited to any and all claims pursuant to Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 2000e, et seq., as amended by the Civil Rights Act of 1991; the Civil Rights Act of 1966, 42 U.S.C. Section 1981; the Age Discrimination in Employment Act, and the Older Workers' Benefit Protection Act; 29 U.S.C. Section 621, et. seq.; the Employment Retirement Income Security Act of 1974, as amended, 29 U.S.C. Section 1001, et seq.; the Americans with Disabilities Act; the Family and Medical Leave Act; 29 U.S.C. Section 621, et. seq.; any other statute, ordinance, regulation or order; or any other common law authority.

2. Confidentiality. Mr. Bailey agrees to keep the existence, terms and substance of this Agreement confidential and further agrees that he will not disclose the terms of this Agreement to anyone outside his immediate family, attorney or financial advisor, except as may be required by law.

3. Representations and Warranties.

(a) Mr. Bailey agrees and covenants that he will not initiate any litigation based on events, occurrences, acts or omissions which relate in any way to his employment with Williams, or the termination thereof.

(b) Mr. Bailey acknowledges that he has been extended a period of 21 days within which to consider this Agreement.

(c) For a period of 7 days following his execution of this Agreement, Mr. Bailey may revoke this Agreement by notifying Williams, in writing, of his desire to do so. After the 7-day period has elapsed, this Agreement shall become effective and enforceable.

(d) Mr. Bailey acknowledges that he has been advised by Williams to consult with an attorney before executing this Agreement.

GENERAL PROVISIONS

1. No Admission of Liability. This Agreement and compliance with this Agreement shall not be construed as an admission by Williams of any liability, or as an admission by Williams of any violation of the rights of Mr. Bailey or any other person, or any violation of any order, law, statute, duty or contract.

2. Severability. In the event that any provision of this Agreement should be held to be void, voidable, or unenforceable, the remaining portions hereto shall remain in full force and effect. If any provision shall be deemed invalid due to its scope or breadth, such provision shall be deemed valid to the extent permitted by law.

3. Governing Law. This Agreement shall be subject to and construed in accordance with the laws of the State of Oklahoma.

4. Waiver or Amendment. No waiver, alteration, or modification of any of the provisions of this Agreement shall be binding unless in writing and signed both by Mr. Bailey and a duly authorized representative of Williams.

5. Entirety. This Agreement and the Retirement Agreement constitute the entire agreement between the parties with respect to the subject matter hereof. This Agreement and the Retirement Agreement supersede any and all other negotiations, understandings or agreements, whether oral or in writing between the parties with respect to the subject matter hereof including, without limitation, any and all compensation or benefits payable to Mr. Bailey.

6. Authorization. Each person signing this Agreement as a party or on behalf of a party represents that he is duly authorized to sign this Agreement on such party's behalf, and is executing this Agreement voluntarily, knowingly, and without any duress or coercion.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first shown above.

THE WILLIAMS COMPANIES, INC.

By: /s/ Michael P. Johnson

Title: Sr. V.P. Human Resources

/s/ Keith E. Bailey

Keith E. Bailey

EXHIBIT 10.6
[Execution Copy]

SECURITY AGREEMENT

This SECURITY AGREEMENT (this "Security Agreement"), dated as of July 31, 2002, among THE WILLIAMS COMPANIES, INC., a Delaware corporation (the "Company"), and each of the Subsidiaries which is a signatory hereto or which subsequently becomes a party hereto in accordance with the terms hereof (together, with the Company, the "Grantors"), in favor of CITIBANK, N.A., as collateral trustee ("Collateral Trustee") for the benefit of the holders of the Secured Obligations (as defined in Section 1.1 below).

PRELIMINARY STATEMENTS

A. The Company and/or its Subsidiaries have entered into multiple financing transactions with groups of lenders and financial institutions (collectively, referred to herein as the "Financial Institutions"). Such financing transactions are governed by the credit and security documents more fully described in Schedule III hereto (such documents being collectively referred to herein, as the same may be amended and modified from time to time, as the "Credit Documents"). "Borrowers" as used herein shall mean the borrowers under any one or more of the Credit Documents.

B. The Company, several of its Subsidiaries and Citibank, N.A., as collateral trustee have entered into a Collateral Trust Agreement dated as of July 31, 2002 (the "Collateral Trust Agreement"), which provides for collateral to be held by Citibank, N.A., as collateral trustee for the benefit of the Financial Institutions.

C. It is a condition to certain transactions under the Credit Documents, that each of the Grantors shall have executed and delivered this Security Agreement.

D. The Company is the principal financing entity for all capital requirements of its Subsidiaries, and from time to time the Company has made capital contributions and advances to its Subsidiaries, including all Grantors other than the Company. Other than the Company each of the Grantors is a wholly owned Subsidiary of the Company and will derive substantial direct or indirect benefit from the transactions contemplated by the Credit Documents.

AGREEMENT

Therefore, in order to induce the Financial Institutions to enter into and/or continue certain financing transactions described in the Credit Documents, each of the Grantors hereby agrees with Collateral Trustee for its benefit and the ratable benefit of the Collateral Trustee and the other Financial Institutions as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. The following terms shall have the meanings specified below, and capitalized terms used in this Security Agreement but not defined herein shall have the meanings set forth for such terms in the Credit Agreement dated as of July 31, 2002 (the "New Credit Agreement"), among Company and the Financial Institutions named therein.

"Account" or "Accounts" means "accounts" as that term is defined in the UCC.

"Applicable Law" or "Applicable Laws" means all applicable statutes, regulations, rules, ordinances, codes, licenses, permits, orders and approvals of each Governmental Authority having jurisdiction over the Grantors, the Collateral Trustee, the Financial Institutions, the Collateral or the Credit Documents, in each case, as amended, and any judicial or administrative interpretation thereof, including any judicial order, consent, decree or judgment applicable to the Grantors, the Collateral Trustee, the Financial Institutions, the Collateral or the Credit Documents.

"Chattel Paper" means "chattel paper" as that term is defined in the UCC and any Electronic Chattel Paper and Tangible Chattel Paper owned by any one or more of the Grantors.

"Collateral" has the meaning set forth in Section 2.1 of this Security Agreement.

"Contract" or "Contracts" means all contracts to which any one or more of the Grantors now is, or hereafter will be, bound, or a party, beneficiary or assignee (other than rights evidenced by Chattel Paper, Documents or Instruments), all Insurance Contracts, and all exhibits, schedules and other attachments to such contracts, as the same may be amended, supplemented or otherwise modified or replaced from time to time.

"Contract Documents" means all Instruments, Chattel Paper, letters of credit, bonds, guarantees or similar documents evidencing, representing, arising from or existing in respect of, relating to, securing or otherwise supporting the payment of, the Contract Rights.

"Contract Rights" has the meaning set forth in Section 5.1 of this Security Agreement.

"Document" or "Documents" means any "document" as that term is defined in the UCC, including, without limitation, a bill of lading, dock warrant, dock receipt, warehouse receipt or order for the delivery of goods, and also any other document which in the regular course of business or financing is treated as adequately evidencing that the person in possession of it is entitled to receive, hold and dispose of the document and the goods it covers.

"Electronic Chattel Paper" means "electronic chattel paper" as that term is defined in the UCC.

"Equipment" means any equipment now or hereafter owned or leased by any of the Grantors, or in which any Grantor holds or acquires any other right, title or interest, constituting "equipment" under the UCC, including without limitation all field lines and drilling equipment,

purification equipment, liquefaction equipment, vaporizing equipment, and all other machinery, tools, office equipment, furniture, furnishings, fixtures, vehicles, motor vehicles, and any manuals, instructions, blueprints, computer software (including software that is imbedded in and part of the equipment) and similar items which relate to the above, and any and all additions, substitutions and replacements of any of the foregoing, wherever located together with all improvements thereon and all attachments, components, parts, equipment and accessories installed thereon or affixed thereto.

"Event of Default" means any default or event of default, however denominated, under any Credit Document.

"Fixture" or "Fixtures" means any fixture or fixtures now or hereafter owned or leased by any of the Grantors, or in which any of the Grantors holds or acquires any other right, title or interest, constituting "fixtures" under the UCC, including without limitation all pipe which is part of a pipeline system owned by any of the Grantors, and any and all additions, substitutions and replacements of any of the foregoing, wherever located together with all improvements thereon and all attachments, components, parts, equipment and accessories installed thereon or affixed thereto.

"General Intangible" or "General Intangibles" means all general intangibles now or hereafter owned by any of the Grantors, or in which any of the Grantors holds or acquires any other right, title or interest, constituting "general intangibles" or "payment intangibles" under the UCC, including, but not limited to, all trademarks, trademark applications, trademark registrations, trade names, fictitious business names, business names, company names, business identifiers, prints, labels, trade styles and service marks (whether or not registered), trade dress, including logos and/or designs, copyrights, patents, patent applications, goodwill of such entity's or its affiliate's business symbolized by any of the foregoing, trade secrets, license rights, license agreements, permits, franchises, and any rights to tax refunds to which any of the Grantors is now or hereafter may be entitled.

"Governmental Authority" shall mean any government, department, ministry, commission, board, bureau, agency, regulatory authority, instrumentality of any government (central, federal, state, municipal or local), judicial, legislative or administrative body, domestic or foreign, having jurisdiction over the matter or matters in question.

"Governmental Requirements" means all judgments, orders, writs, injunctions, decrees, awards, laws, ordinances, statutes, regulations, rules, franchises, permits, certificates, licenses, authorizations and the like and any other requirements of any government or any commission, board, court, agency, instrumentality or political subdivision thereof.

"Instrument" mean an "instrument" as that term is defined in the UCC, including, without limitation, any Negotiable Instrument, or any other writing which evidences a right to the payment of money and is not itself a security agreement or lease and is of a type which is in the ordinary course of business transferred by delivery with any necessary endorsement or assignment (other than Instruments constituting Chattel Paper).

"Insurance Contracts" means all contracts and policies of insurance and re-insurance maintained or required to be maintained by or on behalf of any of the Grantors under the Credit Documents.

"Inventory" shall mean all of the inventory of any of the Grantors, or in which any of the Grantors holds or acquires any right, title or interest, of every type or description, now owned or hereafter acquired and wherever located, whether raw, in process or finished, and all materials usable in processing the same and all documents of title covering any inventory, including, without limitation, work in process, materials used or consumed in any of the Grantors' business, now owned or hereafter acquired or manufactured by any of the Grantors and held for sale in the ordinary course of its business, all present and future substitutions therefore, parts and accessories thereof and all additions thereto, all Proceeds thereof and products of such inventory in any form whatsoever, and any other item constituting "inventory" under the UCC.

"Inventory Records" shall mean all books, records and other property and General Intangibles at any time relating to Inventory.

"Investment Property" means "investment property" as that term is defined in the UCC, including, without limitation, all securities (whether certificated or uncertificated), security entitlements, securities accounts, commodity contracts, and commodity accounts.

"Lien" or "Liens" means any mortgage, deed of trust, pledge, assessment, security interest, adverse claim, levy, charge, option, right of first refusal, charge, debenture, indenture, easement, right-of-way, restriction, encroachment, license, lease, security agreement, or other encumbrance of any kind and other restrictions or limitations on the use or ownership of personal property or irregularities in title thereto.

"Negotiable Instrument" means a "negotiable instrument" as that term is defined in the UCC.

"Permitted Liens" means those certain Liens described on Schedule III to the New Credit Agreement.

"Proceeds" means "proceeds" as that term is defined in the UCC, and includes, but is not limited to, all proceeds of any or all of the Collateral, including without limitation (a) any and all proceeds of, and all claims for, any insurance, indemnity, warranty or guaranty payable from time to time with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Governmental Authority (or any person acting under color of governmental authority), (c) all proceeds received or receivable when any or all of the Collateral is sold, exchanged or otherwise disposed, whether voluntarily, involuntarily, in foreclosure or otherwise, and (d) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Receivables" means all Accounts and all of any of the Grantors' rights to payment for goods sold or leased, services performed, or otherwise, whether now in existence or arising from time to time hereafter, including, without limitation, rights arising under any of the Contracts or

evidenced by an account, note, contract, security agreement, Chattel Paper, or other evidence of indebtedness or security, together with all of the right, title and interest of any of the Grantors in and to (a) all security pledged, assigned, hypothecated or granted to or held by any of the Grantors to secure the foregoing, (b) all of any of the Grantors' right, title and interest in and to any goods or services, the sale of which gave rise thereto, (c) all guarantees, endorsements and indemnifications on, or of, any of the foregoing, (d) all powers of attorney granted to any of the Grantors for the execution of any evidence of indebtedness or security or other writing in connection therewith, (e) all books, correspondence, credit files, records, ledger cards, invoices, and other papers relating thereto, including without limitation all similar information stored on a magnetic medium or other similar storage device and other papers and documents in the possession or under the control of any of the Grantors or any computer bureau from time to time acting for any of the Grantors, (f) all evidences of the filing of financing statements and other statements granted to any of the Grantors and the registration of other instruments in connection therewith and amendments thereto, notices to other creditors or secured parties, and certificates from filing or other registration officers, (g) all credit information, reports and memoranda relating thereto, and (h) all other writings related in any way to the foregoing.

"Secured Obligations" shall mean the Guaranteed Obligations and Bonds (as such term is defined in the Collateral Trust Agreement).

"Secured Party" means, collectively, Collateral Trustee and the Financial Institutions.

"Security Agreement" shall mean this Security Agreement, as the same may be modified, supplemented or amended from time to time in accordance with its terms.

"Tangible Chattel Paper" means "tangible chattel paper" as that term is defined in the UCC.

"Titled Vehicles" means vehicles in which a security interest can not be perfected by filing a financing statement under the UCC.

"UCC" shall mean the Uniform Commercial Code in effect in the State of New York, as amended from time to time.

ARTICLE II

SECURITY INTERESTS

Section 2.1 Pledge, Assignment and Grant of Security Interests. As collateral security for the prompt and complete payment and performance when due of all Secured Obligations, each Grantor, severally, hereby assigns and pledges to Collateral Trustee for the benefit of the Financial Institutions and hereby grants to the Collateral Trustee for the benefit of the Financial Institutions a lien on and continuing security interest in all of such Grantor's right, title and interest in, to and under (all items described in this Section 2.1, whether now owned or hereafter acquired by such Grantor and wherever located and whether now existing or hereafter arising, collectively, the "Collateral"):

(a) all Contracts, all Contract Rights, all Contract Documents and each and every document granting security to any of the Grantors under any such Contract, and any Instrument related to or arising because of any such Contract;

(b) all Receivables;

(c) all Investment Property;

(d) all General Intangibles;

(e) all Chattel Paper;

(f) all Documents;

(g) all Equipment;

(h) all Inventory;

(i) all Fixtures;

(j) all amounts from time to time held in any checking, savings, deposit or other account of any of the Grantors, all monies, proceeds or sums due or to become due therefrom or thereon and all documents (including, but not limited to passbooks, certificates and receipts) evidencing all funds and investments held in such accounts;

(k) all Governmental Requirements now or hereafter held by any of the Grantors (except that any Governmental Requirement which would by its terms or under Applicable Law become void, voidable, terminable or revocable by being subjected to the Lien of this Security Agreement or in which a Lien is not permitted to be granted under Applicable Law, is hereby excluded from such Lien to the extent necessary so as to avoid such voidness, voidability, terminability or revocability);

(l) all rights to receive a payment under any hedging agreement in connection with a termination thereof;

(m) without limiting the generality of the foregoing, all other personal property, goods, Instruments, credits, claims, demands and assets of any of the Grantors whether now existing or hereafter acquired from time to time;

(n) any and all additions, accessions and improvements to, all substitutions and replacements for and all products and Proceeds of or derived from all of the foregoing items described above in this Section 2.1; and

(o) any and all Proceeds of any of the foregoing.

Section 2.2 After-Acquired Property. The security interest pledged, assigned and granted to Collateral Trustee pursuant to this Security Agreement is intended to extend to all Collateral of the kind that is the subject of this Security Agreement which any of the Grantors may acquire at any time during the continuation of this Security Agreement, irrespective of whether such Collateral is in transit or in any of the Grantors' or Collateral Trustee's or any other Person's constructive, actual, or exclusive occupancy or possession.

Section 2.3 Obligations Independent. The obligations of each Grantor under this Security Agreement are independent of the obligations of the Borrowers, any other Grantor, or any other Person, and a separate action or actions may be brought and prosecuted against any one or more of the Grantors to enforce this Security Agreement, irrespective of whether any action is brought against the Borrowers, any other Grantor, or any other Person or whether the Borrowers, the Grantors, or any other Person is joined in any such action or actions.

Section 2.4 Obligations Absolute. Each Grantor agrees, severally, that it will perform its obligations hereunder strictly in accordance with the terms of this Security Agreement regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any of the Financial Institutions with respect thereto. The liability of each of the Grantors under this Security Agreement shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of any Credit Document;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations or any other liabilities, or any other amendment or waiver of or any consent to departure from any Credit Document, including, without limitation, any increase in the Secured Obligations or any other liabilities resulting from the extension of additional credit or otherwise;

(c) any liquidation, dissolution or termination of existence of, or other change in, any Borrower or any other Person;

(d) any bankruptcy, insolvency, receivership or other proceeding involving any Borrower, any one or more of the Grantors, or any other Person or any defense that may arise in connection with or as a result of any such bankruptcy, insolvency, receivership or other proceeding or otherwise;

(e) any taking, exchange, release or non-perfection of any Collateral, or any taking, release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Secured Obligations or any other liabilities;

(f) any manner of application of Collateral, or proceeds thereof or of collections on account of any guaranty, to all or any of the Secured Obligations or any other liabilities, or any manner of sale or other disposition of any Collateral for all or any of the Secured Obligations or any other liabilities or of any other assets of any Borrower, any one or more of the Grantors, or any other Person; or

(g) any other circumstances which might otherwise constitute a defense available to, or a discharge of, any Borrower, any one or more of the Grantors, a surety or any other Person.

Section 2.5 Security for Obligations. The security interests and other rights granted pursuant to this Security Agreement secure, and the Collateral is security for, the prompt performance and payment in full in cash when due, whether at stated maturity, by acceleration or otherwise of the Secured Obligations. Notwithstanding that the balance of the Secured Obligations may at certain times be zero and that no Letters of Credit may at certain times be outstanding, the Liens granted hereunder to the Collateral Trustee shall remain in full force and effect at all times and with the same priority until the payment in full in cash of the Secured Obligations, the termination of the commitments, however described, under the Credit Documents, the repayment of all obligations due with respect to the bonds and the expiration or termination of all outstanding letters of credit provided under the Credit Documents (all such commitments, repayment obligations and outstanding letters of credit are referred to herein as the "Credit Document Commitments").

Section 2.6 Grantors Remain Liable. Notwithstanding any other provisions of this Security Agreement to the contrary, (a) each Grantor shall remain severally liable to perform any and all obligations imposed on such Grantor under the Credit Documents or with respect to the Collateral and to perform any and all duties and obligations thereunder to the same extent as if this Security Agreement had not been executed, (b) the exercise by Collateral Trustee of any of its rights hereunder shall not release any of the Grantors from any of its duties or obligations under the Credit Documents and (c) neither Collateral Trustee nor any of the other Financial Institutions shall have any obligation or liability under the Credit Documents by reason of this Security Agreement, nor shall Collateral Trustee or any Financial Institution be obligated to perform any of the obligations or duties of any of the Grantors thereunder or to take any action to collect or enforce any claim for payment assigned hereunder.

Section 2.7 Power of Attorney. Each Grantor hereby constitutes and appoints Collateral Trustee as such Grantor's attorney-in-fact, at all of Grantors' cost and expense, for which each Grantor shall be severally liable, to exercise, in Collateral Trustee's discretion after the occurrence and during the continuance of an Event of Default, all or any of the following powers, which, being coupled with an interest, shall be irrevocable until all of the Secured Obligations have been paid in full and all Credit Document Commitments have been terminated:

(a) to obtain and adjust insurance under insurance policies naming any of the Grantors as an insured party;

(b) to receive, take, endorse, sign, assign, deliver and collect, all in Collateral Trustee's name or any Grantor's name, any and all checks, notes, drafts, and other documents or instruments relating to the Collateral;

(c) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for moneys due and to become due under or in connection with the Collateral;

(d) to receive, open and dispose of all mail addressed to any of the Grantors with respect to the Collateral which comes into the possession of Collateral Trustee and to notify postal authorities to change the address for delivery thereof to such address as Collateral Trustee designates, with a copy of such notice to the affected Grantor;

(e) to request from account debtors of any of the Grantors, in the affected Grantor's name or Collateral Trustee's name or that of Collateral Trustee's designee, information concerning the Receivables and the amounts owing thereon;

(f) to transmit to account debtors indebted on Receivables notice of Collateral Trustee's interest therein;

(g) to notify account debtors indebted on Receivables to make payment directly to Collateral Trustee; and

(h) to take or bring, in any Grantor's name or Collateral Trustee's name, all steps, actions, suits or proceedings deemed by Collateral Trustee necessary or desirable to enforce or effect collection of any of the Collateral or otherwise to enforce compliance with the terms and conditions of any Contract or the rights of Collateral Trustee with respect to any of the Collateral.

Section 2.8 Waiver. Each of the Grantors hereby waives promptness, diligence, notice of acceptance and any other notice (except notices expressly required to be given to the Grantors under this Security Agreement) with respect to any of the Secured Obligations and this Security Agreement and any requirement that Collateral Trustee or any Financial Institution protect, secure, perfect or insure any security interest or other Lien or any property subject thereto or exhaust any right to take any action against any one or more of the Grantors or any other Person or any of the Collateral.

Section 2.9 Subrogation and Other Rights to Repayment. Each of the Grantors hereby irrevocably waives any and all rights to which it may be entitled (by operation of law or otherwise) by performing its obligations under this Security Agreement (i) to be subrogated to the rights of the Financial Institutions against any Borrowers or any of the other Grantors or (ii) to receive any payment, in the nature of contribution or for any other reason, from any Borrower or from any of the Grantors. If any amount shall be paid to any of the Grantors on account of such subrogation rights or any of the Grantors receives any such payment referred to in clause (ii) above, such Grantor agrees to hold such amount or such payment, as the case may be, in trust for the benefit of the Secured Party, and such Grantor agrees to forthwith pay such amount or such payment, as the case may be, to the Collateral Trustee to be credited against and applied upon the Secured Obligations, whether matured or unmatured, in such order as may be determined by the Collateral Trustee.

Section 2.10 Limitation on Grant. Secured Party and each of the Grantors other than Borrower hereby acknowledge that the security interests granted pursuant to this agreements and the obligations more fully described herein are subject in all cases to the limitations more fully set out in Section 2.2 of Collateral Trust Agreement.

ARTICLE III

GENERAL REPRESENTATIONS, WARRANTIES AND COVENANTS

In addition to such representations, warranties and covenants as are made by the Borrowers and any one or more of the Grantors under the Credit Documents, which representations, warranties and covenants are hereby deemed made and incorporated into this Security Agreement each as though set forth in its entirety herein, each Grantor, represents, warrants and covenants, as of the date hereof and as of the date of each extension of credit under any of the Credit Documents, as follows:

Section 3.1 Security Documents. This Security Agreement, together with (a) the filing of financing statements in the offices set forth on Schedule II to this Security Agreement and (b) the delivery to Collateral Trustee or a third party custodian of any Collateral in which a security interest is perfected by possession, (although no such Collateral exists as of the date of this Security Agreement other than the securities being pledged pursuant to the terms of the Pledge Agreement dated as of even date herewith), is sufficient to create in favor of Collateral Trustee for the benefit of the Collateral Trustee and the Financial Institutions, as security for the payment and performance of the Secured Obligations, a valid and enforceable perfected security interest in and on all of the Collateral, to the extent that a security interest can be created under (i) the laws which govern the creation of security interests hereunder or (ii) any other Applicable Law, in favor of Collateral Trustee, and except with respect to Titled Vehicles, superior to and prior to all Liens other than Permitted Liens, except as such enforceability may be limited by (x) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws from time to time in effect that affect creditors' rights generally or (y) general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law).

Section 3.2 No Liens. Each grantor shall defend the Collateral against all Liens, other than Permitted Liens, and demands of all Persons (other than the Secured Party) at any time claiming the same or any interest therein.

Section 3.3 Chief Executive Office; Name; Records. Each Grantor's principal place of business and its chief executive office is located at the address indicated in Schedule I to this Security Agreement. The originals of all Contracts, Contract Documents and documents evidencing Receivables of any of the Grantors, and the only original books of accounts and records concerning the Collateral are, and will continue to be, kept at the affected Grantor's address at set forth in Schedule I to this Security Agreement or at such new location for such principal place of business and chief executive office as such Grantor may establish in accordance with the last sentence of this Section 3.3. None of the Grantors shall establish a new location for its principal place of business or change its name or its state of organization or carry on any business under any name other than its current name until it has given to Collateral Trustee not less than 30 days' prior written notice of its intention to do so, clearly describing such new location or specifying such new name, as the case may be, and providing such other information in connection therewith as Collateral Trustee may reasonably request. Each Grantor's state of organization and exact legal name, as reflected in its Certificate of Incorporation or other original organization document approved by the Governmental Authority

charged with approving such documents and authorizing and authenticating the existence of entities in the applicable jurisdiction, is set forth in Schedule I to this Security Agreement.

Section 3.4 Financing Statements and Registrations. Each Grantor agrees to sign and deliver to Collateral Trustee such financing statements or registrations, in form suitable to reflect the security interests granted hereunder, as Collateral Trustee reasonably determines are necessary or desirable to establish and maintain a valid, enforceable, perfected (except with respect to Titled Vehicles) security interest in the Collateral all in accordance with the laws which govern perfection of the security interests hereunder. Each Grantor will pay any applicable filing fees and related expenses. Each Grantor authorizes Collateral Trustee to file in such jurisdictions as determined by Collateral Trustee any such financing or continuation statements, and amendments thereto, relating to all or any part of the Collateral without the signature of each Grantor where permitted by Applicable Law. Upon the request of any of the Grantors, Collateral Trustee shall promptly deliver, or cause to be delivered, to such Grantor, at Grantor's expense, copies of any such statements or amendments.

Section 3.5 Delivery and Pledge of Collateral. Each Grantor shall deliver and pledge to Collateral Trustee any and all Investment Property, Instruments, Documents, Contract Documents or other Collateral or documents evidencing the Collateral (in each case to the extent a security interest therein may be perfected by possession), indorsed and/or accompanied by such instruments of assignment and transfer and consents as Collateral Trustee may request, all in such form and substance as Collateral Trustee may request in order to perfect the security interests granted by this Security Agreement in any Collateral, at the expense of such Grantor.

Section 3.6 Control of Investment Property. Each Grantor shall take any and all actions reasonably requested by Collateral Trustee to ensure that Collateral Trustee has a first priority security interest in and "control" (within the meaning of Section 8-106 of the UCC) of Collateral constituting Investment Property and deposit accounts (as defined in the UCC).

Section 3.7 Taxes. Each Grantor will pay promptly when due all property and other taxes, assessments and governmental charges or levies imposed upon, and all claims (including without limitation, claims for labor, materials and supplies) against any of the Collateral including, without limitation, the Equipment and Inventory, provided, however, that such Grantor shall not be required to pay or discharge any such tax, assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained, unless and until any Lien resulting therefrom attaches to its property and becomes enforceable against its other creditors.

Section 3.8 Insurance. Grantors shall maintain or cause to be maintained, at all times during the term of this Security Agreement, property damage insurance covering the Collateral as required pursuant to the terms of the Credit Documents.

Section 3.9 No Encumbrances. Each Grantor agrees that it will not create, assume, incur or suffer to exist, or permit any of its Subsidiaries to create, assume, incur or suffer to exist, any Lien on or in respect of any of its property, whether now owned or hereafter acquired, or assign or otherwise convey, or permit any such Subsidiary to assign or otherwise convey, any right to receive income, in each case to secure or provide for the payment of any Debt, trade

payable or other obligation or liability of any Person; provided, however, that notwithstanding the foregoing, the Grantors or any of their Subsidiaries may create, incur, assume or suffer to exist the Permitted Liens.

Section 3.10 Additional Indebtedness. Each Grantor agrees that it will not create, assume, incur or suffer to exist, or permit any of its Subsidiaries to create, assume, incur or suffer to exist, any Debt other than Debt permitted under the Credit Documents.

ARTICLE IV

SPECIAL PROVISIONS CONCERNING RECEIVABLES, CONTRACTS, INSTRUMENTS AND ACCOUNTS

Section 4.1 Maintenance of Records. Each Grantor will keep and maintain at its own cost and expense satisfactory and complete records of its Receivables, including, but not limited to, records of all payments received and all credits granted thereon, and each Grantor will make the same available to Collateral Trustee, for inspection at any time as Collateral Trustee may request. Each Grantor shall, at its own cost and expense, deliver all tangible evidence of its Receivables (including, without limitation, all documents evidencing the Receivables) and books and records that Collateral Trustee may request to Collateral Trustee or to its representatives (copies of which evidence and books and records may be retained by such Grantor) at such times as Collateral Trustee may reasonably request. Upon Collateral Trustee's reasonable request each Grantor shall legend in form and substance reasonably satisfactory to Collateral Trustee, the Receivables and Contracts and Contract Documents, as well as books, records and documents of such Grantor evidencing or pertaining to the Receivables, with an appropriate reference to the fact that such items of Collateral have been assigned to Collateral Trustee as security and that Collateral Trustee has a security interest therein.

Section 4.2 Payments Under Contracts and Receivables.

(a) Notice to Grantors under Contracts. Each Grantor further agrees and confirms that, upon the request of Collateral Trustee, it will notify each party to any Contracts of the assignment thereof to Collateral Trustee, instruct each of them that all payments due or to become due and all amounts payable to such Grantor under such Contracts shall, until the Secured Obligations are paid in full and the Credit Document Commitments have been terminated, be made to Collateral Trustee, and, if requested by Collateral Trustee and reasonably feasible, obtain a written consent and acknowledgement from them in form and substance reasonably acceptable to Collateral Trustee. Unless notified to the contrary by Collateral Trustee, each Grantor shall, at its own cost and expense, enforce collection of any amounts payable under the Contracts.

(b) Non-Payment to Collateral Trustee. Until the Secured Obligations are paid in full and all Credit Document Commitments have been terminated, if any of the Grantors shall receive directly from any party to the Contracts or from any account debtor or other obligor under any Receivable any payments under the Contracts or the Receivables, such Grantor shall receive (and hereby

acknowledges that it is receiving) such payments in trust for the benefit of the Secured Party, shall segregate such payments from other funds of such Grantor, and shall forthwith transmit and deliver such payments to the Collateral Trustee in the same form as so received (with any necessary endorsement) for application to the Secured Obligations.

Section 4.3 Direction to Account Parties, Contracting Parties, etc. Each Grantor agrees that, upon the occurrence and during the continuation of an Event of Default, such Grantor shall be bound by any collection, compromise, forgiveness, extension or other action taken by Collateral Trustee with respect to the Receivables and the Contracts. Upon the occurrence and during the continuation of an Event of Default, without notice to or assent from any of the Grantors, Collateral Trustee may apply any or all amounts then or thereafter deposited with it to the Secured Obligations. The costs and expenses (including reasonable attorneys' fees) of collection, whether incurred by any of the Grantors or Collateral Trustee, shall be borne by the Grantors.

ARTICLE V

SPECIAL PROVISIONS CONCERNING CONTRACTS

Section 5.1 Security Interest in Contract Rights. Each Grantor's grant, pursuant to Section 2.1 of this Security Agreement, to the Secured Party of a security interest in and on all of the right, title and interest in and to each and all of the Contracts, the Contract Documents and the contract rights thereunder owned by such Grantor, includes, but is not limited to:

(a) all (i) of such Grantor's rights to payment under any Contract or Contract Document and (ii) payments due and to become due to such Grantor under any Contract or Contract Document, in each case whether as contractual obligations, damages or otherwise;

(b) all of such Grantor's claims, rights, powers, or privileges and remedies under any Contract or Contract Document; and

(c) all of such Grantor's rights under any Contract or Contract Document to make determinations, to exercise any election (including, but not limited to, election of remedies) or option or to give or receive any notice, consent, waiver or approval together with full power and authority with respect to any Contract or Contract Document to demand, receive, enforce or collect any of the foregoing rights or any property which is the subject of any Contract or Contract Document, to enforce or execute any checks, or other instruments or orders, to file any claims and to take any action which, in the opinion of Collateral Trustee, may be necessary or advisable in connection with any of the foregoing (all of the foregoing in this Section 5.1, the "Contract Rights").

Section 5.2 Contract Right Remedies. Upon the occurrence and during the continuation of an Event of Default (but not prior to such time), Collateral Trustee may enforce all remedies, rights, powers and privileges of any one or more of the Grantors under any or all of

the Contracts and Contract Documents and/or substitute itself or any nominee or trustee in lieu of such Grantor or Grantors as party to any of the Contracts and Contract Documents and may notify the obligor of any Contract Right (each of the Grantors hereby agreeing to immediately deliver any such notice at the request of Collateral Trustee) that all payments and performance under the relevant Contract or Contract Document shall be made or rendered to Collateral Trustee or such other Person as Collateral Trustee may designate in writing, with a copy to the affected Grantor and to the applicable Borrower.

ARTICLE VI

REMEDIES

Section 6.1 Remedies; Obtaining the Collateral Upon Default. Upon the occurrence and during the continuation of an Event of Default, Collateral Trustee shall have all the rights and remedies of a secured party under the laws which govern the creation, perfection or enforcement of security interests hereunder to enforce this Security Agreement and the security interests contained herein, and, in addition, Collateral Trustee may, upon the occurrence and during the continuation of an Event of Default, in addition to its other rights and remedies hereunder, including without limitation under Section 6.2 hereof, do any of the following to the extent permitted by Applicable Law:

(a) personally, or by trustees or attorneys, immediately take possession of the Collateral or any part thereof, from any one or more of the Grantors or any other Person who then has possession of any part thereof with or without notice or process of any Applicable Law, and for that purpose may enter upon any one or more of the Grantors' premises where any of the Collateral is located and remove the same and use in connection with such removal any and all services, supplies, aids and other facilities of any one or more of the Grantors;

(b) instruct the obligor or obligors on any agreement, instrument or other obligation constituting the Collateral to make any payment required by the terms of such instrument, agreement or obligation directly to Collateral Trustee;

(c) take possession of the Collateral or any part thereof, by directing any one or more of the Grantors in writing to deliver the same to Collateral Trustee at any place or places designated by Collateral Trustee, in which event the applicable Grantor shall at its own expense:

(i) forthwith cause the same to be moved to the place or places so designated by Collateral Trustee and there be delivered to Collateral Trustee;

(ii) store and keep any Collateral so delivered to Collateral Trustee at such place or places pending further action by Collateral Trustee as provided in Section 6.2 of this Security Agreement; and

(iii) while the Collateral shall be so stored and kept, provide such guards and maintenance services as shall be necessary to protect the same and to preserve and maintain same in good condition.

To the extent permitted by Applicable Law, each Grantor's obligation to deliver the Collateral is of the essence of this Security Agreement and, accordingly, upon application to a court of equity having jurisdiction, Collateral Trustee shall be entitled to obtain a decree requiring specific performance by any one or more of the Grantors of said obligations.

Section 6.2 Disposition of the Collateral. Any Collateral of which Collateral Trustee has taken possession under or pursuant to Section 6.1 of this Security Agreement and any other Collateral, whether or not so possessed by Collateral Trustee, may, upon the occurrence and during the continuation of an Event of Default, to the extent permitted by Applicable Law (including, without limitation, the rules and regulations of the FERC), be sold, leased or otherwise disposed of under one or more contracts or as an entirety, and without the necessity of gathering at the place of sale the property to be sold, and in general in such manner, at such time or times, at such place or places and on such terms as Collateral Trustee may, in compliance with any requirements of Applicable Law, determine to be commercially reasonable. Any such disposition shall be made upon not less than ten (10) days' written notice to the applicable Grantor specifying the time such disposition is to be made and, if such disposition shall be a public sale, specifying the place of such sale. Any such sale may be adjourned by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Any of the Collateral may be sold, leased or otherwise disposed of, in the condition in which the same existed when taken by Collateral Trustee or after any overhaul or repair which Collateral Trustee shall determine to be commercially reasonable. To the extent permitted by Applicable Law, Collateral Trustee or any Secured Party may itself bid for and become the purchaser of the Collateral or any item thereof offered for sale at a public auction without accountability to any of the Grantors (except to the extent of any surplus money received as provided in the Credit Documents).

Section 6.3 Waiver.

(a) EXCEPT AS OTHERWISE PROVIDED IN THIS SECURITY AGREEMENT, EACH GRANTOR HEREBY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LAW, NOTICE OR JUDICIAL HEARING IN CONNECTION WITH COLLATERAL TRUSTEE'S TAKING POSSESSION OR COLLATERAL TRUSTEE'S DISPOSITION OF ANY OF THE COLLATERAL, INCLUDING, WITHOUT LIMITATION, ANY AND ALL PRIOR NOTICE AND HEARING FOR ANY PREJUDGMENT REMEDY OR REMEDIES AND ANY SUCH RIGHT WHICH ANY OF THE GRANTORS WOULD OTHERWISE HAVE UNDER ANY APPLICABLE LAW, AND EACH GRANTOR, FOR ITSELF AND ALL WHO MAY CLAIM UNDER IT, HEREBY FURTHER WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW:

(i) all damages occasioned by such taking of possession of any Collateral;

(ii) all other requirements as to the time, place and terms of sale or other requirements with respect to the enforcement of Collateral Trustee's rights hereunder; and

(iii) all rights of redemption, appraisement, valuation, stay, extension or moratorium now or hereafter in force under any Applicable Law in order

to prevent or delay the enforcement of this Security Agreement or the absolute sale of the Collateral or any portion thereof.

(b) Without limiting the generality of the foregoing and to the extent permitted by Applicable Law, during the continuation of an Event of Default, each Grantor hereby: (i) authorizes Collateral Trustee, in its sole discretion and without notice to or demand upon any of the Grantors and without otherwise affecting the obligations applicable hereunder from time to time, to take and hold other collateral (in addition to the Collateral) for payment of any Secured Obligations, or any part thereof, and to exchange, enforce or release such other collateral or any part thereof, and to accept and hold any endorsement or guarantee of payment of the Secured Obligations or any part thereof, and to release or substitute any endorser or guarantor or any other Person granting security for or in any way obligated upon any Secured Obligations, or any part thereof; and (ii) waives and releases any and all right to require Collateral Trustee to collect any of the Secured Obligations from any specific item or items of Collateral or from any other party liable as guarantor or in any other manner in respect of any of the Secured Obligations or from any collateral (other than the Collateral) for any of the Secured Obligations.

(c) To the extent permitted by Applicable Law, any sale of, or the grant of options to purchase, or any other realization upon, any Collateral shall operate to divest all right, title, interest, claim and demand, either at law or in equity, of any of the Grantors therein and thereto.

Section 6.4 Application of Proceeds. The proceeds of any sale of, or other realization upon, all or any part of the Collateral shall be applied by Collateral Trustee to the Secured Obligations in the manner determined by Collateral Trustee in its sole discretion.

Section 6.5 Remedies Cumulative; No Waiver. Each and every right, power and remedy hereby specifically given to Collateral Trustee shall be in addition to every other right, power and remedy specifically given under this Security Agreement, under any other Security Document or now or hereafter existing at law or in equity, or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time or simultaneously and as often and in such order as may be deemed expedient by Collateral Trustee. All such rights, powers and remedies shall be cumulative, and the exercise or the partial exercise of one shall not be deemed a waiver of the right to exercise of any other. No delay or omission of Collateral Trustee in the exercise of any of its rights, remedies, powers and privileges hereunder or partial or single exercise thereof and no renewal or extension of any of the Secured Obligations, shall impair any such right, remedy, power or privilege or shall constitute a waiver thereof.

Section 6.6 Discontinuance of Proceedings. In case Collateral Trustee shall have instituted any proceeding to enforce any right, power or remedy under this Security Agreement by foreclosure, sale, entry, or otherwise, and such proceeding shall have been discontinued or abandoned for any reason, or shall have been determined adversely to Collateral Trustee, then, in every such case, each of the Grantors, Collateral Trustee and each holder of any of the Secured

Obligations shall be restored to their former positions and rights hereunder with respect to the Collateral, subject to the security interest created under this Security Agreement, and all rights, remedies and powers of Collateral Trustee shall continue as if no such proceeding had been instituted.

ARTICLE VII

CONCERNING COLLATERAL TRUSTEE

Section 7.1 Collateral Trustee's Rights. The provisions of Article 5 of the Collateral Trust Agreement shall inure to the benefit of Collateral Trustee in respect of this Security Agreement and shall be binding upon the parties hereto.

Section 7.2 Action by Nominees. Notwithstanding anything to the contrary in this Security Agreement, any and all of the rights, powers and remedies of Collateral Trustee under this Security Agreement may be exercised by any nominee(s) of the Financial Institutions or any other agent, person, trustee or nominee acting on behalf of the Secured Party, and Collateral Trustee may assign or delegate all or any part of its rights and obligations under this Security Agreement any one or more agent(s), person(s), trustee(s) or other nominee(s).

Section 7.3 Limitation on Duty of Collateral Trustee in Respect of Collateral. Collateral Trustee shall have no duty as to any Collateral in its possession or control other than for its gross negligence or willful misconduct or in the possession or control of any agent or bailee or any income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto. Collateral Trustee shall not be liable or responsible for any loss or damage to any of the Collateral, or for any diminution in the value thereof, by reason of the act or omission of any warehouseman, carrier, forwarding agency, consignee or other agent or bailee selected by Collateral Trustee, unless Collateral Trustee was grossly negligent in the selection thereof. Collateral Trustee may, without notice to any of the Grantors except as required by law and at any time or from time to time, charge, set-off and otherwise apply all or any part of the Secured Obligations against any funds held with respect to the Collateral or in any other deposit account.

ARTICLE VIII

MISCELLANEOUS

Section 8.1 Notices. Except as otherwise specified herein, all notices, requests, demands, consents, instructions or other communications hereunder shall be given in accordance with the terms of Section 6.4 of the Collateral Trust Agreement.

Section 8.2 Amendment. Any amendment or waiver to this Security Agreement or any provision hereof shall only be effective to the extent such amendment or waiver (a) complies with all requirements of an amendment to the Collateral Trust Agreement including those requirements set forth in Section 6.2 of the Collateral Trust Agreement and (b) is executed by the Persons that would be required to execute a like amendment of the Collateral Trust Agreement. Furthermore, all amendments and waivers to this Security Agreement will be subject to the

limitations and restrictions applicable to amendments and waivers of the Collateral Trust Agreement.

Section 8.3 Successors and Assigns. This Security Agreement shall be binding upon and inure to the benefit of the Grantors, Collateral Trustee and the Financial Institutions and their respective successors and assigns.

Section 8.4 Survival. All agreements, statements, representations and warranties made by the Grantors herein or in any certificate or other instrument delivered by the Grantors or on the behalf of the Grantors under this Security Agreement shall be considered to have been relied upon by Collateral Trustee and the Financial Institutions and shall survive the execution and delivery of this Security Agreement and the other Credit Documents regardless of any investigation made by Collateral Trustee or any other Secured Party or on their behalf.

Section 8.5 Headings Descriptive. The headings of the various articles, sections and paragraphs of this Security Agreement are for convenience of reference only, do not constitute a part hereof and shall not affect the meaning or construction of any provision hereof.

Section 8.6 Severability. Any provision hereof that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and without affecting the validity or enforceability of any provision in any other jurisdiction.

Section 8.7 Governing Law. This Security Agreement shall be governed by and construed in accordance with the laws of the State of New York.

Section 8.8 Waiver of Jury Trial. THE GRANTORS, THE COLLATERAL TRUSTEE, AND THE FINANCIAL INSTITUTIONS HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS SECURITY AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 8.9 Forum Selection and Consent to Jurisdiction. ANY LITIGATION BASED HEREON, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE COLLATERAL TRUSTEE, THE FINANCIAL INSTITUTIONS OR THE GRANTORS IN CONNECTION HEREWITH MAY BE BROUGHT AND MAINTAINED IN THE COURTS OF THE STATE OF NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT THE COLLATERAL TRUSTEE'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. EACH GRANTOR IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK AT THE ADDRESS FOR NOTICES SPECIFIED IN SECTION 6.4 OF THE COLLATERAL TRUST AGREEMENT. EACH GRANTOR HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT ANY GRANTOR HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT

TO ITSELF OR ITS PROPERTY, EACH GRANTOR HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS SECURITY AGREEMENT.

Section 8.10 Collateral Trustee May Perform. If any one or more of the Grantors fails to perform any agreement contained herein, Collateral Trustee may itself perform, or cause the performance of, such agreement, and the expenses of Collateral Trustee incurred in connection therewith shall be payable by such Grantor.

Section 8.11 Termination; Release. When all of the Secured Obligations have been satisfied or irrevocably paid in full and all Credit Document Commitments have expired or are terminated, this Security Agreement shall terminate (except as provided in Section 8.12 of this Security Agreement), and Collateral Trustee, at the expense of the Grantors, will promptly execute and deliver to each of the Grantors the proper instruments acknowledging the termination of this Security Agreement, and will duly assign, transfer and deliver to any one or more of the Grantors (without recourse and without any representation or warranty of any kind) such of the Collateral as may be in the possession of Collateral Trustee and has not theretofore been sold or otherwise applied or released pursuant to this Security Agreement, and shall take such other action, at the Grantors' expense, as the Grantors may reasonably request to effectuate the foregoing.

Section 8.12 Reinstatement. This Security Agreement shall continue to be effective or be reinstated, as the case may be, if at any time any amount received by Collateral Trustee in respect of the Secured Obligations is rescinded or must otherwise be restored or returned by any Secured Party upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of any Borrower or any one or more of the Grantors, or upon the appointment of any intervenor or conservator of, or trustee or similar official for, any one or more of the Grantors or any substantial part of its assets, or otherwise, all as though such payments had not been made.

Section 8.13 Counterparts. This Security Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which, when so executed, shall be deemed to be an original, and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Security Agreement by telecopier shall be effective as delivery of an original executed counterpart of this Security Agreement.

Section 8.14 No Third Party Beneficiaries. The agreements of the parties hereto are solely for the benefit of the Grantors, the Collateral Trustee and the Secured Party, and no Person (other than the parties hereto and the Secured Party) shall have any rights hereunder.

Section 8.15 Information. Each Grantor will furnish to Collateral Trustee from time to time statements and schedules further identifying and describing the Collateral of such Grantor and such other reports in connection with such Collateral as Collateral Trustee may request, all in reasonable detail.

Section 8.16 Incorporated Definitions. All defined terms that are incorporated from other agreements into this Security Agreement by reference shall have the meanings assigned to

such terms as of the date hereof, but shall not be modified by any subsequent amendment or modification that takes place after the date hereof unless consented to by the parties hereto.

Section 8.17 Indemnity. Each Grantor shall pay on demand to Collateral Trustee the amount of any and all reasonable expenses, including without limitation the reasonable fees and expenses of its counsel and of any experts and agents, that Collateral Trustee may incur in connection with (i) the administration of this Security Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from or other realization upon, any of the Collateral, (iii) the exercise or enforcement of any of the rights of Collateral Trustee or the other Financial Institutions hereunder or (iv) the failure by any one or more of the Grantors to perform or observe any of the provisions hereof.

Schedule I State of Organization and Addresses of Grantors
Schedule II Required Financing Statement Filings
Schedule III Credit Documents

[SIGNATURE PAGES FOR
SECURITY AGREEMENT]

IN WITNESS WHEREOF, the parties hereto have caused this Security Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

CITIBANK, N.A., AS COLLATERAL TRUSTEE

By: /s/ J. Christopher Lyons

Name:

Title: Vice President

SECURITY AGREEMENT EXECUTED BY THE FOLLOWING WILLIAMS ENTITIES:

Black Marlin Pipeline Company
Gas Supply, L.L.C.
Juarez Pipeline Company
Mapco, Inc.
MAPL Investments, Inc.
Memphis Generation, L.L.C.
North Padre Island Spindown, Inc.
The Williams Companies, Inc.
WFS Enterprises, Inc.
WFS-Liquids Company
WFS-NGL Pipeline Company Inc.
WFS-Offshore Gathering Company
Williams Alaska Air Cargo Properties, L.L.C.
Williams Alaska Petroleum, Inc.
Williams Alaska Pipeline Company, L.L.C.
Williams Bio-Energy, L.L.C.
Williams Energy Services, L.L.C.
Williams Ethanol Services, Inc.
Williams Express, Inc. [AK]
Williams Express, Inc. [DE]
Williams Field Services Company
Williams Field Services Group, Inc.
Williams Field Services-Gulf Coast Company, L.P.
Williams Gas Processing-Wamsutter Company
Williams Gas Processing Company
Williams Generating Memphis, LLC
Williams Generation Company - Hazelton
Williams Memphis Terminal, Inc.
Williams Merchant Services Company, Inc.
Williams Mid-South Pipelines, LLC
Williams Midstream Natural Gas Liquids, Inc.
Williams Natural Gas Liquids, Inc.
Williams Olefins Feedstock Pipelines, L.L.C.
Williams Olefins, L.L.C.
Williams Petroleum Pipeline Systems, Inc.
Williams Refining & Marketing, L.L.C.
Worthington Generation, L.L.C.

SCHEDULE I
TO
SECURITY AGREEMENT
STATE OF ORGANIZATION AND ADDRESSES OF GRANTORS

	Entity	Principle Address	State of Incorporation
(a)	Black Marlin Pipeline Company	One Williams Center, Tulsa, OK 74172	TX
(b)	Gas Supply, L.L.C.	One Williams Center, Tulsa, OK 74172	DE
(c)	Juarez Pipeline Company	One Williams Center, Tulsa, OK 74172	DE
(d)	Mapco, Inc.	One Williams Center, Tulsa, OK 74172	DE
(e)	MAPL Investments, Inc.	One Williams Center, Tulsa, OK 74172	DE
(f)	Memphis Generation, L.L.C.	One Williams Center, Tulsa, OK 74172	DE
(g)	North Padre Island Spindown, Inc.	One Williams Center, Tulsa, OK 74172	DE
(h)	The Williams Companies, Inc.	One Williams Center, Tulsa, OK 74172	DE
(i)	WFS Enterprises, Inc.	One Williams Center, Tulsa, OK 74172	DE
(j)	WFS-Liquids Company	One Williams Center, Tulsa, OK 74172	DE
(k)	WFS-NGL Pipeline Company, Inc.	One Williams Center, Tulsa, OK 74172	DE
(l)	WFS-Offshore Gathering Company	One Williams Center, Tulsa, OK 74172	DE
(m)	Williams Alaska Air Cargo Properties, L.L.C.	One Williams Center, Tulsa, OK 74172	AK
(n)	Williams Alaska Petroleum, Inc.	One Williams Center, Tulsa, OK 74172	AK

	Entity	Principle Address	State of Incorporation
(o)	Williams Alaska Pipeline Company, L.L.C.	One Williams Center, Tulsa, OK 74172	DE
(p)	Williams Bio-Energy, L.L.C.	One Williams Center, Tulsa, OK 74172	DE
(q)	Williams Energy Services, L.L.C.	One Williams Center, Tulsa, OK 74172	DE
(r)	Williams Ethanol Services, Inc.	1300 South Second Street, Pekin, IL 61554	DE
(s)	Williams Express, Inc. (AK)	One Williams Center, Tulsa, OK 74172	AK
(t)	Williams Express, Inc. (DE)	One Williams Center, Tulsa, OK 74172	DE
(u)	Williams Field Services Company	P.O. Box 3102, Tulsa, OK 74101	DE
(v)	Williams Field Services Group, Inc.	P.O. Box 3102, Tulsa, OK 74101	DE
(w)	Williams Field Services-Gulf Coast Company, L.P.	2800 Post Oak Boulevard, Houston, TX 77056	DE
(x)	Williams Gas Processing Company	P.O. Box 3102 Tulsa, OK 74101	DE
(y)	Williams Gas Processing -Wamsutter Company	One Williams Center, Tulsa, OK 74172	DE
(z)	Williams Generating Memphis, LLC	One Williams Center, Tulsa, OK 74172	DE
(aa)	Williams Generation Company - Hazelton	One Williams Center, Tulsa, OK 74172	DE
(bb)	Williams Memphis Terminal, Inc.	One Williams Center, Tulsa, OK 74172	DE

	Entity	Principle Address	State of Incorporation
(cc)	Williams Merchant Services Company, Inc	One Williams Center, Tulsa, OK 74172	DE
(dd)	Williams Mid-South Pipelines, LLC	One Williams Center, Tulsa, OK 74172	DE
(ee)	Williams Midstream Natural Gas Liquids, Inc.	One Williams Center, Tulsa, OK 74172	DE
(ff)	Williams Natural Gas Liquids, Inc.	One Williams Center, Tulsa, OK 74172	DE
(gg)	Williams Olefins Feedstock Pipelines, L.L.C.	One Williams Center, Tulsa, OK 74172	DE
(hh)	Williams Olefins, L.L.C.	One Williams Center, Tulsa, OK 74172	DE
(ii)	Williams Petroleum Pipeline Systems, Inc.	One Williams Center, Tulsa, OK 74172	DE
(jj)	Williams Refining & Marketing, L.L.C.	One Williams Center, Tulsa, OK 74172	DE
(kk)	Worthington Generation, L.L.C.	One Williams Center, Tulsa, OK 74172	DE

SCHEDULE II
TO
SECURITY AGREEMENT

REQUIRED FINANCING STATEMENT FILINGS

	Entity	UCC Central Filing Offices of the Secretary of State for the Following States
(a)	Black Marlin Pipeline Company	TX
(b)	Gas Supply, L.L.C.	DE
(c)	Juarez Pipeline Company	DE
(d)	Mapco, Inc.	DE
(e)	MAPL Investments, Inc.	DE
(f)	Memphis Generation, L.L.C.	DE
(g)	North Padre Island Spindown, Inc.	DE
(h)	The Williams Companies, Inc.	DE
(i)	WFS Enterprises, Inc.	DE
(j)	WFS-Liquids Company	DE
(k)	WFS-NGL Pipeline Company, Inc.	DE
(l)	WFS-Offshore Gathering Company	DE
(m)	Williams Alaska Air Cargo Properties, L.L.C.	AK
(n)	Williams Alaska Petroleum, Inc.	AK
(o)	Williams Alaska Pipeline Company, L.L.C.	DE
(p)	Williams Bio-Energy, L.L.C.	DE

	Entity	UCC Central Filing Offices of the Secretary of State for the Following States
(q)	Williams Energy Services, L.L.C	DE
(r)	Williams Ethanol Services, Inc.	DE
(s)	Williams Express, Inc. (AK)	AK
(t)	Williams Express, Inc. (DE)	DE
(u)	Williams Field Services Company	DE
(v)	Williams Field Services Group, Inc.	DE
(w)	Williams Field Services-Gulf Coast Company, L.P.	DE
(x)	Williams Gas Processing Company	DE
(y)	Williams Gas Processing -Wamsutter Company	DE
(z)	Williams Generating Memphis, LLC	DE
(aa)	Williams Generation Company - Hazelton	DE
(bb)	Williams Memphis Terminal, Inc.	DE
(cc)	Williams Merchant Services Company, Inc	DE
(dd)	Williams Mid-South Pipelines, LLC	DE
(ee)	Williams Midstream Natural Gas Liquids, Inc.	DE

	Entity	UCC Central Filing Offices of the Secretary of State for the Following States
(ff)	Williams Natural Gas Liquids, Inc.	DE
(gg)	Williams Olefins Feedstock Pipelines, L.L.C.	DE
(hh)	Williams Olefins, L.L.C.	DE
(ii)	Williams Petroleum Pipeline Systems, Inc.	DE
(jj)	Williams Refining & Marketing, L.L.C.	DE
(kk)	Worthington Generation, L.L.C.	DE

SCHEDULE III
TO
SECURITY AGREEMENT

CREDIT DOCUMENTS

1. That Credit Agreement dated as of July 31, 2002 (as amended, modified, supplemented or restated from time to time), by and among the Company together with Citicorp USA, Inc., as agent and collateral agent, Bank of America N. A. as syndication agent, Citibank, N.A. and Bank of America N.A. as issuing bank, Salomon Smith Barney Inc. as L/C Arranger, and the banks named therein.

2. The Company; Northwest Pipeline Corporation, a Delaware corporation; Transcontinental Gas Pipe Line Corporation, a Delaware corporation; and Texas Gas Transmission Corporation, a Delaware corporation, as the borrowers, have entered into a Credit Agreement dated July 25, 2000, as amended, together with the banks named therein, and The Chase Manhattan Bank and Commerzbank AG as co-syndication agents, and Credit Lyonnais New York Branch as documentation agent and Citibank, N.A., as agent, and Salomon Smith Barney, as Arranger.

3 Indenture between MAPCO, Inc., as Issuer, and Bankers Trust Company, as Trustee dated March 31, 1990.

4 Indenture between Transco Energy Company, as Issuer, and The Bank of New York, as Trustee, dated May 1, 1990.

All documents, instruments, agreements, certificates and notices at any time executed and/or delivered in connection with any of the foregoing Credit Documents.

EXHIBIT 10.7
[Execution Copy]

PLEDGE AGREEMENT

This PLEDGE AGREEMENT (this "Agreement"), dated as of July 31, 2002, is made and entered into by THE WILLIAMS COMPANIES, INC., a Delaware corporation (the "Company"), and each of the Subsidiaries which is a signatory hereto or which subsequently becomes a party hereto in accordance with the terms hereof (together, with the Company, the "Pledgors"), in favor of Citibank, N.A., as collateral trustee ("Collateral Trustee") for the benefit of the holders of the Secured Obligations (as defined in Section 2 below).

PRELIMINARY STATEMENTS

A. The Company and/or its Subsidiaries have entered into multiple financing transactions with groups of lenders and financial institutions (collectively, referred to herein as the "Financial Institutions"). Such financing transactions are governed by the credit and security documents more fully described in Schedule V hereto (such documents being collectively referred to herein, as the same may be amended and modified from time to time, as the "Credit Documents"). "Borrowers" as used herein shall mean the borrowers under any one or more of the Credit Documents, and "Obligors" shall mean collectively, the Borrowers and all other Persons who guarantee or otherwise are liable for any portion of the Secured Obligations.

B. The Company, several of its Subsidiaries and Citibank, N.A., as collateral trustee have entered into a Collateral Trust Agreement dated as of July 31, 2002 (the "Collateral Trust Agreement"), which provides for collateral to be held by Citibank, N.A., as collateral trustee for the benefit of the Financial Institutions.

C. It is a condition to certain transactions under the Credit Documents, that each of the Pledgors shall have executed and delivered this Agreement.

D. The Company is the principal financing entity for all capital requirements of its Subsidiaries, and from time to time the Company has made capital contributions and advances to each of the Pledgors other than the Company. Other than the Company each of the Pledgors is a wholly owned Subsidiary of the Company and will derive substantial direct or indirect benefit from the transactions contemplated by the Credit Documents.

AGREEMENT

Therefore, in order to induce the Financial Institutions to enter into and/or continue certain financing transactions described in the Credit Documents, each of the Pledgors hereby agrees with Collateral Trustee for the benefit of the Collateral Trustee and the other Financial Institutions as follows:

1. Pledge. To secure the Secured Obligations (as defined in Section 2 below), each Pledgor hereby TRANSFERS, GRANTS, BARGAINS, SELLS, CONVEYS, HYPOTHECATES, SETS OVER, DELIVERS AND PLEDGES to the Collateral Trustee for the

benefit of the Financial Institutions, and GRANTS to the Collateral Trustee, for the benefit of the Financial Institutions, a security interest in all of such Pledgor's right, title and interest of every kind and character now owned or hereafter acquired, created or arising in and to the following (the "Pledged Collateral"):

(a) the Pledged Shares (as defined below);

(b) all shares of capital stock, general and limited partnership interests, limited liability company interests, trust interests, joint venture interests, ownership rights arising under the law of any jurisdiction, and any evidence of the foregoing, together with any property and rights derivative thereof, acquired, received or owned by any Pledgor, which, on or after the date of this Agreement, is or becomes, as a result of any occurrence, a Subsidiary of any Pledgor or of the Company;

(c) all certificates and similar evidence of ownership representing the Pledged Collateral;

(d) all cash dividends, stock dividends, cash, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Collateral; and

(e) all additions to and substitutions for any of the foregoing and all products and proceeds of any of the Pledged Collateral, together with all renewals and replacements of any of the Pledged Collateral, all accounts, accounts receivable, instruments, notes, chattel paper, documents (including all documents of title), books, records, contract rights and general intangibles arising in connection with any of the Pledged Collateral.

"Pledged Shares" means, with respect to each Pledgor, all shares described in Schedule I as being held by such Pledgor, as amended from time to time, together with all rights, contingent or otherwise, of such Pledgor to acquire shares in the entities or organizations represented by the shares described in Schedule I (whether such shares are described as being held by such Pledgor or not), as amended from time to time, and all rights to receive cash dividends, stock dividends, distributions upon redemption or liquidation, distributions as a result of split-ups, recapitalizations or rearrangements, stock rights, rights to subscribe, voting rights, rights to receive securities, options, warrants, calls, commitments, securities accounts, security entitlements, and all new securities and other property which such Pledgor now owns or may hereafter become entitled to receive on account of the foregoing or with respect to any such entities or organizations;

TO HAVE AND TO HOLD the Pledged Collateral, together with all right, title, interest, powers, privileges and preferences pertaining or incidental thereto, unto the Collateral Trustee, its successors and assigns, on behalf of the Financial Institutions, forever; subject, however, to the terms, covenants and conditions set forth in this Agreement and is subject in all cases to the limitations more fully set out in Section 2.2 of Collateral Trust Agreement.

2. Security for Obligations. The security interests and other rights granted pursuant to Section 1 secure, and the Pledged Collateral is security for, the prompt performance and payment in full in cash when due, whether at stated maturity, by acceleration or otherwise of

the Secured Obligations. As used in this Agreement the "Secured Obligations" shall mean the Guaranteed Obligations and Bonds (as such term is defined in the Collateral Trust Agreement). Notwithstanding that the balance of the Secured Obligations may at certain times be zero and that no letters of credit may at certain times be outstanding under the Credit Documents, the Liens granted hereunder to the Collateral Trustee shall remain in full force and effect at all times and with the same priority until the payment in full in cash of the Secured Obligations, the termination of the commitments, however described, under the Credit Documents, the repayment of all obligations due with respect to the bonds and the expiration or termination of all outstanding letters of credit provided under the Credit Documents (all such commitments, repayment obligations and outstanding letters of credit are referred to herein as the "Credit Document Commitments").

3. Delivery of Pledged Collateral. Subject only to the exception set forth in Section 6(a)(ii), the Pledged Collateral and all certificates, instruments and property representing or evidencing the Pledged Collateral shall, on or before the date of this Agreement (with respect to all Pledged Collateral owned by a Pledgor on the date of this Agreement) or within two Business Days of a Pledgor's actual or constructive receipt of such Pledged Collateral (with respect to Pledged Collateral received after the date of this Agreement), be delivered to and held by or on behalf of the Collateral Trustee pursuant to this Agreement and shall be in suitable form for transfer of ownership and possession by delivery, or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Collateral Trustee. The Collateral Trustee shall have the right, at any time in its discretion and without notice to any Pledgor, to transfer to or to register in its name or any of its nominees, any or all of the Pledged Collateral, subject only to the revocable rights of such Pledgor specified in Section 6(a) hereof. In addition, the Collateral Trustee shall have the right at any time to exchange certificates or instruments representing or evidencing Pledged Collateral for certificates or instruments of smaller or larger denominations.

4. Representations, Warranties and Covenants. Each Pledgor represents, warrants and covenants, to the Collateral Trustee and the other Financial Institutions, as follows:

(a) Such Pledgor (i) is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation; (ii) is duly qualified and in good standing in every jurisdiction in which the nature of its business makes such qualification necessary and where the failure to so qualify has a reasonable likelihood of having a material adverse effect; (iii) has all requisite corporate power and authority and the legal right to own, pledge, mortgage and operate its properties, and to conduct its business as now or currently proposed to be conducted; (iv) is in compliance with its certificate or articles of incorporation, by-laws and similar organizational documents; (v) is not in default under any material agreement such that there is a reasonable likelihood of such default having a material adverse effect; (vi) is in compliance (except to the extent any noncompliance has no reasonable likelihood of having a material adverse effect) with all legal requirements; and (vii) together with the other Pledgors and the Company, forms part of a group of companies that are closely related legally and economically, each deriving benefits from the other, and the execution, delivery and performance of this Agreement is conducive to the business interests of such Pledgor and its pursuit of profits and continuity.

(b) Each Person listed on Schedule I hereto: (i) is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization; (ii) is duly qualified to do business and in good standing in every jurisdiction in which the nature of the business it conducts makes such qualification necessary or desirable; (iii) has all requisite corporate power and authority and the legal right to own, pledge, mortgage and operate its properties, and to conduct its business as now or currently proposed to be conducted; (iv) is in compliance with its certificate or articles of incorporation, by-laws and similar organizational documents; and (v) is in compliance (except to the extent any noncompliance has no reasonable likelihood of having a material adverse effect) with all legal requirements.

(c) The execution, delivery, and performance by such Pledgor of this Agreement (i) are within such Pledgor's corporate power; (ii) have been duly authorized by all necessary corporate action; (iii) do not contravene such Pledgor's certificate or articles of incorporation or by-laws or other organizational documents; (iv) do not result in or require the creation of any Lien upon or with respect to any of its properties except for the Lien created by this Agreement; and (v) do not conflict with or result in a breach of the terms, conditions or provisions of, or cause a default under, any agreement, instrument, franchise, license or concession to which such Pledgor is a party or by which such Pledgor or any of its property is bound.

(d) No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by any Pledgor of this Agreement or for the validity or enforceability thereof.

(e) This Agreement is a legal, valid and binding obligation of such Pledgor enforceable against such Pledgor in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency or similar laws relating to creditors' rights generally, as such laws would apply in the event of bankruptcy insolvency or other similar occurrence with respect to such Pledgor.

(f) There is no pending or, to the best knowledge of any Pledgor, threatened action, suit or proceeding affecting any Pledgor before or by any Governmental Authority which has any reasonable likelihood of calling into question this Agreement, the security interest granted hereby, enforceability of this Agreement, or the rights of any Pledgor to enter into this Agreement.

(g) Such Pledgor is not a party to any contractual obligation the performance of which either unconditionally or upon the happening of an event, will result in the creation of a Lien on such Pledgor's property or assets (other than in favor of the Financial Institutions).

(h) All statements made to the Financial Institutions by or on behalf of such Pledgor or any Obligor which is a Subsidiary of such Pledgor before, concurrently with or after the execution of this Agreement with respect to the Pledged Collateral are and will be true, correct, complete, valid and genuine in all material respects. No statement contained in any certificate, schedule, list, financial statement or other papers furnished to any Financial Institution by or on behalf of such Pledgor or any such Obligor contains (or will contain) any

untrue statement of material fact or omits (or will omit) to state a material fact necessary to make the statements contained herein or therein not misleading.

(i) The shares described on Schedule I include all of the authorized, issued and outstanding shares of capital stock of each of the companies listed thereon and the rights to acquire shares in such companies. Such Pledgor is the sole legal and equitable owner and holder of the Pledged Shares shown to be owned by such Pledgor on Schedule I, which are free and clear of all Liens, or rights or interests of any other Person, of every kind and nature except for the Lien created by this Agreement. The shares of stock described in the first sentence of this paragraph are duly authorized, validly issued, fully paid, non-assessable, and free from any restriction on transfer, and none of such shares has been issued or transferred in violation of the securities registration, securities disclosure or similar laws of any jurisdiction to which such issuance or transfer may be subject. There are no options, warrants, financing statements, calls or commitments of any character relating to the Pledged Shares, nor are there any rights of first refusal, voting trusts, voting agreements or similar agreements relating to the Pledged Shares. The pledge, assignment and delivery of the Pledged Collateral pursuant to this Agreement will create a valid first priority lien on and a first priority perfected security interest in the Pledged Collateral and the proceeds thereof. Appropriate financing statements will be filed in favor of the Collateral Trustee in the offices described on Schedule II hereto.

(j) When additional Pledged Collateral of such Pledgor is delivered to the Collateral Trustee in accordance with Section 3, such Pledgor will be the legal and equitable owner of such Pledged Collateral free and clear of all Liens, or rights or interests of any other Person, of every kind and nature including any state or federal tax liens, except for the Lien created by this Agreement; each share of stock comprising such Pledged Collateral will have been duly authorized and validly issued and will be fully paid and non-assessable and free from any restriction on transfer; and such Pledgor will have legal title to such Pledged Collateral and power to pledge, assign and deliver such Pledged Collateral in the manner contemplated by this Agreement.

(k) Such Pledgor will (i) cause each issuer of shares of stock comprising Pledged Collateral not to issue any stock or other securities in addition to or in substitution for the shares of stock comprising the Pledged Collateral issued by such issuer, except for stock and other securities issued to such Pledgor or another Pledgor and subject to this Agreement, (ii) pledge hereunder, immediately upon its acquisition (directly or indirectly) thereof, any and all additional shares of stock or other securities of each issuer of Pledged Collateral, and (iii) pledge hereunder, immediately upon its acquisition (directly or indirectly) thereof, any and all shares of stock or other equity interest covered by Section 1(b) hereof.

(l) Each Pledgor agrees that it (i) shall not sell, assign, transfer, pledge, mortgage, hypothecate, dispose of or encumber, or grant any option or warrant or Lien or right with respect to, or permit any Liens to arise with respect to, the Pledged Collateral, any of its rights in or to the Pledged Collateral and any portion thereof, except for the pledge thereof provided for in this Agreement, and (ii) shall not permit any issuer of shares of stock comprising Pledged Collateral to terminate its corporate existence, to be a party to any merger or consolidation, or to sell, lease or dispose of all or substantially all of its assets and properties in a single transaction or series of related transactions.

(m) Such Pledgor has and will defend the title to the Pledged Collateral held by it and the Liens created by this Agreement against all claims and demands of any Person at any time claiming the Pledged Collateral or any interest therein and will maintain and preserve such Liens until the termination of this Agreement.

5. Further Assurances.

(a) Each Pledgor agrees that, at any time and from time to time, at the expense of such Pledgor, it will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that the Collateral Trustee may reasonably request, in order to create, maintain, perfect and protect any security interest, pledge, or hypothecation granted or purported to be granted by this Agreement, to enable the Collateral Trustee to exercise and enforce its rights and remedies under this Agreement with respect to any Pledged Collateral, and to assure the transferability by the Collateral Trustee and its successors of the Pledged Collateral. Each Pledgor agrees that it shall notify the Collateral Trustee in writing, at least two (2) weeks in advance of the date that it changes the location of any office or place of business in the United States or establishes any new office or place of business. Each Pledgor agrees that it shall not move or establish its chief executive office in any place different from its current location or change its state of incorporation or organization without the Collateral Trustee's prior written consent.

(b) Subject only to the exception set forth in Section 6(a)(ii), each Pledgor shall, with respect to any investment property constituting Pledged Collateral (i) cause the Collateral Trustee to have a first priority security interest in and sole "control", as defined in the UCC, of such investment property, together with all proceeds thereof, and (ii) at the Collateral Trustee's request from time to time, each Pledgor shall instruct (and hereby instructs) any third party holding such Pledged Collateral to obey only the instructions and entitlement orders of the Collateral Trustee with respect to such Pledged Collateral and any proceeds thereof. Except as the Collateral Trustee may otherwise permit in writing, no Pledgor shall have any right to cause the withdrawal, application or transfer of any financial assets or security entitlements with respect to the Pledged Collateral, and no Pledgor shall give any instructions or entitlement orders with respect to them.

(c) Without limiting the generality of the foregoing provisions, each Pledgor agrees that upon obtaining any additional shares or other equity interests of any issuer of the Pledged Collateral, shares or other equity interests in the entities described in Section 1(b) or any other shares, equity interests or other securities constituting Pledged Collateral, it shall promptly (and in any event within two (2) Business Days) deliver to the Collateral Trustee (i) such shares, equity interests or other securities, (ii) a duly executed but blank stock power in the form of Schedule III, or otherwise acceptable to Collateral Trustee, for each certificate representing such additional Pledged Collateral, and (iii) a duly executed Pledge Agreement Supplement in substantially the form of Schedule IV (a "Pledge Agreement Supplement") or as may otherwise be required by the Collateral Trustee identifying the additional shares which are pledged pursuant to this Agreement. Each Pledgor authorizes the Collateral Trustee to attach each Pledge Agreement Supplement to this Agreement and agrees that all shares, equity interests or other securities listed on any Pledge Agreement Supplement delivered to the Collateral Trustee shall for all purposes constitute Pledged Collateral.

(d) Each Pledgor will cause to be paid before delinquency all taxes, charges, liens and assessments at any time levied or assessed against the Pledged Collateral held by it, or any part thereof, or against any Financial Institution for or on account of the Pledged Collateral or the interest created by this Agreement, and will furnish the Collateral Trustee with receipts showing payment of such taxes and assessments at least five (5) days before the applicable default date therefor.

(e) If the validity or priority of this Agreement or of any rights, titles, security interests or other interests created or evidenced by this Agreement shall be attacked, endangered or questioned or if any legal proceedings are instituted with respect thereto, each Pledgor agrees that it will take all necessary and proper steps for the defense of such legal proceedings. The Collateral Trustee is authorized and empowered to take such additional steps as in its judgment and discretion may be necessary or proper for the defense of any such legal proceedings or the protection of the validity or priority of this Agreement and the rights, titles, security interests and other interests created or evidenced by this Agreement, and the Secured Obligations include all expenses so incurred of every kind and character.

(f) Regarding any proceedings relating to the Pledged Collateral, or any portion thereof, the Collateral Trustee may participate therein, and each Pledgor agrees that it shall from time to time deliver to the Collateral Trustee all instruments reasonably requested by it to permit such participation. Each Pledgor agrees that it shall, at its expense, diligently prosecute any such proceedings and shall consult with the Collateral Trustee, its attorneys and experts, and cooperate with them in the carrying on or defense of any such proceedings.

6. Voting Rights; Dividends; Etc.

(a) So long as no default or event of default, however denominated, under any Credit Document (an "Event of Default") has occurred:

(i) A Pledgor shall be entitled to exercise any and all voting and/or other consensual rights pertaining to its respective Pledged Collateral or any part thereof for any purpose consistent with the terms of this Agreement or the Credit Documents; provided, however, that such Pledgor shall not exercise or refrain from exercising any such right with the intent of causing a material adverse effect.

(ii) A Pledgor shall be entitled to receive and retain any and all dividends paid in respect of the Pledged Collateral, other than any and all:

(A) dividends paid or payable other than in cash in respect of, and instruments and other property received, receivable or otherwise distributed in respect of, or in exchange for, any Pledged Collateral,

(B) dividends and other distributions paid or payable in cash in respect of any Pledged Collateral in 0 connection with a partial or total liquidation or dissolution or in connection with a return of capital, capital surplus or paid-in-surplus, and

(C) cash paid, payable or otherwise distributed in redemption of, or in exchange for, any Pledged Collateral,

and all of the foregoing described dividends, if any, received by any Pledgor, (i) shall be received in trust for the benefit of the Collateral Trustee and segregated from the other property or funds of such Pledgor and (ii) shall be forthwith delivered to the Collateral Trustee as Pledged Collateral in the same form as so received (with any necessary endorsement).

(iii) The Collateral Trustee shall execute and deliver (or cause to be executed and delivered) to a Pledgor all such proxies and other instruments as such Pledgor may reasonably request for the purpose of enabling such Pledgor to exercise the voting and other rights which it is entitled to exercise pursuant to clause (i) above.

Regardless of a Pledgor's right described above to receive and retain certain rights and property, such rights and property nonetheless secure the repayment of the Secured Obligations and are a part of the Pledged Collateral.

(b) Upon the occurrence and during the continuation of an Event of Default and notice thereof to the Company, all rights of a Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 6(a)(i), and to receive all dividends which it may be entitled to receive under Section 6(b)(ii), and the obligations of the Collateral Trustee under Section 6(a)(iii) shall cease, and all such rights shall thereupon become vested in the Collateral Trustee who shall thereupon have the sole right to exercise such voting and other rights.

(c) In order to permit the Collateral Trustee to exercise the voting and other rights which it may be entitled to exercise pursuant to Section 6(b), each Pledgor agrees that it shall, from time to time execute and deliver to the Collateral Trustee appropriate documents and instruments as the Collateral Trustee may request. To this end, each Pledgor hereby irrevocably constitutes and appoints the Collateral Trustee the proxy and attorney-in-fact of each Pledgor, with full power of substitution, to vote, and to act with respect to, any and all Pledged Collateral standing in the name of such Pledgor or with respect to which such Pledgor is entitled to vote and act, subject to the understanding that such proxy may not be exercised unless an Event of Default has occurred and is continuing. The proxy herein granted is coupled with an interest, is irrevocable, and shall continue until payment in full in cash of the Secured Obligations, the termination of the Credit Document Commitments.

7. Collateral Trustee's Rights and Appointed as Attorney-in-Fact. The provisions of Article 5 of the Collateral Trust Agreement shall inure to the benefit of Collateral Trustee in respect of this Agreement and shall be binding upon the parties hereto. Each Pledgor hereby appoints the Collateral Trustee such Pledgor's true and lawful attorney-in-fact, with full authority in the place and stead of such Pledgor and in the name of such Pledgor or otherwise, from time to time in the Collateral Trustee's discretion, subject to Section 6, to take any action and to execute any document or instrument which the Collateral Trustee may reasonably deem necessary or desirable to accomplish the purposes of this Agreement, including, without

limitation, to receive, endorse and collect all instruments made payable to such Pledgor representing any dividend, interest payment or other distribution in respect of the Pledged Collateral or any part thereof and to give full discharge for the same. The Collateral Trustee's liability, if any, otherwise arising under applicable law shall be limited to amounts actually received as a result of the exercise of the powers granted to it herein. No Collateral Trustee or Financial Institution, and no officer, director, employee or collateral trustee of the Collateral Trustee or any Financial Institution, shall be responsible to any Pledgor for any act or failure to act hereunder, except that any such Person shall be responsible for its own gross negligence or willful misconduct.

8. Collateral Trustee May Perform. The Collateral Trustee is authorized to perform, or cause performance of, any agreement contained herein in the event that a Pledgor fails to timely perform the same, and the reasonable expenses of the Collateral Trustee incurred in connection therewith shall be payable by such Pledgor or by the Company. The Collateral Trustee is further authorized in its discretion to take any other action, either on its own behalf or on behalf of a Pledgor (and as regards actions taken on behalf of a Pledgor, this authorization is irrevocable and is an agency coupled with an interest), as the Collateral Trustee may elect, which the Collateral Trustee may deem necessary or appropriate to protect and preserve the rights, titles and interests of the Collateral Trustee hereunder. The powers conferred on the Collateral Trustee pursuant to this Agreement are conferred solely to protect the Collateral Trustee and Financial Institutions' interest in the Pledged Collateral and shall not impose any duty or obligation on the Collateral Trustee or any Financial Institution to perform any of the powers herein conferred. No exercise of any of the rights provided for in this Agreement constitutes a retention of collateral in satisfaction of indebtedness.

9. No Responsibility for Certain Actions; Indemnity. Neither the Collateral Trustee nor any other Financial Institution shall have responsibility for (a) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Pledged Collateral, whether or not the Collateral Trustee or any other Financial Institution has or is deemed to have knowledge of such matters, (b) taking any necessary steps to preserve any rights against any Person with respect to any Pledged Collateral or (c) supervising, monitoring or controlling any aspect of the character or condition of any of the Pledged Collateral or any operations conducted in connection with it for the benefit of a Pledgor or any other Person. Each Pledgor agrees to indemnify, defend and hold Collateral Trustee, Financial Institutions, each of their respective shareholders, directors, officers, agents, advisors and employees (collectively "Indemnified Parties") harmless from and against any and all loss, liability, obligation, damage, penalty, judgment, claim, deficiency, expense, action, suit, cost and disbursement of any kind or nature whatsoever (including interest, penalties, attorneys' fees and amounts paid in settlement), imposed on, incurred by or asserted against the Indemnified Parties growing out of or resulting from this Agreement or any transaction or event contemplated in it (except that such indemnity shall not be paid to any Indemnified Party to the extent such loss, etc. directly results from the gross negligence or willful misconduct of such Indemnified Party).

10. Remedies upon Default. If any Event of Default shall have occurred and be continuing:

(a) The Collateral Trustee may exercise in respect of the Pledged Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party in default under the UCC, and, subject to applicable regulatory and legal requirements, the Collateral Trustee may also, without notice except as specified below, sell the Pledged Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or at any of the Collateral Trustee's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Collateral Trustee may deem commercially reasonable. Upon consummation of any such sale, the Collateral Trustee shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Pledged Collateral so sold. Each such purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of any Pledgor, and each Pledgor, for itself and for its successors, receivers, trustees and assigns, and for any and all persons ever claiming any interest in the Pledged Collateral, to the extent permitted by law, hereby WAIVES all rights of extension, redemption, stay, valuation and appraisal, and any similar right arising under the law of any country, which such Pledgor now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. Each Pledgor agrees that, to the extent notice of sale shall be required by law, at least 10 days' notice to such Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Collateral Trustee shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. The Collateral Trustee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Each Pledgor hereby WAIVES any claims against the Collateral Trustee arising by reason of the fact that the price at which any Pledged Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if the Collateral Trustee accepts the first offer received and does not offer such Pledged Collateral to more than one offeree. At any public sale made pursuant to this Section 10, any Financial Institution may bid for or purchase, free from any right of redemption, stay or appraisal, and any similar right arising under the law of any country, on the part of any Pledgor (all said rights being also hereby WAIVED and released by each Pledgor), the Pledged Collateral or any part thereof offered for sale and may make payment on account thereof by using any claim then due and payable to it from any Obligor and/or any Pledgor as a credit against the purchase price, and it may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to any Pledgor therefor. For purposes hereof, (i) a written agreement to purchase the Pledged Collateral or any portion thereof shall be treated as a sale thereof, (ii) the Collateral Trustee shall be free to carry out such sale pursuant to such agreement and (iii) no Pledgor shall be entitled to the return of the Pledged Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Collateral Trustee shall have entered into such an agreement all Events of Default shall have been remedied and the Secured Obligations paid in full. As an alternative to exercising the power of sale herein conferred upon it, the Collateral Trustee may proceed by a suit or suits at law or in equity to foreclose upon the Pledged Collateral and to sell the Pledged Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver. Any sale pursuant to the provisions of this Section 10 shall be deemed to conform to the commercially reasonable standards as provided in the UCC. Each Pledgor covenants and agrees that it will execute and deliver such documents and

take such other action as the Collateral Trustee deems necessary or advisable in order that any such sale may be made in compliance with applicable law.

(b) The Collateral Trustee shall have all the rights of a secured party after default under the UCC and in conjunction with and in addition to such rights and remedies:

(i) it shall not be necessary that the Pledged Collateral or any part thereof be present at the location of any sale pursuant to the provisions of this Section 10;

(ii) to the extent the sale of Pledged Collateral is insufficient to satisfy the Secured Obligations, the Obligors shall remain liable for any deficiency;

(iii) the sale by the Collateral Trustee of less than the whole of the Pledged Collateral shall not exhaust the rights of the Collateral Trustee hereunder, and the Collateral Trustee is specifically empowered to make successive sale or sales hereunder until the whole of the Pledged Collateral shall be sold; and, if the proceeds of such sale of less than the whole of the Pledged Collateral shall be less than the aggregate of the Secured Obligations, this Agreement and the security interest created hereby shall remain in full force and effect as to the unsold portion of the Pledged Collateral just as though no sale had been made;

(iv) in the event any sale hereunder is not completed or is defective in the opinion of the Collateral Trustee, such sale shall not exhaust the rights of the Collateral Trustee hereunder and the Collateral Trustee shall have the right to cause a subsequent sale or sales to be made hereunder; and

(v) demand of performance, advertisement and presence of property at sale are hereby WAIVED and the Collateral Trustee is hereby authorized to sell hereunder any financial asset it may hold as security for the Secured Obligations. All demands and presentments of any kind or nature are expressly, WAIVED by each Pledgor. Each Pledgor hereby WAIVES the right to require the Collateral Trustee to pursue any other remedy for the benefit of such Pledgor and agrees that Collateral Trustee may proceed against any Person for the amount of the Secured Obligations owed to the Collateral Trustee without taking any action against any other Person and without selling or otherwise proceeding against or applying any of the Pledged Collateral in the Collateral Trustee's possession.

(c) Each Pledgor recognizes that, by reason of certain prohibitions contained in the Securities Act of 1933 and applicable state securities laws, the Collateral Trustee may be compelled, with respect to any sale of all or any part of the Pledged Collateral, to limit purchasers to those who will agree, among other things, to acquire such securities for their own account, for investment, and not with a view to the distribution or resale thereof. Each Pledgor acknowledges and agrees that any such sale may result in prices and other terms less favorable to the seller than if such sale were a public sale without such restrictions and agrees that such circumstances shall not be a factor in determining whether such sale has been made in a commercially reasonable manner. The Collateral Trustee shall be under no obligation to delay

the sale of any of the Pledged Collateral for the period of time necessary to permit any Pledgor to register such securities for public sale under the Securities Act of 1933, or under applicable state securities laws, even if a Pledgor would agree to do so.

(d) If the Collateral Trustee determines to exercise its right to sell any or all of the Pledged Collateral, upon written request, each Pledgor shall, and shall cause each of its Subsidiaries to, from time to time, furnish to the Collateral Trustee all such information as the Collateral Trustee may reasonably request in order to determine the number of shares and other instruments included in the Pledged Collateral which may be sold by the Collateral Trustee as exempt transactions under the Securities Act of 1933 and rules of the Securities and Exchange Commission thereunder, as the same are from time to time in effect.

(e) Any cash held by the Collateral Trustee as Pledged Collateral and all cash proceeds received by the Collateral Trustee in respect of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral shall be at Collateral Trustee's discretion either held as Pledged Collateral or applied by the Collateral Trustee to the Secured Obligations in the manner determined by Collateral Trustee in its sole discretion.

(f) All remedies herein expressly provided for are cumulative of any and all other remedies existing at law or in equity and are cumulative of any and all other remedies provided for in any other instrument securing the payment of the Secured Obligations, or any part thereof, or otherwise benefiting the Financial Institutions, and the resort to any remedy provided for hereunder or under any such other instrument or provided for by law shall not prevent the concurrent or subsequent employment of any other appropriate remedy or remedies.

(g) The Financial Institutions may resort to any security given by this Agreement or to any other security now existing or hereafter given to secure the payment of the Secured Obligations, in whole or in part, and in such portions and in such order as may seem best to such Financial Institution in its sole and uncontrolled discretion, and any such action shall not in anywise be considered as a waiver of any of the rights, benefits or security interests evidenced by this Agreement.

11. Expenses. Each Pledgor agrees that it will upon demand pay to the Collateral Trustee the amount of any and all reasonable costs, disbursements and expenses of every character, including without limitation the reasonable fees and expenses of its counsel (including the reasonable allocated cost of in house counsel), and of any experts, incurred or expended by the Collateral Trustee from time to time in connection with: (a) the preparation, negotiation, documentation, closing, renewal, revision, modification, renegotiation or review of this Agreement; (b) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Pledged Collateral, (c) the exercise or enforcement of any of the rights of the Collateral Trustee or any other Financial Institution hereunder, or (d) the failure by a Pledgor to perform or observe any of the provisions hereof.

12. Amendments, Etc. Any amendment or waiver to this Agreement or any provision hereof shall only be effective to the extent such amendment or waiver (a) complies with all requirements of an amendment to the Collateral Trust Agreement including those requirements set forth in Section 6.2 of the Collateral Trust Agreement and (b) is executed by the Persons that

would be required to execute a like amendment of the Collateral Trust Agreement. Furthermore, all amendments and waivers to this Agreement will be subject to the limitations and restrictions applicable to amendments and waivers of the Collateral Trust Agreement. The waiver of any default may be made without waiving any other prior or subsequent default, and the Collateral Trustee may remedy any default, without waiving the default remedied. The failure by the Collateral Trustee to exercise any right, power or remedy upon any default shall not be construed as a waiver of such default or as a waiver of the right to exercise any such right, power or remedy at a later date. No single or partial exercise by the Collateral Trustee of any right, power or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right, power or remedy hereunder may be exercised at any time and from time to time. No notice to nor demand on a Pledgor in any case shall of itself entitle a Pledgor to any other or further notice or demand in similar or other circumstances. Acceptance by the Collateral Trustee of any payment in an amount less than the amount then due on the Secured Obligations shall be deemed an acceptance on account only and shall not in any way affect the existence of a default hereunder. No waiver, release, consent by Collateral Trustee pursuant to this Agreement shall affect or impair the rights of a Financial Institution against any third party, except to the extent specifically agreed to by such Financial Institution in such writing.

13. Address for Notices. Except as otherwise specified herein, all notices, requests, demands, consents, instructions or other communications hereunder shall be given in accordance with the terms of Section 6.4 of the Collateral Trust Agreement; however, any notice to a Pledgor shall be effective if delivered to the Company.

14. Continuing Security Interest. This Agreement shall create a continuing security interest in the Pledged Collateral and shall (a) remain in full force and effect until termination of the Credit Document Commitments and payment in full in cash of the Secured Obligations; (b) continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Secured Obligations is rescinded or reduced in amount, or must otherwise be restored by the Collateral Trustee or any other Financial Institution upon the insolvency, bankruptcy, or reorganization of the Company or otherwise, all as though such payment had not been made; (c) be binding upon each Pledgor, its successors and assigns, and any trustee, receiver, or conservator of a Pledgor, and any successors in interest of a Pledgor in and to all or any part of the Pledged Collateral; and (d) inure, together with the rights and remedies of the Collateral Trustee hereunder, to the benefit of the Collateral Trustee, the other Financial Institutions and their respective successors, transferees and assigns. Without limiting the generality of the foregoing clause (d), the Collateral Trustee and/or any Financial Institution may assign or otherwise transfer its rights and obligations under the Credit Documents to any other Person or entity, and such other Person or entity shall thereupon become vested with all the benefits in respect thereof granted to such Collateral Trustee and/or Financial Institution herein or otherwise. Upon the completion of both (i) the termination of the Credit Document Commitments and (ii) the payment in full in cash of the Secured Obligations, the Company shall be entitled to the return, upon its request and at its expense, of such of the Pledged Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof.

15. Security Interest and Obligations Absolute. Each Pledgor agrees that it will perform its obligations hereunder strictly in accordance with the terms of this Agreement regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting

any of such terms or the rights of any of the Financial Institutions with respect thereto. The obligations of each Pledgor under this Agreement are independent of the obligations of the Company, any other Pledgor or any other Person, and a separate action or actions may be brought and prosecuted against any one or more Pledgors to enforce this Agreement, irrespective of whether any action is brought against the Company, any other Pledgor or any other Person or whether the Company, any other Pledgor or any other Person is joined in any such action or actions. All rights and security interests of the Financial Institutions hereunder, and all obligations of each Pledgor hereunder, shall be absolute and unconditional irrespective of:

(a) any lack of validity or enforceability of any of the Credit Documents or any other agreement or instrument relating thereto;

(b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Secured Obligations, or any other amendment, renewal or waiver of or any consent to any departure from any of the Credit Documents, including, without limitation, any extension of the term and any increase in the Secured Obligations or any other liabilities resulting from the extension of additional credit or otherwise;

(c) any taking, exchange, release or non-perfection of any other collateral, or any release or amendment or waiver of or consent to departure from any guaranty, for all or any of the Secured Obligations or any other liability;

(d) any manner of application of collateral, or proceeds thereof or of collections on account of any guaranty, to all or any of the Secured Obligations or any other liabilities, or any manner of sale or other disposition of any collateral for all or any of the Secured Obligations or any other liabilities or of any other assets of the Company or any other Person;

(e) any liquidation, dissolution or termination of existence of, or other change in, the Company or any other Person;

(f) any bankruptcy, insolvency, receivership or other proceeding involving the Company or any other Person or any defense that may arise in connection with or as a result of any such bankruptcy, insolvency, receivership or other proceeding or otherwise;

(g) any indulgence, moratorium or release granted by any Financial Institution, including but not limited to (i) any renewal, extension or modification which a Financial Institution may grant with respect to the Secured Obligations, (ii) any surrender, compromise, release, renewal, extension, exchange or substitution which a Financial Institution may grant in respect of any item securing the Secured Obligations, or any part thereof or any interest therein, or (iii) any release or indulgence granted to any endorser, guarantor or surety of the Secured Obligations; or

(h) any other circumstance which might otherwise constitute a defense available to, or a discharge of, the Company, any Pledgor, a third party pledgor or any other Person.

16. Right of Set-off.

(a) Upon the occurrence and during the continuation of any Event of Default, each Financial Institution is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set-off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Financial Institution to or for the credit or the account of a Pledgor against any and all of the Secured Obligations, irrespective of whether or not such Financial Institution shall have made any demand under this Agreement and although such Secured Obligations may be contingent and unmatured. Each Financial Institution which sets-off pursuant to this Section 16(a) shall give prompt notice to the Company following the occurrence thereof; provided that the failure to give such notice shall not affect the validity of the set-off.

(b) Any payment obtained by any Financial Institution pursuant to Section 16(a) (or in any other manner directly from a Pledgor) shall be remitted to the Collateral Trustee and the Collateral Trustee shall, at the Collateral Trustee's discretion, either hold such payment as Pledged Collateral or apply it to the Secured Obligations in the manner determined by the Collateral Trustee in its sole discretion.

17. Severability. Any provision hereof that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and without affecting the validity or enforceability of any provision in any other jurisdiction.

18. Waiver of Jury Trial. THE PLEDGORS, THE COLLATERAL TRUSTEE, AND THE FINANCIAL INSTITUTIONS HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY.

19. Governing Law; Jurisdiction.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of New York. Unless otherwise defined herein or in the in the Credit Agreement dated as of July 31, 2002, among the Company and the Financial Institutions named therein, terms defined in Articles 8 and 9 of the New York UCC are used herein as therein defined.

(b) ANY LITIGATION BASED HEREON, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE COLLATERAL TRUSTEE, THE FINANCIAL INSTITUTIONS OR THE PLEDGORS IN CONNECTION HEREWITH MAY BE BROUGHT AND MAINTAINED IN THE COURTS OF THE STATE OF NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT THE COLLATERAL TRUSTEE'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. EACH PLEDGOR IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK AT THE ADDRESS FOR NOTICES SPECIFIED IN SECTION 6.4 OF THE COLLATERAL TRUST AGREEMENT. EACH PLEDGOR HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT

FORUM. TO THE EXTENT THAT ANY PLEDGOR HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, EACH PLEDGOR HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT.

(c) THIS AGREEMENT TOGETHER WITH THE OTHER CREDIT DOCUMENTS EMBODIES THE ENTIRE AGREEMENT AND UNDERSTANDING AMONG THE PARTIES WITH RESPECT TO ITS SUBJECT MATTER AND SUPERSEDES ALL PRIOR OR CONTEMPORANEOUS AGREEMENTS AND UNDERSTANDINGS OF SUCH PERSONS, VERBAL OR WRITTEN, RELATING TO SUCH SUBJECT MATTER.

20. Counterpart. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original for all purposes; but such counterparts shall be deemed to constitute but one and the same instrument.

21. Waiver. Each Pledgor hereby waives promptness, diligence, notice of acceptance and any other notice (except notices expressly required to be given to such Pledgor under this Agreement) with respect to any of the Secured Obligations and this Agreement and any requirement that any of the Financial Institutions protect, secure, perfect or insure any security interest or other Lien or any property subject thereto or exhaust any right to take any action against the Company or any other Person or any collateral.

22. Subrogation and Other Rights to Repayment. Each Pledgor irrevocably WAIVES any and all rights to which it may be entitled (by operation of law or otherwise) by performing its obligations under this Agreement (i) to be subrogated to the rights of any Financial Institution against the Company or (ii) to receive any payment, in the nature of contribution or for any other reason, from the Company. If any amount shall be paid to any Pledgor on account of such subrogation rights or the Pledgor receives any such payment referred to in clause (ii) above, such Pledgor agrees to hold such amount of such payment, as the case may be, in trust for the benefit of the Financial Institutions, and such Pledgor agrees to forthwith pay such amount or such payment, as the case may be, to the Collateral Trustee to be credited against and applied upon the Secured Obligations, whether matured or unmatured, in such order as may be determined by the Collateral Trustee in its sole discretion.

23. Subordination. Each Pledgor hereby expressly covenants and agrees for the benefit of the Financial Institutions that all obligations and liabilities of the Obligors or other Pledgors to such Pledgor of whatsoever description (including, without limitation, all intercompany receivables of such Pledgor from each of the Obligors or other Pledgors) shall be subordinated and junior in right of payment to the Secured Obligations. Following the occurrence of an Event of Default, all indebtedness of the Obligors or other Pledgors to such Pledgor shall be collected and received by such Pledgor as trustee for the Financial Institutions and paid over to the Financial Institutions, or any one or more of them, as the case may be, on account of the Secured Obligations, but without reducing or affecting in any manner the obligations of such Pledgor under this Agreement.

24. Incorporated Definitions. All defined terms that are incorporated from other agreements into this Agreement by reference shall have the meanings assigned to such terms as

of the date hereof but shall not be modified by any subsequent amendment or modification that takes place after the date hereof unless consented to by the parties hereto.

IN WITNESS WHEREOF, the Pledgors caused this Agreement to be duly executed and delivered by their respective officers or representatives thereunto duly authorized as of the date first above written.

PLEDGORS:

[SEE ATTACHED CHART.]

Agreed to:

CITIBANK, N.A., AS COLLATERAL TRUSTEE

By: /s/ J. Christopher Lyons

Name:

Title: Vice President

[SIGNATURE PAGE TO PLEDGE AGREEMENT]

By signing below, each of the following Obligors (the equity interests or shares of which constitute Pledged Shares hereunder) confirms that an executed copy of this Agreement has been submitted to it and acknowledges the above pledge of the Pledged Collateral.

OBLIGORS:

[SEE ATTACHED CHART.]

SCHEDULE I
TO PLEDGE AGREEMENT

SCHEDULE OF PLEDGED SHARES

PLEDGOR	PLEDGED SUBSIDIARY	STATE OF ORGANIZATION (PLEDGED SUBSIDIARY)	CLASS OF STOCK	STOCK CERTIFICATE NO.	PAR VALUE	NUMBER OF SHARES	PERCENT OF TOTAL EQUITY INTERESTS OWNED BY PLEDGOR*
The Williams Companies, Inc.	Williams Energy Services, L.L.C.	DE	N/A	N/A	N/A	N/A	100%
	Williams Natural Gas Liquids, Inc.	DE	Common	1	100	10	100%
	Williams Midstream Natural Gas Liquids, Inc.	DE	Common	2	1.00	1,000	100%
	Williams Express, Inc. (DE)	DE	Common	1	1.00	1,000	100%
Williams Energy Services, L.L.C.	Williams Field Services Group, Inc.	DE	Common	5	1.00	1,000	100%
	Williams Alaska Pipeline Company, L.L.C.	DE	N/A	N/A	N/A	N/A	100%
	Williams Bio-Energy, L.L.C.	DE	N/A	N/A	N/A	N/A	100%

	Williams Merchant Services Company, Inc.	DE	Common	3	1.00	1,000	100%
	Mapco, Inc.	DE	Common	1	10.00	100	100%
	Williams Production Company, L.L.C.	DE	N/A	N/A	N/A	N/A	100%
	Williams GP, LLC	DE	N/A	N/A	N/A	N/A	[99.8]%
	Williams Energy Partners, L.P.	DE	N/A	N/A	N/A	N/A	[19.3]%
Williams Field Services Group, Inc.	Black Marlin Pipeline Company	TX	Common	16	0.10	44,800	100%
	WFS Enterprises, Inc.	DE	Common	1	0.00	100	100%
	WFS-Liquids Company	DE	Common	12	1.00	100	100%
	Williams Field Services Company	DE	Common	4	1.00	1,000	100%
	Williams Gas Processing Company	DE	Common	2	1.00	1,000	100%
	Williams Gas Processing - Wamsutter Company	DE	Common	5	1.00	1,000	100%
	North Padre Island Spindown, Inc.	DE	Common	1	1.00	1,000	100%

Williams Merchant Services Company, Inc.	Williams Energy Marketing & Trading Company	DE	Common	7	1.00	1,000	100%
Williams Energy Marketing & Trading Company	Worthington Generation, L.L.C.	DE	N/A	N/A	N/A	N/A	100%
	Memphis Generation, L.L.C.	DE	N/A	N/A	N/A	N/A	100%
Mapco, Inc.	Gas Supply, L.L.C.	DE	N/A	N/A	N/A	N/A	100%
Williams Natural Gas Liquids, Inc.	Juarez Pipeline Company	DE	Common	2	1.00	1,000	100%
	MAPL Investments, Inc.	DE	Common	2	1.00	1,000	100%
	WFS-NGL Pipeline Company, Inc.	DE	Common	3	1.00	1,000	100%
	Williams GP, LLC	DE	N/A	N/A	N/A	N/A	[0.2]%
	Williams Energy Partners, L.P.	DE	N/A	N/A	N/A	N/A	[5.1%]
WFS-NGL Pipeline Company, Inc.	WILPRISE Pipeline Company, L.L.C.**	DE	N/A	N/A	N/A	N/A	37.35%

	Tri-States NGL Pipeline, L.L.C.**	DE	N/A	N/A	N/A	N/A	16.67%
Juarez Pipeline Company	Rio Grande Pipeline Company**	DE	N/A	N/A	N/A	N/A	45%
Williams Midstream Natural Gas Liquids, Inc.	Baton Rouge Fractionators, L.L.C.**	DE	N/A	N/A	N/A	N/A	27.5%
Williams Express, Inc. (DE)	Williams Express, Inc. (AK)	AK	Common	1	1.00	1,000	100%
	Williams Refining & Marketing, L.L.C.	DE	N/A	N/A	N/A	N/A	100%
	Williams Alaska Petroleum, Inc.	AK	Common	1	1.00	1,000	100%
Williams Alaska Petroleum, Inc.	Williams Alaska Air Cargo Properties, L.L.C.	AK	N/A	N/A	N/A	N/A	100%
Williams Olefins, L.L.C.	Williams Olefins Feedstock Pipelines, L.L.C.	DE	N/A	N/A	N/A	N/A	100%
Williams Refining & Marketing, L.L.C.	Williams Olefins, L.L.C.	DE	N/A	N/A	N/A	N/A	100%
	Williams Generating Memphis, LLC	DE	N/A	N/A	N/A	N/A	100%

	Williams Memphis Terminal, Inc.	DE	Common	3	1.00	1,000	100%
	Williams Petroleum Pipeline Systems, Inc.	DE	Common	4	1.00	1,000	100%
Williams Bio-Energy, L.L.C.	Williams Ethanol Services, Inc.	DE	Common	2	1.00	1,000	100%
	Nebraska Energy, L.L.C.**	KS	N/A	N/A	N/A	N/A	74.9%
WFS Enterprises, Inc.	Williams Field Services-Gulf Coast Company, L.P.	DE	N/A	N/A	N/A	N/A	99%
Williams Field Services Company	Williams Field Services-Gulf Coast Company, L.P.	DE	N/A	N/A	N/A	N/A	1%
WFS-Liquids Company	WFS-Offshore Gathering Company	DE	Common	5	0.00	100	100%
Williams Petroleum Pipeline Systems, Inc.	Williams Mid-South Pipelines, LLC	DE	N/A	N/A	N/A	N/A	100%

* Each Pledgor is pledging all of the equity interests it owns or hereafter acquires in each of its pledged Subsidiaries. This column indicates the percent of total equity interests in the pledged Subsidiary owned by this Pledgor as of the date of this Agreement.

** Pledgor's pledge of the equity interests in this Subsidiary shall not be effective until Pledgor has obtained all necessary consents in connection with such pledge, as more fully described on Schedule XII of the Credit Agreement.

SCHEDULE II
TO PLEDGE AGREEMENT

UCC FILING OFFICES

	Entity	UCC Central Filing Offices of the Secretary of State for the Following States
A.	Black Marlin Pipeline Company	TX
B.	Gas Supply, L.L.C.	DE
C.	Juarez Pipeline Company	DE
D.	Mapco, Inc.	DE
E.	MAPL Investments, Inc.	DE
F.	Memphis Generation, L.L.C.	DE
G.	North Padre Island Spindown, Inc.	DE
H.	The Williams Companies, Inc.	DE
I.	WFS - NGL Pipeline Company, Inc.	DE
J.	WFS Enterprises, Inc.	DE
K.	WFS Offshore Gathering Company	DE
L.	WFS-Liquids Company	DE
M.	Williams Alaska Air Cargo Properties, L.L.C.	AK
N.	Williams Alaska Petroleum, Inc.	AK
O.	Williams Alaska Pipeline Company, L.L.C.	DE

	Entity	UCC Central Filing Offices of the Secretary of State for the Following States
P.	Williams Bio-Energy, L.L.C.	DE
Q.	Williams Energy Marketing & Trading Company	DE
R.	Williams Energy Services, L.L.C	DE
S.	Williams Ethanol Services, Inc.	DE
T.	Williams Express, Inc. (AK)	AK
U.	Williams Express, Inc. (DE)	DE
V.	Williams Field Services Company	DE
W.	Williams Field Services Group, Inc.	DE
X.	Williams Field Services-Gulf Coast Company, L.P.	DE
Y.	Williams Gas Processing Company	DE
Z.	Williams Gas Processing -Wamsutter Company	DE
AA.	Williams Generating Memphis, LLC	DE
BB.	Williams GP, LLC	DE
CC.	Williams Memphis Terminal, Inc.	DE
DD.	Williams Merchant Services Company, Inc	DE

	Entity	UCC Central Filing Offices of the Secretary of State for the Following States
EE.	Williams Mid-South Pipelines, LLC	DE
FF.	Williams Midstream Natural Gas Liquids, Inc.	DE
GG.	Williams Natural Gas Liquids, Inc.	DE
HH.	Williams Olefins Feedstock Pipelines, L.L.C.	DE
II.	Williams Olefins, L.L.C.	DE
JJ.	Williams Petroleum Pipeline Systems, Inc.	
KK.	Williams Production Company, L.L.C.	DE
LL.	Williams Refining & Marketing, L.L.C.	DE
MM.	Worthington Generation, L.L.C.	DE

SCHEDULE III
TO PLEDGE AGREEMENT

STOCK ASSIGNMENT SEPARATE FROM CERTIFICATE

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, _____. ("Transferor") does hereby sell, assign and transfer to _____ _____ (_____) shares of the Common Stock, par value $_____ per share of _____, ____ a _____ _____ (the "Company"), represented by Certificate No. __ (the "Shares"). Transferor hereby irrevocably constitutes and appoints the Company as Attorney-in-fact to transfer the foregoing Shares on the books of the Company, with full power of substitution in the premises, and ratifies and confirms all lawful actions taken by said attorney-in-fact by virtue hereof.

The Shares are owned beneficially and of record by the undersigned, free and clear of all liens, security interests, claims, charges, encumbrances and rights of others.

Executed this ___ day of _____, 20__

By:

Name:

SCHEDULE IV
TO
PLEDGE AGREEMENT

PLEDGE AGREEMENT SUPPLEMENT

This Pledge Agreement Supplement, dated as of _____, _____, is delivered pursuant to either Section 3 or Section 5 of the Pledge Agreement referred to below. The undersigned hereby agrees that this Pledge Agreement Supplement may be attached to the Pledge Agreement dated as of July 31, 2002 (the "Pledge Agreement"; the terms defined therein and not otherwise defined herein being used herein as therein defined), by and between the undersigned and Citibank, N.A., as collateral trustee, for the benefit of the holders of the Secured Obligations. This instrument and each issue arising hereunder shall be governed by, and construed in accordance with, the laws of the State of New York (excluding its conflict of laws principles). This choice of New York law has been made pursuant to Section 5-1401 of the General Obligations Law of the State of New York.

The undersigned agrees that the securities listed below shall for all purposes constitute Pledged Collateral and shall be subject to the security interest created by the Pledge Agreement.

The undersigned hereby certifies that the representations and warranties set forth in Section 4 of the Pledge Agreement are true and correct as to the Pledged Collateral listed herein on and as of the date hereof.

[PLEDGOR]

By:

Name:

Title:

Name of Subsidiary	State or Country or Organization	Class of Stock	Stock Certificate No(s).	Percentage of Ownership	Par Value	Number of Shares
-						

By signing below, _____ confirms that an executed copy of the Pledge Agreement dated as of July 31, 2002 among The Williams Companies, Inc., and each of the Subsidiaries which is a signatory thereto or which subsequently became a party thereto in accordance with the terms thereof, in favor of Citibank, N.A., as collateral trustee, together with this Pledge Agreement Supplement, has been submitted to it and acknowledges the above pledge of the Pledged Collateral.

[NAME OF COMPANY IN WHICH
SHARES ARE PLEDGED]
a [jurisdiction and form of organization]

By:

Name:

Title:

SCHEDULE V
TO
PLEDGE AGREEMENT

CREDIT DOCUMENTS

1. That Credit Agreement dated as of July 31, 2002 (as amended, modified, supplemented or restated from time to time), by and among the Company together with Citicorp USA, Inc., as agent and collateral agent, Bank of America N. A. as syndication agent, Citibank, N.A. and Bank of America N.A. as issuing bank, Salomon Smith Barney Inc. as L/C Arranger, and the banks named therein.

2. The Company; Northwest Pipeline Corporation, a Delaware corporation; Transcontinental Gas Pipe Line Corporation, a Delaware corporation; and Texas Gas Transmission Corporation, a Delaware corporation, as the borrowers, have entered into a Credit Agreement dated July 25, 2000, as amended, together with the banks named therein, and The Chase Manhattan Bank and Commerzbank AG as co-syndication agents, and Credit Lyonnais New York Branch as documentation agent and Citibank, N.A., as agent, and Salomon Smith Barney, as Arranger.

3 Indenture between MAPCO, Inc., as Issuer, and Bankers Trust Company, as Trustee dated March 31, 1990.

4 Indenture between Transco Energy Company, as Issuer, and The Bank of New York, as Trustee, dated May 1, 1990.

All documents, instruments, agreements, certificates and notices at any time executed and/or delivered in connection with any of the foregoing Credit Documents.

PLEDGORS TO THE PLEDGE AGREEMENT:

Juarez Pipeline Company
Mapco, Inc.
The Williams Companies, Inc.
WFS Enterprises, Inc.
WFS-Liquids Company
WFS-NGL Pipeline Company Inc.
Williams Alaska Petroleum, Inc.
Williams Alaska Pipeline Company, L.L.C.
Williams Bio-Energy, L.L.C.
Williams Energy Marketing & Trading Company
Williams Energy Services, L.L.C.
Williams Express, Inc. [DE]
Williams Field Services Company
Williams Field Services Group, Inc.
Williams Merchant Services Company, Inc.
Williams Midstream Natural Gas Liquids, Inc.
Williams Natural Gas Liquids, Inc.
Williams Olefins, L.L.C.
Williams Petroleum Pipeline Systems, Inc.
Williams Refining & Marketing, L.L.C.

PLEDGEES TO THE PLEDGE AGREEMENT:

Black Marlin Pipeline Company
Gas Supply, L.L.C.
Juarez Pipeline Company
Mapco, Inc.
MAPL Investments, Inc.
Memphis Generation, L.L.C.
North Padre Island Spindown, Inc.
WFS Enterprises, Inc.
WFS-Liquids Company
WFS-NGL Pipeline Company Inc.
WFS-Offshore Gathering Company
Williams Alaska Air Cargo Properties, L.L.C.
Williams Alaska Petroleum, Inc.
Williams Alaska Pipeline Company, L.L.C.
Williams Bio-Energy, L.L.C.
Williams Energy Marketing & Trading Company
Williams Energy Services, L.L.C.
Williams Ethanol Services, Inc.
Williams Express, Inc. [AK]
Williams Express, Inc. [DE]
Williams Field Services Company
Williams Field Services Group, Inc.
Williams Field Services-Gulf Coast Company, L.P.
Williams Gas Processing-Wamsutter Company
Williams Gas Processing Company
Williams Generating Memphis, LLC
Williams GP, LLC
Williams Memphis Terminal, Inc.
Williams Merchant Services Company, Inc.
Williams Mid-South Pipelines, LLC
Williams Midstream Natural Gas Liquids, Inc.
Williams Natural Gas Liquids, Inc.
Williams Olefins Feedstock Pipelines, L.L.C.
Williams Olefins, L.L.C.
Williams Production Company, L.L.C.
Williams Refining & Marketing, L.L.C.
Worthington Generation, L.L.C.

EXHIBIT 10.8

[Execution Copy]

GUARANTY

This Guaranty dated as of July 31, 2002 ("Guaranty") is by Williams Gas Pipeline Company, L.L.C. ("Guarantor"), in favor of the Financial Institutions (as defined below). Capitalized terms used in this Guaranty but not defined herein shall have the meanings set forth for such terms in the Credit Agreement dated as of July 31, 2002 (the "New Credit Agreement"), among The Williams Companies, Inc., a Delaware corporation (the "Company"), and the banks named therein.

INTRODUCTION

A. The Company and/or its Subsidiaries (i) have entered into certain financing transactions with and (ii) prior to the date hereof, have caused certain other existing letters of credit to be issued by, certain agents, lenders and financial institutions (such agents, lenders and financial institutions collectively, the "Financial Institutions"). Such financing transactions, including those entered into in connection with the New Credit Agreement, and the existing letters of credit are documented by certain credit, security, and letter of credit documents, all as more fully set forth on Schedule I attached hereto (collectively, as the same may be amended and modified from time to time, the "Credit Documents"). "Borrowers" as used herein shall mean the borrowers under any one or more of the Credit Documents.

B. It is a condition to certain transactions under the Credit Documents, that the Guarantor shall have executed and delivered this Guaranty.

C. The Company is the principal financing entity for all capital requirements of some of its Subsidiaries, and from time to time the Company has made capital contributions and advances to the Guarantor. The Guarantor is a wholly owned Subsidiary of the Company and will derive substantial direct or indirect benefit from the transactions contemplated by the Credit Documents.

Therefore, in order to induce the Financial Institutions to enter into and/or continue certain financing transactions and letters of credit described in the Credit Documents, the Guarantor hereby agrees for the ratable benefit of the Financial Institutions as follows:

Section 1. Guaranty. Guarantor hereby unconditionally and irrevocably guarantees the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of the obligations and indebtedness of the Company and the other Borrowers under the Credit Documents (such obligations being referred to herein as the "Guaranteed Obligations"); provided that Guaranteed Obligations shall not include any increases which occur after the date hereof in the principal amount of the obligations under the Credit Documents (other than increases in the

principal amount of such obligations that are provided for as of the date of the execution of this Agreement but not yet funded) and/or the commitments to advance funds or letters of credit thereunder. Without limiting the generality of the foregoing, Guarantor's liability shall extend to all amounts which constitute part of the Guaranteed Obligations even if such Guaranteed Obligations are declared unenforceable or not allowable in a bankruptcy, reorganization, or similar proceeding involving any Borrowers, or any guarantor of any portion of the foregoing Guaranteed Obligations (collectively such guarantors together with the Guarantor and the Borrowers are referred to herein as the "Obligors"). This Guaranty is a guarantee of payment, not of collection, and Guarantor is primarily liable for the payment of the Guaranteed Obligations.

Section 2. Limit of Liability. The liabilities and obligations of the Guarantor hereunder shall be limited to an aggregate amount equal to the largest amount that would not render such Guarantor's obligations hereunder subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable state law.

Section 3. Guaranty Absolute. Guarantor guarantees that the Guaranteed Obligations will be paid strictly in accordance with the Credit Documents, regardless of any law, regulation, or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Financial Institution with respect thereto. The obligations of Guarantor under this Guaranty are independent of the Guaranteed Obligations in each and every particular, and a separate action or actions may be brought and prosecuted against any other Obligor, or any other Person regardless of whether any other Obligor or any other Person is joined in any such action or actions. The liability of Guarantor under this Guaranty shall be absolute and unconditional irrespective of:

(a) The lack of validity or unenforceability of the Guaranteed Obligations or any Credit Document (other than this Guaranty against the Guarantor) for any reason whatsoever, including that the act of creating the Guaranteed Obligations is ultra vires, that the officers or representatives executing the documents creating the Guaranteed Obligations exceeded their authority, that the Guaranteed Obligations violate usury or other laws, or that any Obligor has defenses to the payment of the Guaranteed Obligations, including breach of warranty, statute of frauds, bankruptcy, statute of limitations, lender liability, or accord and satisfaction;

(b) Any change in the time, manner, or place of payment of, or in any term of, any of the Guaranteed Obligations, any increase, reduction, extension, or rearrangement of the Guaranteed Obligations, any amendment, supplement, or other modification of the Credit Documents, or any waiver or consent granted under the Credit Documents, including waivers of the payment and performance of the Guaranteed Obligations;

(c) Any release, exchange, subordination, waste, or other impairment (including negligent impairment) of any collateral securing payment of the Guaranteed Obligations; the failure of any Financial Institution or any other person to exercise diligence or reasonable care in the preservation, protection, enforcement, sale, or other handling of the collateral; the fact that any security interest, lien, or assignment related to any collateral for the Guaranteed Obligations

shall not be properly perfected, or shall prove to be unenforceable or subordinate to any other security interest, lien, or assignment;

(d) Any full or partial release of any Obligor (other than the full or partial release of the Guarantor);

(e) The failure to apply or the manner of applying collateral or payments of the proceeds of collateral against the Guaranteed Obligations;

(f) Any change in the organization or structure of any Obligor; any change in the shareholders, directors, or officers of any Obligor; or the insolvency, bankruptcy, liquidation, or dissolution of any Obligor or any defense that may arise in connection with or as a result of any such insolvency, bankruptcy, liquidator or dissolution;

(g) The failure to give notice of any extension of credit made by any Financial Institution to any Obligor, notice of acceptance of this Guaranty, notice of any amendment, supplement, or other modification of any Credit Document, notice of the execution of any document or agreement creating new Guaranteed Obligations, notice of any default or event of default, however denominated, under the Credit Documents, notice of intent to demand, notice of demand, notice of presentment for payment, notice of nonpayment, notice of intent to protest, notice of protest, notice of grace, notice of dishonor, notice of intent to accelerate, notice of acceleration, notice of bringing of suit, notice of any Financial Institution's transfer of the Guaranteed Obligations, notice of the financial condition of or other circumstances regarding any Obligor, or any other notice of any kind relating to the Guaranteed Obligations;

(h) Any payment or grant of collateral by any Obligor to any Financial Institution being held to constitute a preference under bankruptcy laws, or for any reason any Financial Institution is required to refund such payment or release such collateral;

(i) Any other action taken or omitted which affects the Guaranteed Obligations, whether or not such action or omission prejudices the Guarantor or increases the likelihood that the Guarantor will be required to pay the Guaranteed Obligations pursuant to the terms hereof;

(j) The fact that all or any of the Guaranteed Obligations cease to exist by operation of law, including, without limitation, by way of discharge, limitation or tolling thereof under applicable bankruptcy laws; and

(k) Any other circumstances which might otherwise constitute a defense available to, or a discharge of any Obligor (other than the discharge of the Guarantor).

Section 4. Financial Institutions' Rights and Certain Waivers.

4.01. Notice and Other Remedies. Guarantor hereby waives promptness, diligence, notice of acceptance, notice of acceleration, notice of intent to accelerate, and any other notice with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that

any Financial Institution protect, secure, perfect or insure any security interest or other Lien or any property subject thereto or exhaust any right to take any action against any Obligor or any other Person or any collateral.

4.02. Waiver of Subrogation and Contribution. (a) Until such time as the Guaranteed Obligations are irrevocably paid in full, Guarantor hereby irrevocably waives any claim or other rights which it may acquire against any Obligor that arise from the Guarantor's Guaranteed Obligations under this Guaranty or any other Credit Document, including, without limitation, any right of subrogation (including, without limitation, any statutory rights of subrogation under Section 509 of the Bankruptcy Code, 11 U.S.C. Section 509), reimbursement, exoneration, contribution, indemnification, or any right to participate in any claim or remedy of any Financial Institution against any Obligor, or any collateral which any Financial Institution now has or acquires. If any amount shall be paid to Guarantor in violation of the preceding sentence and the Guaranteed Obligations shall not have been paid in full, such amount shall be held in trust for the benefit of the Financial Institutions, and shall promptly be paid to the Financial Institutions to be applied to the Guaranteed Obligations, whether matured or unmatured. Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Credit Documents and that the waiver set forth in this Section 4.02(a) is knowingly made in contemplation of such benefits.

(b) Guarantor agrees that, to the extent that any Borrower makes payments to any Financial Institution, or any Financial Institution receives any proceeds of collateral, and such payments or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, or otherwise required to be repaid, then to the extent of such repayment the Guaranteed Obligations shall be reinstated and continued in full force and effect as of the date such initial payment or collection of proceeds occurred. GUARANTOR SHALL INDEMNIFY EACH FINANCIAL INSTITUTION AND EACH AFFILIATE THEREOF AND THEIR RESPECTIVE DIRECTORS, OFFICERS AND EMPLOYEES FROM, AND DISCHARGE, RELEASE, AND HOLD EACH OF THEM HARMLESS AGAINST, ANY AND ALL ACTUAL LOSSES, LIABILITIES, GUARANTEED OBLIGATIONS, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, DISBURSEMENTS, CLAIMS OR DAMAGES TO WHICH ANY OF THEM MAY BECOME SUBJECT, INSOFAR AS SUCH LOSSES, LIABILITIES, GUARANTEED OBLIGATIONS, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, DISBURSEMENTS, CLAIMS OR DAMAGES ARISE OUT OF OR RESULT FROM (I) ANY ACTUAL OR PROPOSED USE BY ANY BORROWER, OR ANY AFFILIATE OF ANY BORROWER OF THE PROCEEDS OF ANY ADVANCE, (II) ANY BREACH BY GUARANTOR OF ANY PROVISION OF THIS GUARANTY OR ANY OTHER CREDIT DOCUMENT, (III) ANY INVESTIGATION, LITIGATION OR OTHER PROCEEDING (INCLUDING ANY THREATENED INVESTIGATION OR PROCEEDING) RELATING TO THE FOREGOING, OR (IV) ANY ENVIRONMENTAL CLAIM OR REQUIREMENT OF ENVIRONMENTAL LAWS CONCERNING OR RELATING TO THE PRESENT OR PREVIOUSLY-OWNED OR OPERATED PROPERTIES, OR THE OPERATIONS OR BUSINESS, OF ANY OBLIGOR, AND GUARANTOR SHALL REIMBURSE EACH FINANCIAL INSTITUTION, AND EACH AFFILIATE THEREOF AND THEIR RESPECTIVE DIRECTORS, OFFICERS AND EMPLOYEES, UPON DEMAND FOR ANY REASONABLE OUT-OF-POCKET EXPENSES (INCLUDING LEGAL FEES) INCURRED IN CONNECTION WITH ANY SUCH INVESTIGATION, LITIGATION OR OTHER PROCEEDING; AND EXPRESSLY INCLUDING ANY SUCH LOSSES, LIABILITIES, GUARANTEED OBLIGATIONS, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, DISBURSEMENTS, CLAIMS, DAMAGES, OR EXPENSE INCURRED BY REASON OF

THE PERSON BEING INDEMNIFIED'S OWN NEGLIGENCE, BUT EXCLUDING ANY SUCH LOSSES, LIABILITIES, GUARANTEED OBLIGATIONS, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, DISBURSEMENTS, CLAIMS, DAMAGES OR EXPENSES INCURRED BY REASON OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE PERSON TO BE INDEMNIFIED.

4.03. Modifications and Amendment to the Credit Documents. As provided in Section 1 above, certain increases in the principal indebtedness outstanding under the Credit Documents shall not constitute Guaranteed Obligations. Except as to the foregoing, the parties to the Credit Documents shall have the right to amend or modify such Credit Agreements without affecting the rights provided for in this Guaranty.

Section 5. Representations and Warranties. Guarantor hereby represents and warrants as follows:

(a) Business Existence. Guarantor is duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization and in good standing and qualified to do business in each jurisdiction where its ownership or lease of property or conduct of its business requires such qualification and where a failure to be qualified could reasonably be expected to cause a material adverse effect.

(b) Power. The execution, delivery, and performance by Guarantor of this Guaranty and the other Credit Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby (a) are within Guarantor's powers, (b) have been duly authorized by all necessary action, (c) do not contravene (i) Guarantor's organizational and constitutional documents or (ii) any law or any contractual restriction binding on or affecting Guarantor or its property, and (d) will not result in or require the creation or imposition of any Lien prohibited by the Credit Documents.

(c) Authorization and Approvals. No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by the Guarantor of this Guaranty or the other Credit Documents to which Guarantor is a party or the consummation of the transactions contemplated thereby.

(d) Enforceable Obligations. This Guaranty and the other Credit Documents to which Guarantor is a party have been duly executed and delivered by Guarantor. Each Credit Document to which Guarantor is a party is the legal, valid, and binding obligation of Guarantor and is enforceable against Guarantor in accordance with its terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, or similar law affecting creditors' rights generally.

(e) Solvency. After giving effect to this Guaranty, Guarantor, individually and together with its Subsidiaries, is Solvent.

Section 6. Covenants.

(a) Guarantor will comply with all provisions of the Credit Documents that are applicable to Guarantor including the provisions of Article V of the New Credit Agreement.

(b) In the event that a Financial Institution wishes to enforce the guarantee contained in Section 1 hereof against Guarantor, it shall make written demand for payment from Guarantor, provided that no such demand shall be required if Guarantor is in bankruptcy, liquidation, or other insolvency proceedings, and provided that failure by a Financial Institution to make such demand shall not affect Guarantor's obligations under this Guaranty.

(c) All indebtedness of Guarantor to another Obligor or any Borrower or any Subsidiary of a Borrower shall be subordinated to all indebtedness of Guarantor to any Financial Institution under any of the Credit Documents (the "Senior Indebtedness"), as follows:

(i) In the event of any insolvency or bankruptcy proceedings, or any receivership liquidation, reorganization, or other similar proceedings in connection therewith, relative to Guarantor, or to its property, or in the event of any proceedings for voluntary liquidation, dissolution, or other winding up of Guarantor, whether or not involving insolvency or bankruptcy, then the holders of the Senior Indebtedness shall be entitled to receive payment in full of all Senior Indebtedness before any Obligor or any Subsidiary of a Borrower shall receive any payment on account of principal or interest due such Person from Guarantor;

(ii) After the occurrence and during the continuance of any default or event of default, however denominated, under any Credit Document (an "Event of Default"), Guarantor shall not exercise or attempt to exercise any right of offset or counterclaim in respect of any of its obligations to any other Obligor or any Subsidiary of a Borrower if the effect thereof shall be to reduce the amount of any payment to which the holders of Senior Indebtedness would be entitled in the absence of such offset or counterclaim; and if and to the extent that, notwithstanding the foregoing, Guarantor is required by any mandatory provisions of law to exercise any such right of offset or counterclaim, each reduction of the amount owing on the account of the principal of or premium (if any) or interest owed to any Obligor or any Subsidiary of a Borrower by reason of such offset or counterclaim shall be deemed to be a payment by Guarantor in a like amount in respect of such amounts which clause (iv) below shall apply;

(iii) Following the occurrence and during the continuance of any Event of Default, (A) payment of the principal or interest upon any indebtedness owed to any Obligor or any Subsidiary of a Borrower shall not be made thereunder until payment in full of all Senior Indebtedness has been made and (B) the holders of the Senior Indebtedness shall be entitled to receive payment in full of all Senior Indebtedness prior to the entitlement of any Obligor or any Subsidiary of a Borrower to receive any payment of the principal or interest (except for payments which have been made prior to the occurrence of such event of default);

(iv) If, notwithstanding the provisions of the foregoing subparagraphs (i) through (iii), any payment or distribution on any indebtedness shall be received by Guarantor or any Obligor or any Subsidiary of a Borrower while an Event of Default exists and before the holders of the Senior Indebtedness shall have received payment in full on all Senior Indebtedness, such payment or distribution shall be (and shall be deemed to be) held in trust for the benefit of, and shall be paid over or delivered or transferred to, the holders of the Senior Indebtedness for application to the payment of all Senior Indebtedness held by such holder to the extent necessary to satisfy such Senior Indebtedness; and

(v) No present or future holder of Senior Indebtedness shall be prejudiced in its right to enforce subordination of any Obligor or any Subsidiary of a Borrower by any act or failure to act on the part of Guarantor whether or not such act or failure shall give rise to any right of rescission or other claim or cause of action on the part of Guarantor or any Borrower or any Subsidiary of a Borrower. The provisions of the foregoing paragraphs with respect to subordination are solely for the purpose of defining the relative rights of the holders of Senior Indebtedness on the one hand, and any Obligor or any Subsidiary of a Borrower on the other hand, and none of such provisions shall impair, as between Guarantor and any Obligor or any Subsidiary of a Borrower, the obligation of Guarantor, which is unconditional and absolute, to pay to any Obligor or any Subsidiary of a Borrower the principal and interest of any indebtedness in accordance with its terms, nor shall anything in such provisions prevent any other Obligor or any Subsidiary of a Borrower from exercising all remedies otherwise permitted by applicable law or hereunder upon default hereunder, subject to the rights of holders of Senior Indebtedness under such provisions.

(d) The Guarantor will not create, assume, incur or suffer to exist, or permit any of its Subsidiaries to create, assume, incur or suffer to exist, any Lien on or in respect of any of its property, whether now owned or hereafter acquired, or assign or otherwise convey, or permit any Subsidiary to assign or otherwise convey, any right to receive income, in each case to secure or provide for the payment of any Debt, trade payable or other obligation or liability of any Person; provided, however, that notwithstanding the foregoing (i) Guarantor may create, incur, assume or suffer to exist Permitted Liens except that Guarantor may not create Liens permitted pursuant to paragraph (y) of Schedule III to the New Credit Agreement and (ii) its Subsidiaries may create, incur, assume or suffer to exist Permitted Liens.

(e) The Guarantor will not create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Debt, except that Guarantor and its Subsidiaries may create, incur, assume and suffer to exist Debt to the extent permitted by the Credit Documents.

(f) The Guarantor will not create, incur, assume or suffer to exist any obligation or liability other than this Guaranty and other obligations not exceeding $100,000 in the aggregate.

(g) The Guarantor will at times maintain a Consolidated Tangible Net Worth greater than $3,250,000,000.00.

(h) The Guarantor will not sell, issue or otherwise dispose of, or create, assume, incur of suffer to exist any Lien on or in respect of, or permit any of its Subsidiaries to sell, issue or otherwise dispose of or create, assume, incur or suffer to exist any Lien on or in respect of, any Equity Interests or any direct or indirect interest in any Equity Interests in any Important Subsidiary, as used herein "Important Subsidiary" means (i) any Subsidiary of the Guarantor with assets having a book value of $1,000,000,000 or more, (ii) any Subsidiary of the Guarantor that itself (on an unconsolidated, stand alone basis) owns in excess of 5% of the book value of the Consolidated Assets of the Guarantor and its Consolidated Subsidiaries, and (iii) each of TGPL, TGT, and NWP. "TGPL", "TGT", and "NWP" are used herein as defined in the Multiyear Williams Credit Agreement.

(i) The Guarantor will not make or permit to remain outstanding, or allow any of its Subsidiaries to make or permit to remain outstanding, any loan or advance to, or own, purchase or acquire any obligations or debt or equity securities of, any Subsidiary of the Company, except that the Guarantor may make and permit to remain outstanding loans and advances to, and own, purchase and acquire obligations and securities of any of its Subsidiaries so long as the proceeds thereof are used only by such Subsidiary in the ordinary course of its business consistent with past practices.

(j) Guarantor shall timely comply with the same reporting requirements imposed on the Borrower pursuant to Section 5.1(b) of the New Credit Agreement. Further, not more than 60 days (or 105 days in the case of the last fiscal quarter of a fiscal year of the Guarantor) after the end of each fiscal quarter of the Guarantor, the Guarantor shall deliver a certificate of an authorized financial officer of the Guarantor stating that Guarantor is in compliance with the terms of Section 6(g) above. All of the foregoing information shall be delivered to each of the Financial Institutions.

Section 7. [Intentionally Deleted].

Section 8. Miscellaneous.

8.01. Amendments, Etc. Any amendment or waiver to this Guaranty shall be effective only if approved by Financial Institutions holding at least 51% of the principal amount of the Guaranteed Obligations at the time thereof and only in the specific instance and for the specific purpose for which given. Provided, however, that any amendment or waiver releasing any Guarantor from any liability hereunder shall require the unanimous consent of all Financial Institutions and be effective only in the specific instance and for the specific purpose for which given.

8.02. Addresses for Notices. All notices and other communications to Guarantor shall be delivered to the address set forth beneath its signature on the signature page hereto, or to such other address as shall be designated by the Guarantor by written notice to all of the Financial Institutions. All notices and other communications provided for under this Guaranty shall be in writing (including telecopy communication), shall be mailed, telecopied, or delivered, and shall, when mailed or telecopied, be effective when received in the mail or sent by telecopier.

8.03. No Waiver; Remedies. No failure on the part of any Financial Institution to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other or further exercise

thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

8.04. Right of Set-Off. Upon the occurrence and during the continuance of any default or event of default however described under a Credit Document, each Financial Institution party to such Credit Document is hereby authorized at any time, to the fullest extent permitted by law, to set off and apply any deposits (general or special, time or demand, provisional or final) and other indebtedness owing by such Financial Institution to the accounts of the Guarantor against any and all of the obligations of the Guarantor under this Guaranty, irrespective of whether or not such Financial Institution shall have made any demand under this Guaranty and although such obligations may be contingent and unmatured. Each Financial Institution agrees promptly to notify the Guarantor after any such set-off and application made by such Financial Institution provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Financial Institutions under this Section 8.04 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Financial Institutions may have.

8.05. Continuing Guaranty; Assignments under Credit Documents. This Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the indefeasible payment in full of the Guaranteed Obligations and all other amounts payable under this Guaranty, (b) be binding upon Guarantor and its respective successors and assigns, (c) inure to the benefit of, and be enforceable by, each of the Financial Institutions and their respective successors, transferees and assigns, and (d) not be terminated by Guarantor or any other Person. Without limiting the generality of the foregoing clause (c), any Financial Institution may assign or otherwise transfer all or any portion of its rights and Guaranteed Obligations and the assignee shall thereupon become vested with all the benefits in respect thereof granted to such Financial Institution herein or otherwise. Upon the indefeasible payment in full and termination of the Guaranteed Obligations, each guaranty granted hereby shall terminate and all rights hereunder shall revert to the Guarantor to the extent such rights have not been applied pursuant to the terms hereof. Upon any such termination, each Financial Institution will, at Guarantor's expense, execute and deliver to Guarantor such documents as Guarantor shall reasonably request and take any other actions reasonably requested to evidence or effect such termination. This Guaranty is not assignable by Guarantor without the written consent of each Financial Institution.

8.06 Incorporated Definitions. All defined terms that are incorporated from other agreements into this Guaranty by reference shall have the meanings assigned to such terms as of the date hereof but shall not be modified by any subsequent amendment or modification that takes place after the date hereof unless consented to by the parties hereto.

8.07. Governing Law; Submission to Jurisdiction; Suits and Claims.

(a) This Guaranty shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, except to the extent provided in Section 8.07(b) hereof and to the extent that the federal laws of the United States of America may otherwise apply.

(b) Notwithstanding anything in Section 8.07(a) hereof to the contrary, nothing in this Guaranty shall be deemed to constitute a waiver of any rights which any of the Financial Institutions may have under the National Bank Act or other federal law, including without limitation the right to charge interest at the rate permitted by the laws of the State where the applicable Financial Institution is located.

(c) ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, ANY CREDIT DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE FINANCIAL INSTITUTIONS OR GUARANTOR IN CONNECTION HEREWITH OR THEREWITH MAY BE BROUGHT AND MAINTAINED IN THE COURTS OF THE STATE OF NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. GUARANTOR IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK AT THE ADDRESS SET FORTH BENEATH ITS SIGNATURE ON THE SIGNATURE PAGE HERETO. GUARANTOR HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT GUARANTOR HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, GUARANTOR HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS GUARANTY AND THE CREDIT DOCUMENTS.

(d) GUARANTOR AND THE FINANCIAL INSTITUTIONS HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY.

(e) The provisions set forth in this Guaranty shall only be enforceable by the Financial Institutions and their respective successors and assigns, and no other Person shall have the right to bring any claim or cause of action based on this Guaranty.

Guarantor has caused this Guaranty to be duly executed as of the date first above written.

WILLIAMS GAS PIPELINE COMPANY, L.L.C.

By: /s/ James G. Ivey

Name: James G. Ivey

Title: Assistant Treasurer

Address for Notices:
One Williams Center
Attn: Treasurer
Tulsa, OK 74172

SCHEDULE I
CREDIT DOCUMENTS

NEW CREDIT FACILITY:

Credit Agreement dated as of July 31, 2002 executed by The Williams Companies, Inc., as borrower, Citicorp USA, Inc., as agent and collateral agent, Bank of America N.A. as syndication agent, Citibank, N.A. and Bank of America N.A. as issuing bank, Salomon Smith Barney Inc., as arranger, and the banks named therein.

All documents, instruments, agreements, certificates and notices at any time executed and/or delivered in connection with the foregoing.

PROGENY AGREEMENTS

$200,000,000 Parent Support Agreement dated as of December 23, 1998, made by The Williams Companies, Inc. in favor of Castle Associates L. P. and Colchester LLC and the other Indemnified Persons listed therein, as amended.

Amended and Restated Guarantee dated as of July 25, 2000, issued by The Williams Companies, Inc. for the benefit of The Commonwealth Plan, Inc. and CBL Capital Corporation, as amended. WFS-Pipeline Company, as lessee and Commonwealth, as lessor entered into a Lease Agreement dated as of December 29, 1995. WFS-Offshore Gathering Company, as lessee, and CBL, as lessor, entered into a Lease Agreement dated December 29, 1995, as amended and restated.

$400,000,000 Term Loan Agreement dated as of April 7, 2000, among The Williams Companies, Inc., as Borrower, and Credit Lyonnais New York Branch, as Administrative Agent, and the Lenders named therein, as amended.

$192,570,931 aggregate Second Amended and Restated Participation Agreements (2 separate leases) dated as of January 28, 2002, among Williams Oil Gathering, L.L.C. and Williams Field Services - Gulf Coast Company, L.P., as Lessees, Williams Field Services Company, as Construction Agent, The Williams Companies, Inc., as Guarantor, First Security Bank, N.A. as Certificate Trustee, Wells Fargo Bank Nevada, N.A., as Collateral Agent, Bank of America, N.A., as Administrative Agent and Administrator, and financial institutions named therein as Certificate Holders, as amended.

$200,000,000 Term Loan Agreement dated as of January 29, 1999, among The Williams Companies, Inc., as Borrower, and The Fuji Bank, Limited, as Administrative Agent, and the Banks named therein, as amended.

$611,788,868 Joint Venture Sponsor Agreement dated as of December 28, 2000, among The Williams Companies, Inc., as Sponsor and Williams Field Services Company, in favor of Prairie Wolf Investors, Arctic Fox Assets, L.L.C., Williams Energy (Canada), Inc. and the other

Indemnified Persons listed therein, as amended.

Letter of Credit and Reimbursement Agreement dated as of May 15, 1994, among Tulsa Parking Authority, The Williams Companies, Inc., Bank of Oklahoma, National Association, and Bank of America, N.A. (formerly Nationsbank of Texas, N.A.), relative to Tulsa Parking Authority First Mortgage Revenue Bonds, as amended.

$127,000,000 Master Agreement dated as of March 6, 2000, among The Williams Companies, Inc., as Guarantor, Williams TravelCenters, Inc., as Lessee, Atlantic Financial Group, Ltd., as Lessor, SunTrust Bank, as Agent, and the Lenders named therein, as amended.

$100,000,000 PPH Sponsor Agreement dated as of December 31, 2001, by The Williams Companies, Inc., as Sponsor, in favor of Piceance Production Holdings LLC, Plowshare Investors LLC, and other Indemnified Persons listed in the agreement, as amended.

All documents, instruments, agreements, certificates and notices at any time executed and/or delivered in connection with any of the foregoing.

LEGACY L/CS

See Attachment 1 attached hereto

All documents, instruments, agreements, certificates and notices at any time executed and/or delivered in connection with the letters of credit described on Attachment 1.

ATTACHMENT 1

OUTSTANDING LETTERS OF CREDIT

WILLIAMS ENERGY MARKETING & TRADING EUROPE LIMITED
AS OF 7-31-02

LETTER OF CREDIT #	ACCOUNT PARTY	NOTE	BENEFICIARY
KBC - CASH COLLATERALISED BY E. 1 MILLION CASH ON JULY 31ST			
	Williams Energy Marketing & Trading Europe Limited		The Belgian State
	Williams Energy Marketing & Trading Europe Limited		The Belgian State
RBS - RCF			
G259106	Williams Energy Marketing & Trading Europe Limited		RWE NET AG
G260899	Williams Energy Marketing & Trading Europe Limited		LPX LEIPZIG POWER EXCHANGE GMBH
G261340	Williams Energy Marketing & Trading Europe Limited		RESEAU DE TRANSPORT D'ELECTRICITE
G261666	Williams Energy Marketing & Trading Europe Limited		RESEAU DE TRANSPORT D'ELECTRICITE
G262939	Williams Energy Marketing & Trading Europe Limited		ELIA NV
G263006	Williams Energy Marketing & Trading Europe Limited		ELTRA
G263181	Williams Energy Marketing & Trading Europe Limited		TENNE T BV
G263374	Williams Energy Marketing & Trading Europe Limited		EDF SERVICE NATIONAL
G264373	Williams Energy Marketing & Trading Europe Limited		ELEXON CLEAR LIMITED
G264757	Williams Energy Marketing & Trading Europe Limited		SHELL INTERNATIONAL
G264860	Williams Energy Marketing & Trading Europe Limited		NATIONAL GRID COMPANY PLC
G265433	Williams Energy Marketing & Trading Europe Limited		ARTHUR ANDERSEN
G265560	Williams Energy Marketing & Trading Europe Limited		APCS Power Clearing and Settlement AG
G265977	Williams Energy Marketing & Trading Europe Limited		ENMO LTD
G266468	Williams Petroleos Espana SLU		Vitol Espana SA
G266531	Williams Energy Marketing & Trading Europe Limited		Texaco Limited
G266528	Williams Energy Marketing & Trading Europe Limited		Federal Tax Administration Dept for VAT
G266763	Williams Energy Marketing & Trading Europe Limited		Texaco Limited
RBS - BONDING LINE			
G265142	Williams Petroleos Espana SLU		TERMINALES PORTUARIAS
G265147	Williams Petroleos Espana SLU		DECAL ESPANA S.A.
G265151	Williams Petroleos Espana SLU		EUROENERGO ESPANA S.L.
G266709	Williams Energy Marketing & Trading Europe Limited		Sibneft Oil Trade Company Ltd

TOTAL LC'S OUTSTANDING EM&T EUROPE LIMITED

LETTER OF CREDIT #	AMOUNT	CONVERSION	DOLLARS	DATED	EXPIRY DATE
KBC - CASH COLLATERALISED BY E. MILLION CASH ON JULY 31ST					
	E.2,144,000	1.02	$2,099,902		No Fxd Exp
	E.4,037,000	1.02	$3,953,967		No Fxd Exp
RBS - RCF					
G259106	E.400,000	1.02	$391,773		No Fxd Exp
G260899	E.1,100,000	1.02	$1,077,375		No Fxd Exp
G261340	E.170,000	1.02	$166,503		11/8/2002
G261666	E.170,000	1.02	$166,503		3/31/2003
G262939	E.300,000	1.02	$293,830		2/28/2003
G263006	kr2,000,000	7.62	$262,330		3/31/2003
G263181	E.250,000	1.02	$244,858		No Fxd Exp
G263374	E.550,000	1.02	$538,688		7/21/2002
G264373	L.100,000	0.64	$155,743		3/25/2007
G264757	$250,000	1.00	$250,000		10/15/2002
G264860	L.20,000	0.64	$31,149		1/31/2003
G265433	E.39,580	1.02	$38,766		No Fxd Exp
G265560	E.600,000	1.02	$587,659		No Fxd Exp
G265977	L.500,000	0.64	$778,715		6/11/2003
G266468	$1,000,000	1.00	$1,000,000		8/12/2002
G266531	$3,360,000	1.00	$3,360,000		8/9/2002
G266528	CHF250,000	1.50	$167,133		Open Ended
G266763	$3,520,000	1.00	$3,520,000		8/12/2002
RBS - BONDING LINE					
G265142	E.9,992,442.00	1.02	$9,786,917		10/31/2002
G265147	E.5,538,378.00	1.02	$5,424,464		10/31/2002
G265151	E.3,029,742.00	1.02	$2,967,426		10/31/2002
G266709	$6,000,000.00	1.00	$6,000,000		8/12/2002

N/A	$43,263,700

EXHIBIT 10.9
[Execution Copy]

COLLATERAL TRUST AGREEMENT

AMONG

THE WILLIAMS COMPANIES, INC., AND

CERTAIN OF ITS SUBSIDIARIES,

AS DEBTORS,

AND

CITIBANK, N.A.,

AS COLLATERAL TRUSTEE

DATED AS OF JULY 31, 2002

COLLATERAL TRUST AGREEMENT, dated as of July 31, 2002 (this "Agreement"), among THE WILLIAMS COMPANIES, INC., a Delaware corporation (the "Company"), the undersigned subsidiaries of the Company (the "Subsidiaries" and collectively with the Company, the "Debtors"), and CITIBANK, N.A., as Collateral Trustee (the "Collateral Trustee"):

ARTICLE 1.
DEFINITIONS

1.1 Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such definitions to be equally applicable to the singular and plural forms thereof):

Bankruptcy Code: shall mean Title 11 of the United States Code, as amended from time to time.

Class of Master Debt: shall mean any related class of Master Debt under any Master Debt Agreement. All loans outstanding under any syndicated bank credit agreement or bond indenture shall constitute one Class of Master Debt.

Collateral: shall mean all property of any kind or description on which the Collateral Trustee has, or purports to have, a Lien or other interest under any Security Document, including Collateral Account Collateral and all Proceeds of other Collateral.

Collateral Account: shall have the meaning specified in Section 4.4(a).

Collateral Account Collateral: shall have the meaning specified in Section 4.4(a).

Collateral Trustee Obligations: shall mean all amounts payable by the Debtors to the Collateral Trustee under the terms of the Security Documents (including indemnification and reimbursement obligations and obligations for fees of the Collateral Trustee).

Distribution Date: shall mean each date for the distribution of amounts on deposit in the Collateral Account.

Event of Default: shall mean any default or event of default, however denominated, under any Master Debt Agreement.

Guaranteed Obligations and Bonds: shall mean the Master Debt as defined herein.

Lien: shall mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any capital lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the UCC or comparable flaw of any jurisdiction in respect of any of the foregoing).

Master Debt: shall mean the outstanding principal amount of indebtedness, reimbursement obligations for draws on letters of credit, and cash collateralization obligations for letters of credit under the Master Debt Agreements, all accrued but unpaid interest thereon under the Master Debt Agreements, all premium, if any, in connection therewith under the Master Debt Agreements, all fees in connection therewith under the Master Debt Agreements, and all other reimbursement, indemnification, and other payment obligations in connection therewith under the Master Debt Agreements; provided, that Master Debt shall exclude any type or amount of Master Debt (a) under any Master Debt Agreement that is expressly limited or excluded from being Master Debt in the description of such Master Debt Agreement on Schedule 1, (and without limiting the foregoing, the description of a Master Debt Agreement in Schedule 1 may limit the maximum amount of Master Debt thereunder or exclude any subfacilities thereunder as Master Debt) or (b) under any Master Debt Agreement following certain modifications to the extent set forth in Section 3.1.

Master Debt Agreements: shall mean the credit agreements, loan agreements, securities purchase agreements, indentures, notes, bonds, and other agreements and instruments relating to Master Debt described on Schedule 1 as "Master Debt Agreements."

Master Debt Outstanding: shall mean all principal obligations constituting Master Debt, plus all unreimbursed draws on letters of credit constituting Master Debt, plus all undrawn face amounts of letters of credit constituting Master Debt, in each case outstanding at any time.

Notice of Event of Default: shall mean a written certification to the Collateral Trustee certifying that an Event of Default has occurred.

Permitted Investment: shall mean (i) obligations of, or guaranteed as to interest and principal by, the United States of America or agencies thereof maturing not more than 90 days after such investment; (ii) open market commercial paper of any corporation incorporated under the laws of the United States of America or any State thereof and not an Affiliate of the Company, which paper is rated "P-1"

or its equivalent by Moody's Investors Service or "A-1" or its equivalent by Standard & Poor's Ratings Group; (iii) banker's acceptances and certificates of deposit issued by any bank or trust company having capital, surplus and undivided profits of at least $500,000,000.00 whose long-term debt is rated "A" or better by Standard & Poor's Ratings Group and A2 or better by Moody's Investors Service and maturing within ninety (90) days of the acquisition thereof; and (iv) money market funds consisting solely (except that no more than 10% thereof may be held in cash) of obligations of the type described in clauses (i) through (iii) above and the shares of such money market funds can be converted to cash within 90 days.

Person: shall mean a corporation, business trust, joint stock company, trust, joint venture, association, partnership, limited liability company, organization, business, individual, government or political subdivision thereof, governmental agency, or other entity of whatever nature.

Principal Bank Facility: shall mean the Credit Agreement dated July 25, 2000, provided to the Company and certain of its subsidiaries by The Chase Manhattan Bank and Commerzbank AG as Co-Syndication Agents, Credit Lyonnais New York Branch as Documentation Agent, Citibank, N.A., as Agent, and Salomon Smith Barney, as Arranger, as further described in Schedule 1.

Principal L/C Facility: shall mean the Credit Agreement more fully described in Paragraph 1 of Schedule 1.

Proceeds: shall mean all "proceeds" as such term is defined in Section 9-102 of the UCC.

Release Notice: shall mean a written notice, signed by a Responsible Officer of the Company and the Debtors with interests in the Collateral to be released, that requests the release of Liens in favor of the Collateral Trustee in such Collateral and that (a) certifies to the Collateral Trustee that the release of such Collateral is permitted under the applicable terms of the Principal Bank Facility and of the Principal L/C Facility and has been consented to by the Required Decision Group, (b) describes to the Collateral Trustee the expected proceeds of such Collateral and the intended application thereof and that such application is in accordance with the applicable requirements of Section 2.04(c) of the Principal Bank Facility in effect on the date hereof and the applicable requirements of Section 5.2(e) of the Principal L/C Facility in effect on the date hereof, and (c) covenants to the Collateral Trustee that the proceeds of such Collateral shall be applied as described.

Required Decision Group: shall mean, with respect to any determination, (a) at any time when the Principal Bank Facility or the Principal L/C Facility has outstanding Master Debt or commitments to provide Master Debt in effect, the Required Percentage for each such Class of Master Debt that satisfies those conditions, and (b) at any other time, the Required Majority.

Required Majority: shall mean, with respect to any determination, a Class or group of Classes of Master Debt that (a) have the Required Percentage for each such Class of Master Debt agreeing upon such determination and (b) hold more than 50% of the aggregate amount of Master Debt Outstanding.

Required Percentage: shall mean, with respect to any Class of Master Debt and with respect to any determination, the percentage or number of the holder or holders of such Class of Master Debt required to make such determination under the terms of the Master Debt Agreement under which such Class of Master Debt was issued (but if no such percentage or number is specified under the terms of such Master Debt Agreement, then the holder or holders of more than 50% of the Master Debt Outstanding with respect to such Class of Master Debt).

Responsible Officer: shall mean, with respect to any Debtor, the chief executive officer, president, executive vice president, chief financial officer, treasurer, or secretary of the applicable Debtor.

Secured Obligations: shall mean (a) all Collateral Trustee Obligations and (b) all Master Debt.

Security Documents: shall mean:

(a) this Agreement.

(b) Security Agreement dated as of July 31, 2002, made by the Company and certain Subsidiaries in favor of the Collateral Trustee granting the Collateral Trustee a security interest in substantially all of the personal property of the Company and such Subsidiaries.

(c) Pledge Agreement dated as of July 31, 2002, made by the Company and certain Subsidiaries in favor of the Collateral Trustee granting the Collateral Trustee a security interest in the stock of certain of the subsidiaries of the Company and the Subsidiaries.

(d) all future deeds of trust, mortgages, security agreements, pledge agreements, and other security documents made by any Debtor in favor of the Collateral Trustee for the benefit of the holders of Secured Obligations.

(e) all present and future financing statements, recordings, certificates, documents, and other instruments evidencing or related to the foregoing.

Trust Estate: shall mean all right, title, and interest of the Debtors in the Collateral granted to the Collateral Trustee by the Security Documents and all rights of the Collateral Trustee thereunder.

UCC: shall mean the Uniform Commercial Code.

ARTICLE 2.
COLLATERAL TRUST

2.1 Creation of Collateral Trust. Each Debtor hereby grants the Trust Estate to the Collateral Trustee in accordance with the terms of the Security Documents for the benefit of the holders of the Secured Obligations as set forth herein; provided that with respect to each Debtor the grant of the Trust Estate is limited to the extent set forth in Section 2.2.

2.2 Limitation of Grant. Notwithstanding any provision of the Security Documents to the contrary, the grant of the Trust Estate made by each Debtor and the obligations of such Debtor under the Security Documents are limited to an aggregate transfer equal to the largest amount that would not render such Debtor's grant and obligations under the Security Documents subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable state law.

2.3 Possession and Use of Collateral. So long as no Event of Default exists, each Debtor shall have the right to remain in possession of and retain control of the Collateral (other than the Collateral Account Collateral and any Collateral intended to be held by the Collateral Trustee at all times under the Security Documents, such as capital stock) in accordance with the terms of the Security Documents.

2.4 Addition of Collateral to the Trust Estate. At any time and from time to time, the Company or any other Debtor, as applicable, may enter into one or more Security Documents, in form reasonably satisfactory to the Collateral Trustee to: (a) add to the covenants of the Debtors for the benefit of the holders of the Secured Obligations or to surrender any right or power herein conferred upon the Debtors; (b) mortgage or pledge to the Collateral Trustee, or grant a security interest in favor of the Collateral

Trustee in, any property or assets as additional security for the Secured Obligations; or (c) cure any ambiguity, correct or supplement any provision in any Security Document which may be defective or inconsistent with any other provision herein or therein, or make any other provision with respect to matters or questions arising under the Security Documents which shall not be inconsistent with any provision thereof. The Company will deliver or cause to be delivered to the Collateral Trustee, promptly upon the execution and delivery thereof, executed counterparts of all Security Documents and all amendments and supplements thereto. The Collateral Trustee shall keep all Security Documents at the time held by it at the offices of the Collateral Trustee and shall permit any holder of Secured Obligations or the representative thereof to inspect the same upon reasonable request. The Collateral Trustee shall cooperate with the Company and accept any additional collateral furnished from time to time pursuant to any Security Document.

2.5 Releases of Collateral. In connection with any proposed sale, assignment, transfer, or other disposition of Collateral, the Company and the Debtors with an interest in such Collateral may deliver a Release Notice to the Collateral Trustee which the Collateral Trustee shall promptly distribute to the holders of Secured Obligations under the Principal Bank Facility and the Principal L/C Facility. If within 15 days after the receipt of such Release Notice the Collateral Trustee shall not have received a certificate in writing from any holder of Secured Obligations under the Principal Bank Facility or the Principal L/C Facility stating that the release of such Collateral is improper because (a) the release of such Collateral is not permitted under the applicable terms of the Principal Bank Facility or the Principal L/C Facility or has not been consented to by the Required Decision Group or (b) the intended application of the proceeds of such Collateral is not in accordance with the applicable requirements of Section 2.04(c) of the Principal Bank Facility in effect on the date hereof or Section 5.2(e) of the Principal L/C Facility in effect on the date hereof; then the Collateral Trustee shall, to the extent requested in the Release Notice, release the Liens of the Collateral Trustee in such Collateral. If the Collateral Trustee receives such a certification within such period, the Liens will not be released and the Collateral Trustee will not take any actions requested under the Release Notice until (i) such certificate shall be withdrawn in writing by the holder of Secured Obligations which shall have delivered the same to the Collateral Trustee or (ii) until the Collateral Trustee shall have received a final order of a court of competent jurisdiction directing it to release the Liens of the Collateral Trustee in such Collateral. Upon the effectiveness of any Release Notice, the Collateral Trustee shall at the request of the Company execute a partial release of Lien of the Security Documents and such instruments, including UCC-3 amendments, as are necessary to partially release any documents constituting public notice of the Security Documents and the Liens granted thereunder and shall assign and transfer, or cause to be assigned and transferred, and shall deliver, or cause to be delivered, to the applicable Debtors, all property thereof

then held by the Collateral Trustee in which the Lien of the Collateral Trustee has been released.

2.6 Further Assurances. Each Debtor at its expense will execute, acknowledge, and deliver all such agreements and instruments and take all such action as the Collateral Trustee may reasonably request in order further to effectuate the purposes of the Security Documents and to carry out the terms thereof. Each Debtor hereby authorizes the filing by the Collateral Trustee of financing statements or amendments relating to the security granted under the Security Documents, including any financing statements "in lieu" of continuation statements, terminations, continuations, assignments, or other amendments.

2.7 Obligations Absolute.

(a) The Security Documents may not be revoked by any Debtor and shall continue to be effective with respect to Secured Obligations arising or created after any attempted revocation by any Debtor.

(b) Each Debtor agrees that it will perform its obligations under the Security Documents strictly in accordance with the terms thereof regardless of any law, regulation, or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Collateral Trustee or any holders of Master Debt with respect thereto. The liability of each of the Debtors under the Security Documents shall be absolute and unconditional irrespective of:

(i) any lack of validity or enforceability of any Master Debt Agreement;

(ii) any change in the time, manner, or place of payment of, or in any other term of, all or any of the Secured Obligations or any other liabilities, or any other amendment or waiver of, or any consent to departure from, any Master Debt Agreement, including, without limitation, any increase in the Secured Obligations or any other liabilities resulting from the extension of additional credit or otherwise;

(iii) any taking, exchange, release, or non-perfection of any Collateral, or any taking, release, or amendment or waiver of, or consent to departure from, any Security Document for all or any of the Secured Obligations or any other liabilities;

(iv) any manner of application of Collateral or proceeds thereof, or of collections on account of any Security Document, to all or any of the Secured Obligations or any other liabilities, or any manner of sale or other disposition of any Collateral for all or any of the Secured Obligations or any other liabilities or of any other assets of the Debtors or any other Person;

(v) any liquidation, dissolution, or termination of existence of, or other change in, any Debtor or any other Person;

(vi) any bankruptcy, insolvency, receivership, or other proceeding involving any Debtor or any other Person or any defense that may arise in connection with or as a result of any such bankruptcy, insolvency, receivership, or other proceeding or otherwise; or

(vii) any other circumstances which might otherwise constitute a defense available to, or a discharge of, any Debtor or any other Person.

(c) The Security Documents shall continue to be effective or be reinstated, as the case may be, if any payment on the Secured Obligations must be refunded for any reason including any bankruptcy proceeding. In the event that the Collateral Trustee must refund any payment received against the Secured Obligations, any prior release from the terms of the Security Documents given to any Debtor by the Collateral Trustee shall be without effect, and the Security Documents shall be reinstated in full force and effect.

2.8 Limited Rights; Decisions by Certain Parties. Each holder of Secured Obligations agrees that its rights to the benefits of the Trust Estate and the Security Documents are limited to those rights established under the terms of the Security Documents. Without limiting the foregoing, to the extent that any determination may be made by the Required Decision Group, the Required Majority, or any other holders of Secured Obligations under the terms of the Security Documents that effect any other holders of Secured Obligations, the makers of such determination may make such determination in the makers' own interest, without any duty or liability to any other holder of Secured Obligations.

2.9 Termination of the Collateral Trust. When (a) the Principal Bank Facility and the Principal L/C Facility no longer have outstanding Master Debt or commitments to provide Master Debt in effect and (b) the Collateral Trustee determines that the Debtors have no further obligations to the Collateral Trustee under the Security Documents or that the surviving provisions thereof will cover any such obligations to the satisfaction of the Collateral Trustee, then the Collateral Trustee shall, at the request of the Company, terminate the grant of the Trust Estate under the Security Documents and

the Security Documents (except to the extent the provisions thereof, including indemnification provisions for the Collateral Trustee, survive termination), execute releases of the Liens of the Security Documents, including UCC-3 amendments, as are necessary to release any documents constituting public notice of the Security Documents and the Liens granted thereunder, and assign and transfer, or cause to be assigned and transferred, and deliver, or cause to be delivered, to the applicable Debtors, all property thereof then held by the Collateral Trustee in which the Lien of the Collateral Trustee has been released.

ARTICLE 3.
MASTER DEBT

3.1 Master Debt; Modifications. On the date this Agreement, all Master Debt is outstanding only under the Master Debt Agreements set forth in Schedule 1 and under the terms of such Master Debt Agreements in effect on the date hereof. The Company may from time to time amend, waive, or otherwise modify the terms of any Master Debt Agreement without further approval hereunder; provided that this paragraph does not imply any waiver of any restriction on modifications in any other agreement; and provided further that any modification of any Master Debt Agreement that increases the principal amount thereof or the commitments to advance funds or letters of credit thereunder, and is not approved under Section 3.2 below, shall result in any funds advanced or letters of credit issued under such Master Debt Agreement in each case in excess of the prior principal amount or commitment limit, and other obligations thereunder allocable thereto, not being Master Debt hereunder. For the avoidance of doubt, additional fundings or letters of credit under commitments established by the terms of Master Debt Agreements on the date when such Master Debt Agreements became Master Debt Agreements hereunder or on the date when approved under Section 3.2 are Master Debt hereunder.

3.2 Additional Master Debt. From time to time the Company may request additional obligations under additional Master Debt Agreements or increases of the principal amount or commitments to advance funds or letters of credit under existing Master Debt Agreements to become Master Debt under Master Debt Agreements hereunder (such proposed additional Master Debt being "Additional Master Debt"). Increases in commitments under existing Master Debt Agreements shall be treated as Additional Master Debt, subject to approval as provided below. The Company shall notify the Collateral Trustee and each holder of Secured Obligations under the Principal Bank Facility and the Principal L/C Facility in writing at least 20 days prior to the proposed effective date for any such transaction. Additional Master Debt shall be designated as Master Debt for purposes hereof only if the following conditions shall be fulfilled on or prior to the date of the incurrence of any Additional Master Debt:

(a) The Company shall have furnished to the Collateral Trustee and each such holder of Secured Obligations: (i) a resolution of the Board of Directors of the Company authorizing the issuance of the Additional Master Debt, (ii) a certificate of a Responsible Officer of the Company certifying that all conditions precedent provided herein for such Additional Master Debt to constitute Master Debt have been complied with and demonstrating, in reasonable detail, compliance with any restrictions on the incurrence (including securing) of the Additional Master Debt by the Company under the terms of the Principal Bank Facility and the Principal L/C Facility, (iii) a copy of the Master Debt Agreement and related documents and agreements for such Additional Master Debt and a proposed revised Schedule 1 to this Agreement reflecting such Additional Master Debt and any restrictions thereon, and (iv) an opinion of counsel relating to the issuance of such Additional Master Debt as Master Debt hereunder and as to such related matters as any holder of Secured Obligations may reasonably request; and

(b) The Collateral Trustee shall not have received by the expiration of the 20 days any objection from any such holder of Secured Obligations that the designation of such Additional Master Debt as Master Debt violates the terms of the Principal Bank Facility or the Principal L/C Facility or if any such objection is received such objection is withdrawn or the Collateral Trustee has received a final order of a court of competent jurisdiction overriding such objection; and

(c) The Collateral Trustee shall have received the approval of the Required Decision Group for such Additional Master Debt.

Upon the designation of Additional Master Debt as Master Debt hereunder, the Company will deliver to the Collateral Trustee a certificate of a Responsible Officer of the Company certifying the date of the transaction, the revised Schedule 1 to this Agreement reflecting such transaction, and that such Master Debt is entitled to the benefits of this Agreement, and such Schedule shall be so amended and such Additional Master Debt

shall become Master Debt hereunder. The Company will also deliver to the Collateral Trustee promptly upon request similar certificates of a Responsible Officer of the Company confirming such data as to all Master Debt entitled to the benefits of this Agreement if there is a change in the identity of any holder of Master Debt.

3.3 Release of Master Debt. From time to time the Company may designate indebtedness of the Company to be released as Master Debt hereunder (such released Master Debt being the "Release Master Debt"). The Company shall notify the Collateral Trustee, each holder of Secured Obligations under the Principal Bank Facility and the Principal L/C Facility, and each holder of Release Master Debt in writing at least 20 days prior to the proposed effective date for any such transaction. Release Master Debt shall be released as Master Debt hereunder only if the Collateral Trustee shall have received confirmation of no objection from each holder of the Release Master Debt by the expiration of the 20 days or if any such objection is received such objection is withdrawn or the Collateral Trustee has received a final order of a court of competent jurisdiction overriding such objection. Upon the release of Release Master Debt as Master Debt hereunder, the Company will deliver to the Collateral Trustee a certificate of a Responsible Officer of the Company certifying the date of the transaction, a revised Schedule 1 to this Agreement reflecting such transaction, and that such Release Master Debt is no longer entitled to the benefits of this Agreement, and such Schedule shall be so amended and such Release Master Debt shall cease to be Master Debt hereunder.

ARTICLE 4.
ACTIONS REGARDING COLLATERAL

4.1 Preservation and Maintenance of Collateral. The Collateral Trustee may from time to time take action for the protection and enforcement of its rights under the Security Documents and for the benefit of the holders of the Secured Obligations. The Collateral Trustee shall perform such duties as are specifically set forth in the Security Documents. As to any matters not expressly provided for by the Security Documents, the Collateral Trustee shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Decision Group, and such instructions shall be binding upon all holders of Secured Obligations. Notwithstanding the foregoing, or any provision to the contrary in the Security Documents, the Collateral Trustee shall not be required to take any action which exposes the Collateral Trustee to personal liability or which is contrary to the Security Documents or applicable law.

4.2 Enforcement of Collateral.

(a) The Collateral Trustee shall not be deemed to have knowledge of the existence of any condition or event which constitutes an Event of Default, unless notified in writing by any holder of Secured Obligations. The Collateral Trustee shall not be under any obligation, as a result of knowledge of an Event of Default, to take any action under the provisions of any Security Document unless so directed by the holders of the Secured Obligations in accordance with this Agreement.

(b) At any time if an Event of Default exists, the holders of any Class of Master Debt so in default shall be entitled to give the Collateral Trustee and the Company a Notice of Event of Default but the failure of the Company to receive any such notice shall not affect the validity of requests to the Collateral Trustee or the ability of the Collateral Trustee to exercise the rights and remedies provided in the Security Documents upon receipt by the Collateral Trustee of any such notice. Upon receipt of any such notice, the Collateral Trustee shall promptly notify each holder of Secured Obligations and the Company of such notice.

(c) The holders of any Class of Master Debt giving a Notice of Event of Default shall be entitled to withdraw it by delivering a written notice of the withdrawal to the Collateral Trustee (i) before the Collateral Trustee takes any action to exercise any remedy with respect to the Collateral or (ii) at any time thereafter, if the Company certifies to the Collateral Trustee that the Company believes that all actions the Collateral Trustee has taken to exercise any remedy or remedies with respect to the Collateral can be reversed, terminated, or withdrawn without prejudice to the Collateral Trustee or the other holders of the Secured Obligations (other than, with respect to the other holders of the Secured Obligations, prejudice in the form of delay), in which event (A) the Company must indemnify the Collateral Trustee and the holders of the Secured Obligations with respect to all properly documented and reasonable costs and expenses incurred by the Collateral Trustee and the holders of the Secured Obligations in connection with all actions the Collateral Trustee has taken to exercise any remedy or remedies with respect to the Collateral and in connection with the reversing thereof, and (B) the Required Decision Group shall have consented in writing to such reversal. The Collateral Trustee shall immediately notify the Company and the holders of the Secured Obligations as to the receipt and contents of any such notice of withdrawal. To the extent that such Notice of Event of Default shall give rise to any such rights and remedies or shall prohibit the Debtors from taking any actions, such rights and remedies shall be suspended, and any exercise thereof by the Collateral Trustee shall cease, and such prohibitions on the Debtors shall not remain in effect, upon the withdrawal of such Notice of Event of Default pursuant to the terms and provisions of this paragraph, but such rights and remedies and such prohibitions shall be reinstated upon the giving of any later Notice of Event of Default.

(d) If a Notice of Event of Default shall have been received by the Collateral Trustee and shall not have been withdrawn in accordance with the provisions of paragraph (c) above, the Collateral Trustee shall, promptly after receipt of the written instructions of the Required Decision Group, exercise the rights and remedies of the Collateral Trustee under the Security Documents and institute and maintain suits and proceedings and take such other actions in connection therewith, in each case as permitted under the Security Documents during the existence of an Event of Default. Upon receipt of any written directions pursuant to this paragraph (d), the Collateral Trustee shall promptly send a copy thereof to each holder of Secured Obligations.

4.3 General Provisions Regarding Remedies.

(a) No remedy conferred upon or reserved to the Collateral Trustee in the Security Documents is intended to be exclusive of any other remedy or remedies, but every such remedy shall be cumulative and shall be in addition to every other remedy conferred in the Security Documents or now or hereafter existing at law or in equity or by statute. No delay or omission by the Collateral Trustee in the exercise of any right, remedy, or power accruing upon any Event of Default shall impair any such right, remedy, or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every right, power, and remedy given by any Security Document may be exercised from time to time and as often as may be deemed expedient by the Collateral Trustee.

(b) In case the Collateral Trustee shall have proceeded to enforce any right, remedy, or power under any Security Document and the proceeding for the enforcement thereof shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Collateral Trustee, then and in every such case the Debtors, the Collateral Trustee, and the holders of the Secured Obligations shall, subject to any effect of or determination in such proceeding, severally and respectively be restored to their former positions and rights under such Security Document with respect to the Trust Estate and in all other respects, and thereafter all rights, remedies, and power of the Collateral Trustee shall continue as though no such proceeding had been taken.

(c) All rights of action and rights to assert claims upon or under the Security Documents may be enforced by the Collateral Trustee without the possession of any Master Debt Agreement or other instruments which manifest the Master Debt or the production thereof in any trial or other proceeding relative thereto, and any such suit or proceedings instituted by the Collateral Trustee shall be brought in its name as Collateral Trustee and any recovery of judgment shall be held as part of the Trust Estate. Each Debtor hereby waives demand, presentment for payment, notice of nonpayment, protest, grace, notice of intent to accelerate, notice of acceleration, and all other notices in connection with the enforcement of the Master Debt, the Security Documents, or the

Collateral. To the full extent each Debtor may do so, such Debtor shall not insist upon, plead, claim, or take advantage of any law providing for any appraisement, valuation, stay, extension, or redemption, and such Debtor hereby waives and releases the same, and all rights to a marshaling of the assets of such Debtor, including the Collateral, or to a sale in inverse order of alienation in the event of foreclosure of the Liens under the Security Documents.

(d) Each Debtor hereby irrevocably constitutes and appoints the Collateral Trustee and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full power and authority to act on behalf of such Debtor, in the name of such Debtor or in its own name, upon the occurrence and during the continuance of any Event of Default for the purpose of carrying out the terms of any of the Security Documents, to take any and all appropriate action and to execute any and all documents and instruments which may be reasonably necessary or desirable to accomplish the purposes thereof, and instituting proceedings the Collateral Trustee deems necessary or desirable to enforce the rights of the Collateral Trustee with respect to the Security Documents. Without limiting the generality of the foregoing, if any Debtor is obligated to take any action under any Security Document and fails to take such action, the Collateral Trustee may take such action as attorney-in-fact. This power of attorney is a power coupled with an interest and shall be irrevocable. Each Debtor hereby ratifies all acts of such attorney-in-fact consistent with the foregoing. Any such attorney-in-fact shall not be liable for any acts or omissions unless they constitute the gross negligence or wilful misconduct of such attorney-in-fact.

(e) Notwithstanding any other provision of any Security Document, but subject to the actions the Collateral Trustee may take with respect to the Security Documents, neither the right of any holder of Secured Obligations to receive payment thereon, to institute suit for the enforcement of such payment, to assert such holder's position as a creditor in any proceeding related to the Bankruptcy Code, or to otherwise exercise any rights such holder may have in connection with the Secured Obligations (other than the right to enforce any Lien on the Collateral under the Security Documents, which shall in all circumstances be exercisable only by the Collateral Trustee as directed in accordance with this Agreement), nor the obligation of each Debtor to pay the Secured Obligations owing by such Debtor, shall be impaired or affected without the consent of such holder.

(f) If the Collateral Trustee shall have received a Notice of Event of Default and during such time as such Notice of Event of Default shall not have been withdrawn in accordance with the provisions of paragraph 4.2(c) above, the Collateral Trustee, in its capacity as Collateral Trustee, is hereby authorized at any time and from time to time to set off and apply any deposits (general or special, time or demand, provisional or final) at any time held by the Collateral Trustee hereunder with respect to

any Debtor and indebtedness at any time owing by the Collateral Trustee to any Debtor, against any Secured Obligations, irrespective of whether or not any holder of Secured Obligations shall have made any demand and although such obligations may be unmatured. The Collateral Trustee agrees promptly to notify the Company after any such setoff and application made by the Collateral Trustee, provided that the failure to give such notice shall not affect the validity of such set off and application. The Collateral Trustee shall have no obligation to take any action under this paragraph unless so directed in accordance with Section 4.2(d).

4.4 Application of Moneys by Collateral Trustee.

(a) On the date hereof there shall be established and, at all times thereafter until the Trust Estate has been terminated, there shall be maintained by and with the Collateral Trustee an account (the "Collateral Account") for the purposes of this Agreement. To secure the prompt and complete payment, when due, and the observance and performance of all terms, covenants, and agreements relating to the Secured Obligations, each Debtor hereby assigns and pledges to the Collateral Trustee for the benefit of the holders of the Secured Obligations and grants to the Collateral Trustee for the benefit of the holders of the Secured Obligations a security interest in all of the right, title, and interest of such Debtor in and to the following, whether presently existing or hereafter arising or acquired (the "Collateral Account Collateral"): the Collateral Account, all cash deposited therein, all certificates and instruments, if any, from time to time representing the Collateral Account; all investments from time to time made pursuant to paragraph (b) below; all notes, certificates of deposit, and other instruments from time to time hereafter delivered to or otherwise possessed by the Collateral Trustee in substitution for, or in addition to, any or all of the then existing Collateral Account Collateral; all interest, dividends, cash, instruments, and other property from time to time received, receivable, or otherwise distributed in respect of or in exchange for any or all of the then existing Collateral Account Collateral; and to the extent not covered above, all Proceeds of the foregoing (whether the same are acquired before or after the commencement of a case under the Bankruptcy Code). All right, title, and interest in and to the Collateral Account shall vest in the Collateral Trustee, and funds on deposit in the Collateral Account and other Collateral Account Collateral shall constitute part of the Trust Estate. The Collateral Account shall be subject to the exclusive dominion and control of the Collateral Trustee.

(b) All money and other Proceeds received by the Collateral Trustee in respect of any Collateral, including proceeds from sales of assets, insurance proceeds and condemnation proceeds, amounts received as a result of set off by the Collateral Trustee, collections of accounts, instruments, chattel paper, and other receivables, and proceeds from any foreclosure proceedings, shall be deposited in or credited to the Collateral Account. Any proceeds deemed not appropriate at the time of receipt for deposit or

credit to the Collateral Account shall be held by the Collateral Trustee for the benefit of the holders of the Secured Obligations until such time as cash proceeds are realized therefrom or the Collateral Trustee deems such proceeds appropriate for deposit or credit to the Collateral Account. All funds in the Collateral Account shall be invested, reinvested, and liquidated (at the risk and expense of the Debtors) in accordance with instructions given to the Collateral Trustee by a Responsible Officer of the Company prior to a Notice of Event of Default having been received by the Collateral Trustee and such notice not having been withdrawn and thereafter as determined by the Collateral Trustee, provided that all circumstances all investments shall be Permitted Investments. The Collateral Trustee shall not be liable for any loss resulting from any Permitted Investment or the sale or redemption thereof in accordance with the preceding sentence. If and when cash is required for disbursement in accordance with this Agreement, the Collateral Trustee is authorized, to the extent necessary, to cause Permitted Investments to be sold or otherwise liquidated in such manner as the Collateral Trustee shall deem appropriate.

(c) Prior to any Notice of Event of Default having been received by the Collateral Trustee, all amounts in the Collateral Account shall be held by the Collateral Trustee for the benefit of the holders of the Secured Obligations until the Company requests the release thereof. Any such request by the Company shall be made in writing and accompanied by a certificate of a Responsible Officer of the Company specifying the use for the funds released and stating that the funds shall be used for the specified purpose, that the release is permitted under the terms of all Master Debt Agreements, that no Event of Default exists, and that the release would not reasonably be expected to cause an Event of Default. Upon receipt of such certificate, the Collateral Trustee shall forward notice thereof to the holders of the Secured Obligations and if no objection that the release would violate the terms of any Master Debt Agreement is received from any holder of Secured Obligations by the Collateral Trustee within 15 days after such notice is given, the Collateral Trustee shall release the amounts requested to the Company. If an objection is received, then the Collateral Trustee shall retain the funds in the Collateral Account until such objection is withdrawn, distributions are made under paragraph (d) below, or the Collateral Trustee shall have received a final order of a court of competent jurisdiction directing it to release the funds. Notwithstanding anything herein to the contrary, and in precedence to any rights under Section 4.3(f), the Collateral Trustee shall, at all times, have the right to apply moneys and property held by the Collateral Trustee in the Collateral Account to the payment of amounts due and unpaid to it pursuant to Section 5.3, and all other amounts due to the Collateral Trustee under the terms of the Security Documents, including all reasonable costs and expenses (including reasonable attorneys fees) incurred in connection with any sale, disposition, or other attempt to realize upon all or any part of the Collateral. The Collateral Trustee shall provide the Company with prompt notice of any such application of moneys or property.

(d) After any Notice of Event of Default having been received by the Collateral Trustee and such notice not having been withdrawn, all moneys and property held or received by the Collateral Trustee in the Collateral Account shall be held in the Collateral Account for the benefit of the holders of the Secured Obligations and, upon election by the Collateral Trustee or direction in accordance with Section 4.2(d), and to the extent available for distribution, be distributed from time to time by the Collateral Trustee in the following order of priority:

First: to the Collateral Trustee in an amount equal to the outstanding but unpaid Collateral Trustee Obligations, whether or not due and payable, plus an amount equal to the Collateral Trustee's estimate of the reserves required to ensure payment of all Collateral Trustee Obligations that could become due and payable to the Collateral Trustee in accordance with the terms of the Security Documents from time to time;

Second: to the holders of Master Debt in an amount equal to the outstanding but unpaid principal amount of indebtedness, reimbursement obligations for draws on letters of credit, and cash collateralization obligations for letters of credit under the Master Debt Agreements, all accrued but unpaid interest thereon under the Master Debt Agreements, all unpaid premium, if any, in connection therewith under the Master Debt Agreements, all unpaid fees in connection therewith under the Master Debt Agreements, in each case whether or not due and payable, and, if such moneys and property shall be insufficient to pay such amounts in full, then ratably (without priority of any one over any other) to the holders of such Master Debt in proportion to the unpaid amounts thereof; provided, however, that with respect to all cash collateralization obligations covering contingent obligations under letters of credit, (1) rather than distributing the amounts allocable to such obligations to the holders thereof, such amounts shall be reserved in the Collateral Account (such reserve being the "L/C Reserve") and set aside for the purpose of covering reimbursement obligations for such letters of credit as they arise in connection with draws under such letters of credit, (2) upon any draws under such letters of credit that are not reimbursed when due, and at the request of the Required Percentage of the holders of such obligations, the Collateral Trustee shall distribute the ratable share of the L/C Reserve allocable to such reimbursement obligations to the holders thereof, and (3) as such obligations expire or become covered by cash collateral or otherwise, the Collateral Trustee shall release the ratable share of the L/C Reserve allocable to such obligations which have expired into the Collateral Account for general distribution in accordance with this Agreement as part of the next distribution;

Third: to the holders of the Secured Obligations in an amount equal to all unpaid reimbursement, indemnification, and other payment obligations under the Master

Debt Agreements not covered above, in each case whether or not due and payable, and, if such moneys and property shall be insufficient to pay such amounts in full, then ratably (without priority of any one over any other) to the holders of the Secured Obligations in proportion to the unpaid amounts thereof; and

Finally: any surplus then remaining shall be paid to the Company or its successors or assigns.

The term "unpaid" as used in this Section (d) refers: (1) in the absence of a bankruptcy proceeding with respect to any Debtor, to all amounts of Secured Obligations outstanding as of a Distribution Date, whether or not then due and payable, and (2) during the pendency of a bankruptcy proceeding with respect to any Debtor, to all amounts with respect to such Debtor allowed by the bankruptcy court in respect of Secured Obligations as a basis for distribution (including estimated amounts, if any, allowed in respect of contingent claims), in each case, to the extent that prior distributions have not been made in respect thereof.

(e) In making available amounts for distribution, the Collateral Trustee may liquidate investments prior to maturity in order to make a distribution. In making determinations and allocations required by Section (d) above, all property distributed shall be distributed in accordance with, and subsequent distributions made on the basis of, the fair market value of such property, as determined in good faith by the Collateral Trustee

(f) In making available amounts for distribution, the Collateral Trustee may make payments with respect to any holders of Secured Obligations that are part of any Class of Master Debt having an agent or trustee with general administrative responsibilities for such Class of Master Debt by providing payment to such agent or trustee, and such payment shall be deemed effective for all such holders of Secured Obligations upon receipt by such agent or trustee.

ARTICLE 5.
THE COLLATERAL TRUSTEE

5.1 Acceptance of Trust Estate; Limitations. The Collateral Trustee hereby accepts the trusts of this Agreement for the benefit of the holders of the Secured Obligations, but only upon the terms herein set forth, including the following:

(a) Neither the Collateral Trustee nor any of its directors, officers, agents, or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with the Security Documents, except for its or their own

gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Collateral Trustee: (i) may continue to treat each of the original holders of Secured Obligations as the current holders thereof until the Collateral Trustee receives documentation that is acceptable to Collateral Trustee (in the Collateral Trustee's sole discretion) evidencing any transfer of such holder's rights and obligations to another entity; (ii) may consult with legal counsel (including counsel for any Debtor), independent public accountants, and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants, or experts; (iii) makes no warranty or representation to any Debtor or any holder of Secured Obligations and shall not be responsible to any Debtor or any holder of Secured Obligations for any statements, warranties, or representations (whether written or oral) made in or in connection with the Security Documents; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants, or conditions of any Security Document on the part of any obligor thereunder or to inspect any property (including the books and records) of any obligor thereunder; (v) shall not be responsible to any Person for the due execution, legality, validity, enforceability, genuineness, sufficiency, or value of any Security Document or any other instrument or document furnished pursuant thereto (or the sufficiency of the Collateral, the perfection or priority of any Lien thereon, the recordation, filing, or maintenance of recordation or filing with respect thereto, or the sufficiency or continuation of any insurance with respect thereto); and (vi) shall incur no liability under or in respect of any Security Document or any other instrument or document furnished pursuant thereto by acting upon any notice, consent, certificate, or other instrument or writing (which may be by telecopier, telegram, cable, or telex) believed by it to be genuine and signed or sent by the proper party or parties.

(b) the Collateral Trustee may rely and shall be protected in acting upon any resolution, certificate, opinion, consent, or other document reasonably believed by it to be genuine and to have been executed or presented by the proper party or parties, and without limiting the foregoing, (i) in making any payment or in taking any other action hereunder in respect of any Master Debt, the Collateral Trustee may rely upon the certificate of a Responsible Officer of the Company with respect to the ownership of such Master Debt and the amounts due thereunder unless it shall have received written notice to the contrary and (ii) whenever in the administration of its duties hereunder, the Collateral Trustee deems it reasonably necessary for a matter to be proved or established prior to taking any action hereunder, the Collateral Trustee may request and a Responsible Officer of the Company shall provide certification regarding such matter, upon which the Collateral Trustee shall be protected in relying.

(c) With respect to its commitments, the advances made by it, the reimbursement obligations owed to it, any interest in any letter of credit held by it, or any

of its other rights or obligations with respect to any Master Debt or any other present or future credit or structured finance arrangement, Citibank N.A., shall have the same rights and powers thereunder and may exercise the same in each case as though it was not the Collateral Trustee. The terms holder of Secured Obligations and holder of Master Debt shall, unless otherwise expressly indicated, include Citibank, N.A., in its individual capacity. Citibank, N.A., and its affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, any Debtor or any other subsidiary or affiliate thereof, any Person who may do business with or own, directly or indirectly, securities of any Debtor or any other subsidiary or affiliate thereof and any other Person, all as if Citibank, N.A., were not the Collateral Trustee, in each case without any duty to account therefor to any Debtor or any holder of Secured Obligations.

(d) Each holder of Secured Obligations acknowledges that it has, independently and without reliance upon the Collateral Trustee or any other holder of Secured Obligations and based on the financial statements and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into the transactions related to the Security Documents and the credit documents related thereto it has executed. Each holder of Secured Obligations also acknowledges that it will, independently and without reliance upon the Collateral Trustee or any other holder of Secured Obligations and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Security Documents and the credit documents related thereto.

(e) The Collateral Trustee shall incur no liability with respect to any action or omission taken in accordance with the terms of the Security Documents or the instructions of the Company or the Required Decision Group, the Required Majority, or any other holders of Secured Obligations as provided in the Security Documents or for any other action or omission of the Collateral Trustee, so long as the same are made in good faith (except that nothing contained herein shall relieve the Collateral Trustee from liability for its own gross negligence or willful misconduct), and in no event shall the Collateral Trustee be liable for special, indirect, or consequential losses or damages of any kind whatsoever (including but not limited to lost profits).

5.2 Limitation of Scope of Duties. Beyond its duties set forth in the Security Documents as to the custody and preservation of Collateral, which are for the benefit of the holders of the Secured Obligations, and the accounting to the Company and the holders of the Secured Obligations for moneys received by the Collateral Trustee under the Security Documents, the Collateral Trustee shall not have any duty to any Debtor or any holder of Secured Obligations with respect to any Collateral, any income thereon, or the preservation of rights against prior parties or any other rights pertaining thereto.

5.3 Expenses and Indemnity.

(a) (i) Each Debtor agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Collateral Trustee in connection with the preparation, execution, delivery, administration, modification, and amendment of the Security Documents and the other documents to be delivered thereunder, including the reasonable fees and out-of-pocket expenses of counsel for the Collateral Trustee with respect thereto and with respect to advising the Collateral Trustee as to its rights and responsibilities under the Security Documents, and (ii) each Debtor agrees to pay on demand all costs and expenses, if any (including reasonable counsel fees and expenses, which may include allocated costs of in-house counsel), of the Collateral Trustee in connection with the enforcement of the Security Documents (whether before or after the occurrence of an Event of Default and whether through negotiations (including formal workouts or restructurings), legal proceedings or otherwise).

(b) Each Debtor agrees, to the fullest extent permitted by law, to indemnify and hold harmless the Collateral Trustee and its directors, officers, agents, and employees (the "Indemnified Parties") from and against any and all claims, damages, losses, liabilities, and expenses (including reasonable fees and disbursements of counsel) of any kind or nature whatsoever for which any of them may become liable or which may be incurred by or asserted against any of the Indemnified Parties, in each case in connection with or arising out of or by reason of any investigation, litigation, or proceeding, whether or not any of the Indemnified Parties is a party thereto, arising out of, related to, or in connection with any Security Document or any transaction related thereto (EXPRESSLY INCLUDING ANY SUCH CLAIM, DAMAGE, LOSS, LIABILITY, OR EXPENSE ATTRIBUTABLE TO THE ORDINARY, SOLE, OR CONTRIBUTORY NEGLIGENCE OF SUCH INDEMNIFIED PARTY, BUT EXCLUDING ANY SUCH CLAIM, DAMAGE, LOSS, LIABILITY, OR EXPENSE ATTRIBUTABLE TO THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY). IT IS THE INTENT OF THE PARTIES HERETO THAT EACH INDEMNIFIED PARTY SHALL, TO THE EXTENT PROVIDED IN THIS PARAGRAPH (b), BE INDEMNIFIED FOR ITS OWN ORDINARY, SOLE, OR CONTRIBUTORY NEGLIGENCE.

5.4 Resignation, Removal, and Replacement of Collateral Trustee. The Collateral Trustee or any successor Collateral Trustee may resign at any time by giving at least 30 days' prior written notice of resignation to the Company and each holder of Secured Obligations, such resignation to be effective on the later of (a) the date specified in such notice or (b) the date on which a replacement trustee is appointed to act as Collateral Trustee hereunder. The Company shall appoint a replacement trustee within 30 days of receiving notice of any such resignation. If an instrument of acceptance by a successor Collateral Trustee shall not have been delivered to the Collateral Trustee within

30 days after the giving of such notice of resignation, the resigning Collateral Trustee may petition any court of competent jurisdiction for the appointment of a successor Collateral Trustee. The Required Decision Group may at any time remove the Collateral Trustee for or without cause by an instrument or instruments in writing delivered to the Collateral Trustee and the Company. In case the office of Collateral Trustee shall become vacant for any reason, the Required Decision Group may appoint a successor Collateral Trustee (eligible as provided in Section 5.6) to fill such vacancy by an instrument or instruments in writing delivered to such successor Collateral Trustee, the retiring Collateral Trustee and the Company. Upon the appointment of any successor Collateral Trustee pursuant to this Section 5.4, such successor Collateral Trustee shall execute, acknowledge, and deliver to the Company and to the retiring Collateral Trustee an instrument accepting such appointment, and thereupon such successor Collateral Trustee shall immediately and without any further action succeed to all the rights and obligations of the retiring Collateral Trustee under the Security Documents as if originally named therein and the retiring Collateral Trustee, at the expense of the Company, shall duly assign, transfer, and deliver to such successor Collateral Trustee all the rights and moneys at the time held by the retiring Collateral Trustee under the Security Documents and shall execute and deliver such proper instruments as may be reasonably requested to evidence such assignment, transfer, and delivery.

5.5 Fees of Collateral Trustee. The Debtors agree to pay compensation for the services of the Collateral Trustee hereunder in accordance with the letter agreement dated as of even date herewith related thereto or any future applicable agreements among the Debtors and the Collateral Trustee.

5.6 Appointment of Separate or Co-Collateral Trustee. The Collateral Trustee may, and upon the request of the Required Decision Group shall, by an instrument in writing delivered to the Company and to each holder of Secured Obligations, appoint a bank or trust company or an individual to act as separate trustee or co-trustee in a jurisdiction where the Collateral Trustee is disqualified from acting, such separate trustee or co-trustee to exercise only such rights and to have only such duties as shall be specified in the instrument of appointment. The Debtors will pay the reasonable compensation and expenses of any such separate trustee or co-trustee and indemnify such Person as if such Person was the Collateral Trustee hereunder.

ARTICLE 6.
MISCELLANEOUS

6.1 Interpretation; Severability; Survival.

(a) Article, Section, Schedule, and Exhibit references are to this Agreement, unless otherwise specified. All references to instruments, documents, contracts, and agreements are references to such instruments, documents, contracts, and agreements as the same may be amended, waived, and otherwise modified from time to time, unless otherwise specified. The word "including" shall mean "including but not limited to." Whenever any determination, consent, or approval is to be made or given by the Collateral Trustee, such action shall be in the Collateral Trustee's sole discretion unless otherwise specified in this Agreement. This Agreement has been reviewed and negotiated by sophisticated parties with access to legal counsel and shall not be construed against the drafter.

(b) If any provision in this Agreement is held to be illegal, invalid, not binding, or unenforceable, such provision shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid, not binding, or unenforceable provision had never comprised a part of this Agreement, and the remaining provisions shall remain in full force and effect.

(c) All warranties, representations, and covenants made by any Debtor in any Security Document or in any certificate or other document delivered in connection therewith shall be considered to have been relied upon by the Collateral Trustee and the holders of Secured Obligations and shall survive the issuance and delivery of any Master Debt Agreement and the advancing of any Master Debt regardless of any investigation. The indemnities and other payment obligations of the Debtors set forth in Section 5.3, and any provisions that expressly so state, will survive the repayment of the Secured Obligations, the resignation or removal of any Collateral Trustee, and the termination of the Security Documents.

(d) Except as expressly stated otherwise in the Security Documents, the obligations of each Debtor under the Security Documents are several and not joint and several.

6.2 Amendments, etc. No amendment or waiver of any provision of this Agreement, nor consent to any departure therefrom, shall in any event be effective unless the same shall be in writing and signed by the Debtors and the Collateral Trustee acting with the approval of the Required Decision Group, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided that any amendment, waiver, or consent that affect the rights or duties of the

Collateral Trustee under any Security Document or any other instrument or document furnished pursuant thereto shall in addition require the consent of the Collateral Trustee in its sole discretion; and provided further that any amendment, waiver, or consent impairing the rights of the holders of Release Master Debt under Section 3.3 shall in addition require the consent of the Required Majority. Amendments, waivers, or consents made as required above shall be binding on the Debtors, the Collateral Trustee, and all holders of Secured Obligations, including any amendment, waiver, or consent that impairs the rights, if any, of holders of certain Secured Obligations under Sections 2.5, 2.9, 3.2, or 4.4. Nothing herein is intended to impair the rights of the Debtors and the holders of Secured Obligations from entering into documents and agreements outside of the Security Agreements.

6.3 Binding Effect; Assignment. The Security Documents shall be binding upon and inure to the benefit of the Debtors and the Collateral Trustee, and their respective successors and permitted assigns. Except as expressly provided in the Security Documents, the Security Documents shall not be construed so as to confer any right or benefit upon non-parties other than the holders of the Secured Obligations and their respective successors and permitted assigns. The Debtors may not assign their rights or duties under the Security Documents. The Collateral Trustee may assign its rights and duties under the Security Documents in accordance with the terms of thereof. The rights and duties of the holders of the Secured Obligations under the Security Documents shall be transferred with the Secured Obligations in accordance with the terms of the applicable Master Debt Agreements.

6.4 Notice, etc., under Security Documents.

(a) All notices and other communications provided for under the Security Documents shall be in writing (including telecopy communication) and mailed, telecopied, or delivered, (i) if to the Collateral Trustee, to its address at 111 Wall Street, New York, New York 10043, (telecopier number: (212) 657-3862), Attention: Edward Morelli, with a copy to Citicorp North America, Inc., 1200 Smith Street, Suite 2000, Houston, Texas 77002 (telecopier number: (713) 654-2849), Attention: The Williams Companies, Inc. Account Officer; (ii) if to any holder of Secured Obligations other than the Collateral Trustee, at the address specified for such holder of Secured Obligations under the applicable Master Debt Agreement (and the Company shall provide updated information regarding such notice addresses to the Collateral Trustee promptly upon any change thereof), (iii) if to the Company or any Debtor, to the Company at One Williams Center, Suite 5000, Tulsa, Oklahoma 74172 (telecopier number: (918) 573-2065), Attention: Patti J. Kastl; or (iv) with respect to any of the foregoing, at such other address as shall be designated by such Person in a written notice to the Collateral Trustee and the Company. All such notices and communications shall, when mailed or telecopied, be

effective when received in the mail or sent by telecopier, except that notices and communications to the Collateral Trustee shall not be effective until received by the Collateral Trustee.

(b) The Collateral Trustee shall deliver to each holder of Secured Obligations and to the Company, promptly upon receipt thereof, duplicates or copies of all notices, requests, and other instruments received by the Collateral Trustee under or pursuant to the Security Documents, to the extent that the same shall not have been furnished pursuant thereto to such holder of Secured Obligations.

(c) For the purposes of the Security Documents, the Collateral Trustee may give notices with respect to any holders of Secured Obligations that are part of any Class of Master Debt having an agent or trustee with general administrative responsibilities for such Class of Master Debt by providing notice to such agent or trustee, and such notice shall be deemed effective for all such holders of Secured Obligations upon receipt by such agent or trustee.

6.5 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

6.6 Waiver of Jury Trial. THE DEBTORS AND THE COLLATERAL TRUSTEE, AND EACH HOLDER OF SECURED OBLIGATIONS, HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF THE SECURITY DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED THEREBY.

6.7 Forum Selection and Consent to Jurisdiction. ANY LITIGATION BASED ON THE SECURITY DOCUMENTS, OR ARISING OUT OF ANY SECURITY DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE COLLATERAL TRUSTEE, THE HOLDERS OF SECURED OBLIGATIONS, OR ANY DEBTOR IN CONNECTION WITH THE SECURITY DOCUMENTS MAY BE BROUGHT AND MAINTAINED IN THE COURTS OF THE STATE OF NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT THE COLLATERAL TRUSTEE'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. EACH DEBTOR IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK AT THE ADDRESS FOR NOTICES SPECIFIED IN SECTION 6.4. EACH DEBTOR HEREBY

EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT ANY DEBTOR HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION, OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, SUCH DEBTOR HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THE SECURITY DOCUMENTS.

6.8 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same Agreement.

[the remainder of this page is intentionally blank]

EXECUTED as of the date first above written.

COLLATERAL TRUSTEE:

CITIBANK, N.A.,
as Collateral Trustee

By: /s/ Edward C. Morelli
Name: Edward C. Morelli
Title: Vice President

Signature Page to Collateral Trust Agreement

DEBTORS:

THE WILLIAMS COMPANIES, INC.

By: /s/ James G. Ivey
Name: James G. Ivey
Title: Treasurer

[SUBSIDIARIES]

Collateral Trust Agreement executed by the following Williams entities:

Black Marlin Pipeline Company
- ---
Gas Supply, L.L.C.
- ---
Juarez Pipeline Company
- ---
Mapco, Inc.
- ---
MAPL Investments, Inc.
- ---
Memphis Generation, L.L.C.
- ---
North Padre Island Spindown, Inc.
- ---
The Williams Companies, Inc.
- ---
WFS Enterprises, Inc.
- ---
WFS-Liquids Company
- ---
WFS-NGL Pipeline Company Inc.
- ---
WFS-Offshore Gathering Company
- ---
Williams Alaska Air Cargo Properties, L.L.C.
- ---
Williams Alaska Petroleum, Inc.
- ---
Williams Alaska Pipeline Company, L.L.C.
- ---
Williams Bio-Energy, L.L.C.
- ---
Williams Energy Services, L.L.C.
- ---
Williams Ethanol Services, Inc.
- ---
Williams Express, Inc. [AK]
- ---
Williams Express, Inc. [DE]
- ---
Williams Field Services Company
- ---
Williams Field Services Group, Inc.
- ---
Williams Field Services-Gulf Coast Company, L.P.
- ---
Williams Gas Processing-Wamsutter Company
- ---
Williams Gas Processing Company
- ---
Williams Generating Memphis, LLC
- ---
Williams Generation Company - Hazelton
- ---
Williams Memphis Terminal, Inc.
- ---
Williams Merchant Services Company, Inc.
- ---
Williams Midstream Natural Gas Liquids, Inc.
- ---
Williams Mid-South Pipelines, LLC
- ---
Williams Natural Gas Liquids, Inc.
- ---
Williams Olefins Feedstock Pipelines, L.L.C.
- ---
Williams Olefins, L.L.C.
- ---
Williams Petroleum Pipeline Systems, Inc.
- ---
Williams Refining & Marketing, L.L.C.
- ---
Worthington Generation, L.L.C.
- ---

Schedule 1
to Collateral Trust Agreement

MASTER DEBT AGREEMENTS

1. That Credit Agreement dated as of July 31, 2002 (as amended, modified, supplemented or restated from time to time), by and among the Company together with Citicorp USA, Inc., as agent and collateral agent, Bank of America N. A. as syndication agent, Citibank, N.A. and Bank of America N.A. as issuing bank, Salomon Smith Barney Inc. as L/C Arranger, and the banks named therein.

2. The Company; Northwest Pipeline Corporation, a Delaware corporation; Transcontinental Gas Pipe Line Corporation, a Delaware corporation; and Texas Gas Transmission Corporation, a Delaware corporation, as the borrowers, have entered into a Credit Agreement dated July 25, 2000, as amended, together with the banks named therein, and The Chase Manhattan Bank and Commerzbank AG as co-syndication agents, and Credit Lyonnais New York Branch as documentation agent and Citibank, N.A., as agent, and Salomon Smith Barney, as Arranger.

3 Indenture between MAPCO, Inc., as Issuer, and Bankers Trust Company, as Trustee dated March 31, 1990.

4 Indenture between Transco Energy Company, as Issuer, and The Bank of New York, as Trustee, dated May 1, 1990.

All documents, instruments, agreements, certificates and notices at any time executed and/or delivered in connection with any of the foregoing Master Debt Agreements.

EXHIBIT 10.10
[EXECUTION COPY]

FORM OF
GUARANTY

This Guaranty dated as of July 31, 2002 ("Guaranty") is by each of the entities named on the signature pages hereto (each a "Guarantor" and collectively, the "Guarantors"), in favor of Citibank, N.A., as surety administrative agent ("Agent") for the Financial Institutions (as defined below).

INTRODUCTION

A. The Williams Companies, Inc., a Delaware corporation (the "Company"), has entered into a Credit Agreement dated as of July 31, 2002 (as amended, modified, supplemented or restated from time to time, the "L/C Credit Agreement," the defined terms of which are used in this Guaranty unless otherwise defined herein), together with Citicorp USA, Inc., as agent and collateral agent ("Collateral Agent"), Bank of America N. A., as syndication agent ("Syndication Agent"), Citibank, N.A. and Bank of America N.A., as issuing bank ("Issuing Bank") and the banks named therein (the "L/C Banks"), and Salomon Smith Barney Inc., as "L/C Arranger" providing for the extension of credit and the issuance of Letters of Credit. The Collateral Agent, Syndication Agent, Issuing Bank, L/C Banks and L/C Arranger are collectively referred to herein as the "L/C Financial Institutions."

B. The Company; Northwest Pipeline Corporation, a Delaware corporation; Transcontinental Gas Pipe Line Corporation, a Delaware corporation; and Texas Gas Transmission Corporation, a Delaware corporation, as the borrowers (referred to herein as the "MWCA Borrowers" and collectively with the L/C Borrower as the "Borrowers"), have entered into a Credit Agreement dated July 25, 2000, (as amended, modified, supplemented or restated from time to time, the "Multiyear Williams Credit Agreement"), together with the banks named therein, (the "MWCA Banks"), and The Chase Manhattan Bank and Commerzbank AG as co-syndication agents (collectively, the "Co-Syndication Agents"), and Credit Lyonnais New York Branch as documentation agent ("Documentation Agent") and Citibank, N.A., as agent ("MWCA Agent"), and Salomon Smith Barney, as Arranger ("MWCA Arranger"), providing for the making of advances by the MWCA Banks. The MWCA Banks, Co-Syndication Agents, MWCA Agent, Documentation Agent and MWCA Arranger are collectively referred to herein as the "MWCA Financial Institutions".

C. The MWCA Financial Institutions and the L/C Financial Institutions are referred to herein collectively as the "Financial Institutions." The L/C Credit Agreement and the Multiyear Williams Credit Agreement together with all documents, instruments, agreements, certificates, and notices at any time executed and/or delivered in connection with either of the foregoing are collectively, referred to herein, as the same may be amended and modified from time to time, as the "Credit Documents".

D. It is a condition to certain transactions under the Credit Documents, that the Guarantors shall have executed and delivered this Guaranty.

E. The Company is the principal financing entity for all capital requirements of its Guarantors, and from time to time the Company has made capital contributions and advances to each Guarantor. Each Guarantor is a wholly owned Subsidiary of the Company and will derive

substantial direct or indirect benefit from the transactions contemplated by the Credit Documents.

THEREFORE, in order to induce the Financial Institutions to enter into and/or continue certain financing transactions described in the Credit Documents, each of the Guarantors hereby agrees with Agent for its benefit and the benefit of the Financial Institutions as follows:

Section 1. Guaranty. Each of the Guarantors, severally, hereby unconditionally and irrevocably guarantees the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of the Guaranteed Obligations (defined below) For purposes of this Guaranty, the "Guaranteed Obligations" shall mean collectively (a) all obligations under this Guaranty and (b) the outstanding principal amount of indebtedness, reimbursement obligations for draws on letters of credit, and cash collateralization obligations for letters of credit under the Credit Documents, all accrued but unpaid interest thereon under the Credit Documents, all premium, if any, in connection therewith under the Credit Documents, all fees in connection therewith under the Credit Documents, and all other reimbursement, indemnification, and other payment obligations in connection therewith under the Credit Documents. Without limiting the generality of the foregoing, each Guarantor's liability shall extend to all amounts which constitute part of the Guaranteed Obligations even if such Guaranteed Obligations are declared unenforceable or not allowable in a bankruptcy, reorganization, or similar proceeding involving any Borrowers, or any guarantor of any portion of the foregoing Guaranteed Obligations (collectively such guarantors together with the Guarantors and the Borrowers are referred to herein as the "Obligors"). This Guaranty is a guarantee of payment, not of collection, and each Guarantor is primarily liable for the payment of the Guaranteed Obligations.

Section 2. Limit of Liability. The liabilities and obligations of the each Guarantor hereunder shall be limited to an aggregate amount equal to the largest amount that would not render such Guarantor's obligations hereunder subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable state law.

Section 3. Guaranty Absolute. Each of the Guarantors guarantees that the Guaranteed Obligations will be paid strictly in accordance with the Credit Documents, regardless of any law, regulation, or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of Agent or any Financial Institution with respect thereto. The obligations of each Guarantor under this Guaranty are independent of the Guaranteed Obligations in each and every particular, and a separate action or actions may be brought and prosecuted against any other Obligor, or any other Person regardless of whether any other Obligor or any other Person is joined in any such action or actions. The liability of each Guarantor under this Guaranty shall be absolute and unconditional irrespective of:

(a) The lack of validity or unenforceability of the Guaranteed Obligations or any Credit Document (other than this Guaranty against such Guarantor) for any reason whatsoever, including that the act of creating the Guaranteed Obligations is ultra vires, that the officers or representatives executing the documents creating the Guaranteed Obligations exceeded their authority, that the Guaranteed Obligations violate usury or other laws, or that any Obligor has defenses to the payment of the Guaranteed Obligations, including breach of warranty, statute of frauds, bankruptcy, statute of limitations, lender liability, or accord and satisfaction;

(b) Any change in the time, manner, or place of payment of, or in any term of, any of the Guaranteed Obligations, any increase, reduction, extension, or rearrangement of the Guaranteed Obligations, any amendment, supplement, or other modification of the Credit Documents, or any waiver or consent granted under the Credit Documents, including waivers of the payment and performance of the Guaranteed Obligations;

(c) Any release, exchange, subordination, waste, or other impairment (including negligent, willful, unreasonable, or unjustifiable impairment) of any collateral securing payment of the Guaranteed Obligations; the failure of Agent, any Financial Institution or any other person to exercise diligence or reasonable care in the preservation, protection, enforcement, sale, or other handling of the collateral; the fact that any security interest, lien, or assignment related to any collateral for the Guaranteed Obligations shall not be properly perfected, or shall prove to be unenforceable or subordinate to any other security interest, lien, or assignment;

(d) Any full or partial release of any Obligor (other than the full or partial release of such Guarantor);

(e) The failure to apply or the manner of applying collateral or payments of the proceeds of collateral against the Guaranteed Obligations;

(f) Any change in the organization or structure of any Obligor; any change in the shareholders, directors, or officers of any Obligor; or the insolvency, bankruptcy, liquidation, or dissolution of any Obligor or any defense that may arise in connection with or as a result of any such insolvency, bankruptcy, liquidator or dissolution;

(g) The failure to give notice of any extension of credit made by Agent or any Financial Institution to any Obligor, notice of acceptance of this Guaranty, notice of any amendment, supplement, or other modification of any Credit Document, notice of the execution of any document or agreement creating new Guaranteed Obligations, notice of any default or event of default, however denominated, under the Credit Documents, notice of intent to demand, notice of demand, notice of presentment for payment, notice of nonpayment, notice of intent to protest, notice of protest, notice of grace, notice of dishonor, notice of intent to accelerate, notice of acceleration, notice of bringing of suit, notice of Agent or any Financial Institution's transfer of the Guaranteed Obligations, notice of the financial condition of or other circumstances regarding any Obligor, or any other notice of any kind relating to the Guaranteed Obligations;

(h) Any payment or grant of collateral by any Obligor to Agent or any Financial Institution being held to constitute a preference under bankruptcy laws, or for any reason Agent or any Financial Institution is required to refund such payment or release such collateral;

(i) Any other action taken or omitted which affects the Guaranteed Obligations, whether or not such action or omission prejudices any Guarantor or increases the likelihood that any Guarantor will be required to pay the Guaranteed Obligations pursuant to the terms hereof;

(j) The fact that all or any of the Guaranteed Obligations cease to exist by operation of law, including, without limitation, by way of discharge, limitation or tolling thereof under applicable bankruptcy laws; and

(k) Any other circumstances which might otherwise constitute a defense available to, or a discharge of any Obligor (other than the discharge of such Guarantor).

Section 4. Agent's Rights and Certain Waivers.

4.01. Notice and Other Remedies. Each of the Guarantors hereby waives promptness, diligence, notice of acceptance, notice of acceleration, notice of intent to accelerate, and any other notice with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that Agent or any Financial Institution protect, secure, perfect or insure any security interest or other Lien or any property subject thereto or exhaust any right to take any action against any Obligor or any other Person or any collateral.

4.02. Waiver of Subrogation and Contribution. (a) Until such time as the Guaranteed Obligations are irrevocably paid in full, each of the Guarantors hereby irrevocably waives any claim or other rights which it may acquire against any Obligor that arise from such Guarantor's Guaranteed Obligations under this Guaranty or any other Credit Document, including, without limitation, any right of subrogation (including, without limitation, any statutory rights of subrogation under Section 509 of the Bankruptcy Code, 11 U.S.C. Section 509), reimbursement, exoneration, contribution, indemnification, or any right to participate in any claim or remedy of Agent or any Financial Institution against any Obligor, or any collateral which Agent or any Financial Institution now has or acquires. If any amount shall be paid to any Guarantor in violation of the preceding sentence and the Guaranteed Obligations shall not have been paid in full, such amount shall be held in trust for the benefit of Agent and the Financial Institutions, and shall promptly be paid to Agent for the benefit of Agent and the Financial Institutions to be applied to the Guaranteed Obligations, whether matured or unmatured, as Agent may elect. Each of the Guarantors acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Credit Documents and that the waiver set forth in this Section 4.02(a) is knowingly made in contemplation of such benefits.

(b) Each of the Guarantors agrees that, to the extent that any Borrower makes payments to Agent or any Financial Institution, or Agent or any Financial Institution receives any proceeds of collateral, and such payments or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, or otherwise required to be repaid, then to the extent of such repayment the Guaranteed Obligations shall be reinstated and continued in full force and effect as of the date such initial payment or collection of proceeds occurred. EACH OF THE GUARANTORS SHALL INDEMNIFY THE AGENT AND ANY FINANCIAL INSTITUTION AND EACH AFFILIATE THEREOF AND THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS FROM, AND DISCHARGE, RELEASE, AND HOLD EACH OF THEM HARMLESS AGAINST, ANY AND ALL LOSSES, LIABILITIES, GUARANTEED OBLIGATIONS, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, DISBURSEMENTS, CLAIMS OR DAMAGES TO WHICH ANY OF THEM MAY BECOME SUBJECT, INSOFAR AS SUCH LOSSES, LIABILITIES, GUARANTEED OBLIGATIONS, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, DISBURSEMENTS, CLAIMS OR DAMAGES ARISE OUT OF OR RESULT FROM (I) ANY ACTUAL OR PROPOSED USE BY ANY BORROWER, OR ANY AFFILIATE OF ANY BORROWER OF THE PROCEEDS OF ANY ADVANCE, (II) ANY BREACH BY ANY GUARANTOR OF ANY PROVISION OF THIS GUARANTY OR ANY OTHER CREDIT DOCUMENT, (III) ANY INVESTIGATION, LITIGATION OR OTHER PROCEEDING (INCLUDING ANY THREATENED INVESTIGATION OR PROCEEDING) RELATING TO THE FOREGOING, OR (IV) ANY ENVIRONMENTAL CLAIM OR REQUIREMENT OF ENVIRONMENTAL LAWS CONCERNING OR RELATING TO THE PRESENT OR PREVIOUSLY-OWNED OR OPERATED PROPERTIES, OR THE OPERATIONS OR BUSINESS, OF ANY OBLIGOR, AND EACH OF THE GUARANTORS SHALL REIMBURSE THE AGENT AND EACH

FINANCIAL INSTITUTION, AND EACH AFFILIATE THEREOF AND THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES AND AGENTS, UPON DEMAND FOR ANY REASONABLE OUT-OF-POCKET EXPENSES (INCLUDING LEGAL FEES) INCURRED IN CONNECTION WITH ANY SUCH INVESTIGATION, LITIGATION OR OTHER PROCEEDING; AND EXPRESSLY INCLUDING ANY SUCH LOSSES, LIABILITIES, GUARANTEED OBLIGATIONS, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, DISBURSEMENTS, CLAIMS, DAMAGES, OR EXPENSE INCURRED BY REASON OF THE PERSON BEING INDEMNIFIED'S OWN NEGLIGENCE, BUT EXCLUDING ANY SUCH LOSSES, LIABILITIES, GUARANTEED OBLIGATIONS, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, DISBURSEMENTS, CLAIMS, DAMAGES OR EXPENSES INCURRED BY REASON OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE PERSON TO BE INDEMNIFIED.

Agent shall have the absolute right to make demands for, file suits, claims or engage in other proceedings and exercise any other rights or remedies available to Agent to collect amounts owed to it pursuant to the terms of the indemnities set forth in this Guaranty, and Agent shall not need the consent of any other Financial Institution or Person whatsoever to do so.

4.03. Modifications and Amendment to the Credit Documents. As provided in Section 1 above, certain increases in the principal indebtedness outstanding under the Credit Documents shall not constitute Guaranteed Obligations. Except as to the foregoing, the parties to the Credit Documents shall have the right to amend or modify such Credit Agreements without affecting the rights provided for in this Guaranty.

Section 5. Representations and Warranties. Each of the Guarantors hereby represents and warrants as follows:

(a) Business Existence. Each of the Guarantors is duly organized, validly existing, and in good standing under the laws of the jurisdiction of its organization and in good standing and qualified to do business in each jurisdiction where its ownership or lease of property or conduct of its business requires such qualification and where a failure to be qualified could reasonably be expected to cause a material adverse effect.

(b) Power. The execution, delivery, and performance by each of the Guarantors of this Guaranty and the other Credit Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby (a) are within such Guarantor's powers, (b) have been duly authorized by all necessary action, (c) do not contravene (i) such Guarantor's organizational and constitutional documents or (ii) any law or any contractual restriction binding on or affecting such Guarantor or its property, and (d) will not result in or require the creation or imposition of any Lien prohibited by the Credit Documents.

(c) Authorization and Approvals. No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by the Guarantors of this Guaranty or the other Credit Documents to which any Guarantor is a party or the consummation of the transactions contemplated thereby.

(d) Enforceable Obligations. This Guaranty and the other Credit Documents to which such Guarantor is a party have been duly executed and delivered by such Guarantor. Each Credit Document to which any Guarantor is a party is the legal, valid, and binding obligation of each such Guarantor and is enforceable against each such Guarantor in accordance with its terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, or similar law affecting creditors' rights generally.

(e) Solvency. Each Guarantor is and shall be after giving effect to this Guaranty, individually and together with its Subsidiaries, Solvent.

Section 6. Covenants.

(a) Each Guarantor will comply with all provisions of the Credit Documents that are applicable to such Guarantor including the provisions of Article V of the L/C Credit Agreement.

(b) In the event that Agent wishes to enforce the guarantee contained in Section 1 hereof against any Guarantor, it shall make written demand for payment from such Guarantor, provided that no such demand shall be required if such Guarantor is in bankruptcy, liquidation, or other insolvency proceedings, and provided that failure by Agent to make such demand shall not affect any Guarantor's obligations under this Guaranty.

(c) All indebtedness of any Guarantor to another Obligor or any Borrower or any Subsidiary of a Borrower shall be subordinated to all indebtedness of any Guarantor to Agent or any Financial Institution under any of the Credit Documents (the "Senior Indebtedness"), as follows:

(i) In the event of any insolvency or bankruptcy proceedings, or any receivership liquidation, reorganization, or other similar proceedings in connection therewith, relative to any Guarantor, or to its property, or in the event of any proceedings for voluntary liquidation, dissolution, or other winding up of any Guarantor, whether or not involving insolvency or bankruptcy, then the holders of the Senior Indebtedness shall be entitled to receive payment in full of all Senior Indebtedness before any Obligor or any Subsidiary of a Borrower shall receive any payment on account of principal or interest due such Person from any Guarantor;

(ii) After the occurrence and during the continuance of any default or event of default, however denominated, under any Credit Document (an "Event of Default"), no Guarantor shall exercise or attempt to exercise any right of offset or counterclaim in respect of any of its obligations to any other Obligor or any Subsidiary of a Borrower if the effect thereof shall be to reduce the amount of any payment to which the holders of Senior Indebtedness would be entitled in the absence of such offset or counterclaim; and if and to the extent that, notwithstanding the foregoing, any Guarantor is required by any mandatory provisions of law to exercise any such right of offset or counterclaim, each reduction of the amount owing on the account of the principal of or premium (if any) or interest owed to any Obligor or any Subsidiary of a Borrower by reason of such offset or counterclaim shall be deemed to be a payment by such Guarantor in a like amount in respect of such amounts which clause (iv) below shall apply;

(iii) Following the occurrence and during the continuance of any Event of Default, (A) payment of the principal or interest upon any indebtedness owed to any Obligor or any Subsidiary of a Borrower shall not be made thereunder until payment in full of all Senior Indebtedness has been made and (B) the holders of the Senior Indebtedness shall be entitled to receive payment in full of all Senior Indebtedness prior to the entitlement of any Obligor or any Subsidiary of a Borrower to receive any payment of the principal or interest (except for payments which have been made prior to the occurrence of such event of default);

(iv) If, notwithstanding the provisions of the foregoing subparagraphs (i) through (iii), any payment or distribution on any indebtedness shall be received by any Guarantor or any

Obligor or any Subsidiary of a Borrower while an Event of Default exists and before the holders of the Senior Indebtedness shall have received payment in full on all Senior Indebtedness, such payment or distribution shall be (and shall be deemed to be) held in trust for the benefit of, and shall be paid over or delivered or transferred to, the holders of the Senior Indebtedness for application to the payment of all Senior Indebtedness held by such holder to the extent necessary to satisfy such Senior Indebtedness; and

(v) No present or future holder of Senior Indebtedness shall be prejudiced in its right to enforce subordination of any Obligor or any Subsidiary of a Borrower by any act or failure to act on the part of such Guarantor whether or not such act or failure shall give rise to any right of rescission or other claim or cause of action on the part of any other Guarantor or any Borrower or any Subsidiary of a Borrower. The provisions of the foregoing paragraphs with respect to subordination are solely for the purpose of defining the relative rights of the holders of Senior Indebtedness on the one hand, and any Obligor or any Subsidiary of a Borrower on the other hand, and none of such provisions shall impair, as between such Guarantor and any Obligor or any Subsidiary of a Borrower, the obligation of such Guarantor, which is unconditional and absolute, to pay to any Obligor or any Subsidiary of a Borrower the principal and interest of any indebtedness in accordance with its terms, nor shall anything in such provisions prevent any other Obligor or any Subsidiary of a Borrower from exercising all remedies otherwise permitted by applicable law or hereunder upon default hereunder, subject to the rights of holders of Senior Indebtedness under such provisions.

Section 7. Agency and Intercreditor Arrangement.

(a) Agent's Authorization and Action. By acceptance of this Guaranty each of the Financial Institutions hereby appoints and authorizes Citibank, N.A. as the agent, to take such action as agent on such Financial Institution's behalf and to exercise such powers under the this Guaranty as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto; provided, however, Agent shall not bring an action on behalf of the Financial Institutions to enforce their rights against an Obligor under the terms of this Guaranty until Agent receives the approval of the Majority Financial Institutions (as defined below) to do so. As to any matters not expressly provided for by this Guaranty, the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Financial Institutions, and such instructions shall be binding upon all Financial Institutions; provided, however, that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to this Guaranty or applicable law. The Agent agrees to give to each Financial Institution prompt notice of each notice given to it by any Guarantor pursuant to the terms of this Guaranty. For purposes of this Guaranty, "Majority Financial Institutions" shall have consented when consent has been received from both (a) the Majority Banks as such term is defined in the L/C Credit Agreement, and (b) the Majority Banks as such term is defined in the MWCA Credit Agreement.

(b) Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Guaranty, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may continue to treat each of the original Financial Institutions as a current Financial Institution until the Agent receives

documentation that is acceptable to Agent (in the Agent's sole discretion) evidencing any transfer of such Financial Institutions rights and obligations to another entity; (ii) may consult with legal counsel (including counsel for any Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Financial Institution and shall not be responsible to any Financial Institution for any statements, warranties or representations (whether written or oral) made in or in connection with this Guaranty; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Guaranty on the part of any Obligor or to inspect any property (including the books and records) of any Obligor; (v) shall not be responsible to any Financial Institution for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Guaranty or any other instrument or document furnished pursuant hereto; and (vi) shall incur no liability under or in respect of any Credit Document or this Guaranty by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

(c) Rights. With respect to (a) its Letter of Credit Commitments, the advances made by it, the Reimbursement Obligations owed to it, any Letter of Credit Interest held by it, the notes, if any, issued to it and all other credit extensions and documents related to the L/C Credit Agreement and (b) its Commitments, Advances, Notes (as such terms are defined in the MWCA Credit Agreement) issued to it and all other credit extensions and documents related to the MWCA Credit Agreement, Citibank N.A., shall have the same rights and powers under the above described credit extensions and documents and this Guaranty as any other Financial Institution and may exercise the same as though it was not the Agent. The terms Financial Institution and Financial Institutions shall, unless otherwise expressly indicated, include Citibank N.A. in its individual capacity. Citibank N.A., and its affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, any Borrower, any Subsidiary of any Borrower, any Person who may do business with or own, directly or indirectly, securities of any Borrower or any Subsidiary or Borrower and any other Person, all as if Citibank N.A. were not the Agent, in each case without any duty to account therefor to any of the Financial Institutions.

(d) Financial Institution Credit Decision. Each Financial Institution acknowledges that it has, independently and without reliance upon the Agent or any other Financial Institution and based on the financial statements and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into the transactions set forth in the Credit Documents it has executed. Each Financial Institution also acknowledges that it will, independently and without reliance upon the Agent or any other Financial Institution and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under any of the Credit Documents or this Guaranty.

(e) Successor Agent. The Agent may resign at any time as Agent under this Guaranty by giving written notice thereof to the Financial Institutions and the Borrowers and may be removed at any time with or without cause by the Majority Financial Institutions. Upon any such resignation or removal, the Majority Financial Institutions shall have the right to appoint a successor Agent from among the Financial Institutions. If no successor Agent shall

have been so appointed by the Majority Financial Institutions with such consent, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Majority Financial Institutions' removal of the retiring Agent, then the retiring Agent may, on behalf of the Financial Institutions, appoint a successor Agent, which shall be an entity which is a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Upon the acceptance of any appointment as Agent under this Guaranty by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent and shall function as the Agent under this Guaranty, and the retiring Agent shall be discharged from its duties and obligations as Agent under this Guaranty. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article 7 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Guaranty.

(f) Application of Proceeds. The proceeds of any sale of, or other realization upon, all or any funds or collateral pursuant to the terms of this Guaranty shall be in the following order:

First, to payment of the reasonable expenses of any such sale or other realization, including payment of fees, indemnities, expenses and other amounts (including, without limitation, attorneys' fees) payable to Agent in its capacity as such, and to the ratable payment of any other unreimbursed reasonable expenses for which Agent or any Financial Institution is to be reimbursed pursuant to this Guaranty; and

Second, to the Financial Institutions ratably according to their Credit Exposure.

A Financial Institution's "Credit Exposure" shall be equal to (a) the amount of its ratable portion of Obligations under the L/C Credit Agreement plus, (b) the positive amount, if any, by which (i) its commitments, however denominated, to issues additional Letters of Credit and/or extend any other type of additional credit to Borrower under the L/C Credit Agreement exceed (ii) the amount of its ratable portion of Obligations under the L/C Credit Agreement plus, (c) the amount of its ratable portion of outstanding Advances under the MWCA Credit Agreement plus (d) the positive amount, if any, by which (i) its Commitments exceed (ii) its ratable portion of outstanding Advances under the MWCA Credit Agreement. For purposes of (c) and (d) above Advances and Commitment shall have the meaning set forth for such terms in the MWCA Credit Agreement. If all Commitments under the L/C Credit Agreement and all Commitments (as such term is defined in the MWCA Credit Agreement) under the MWCA Credit Agreement have terminated, the Credit Exposure of each Financial Institution shall be deemed to be (i) the amount of its commitments, however denominated, to issues additional Letters of Credit and/or extend any other type of additional credit to Borrower under the L/C Credit Agreement immediately prior to the time that such "commitments" terminated plus (ii) the amount of its Commitments (as defined in the MWCA Credit Agreement) immediately prior to the time that such commitments terminated.

Section 8. Miscellaneous.

8.01. Amendments, Etc. Any amendment or waiver to this Guaranty shall be effective only if approved by Financial Institutions holding at least 51% of the principal amount of the Guaranteed Obligations at the time thereof and only in the specific instance and for the specific purpose for which given. Provided, however, that any amendment or waiver releasing any Guarantor from any liability hereunder shall require the unanimous consent of all Financial Institutions and be effective only in the specific instance and for the specific purpose for which given.

8.02. Addresses for Notices. All notices and other communications to Guarantor shall be delivered to the address set forth beneath its signature on the signature page hereto, or to such other address as shall be designated by the Guarantor by written notice to all of the Financial Institutions. All notices and other communications provided for under this Guaranty shall be in writing (including telecopy communication), shall be mailed, telecopied, or delivered, and shall, when mailed or telecopied, be effective when received in the mail or sent by telecopier.

8.03. No Waiver; Remedies. No failure on the part of Agent or any Financial Institution to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

8.04. Right of Set-Off. Upon the occurrence and during the continuance of any default or event of default however described under a Credit Document, Agent and each Financial Institution party to such Credit Document is hereby authorized at any time, to the fullest extent permitted by law, to set off and apply any deposits (general or special, time or demand, provisional or final) and other indebtedness owing by Agent or such Financial Institution to the accounts of the Guarantors against any and all of the obligations of the Guarantors under this Guaranty, irrespective of whether or not Agent or such Financial Institution shall have made any demand under this Guaranty and although such obligations may be contingent and unmatured. Agent and each Financial Institution agree promptly to notify the Guarantors after any such set-off and application made by Agent or such Financial Institution provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of Agent and the Financial Institutions under this Section 8.04 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which Agent and the Financial Institutions may have.

8.05. Continuing Guaranty; Assignments under Credit Documents. This Guaranty is a continuing guaranty and shall (a) remain in full force and effect until the indefeasible payment in full of the Guaranteed Obligations and all other amounts payable under this Guaranty, (b) be binding upon each Guarantor and its respective successors and assigns, (c) inure to the benefit of, and be enforceable by, Agent and each of the Financial Institutions and their respective successors, transferees and assigns, and (d) not be terminated by any Guarantor or any other Person. Without limiting the generality of the foregoing clause (c), Agent and any Financial Institution may assign or otherwise transfer all or any portion of its rights and Guaranteed Obligations and the assignee shall thereupon become vested with all the benefits in respect thereof granted to Agent or such Financial Institution herein or otherwise. Upon the indefeasible

payment in full and termination of the Guaranteed Obligations, each guaranty granted hereby shall terminate and all rights hereunder shall revert to the Guarantor to the extent such rights have not been applied pursuant to the terms hereof. Upon any such termination, Agent will, at such Guarantor's expense, execute and deliver to such Guarantor such documents as such Guarantor shall reasonably request and take any other actions reasonably requested to evidence or effect such termination. This Guaranty is not assignable by any Guarantor without the written consent of the Agent.

8.06 Incorporated Definitions. All defined terms that are incorporated from other agreements into this Guaranty by reference shall have the meanings assigned to such terms as of the date hereof but shall not be modified by any subsequent amendment or modification that takes place after the date hereof unless consented to by the parties hereto.

8.07. Governing Law; Submission to Jurisdiction; Suits and Claims.

(a) This Guaranty shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, except to the extent provided in Section 8.07(b) hereof and to the extent that the federal laws of the United States of America may otherwise apply.

(b) Notwithstanding anything in Section 8.07(a) hereof to the contrary, nothing in this Guaranty shall be deemed to constitute a waiver of any rights which Agent or any of the other Financial Institutions may have under the National Bank Act or other federal law, including without limitation the right to charge interest at the rate permitted by the laws of the state where Agent or any other applicable Financial Institution is located.

(c) ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, ANY CREDIT DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE AGENT, THE FINANCIAL INSTITUTIONS OR ANY GUARANTOR IN CONNECTION HEREWITH OR THEREWITH MAY BE BROUGHT AND MAINTAINED IN THE COURTS OF THE STATE OF NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. EACH GUARANTOR IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK AT THE ADDRESS FOR NOTICES PROVIDED FOR HEREIN. EACH GUARANTOR HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT ANY GUARANTOR HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, EACH GUARANTOR HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS GUARANTY AND THE CREDIT DOCUMENTS.

(d) EACH GUARANTOR, AGENT AND THE FINANCIAL INSTITUTIONS HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY.

(e) The provisions set forth in this Guaranty shall only be enforceable by Agent, the Financial Institutions and their respective successors and assigns, and no other Person shall have the right to bring any claim or cause of action based on this Guaranty.

Each Guarantor has caused this Guaranty to be duly executed as of the date first above written.

[See attached chart of Signatures to the Guaranty]

ACKNOWLEDGED AND ACCEPTED by the following party as of the date first written above:

CITIBANK, N.A., as Agent (as such term is defined in this Guaranty)

By: ----------

Name: ----------

Title: ----------

SIGNATORIES TO THE GUARANTY

Black Marlin Pipeline Company
- ----------
Gas Supply, L.L.C.
- ----------
Juarez Pipeline Company
- ----------
Mapco, Inc.
- ----------
MAPL Investments, Inc.
- ----------
Memphis Generation, L.L.C.
- ----------
North Padre Island Spindown, Inc.
- ----------
WFS Enterprises, Inc.
- ----------
WFS-Liquids Company
- ----------
WFS-NGL Pipeline Company Inc.
- ----------
WFS-Offshore Gathering Company
- ----------
Williams Alaska Air Cargo Properties, L.L.C.
- ----------
Williams Alaska Petroleum, Inc.
- ----------
Williams Alaska Pipeline Company, L.L.C.
- ----------
Williams Bio-Energy, L.L.C.
- ----------
Williams Energy Marketing & Trading Company
- ----------
Williams Energy Services, L.L.C.
- ----------
Williams Ethanol Services, Inc.
- ----------
Williams Express, Inc. [AK]
- ----------
Williams Express, Inc. [DE]
- ----------
Williams Field Services Company
- ----------
Williams Field Services Group, Inc.
- ----------
Williams Field Services-Gulf Coast Company, L.P.
- ----------
Williams Gas Processing-Wamsutter Company
- ----------
Williams Gas Processing Company
- ----------
Williams Generating Memphis, LLC
- ----------
Williams Generation Company - Hazelton
- ----------
Williams Memphis Terminal, Inc.
- ----------
Williams Merchant Services Company, Inc.
- ----------
Williams Mid-South Pipelines, LLC
- ----------
Williams Midstream Natural Gas Liquids, Inc.
- ----------
Williams Natural Gas Liquids, Inc.
- ----------
Williams Olefins Feedstock Pipelines, L.L.C.
- ----------
Williams Olefins, L.L.C.
- ----------
Williams Petroleum Pipeline Systems, Inc.
- ----------
Williams Refining & Marketing, L.L.C.
- ----------
Worthington Generation, L.L.C.
- ----------

FORM OF
SUBORDINATED GUARANTY

This Subordinated Guaranty dated as of July 31, 2002 ("Guaranty") is by Williams Production Holdings LLC, a Delaware limited liability company ("Guarantor"), in favor of the Financial Institutions (as defined below). Capitalized terms used in this Guaranty but not defined herein shall have the meanings set forth for such terms in the Credit Agreement dated as of July 31, 2002 (the "New Credit Agreement"), executed by The Williams Companies, Inc., as borrower (the "Company"), Citicorp USA, Inc., as agent and collateral agent, Bank of America N.A. as syndication agent, Citibank, N.A. and Bank of America N.A. as issuing bank, Salomon Smith Barney Inc., as arranger, and the banks named therein.

INTRODUCTION

A. The Company and/or its Subsidiaries (i) have entered into certain financing transactions with and (ii) prior to the date hereof, have caused certain other existing letters of credit to be issued by, certain lenders and financial institutions (such lenders and financial institutions collectively, the "Financial Institutions;" provided, however, no such lender or financial institution shall be deemed a "Financial Institution" hereunder until such lender or financial institution executes this Guaranty). Such financing transactions, including those entered into in connection with the New Credit Agreement, and the existing letters of credit are documented by certain credit, security, and letter of credit documents, all as more fully set forth on Schedule I attached hereto (collectively, as the same may be amended and modified from time to time, the "Credit Documents"). "Borrowers" as used herein shall mean the borrowers under any one or more of the Credit Documents.

B. It is a condition to certain transactions under the Credit Documents that the Guarantor shall have executed and delivered this Guaranty.

C. From time to time the Company has made capital contributions and advances to the Guarantor. The Guarantor is a wholly owned Subsidiary of the Company and will derive substantial direct or indirect benefit from the transactions contemplated by the Credit Documents.

Therefore, in order to induce the Financial Institutions to enter into certain financing transactions and letters of credit described in the Credit Documents, the Guarantor hereby agrees for the ratable benefit of the Financial Institutions as follows:

Section 1. Guaranty. Guarantor hereby unconditionally and irrevocably guarantees the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of the obligations and indebtedness of the Company under the Credit Documents (such obligations being referred to herein as the "Guaranteed Obligations"). Without limiting the generality of the foregoing, Guarantor's liability shall extend to all amounts which constitute part of the

Guaranteed Obligations even if such Guaranteed Obligations are declared unenforceable or not allowable in a bankruptcy, reorganization, or similar proceeding involving a Borrower, or any guarantor of any portion of the foregoing Guaranteed Obligations (collectively such guarantors together with the Guarantor and the Borrowers are referred to herein as the "Obligors"). This Guaranty is a guarantee of payment, not of collection, and Guarantor is primarily liable for the payment of the Guaranteed Obligations.

Section 2. Limit of Liability. The liabilities and obligations of the Guarantor hereunder shall be limited to an aggregate amount equal to the largest amount that would not render such Guarantor's obligations hereunder subject to avoidance under Section 548 of the United States Bankruptcy Code or any comparable provisions of any applicable state law.

Section 3. Guaranty Absolute. Guarantor guarantees that the Guaranteed Obligations will be paid strictly in accordance with the Credit Documents, regardless of any law, regulation, or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of any Financial Institution with respect thereto. The obligations of Guarantor under this Guaranty are independent of the Guaranteed Obligations in each and every particular, and a separate action or actions may be brought and prosecuted against any other Obligor, or any other Person regardless of whether any other Obligor or any other Person is joined in any such action or actions. The liability of Guarantor under this Guaranty shall be absolute and unconditional irrespective of:

(a) The lack of validity or unenforceability of the Guaranteed Obligations or any Credit Document (other than this Guaranty against the Guarantor) for any reason whatsoever, including that the act of creating the Guaranteed Obligations is ultra vires, that the officers or representatives executing the documents creating the Guaranteed Obligations exceeded their authority, that the Guaranteed Obligations violate usury or other laws, or that any Obligor has defenses to the payment of the Guaranteed Obligations, including breach of warranty, statute of frauds, bankruptcy, statute of limitations, lender liability, or accord and satisfaction;

(b) Any change in the time, manner, or place of payment of, or in any term of, any of the Guaranteed Obligations, any increase, reduction, extension, or rearrangement of the Guaranteed Obligations, any amendment, supplement, or other modification of the Credit Documents, or any waiver or consent granted under the Credit Documents, including waivers of the payment and performance of the Guaranteed Obligations;

(c) Any release, exchange, subordination, waste, or other impairment (including negligent impairment) of any collateral securing payment of the Guaranteed Obligations; the failure of any Financial Institution or any other person to exercise diligence or reasonable care in the preservation, protection, enforcement, sale, or other handling of the collateral; the fact that any security interest, lien, or assignment related to any collateral for the Guaranteed Obligations shall not be properly perfected, or shall prove to be unenforceable or subordinate to any other security interest, lien, or assignment;

(d) Any full or partial release of any Obligor (other than the full or partial release of the Guarantor);

(e) The failure to apply or the manner of applying collateral or payments of the proceeds of collateral against the Guaranteed Obligations;

(f) Any change in the organization or structure of any Obligor; any change in the shareholders, directors, or officers of any Obligor; or the insolvency, bankruptcy, liquidation, or dissolution of any Obligor or any defense that may arise in connection with or as a result of any such insolvency, bankruptcy, liquidator or dissolution;

(g) The failure to give notice of any extension of credit made by any Financial Institution to any Obligor, notice of acceptance of this Guaranty, notice of any amendment, supplement, or other modification of any Credit Document, notice of the execution of any document or agreement creating new Guaranteed Obligations, notice of any default or event of default, however denominated, under the Credit Documents, notice of intent to demand, notice of demand, notice of presentment for payment, notice of nonpayment, notice of intent to protest, notice of protest, notice of grace, notice of dishonor, notice of intent to accelerate, notice of acceleration, notice of bringing of suit, notice of any Financial Institution's transfer of the Guaranteed Obligations, notice of the financial condition of or other circumstances regarding any Obligor, or any other notice of any kind relating to the Guaranteed Obligations;

(h) Any payment or grant of collateral by any Obligor to any Financial Institution being held to constitute a preference under bankruptcy laws, or for any reason any Financial Institution is required to refund such payment or release such collateral;

(i) Any other action taken or omitted which affects the Guaranteed Obligations, whether or not such action or omission prejudices the Guarantor or increases the likelihood that the Guarantor will be required to pay the Guaranteed Obligations pursuant to the terms hereof;

(j) The fact that all or any of the Guaranteed Obligations cease to exist by operation of law, including, without limitation, by way of discharge, limitation or tolling thereof under applicable bankruptcy laws; and

(k) Any other circumstances which might otherwise constitute a defense available to, or a discharge of any Obligor (other than the discharge of the Guarantor).

Section 4. Financial Institutions' Rights and Certain Waivers.

4.01 Notice and Other Remedies. Guarantor hereby waives promptness, diligence, notice of acceptance, notice of acceleration, notice of intent to accelerate, and any other notice with respect to any of the Guaranteed Obligations and this Guaranty and any requirement that any Financial Institution protect, secure, perfect or insure any security interest or other Lien or any property subject thereto or exhaust any right to take any action against any Obligor or any other Person or any collateral.

4.02. Waiver of Subrogation and Contribution. (a) Until such time as the Guaranteed Obligations are irrevocably paid in full, Guarantor hereby irrevocably waives any claim or other rights which it may acquire against any Obligor that arise from the Guarantor's Guaranteed

Obligations under this Guaranty or any other Credit Document, including, without limitation, any right of subrogation (including, without limitation, any statutory rights of subrogation under Section 509 of the Bankruptcy Code, 11 U.S.C. Section 509), reimbursement, exoneration, contribution, indemnification, or any right to participate in any claim or remedy of any Financial Institution against any Obligor, or any collateral which any Financial Institution now has or acquires. If any amount shall be paid to Guarantor in violation of the preceding sentence and the Guaranteed Obligations shall not have been paid in full, such amount shall be held in trust for the benefit of the Financial Institutions, and shall promptly be paid to the Financial Institutions to be applied to the Guaranteed Obligations, whether matured or unmatured. Guarantor acknowledges that it will receive direct and indirect benefits from the financing arrangements contemplated by the Credit Documents and that the waiver set forth in this Section 4.02(a) is knowingly made in contemplation of such benefits.

(b) Guarantor agrees that, to the extent that any Borrower makes payments to any Financial Institution, or any Financial Institution receives any proceeds of collateral, and such payments or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, or otherwise required to be repaid, then to the extent of such repayment the Guaranteed Obligations shall be reinstated and continued in full force and effect as of the date such initial payment or collection of proceeds occurred. GUARANTOR SHALL INDEMNIFY EACH FINANCIAL INSTITUTION AND EACH AFFILIATE THEREOF AND THEIR RESPECTIVE DIRECTORS, OFFICERS AND EMPLOYEES FROM, AND DISCHARGE, RELEASE, AND HOLD EACH OF THEM HARMLESS AGAINST, ANY AND ALL ACTUAL LOSSES, LIABILITIES, GUARANTEED OBLIGATIONS, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, DISBURSEMENTS, CLAIMS OR DAMAGES TO WHICH ANY OF THEM MAY BECOME SUBJECT, INSOFAR AS SUCH LOSSES, LIABILITIES, GUARANTEED OBLIGATIONS, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, DISBURSEMENTS, CLAIMS OR DAMAGES ARISE OUT OF OR RESULT FROM (I) ANY ACTUAL OR PROPOSED USE BY ANY BORROWER, OR ANY AFFILIATE OF ANY BORROWER OF THE PROCEEDS OF ANY ADVANCE, (II) ANY BREACH BY GUARANTOR OF ANY PROVISION OF THIS GUARANTY OR ANY OTHER CREDIT DOCUMENT, (III) ANY INVESTIGATION, LITIGATION OR OTHER PROCEEDING (INCLUDING ANY THREATENED INVESTIGATION OR PROCEEDING) RELATING TO THE FOREGOING, OR (IV) ANY ENVIRONMENTAL CLAIM OR REQUIREMENT OF ENVIRONMENTAL LAWS CONCERNING OR RELATING TO THE PRESENT OR PREVIOUSLY-OWNED OR OPERATED PROPERTIES, OR THE OPERATIONS OR BUSINESS, OF ANY OBLIGOR, AND GUARANTOR SHALL REIMBURSE EACH FINANCIAL INSTITUTION, AND EACH AFFILIATE THEREOF AND THEIR RESPECTIVE DIRECTORS, OFFICERS AND EMPLOYEES, UPON DEMAND FOR ANY REASONABLE OUT-OF-POCKET EXPENSES (INCLUDING LEGAL FEES) INCURRED IN CONNECTION WITH ANY SUCH INVESTIGATION, LITIGATION OR OTHER PROCEEDING; AND EXPRESSLY INCLUDING ANY SUCH LOSSES, LIABILITIES, GUARANTEED OBLIGATIONS, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, DISBURSEMENTS, CLAIMS, DAMAGES, OR EXPENSE INCURRED BY REASON OF THE PERSON BEING INDEMNIFIED'S OWN NEGLIGENCE, BUT EXCLUDING ANY SUCH LOSSES, LIABILITIES, GUARANTEED OBLIGATIONS, PENALTIES, ACTIONS, JUDGMENTS, SUITS, COSTS, DISBURSEMENTS, CLAIMS, DAMAGES OR EXPENSES INCURRED BY REASON OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE PERSON TO BE INDEMNIFIED. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, ANY PAYMENTS DUE WITH RESPECT TO THIS SECTION 4.02(b) SHALL BE SUBJECT TO THE PRIOR PAYMENT IN FULL OF THE SENIOR OBLIGATIONS.

4.03. Modifications and Amendment to the Credit Documents. As provided in Section 1 above, certain increases in the principal indebtedness outstanding under the Credit Documents

shall not constitute Guaranteed Obligations. Except as to the foregoing, the parties to the Credit Documents shall have the right to amend or modify such Credit Agreements without affecting the rights provided for in this Guaranty.

4.04 Limitation on Enforcement. By acceptance of the benefits provided hereunder, each Financial Institution acknowledges and agrees that it will not file, or join in or support the filing of, an involuntary proceeding or petition in bankruptcy against Guarantor; provided such restriction shall not limit any Financial Institution from making claims in or taking any other actions in connection with any such proceeding which takes place.

Section 5. Representations and Warranties. Guarantor hereby represents and warrants as follows:

(a) Business Existence. Guarantor is duly organized, validly existing, and in good standing under the laws of Delaware and is in good standing and qualified to do business in each jurisdiction where its ownership or lease of property or conduct of its business requires such qualification and where a failure to be qualified could reasonably be expected to cause a material adverse effect.

(b) Power. The execution, delivery, and performance by Guarantor of this Guaranty and the consummation of the transactions contemplated hereby (a) are within Guarantor's limited liability company powers, (b) have been duly authorized by all necessary limited liability company action, and (c) do not contravene (i) Guarantor's certificate of formation or limited liability company agreement or (ii) any law or any contractual restriction binding on or affecting Guarantor or its property.

(c) Authorization and Approvals. No authorization or approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by the Guarantor of this Guaranty or the consummation of the transactions contemplated hereby.

(d) Enforceable Obligations. This Guaranty has been duly executed and delivered by Guarantor. This Guaranty is the legal, valid, and binding obligation of Guarantor and is enforceable against Guarantor in accordance with its terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium, or similar law affecting creditors' rights generally.

(e) Solvency. After giving effect to this Guaranty and the concurrent amendments to various financing arrangements and agreements of the Company and its Subsidiaries and the concurrent asset sales by the Company and/or its Subsidiaries, Guarantor, individually and together with its Subsidiaries, is Solvent.

Section 6. Covenants.

(a) In the event that a Financial Institution wishes to enforce the guarantee contained in Section 1 hereof against Guarantor, then subject in all cases to Section 7 below, it shall make

written demand for payment from Guarantor, provided that no such demand shall be required if Guarantor is in bankruptcy, liquidation, or other insolvency proceedings, and provided that failure by a Financial Institution to make such demand shall not affect Guarantor's obligations under this Guaranty.

(b) From and after the repayment in full of the Senior Obligations, the following shall apply: All indebtedness of Guarantor to another Obligor or any Borrower or any Subsidiary of a Borrower shall be subordinated to all indebtedness of Guarantor to any Financial Institution under any of the Credit Documents (the "Designated Indebtedness"), as follows:

(i) In the event of any insolvency or bankruptcy proceedings, or any receivership liquidation, reorganization, or other similar proceedings in connection therewith, relative to Guarantor, or to its property, or in the event of any proceedings for voluntary liquidation, dissolution, or other winding up of Guarantor, whether or not involving insolvency or bankruptcy, then the holders of the Designated Indebtedness shall be entitled to receive payment in full of all Designated Indebtedness before any Obligor or any Subsidiary of a Borrower shall receive any payment on account of principal or interest due such Person from Guarantor;

(ii) After the occurrence and during the continuance of any default or event of default, however denominated, under any Credit Document (an "Event of Default"), Guarantor shall not exercise or attempt to exercise any right of offset or counterclaim in respect of any of its obligations to any other Obligor or any Subsidiary of a Borrower if the effect thereof shall be to reduce the amount of any payment to which the holders of Designated Indebtedness would be entitled in the absence of such offset or counterclaim; and if and to the extent that, notwithstanding the foregoing, Guarantor is required by any mandatory provisions of law to exercise any such right of offset or counterclaim, each reduction of the amount owing on the account of the principal of or premium (if any) or interest owed to any Obligor or any Subsidiary of a Borrower by reason of such offset or counterclaim shall be deemed to be a payment by Guarantor in a like amount in respect of such amounts which clause (iv) below shall apply;

(iii) Following the occurrence and during the continuance of any Event of Default, (A) payment of the principal or interest upon any indebtedness owed to any Obligor or any Subsidiary of a Borrower shall not be made thereunder until payment in full of all Designated Indebtedness has been made and (B) the holders of the Designated Indebtedness shall be entitled to receive payment in full of all Designated Indebtedness prior to the entitlement of any Obligor or any Subsidiary of a Borrower to receive any payment of the principal or interest (except for payments which have been made prior to the occurrence of such event of default);

(iv) If, notwithstanding the provisions of the foregoing subparagraphs (i) through (iii), any payment or distribution on any indebtedness shall be received by Guarantor or any Obligor or any Subsidiary of a Borrower while a Event of Default exists and before the holders of the Designated Indebtedness shall have received payment in full on all Designated Indebtedness, such payment or distribution shall be (and shall be

deemed to be) held in trust for the benefit of, and shall be paid over or delivered or transferred to, the holders of the Designated Indebtedness for application to the payment of all Designated Indebtedness held by such holder to the extent necessary to satisfy such Designated Indebtedness; and

(v) No present or future holder of Designated Indebtedness shall be prejudiced in its right to enforce subordination of any Obligor or any Subsidiary of a Borrower by any act or failure to act on the part of Guarantor whether or not such act or failure shall give rise to any right of rescission or other claim or cause of action on the part of Guarantor or any Borrower or any Subsidiary of a Borrower. The provisions of the foregoing paragraphs with respect to subordination are solely for the purpose of defining the relative rights of the holders of Designated Indebtedness on the one hand, and any Obligor or any Subsidiary of a Borrower on the other hand, and none of such provisions shall impair, as between Guarantor and any Obligor or any Subsidiary of a Borrower, the obligation of Guarantor, which is unconditional and absolute, to pay to any Obligor or any Subsidiary of a Borrower the principal and interest of any indebtedness in accordance with its terms, nor shall anything in such provisions prevent any other Obligor or any Subsidiary of a Borrower from exercising all remedies otherwise permitted by applicable law or hereunder upon default hereunder, subject to the rights of holders of Designated Indebtedness under such provisions.

The terms of Section 6(b) shall not be applicable during the period that the Senior Obligations remain outstanding.

(c) The Guarantor will not create, assume, incur or suffer to exist any Lien on or in respect of any of its property, whether now owned or hereafter acquired, or assign or otherwise convey any right to receive income except pursuant to documents entered into in connection with the Senior Credit Documents or as otherwise permitted therein on the date hereof.

(d) The Guarantor will not create, incur, assume or suffer to exist any Debt other than Debt that (i) constitutes Senior Obligations or (ii) is permitted pursuant to the Senior Credit Documents on the date hereof.

(e) The Guarantor will not create, incur, assume or suffer to exist any obligation or liability other than (i) this Guaranty, (ii) any obligation or liability that constitutes Senior Obligations, (iii) any obligation or liability that is permitted pursuant to the Senior Credit Documents on the date hereof. and (iv) other obligations not exceeding $100,000 in the aggregate.

Section 7. Subordination.

(a) By acceptance of this Guaranty, each Financial Institution hereby acknowledges that payments made by the Guarantor under this Guaranty with respect to the Guaranteed Obligations shall be subordinated to all of the Senior Obligations (as defined below), and that the Guarantor shall not make payments to the Financial Institutions under this Guaranty with respect to the Guaranteed Obligations in whole or in part until the Senior Obligations have been paid in

full. No Financial Institution shall accept any payment from the Guarantor of or on account of any Guaranteed Obligations at any time in contravention of the foregoing. Upon the occurrence and during the continuance of any default or event of default, however denominated, under any Credit Document or the Senior Credit Agreement (as defined below) (an "Event of Default"), each Financial Institution shall pay to the Senior Agent (as defined below) any payment made by Guarantor pursuant to this Guaranty of all or any part of the Guaranteed Obligations and any amount so paid to the Senior Agent shall be applied to payment of the Senior Obligations. Each payment made by Guarantor pursuant to this Guaranty on the Guaranteed Obligations received in violation of any of the provisions hereof shall be deemed to have been received by the Financial Institutions as trustee for the Senior Agent and shall be paid over to the Senior Agent immediately on account of the Senior Obligations. The Financial Institutions agree not to ask, demand, sue for, take or receive from Guarantor, directly or indirectly, in cash or other property or by set-off or in any other manner (including, without limitation, from or by way of collateral), any payment by the Guarantor under this Guaranty unless and until the Senior Obligations are paid in full. Senior Agent is hereby authorized to demand specific performance by the Financial Institutions of its agreements set forth in this Section at any time the Financial Institutions shall have failed to comply with any of the provisions of this Section. The Financial Institutions hereby irrevocably waive any defense based on the adequacy of remedies at law, which might be asserted as a bar to such remedy of specific performance.

(b) The Financial Institutions shall only be entitled to take any remedial or enforcement actions against the Guarantor under this Guaranty upon or after the earliest to occur of (i) the payment in full of all Senior Obligations or (ii) the taking of any remedial or enforcement remedy by the Senior Agent.

(c) As used in this Guaranty, the following terms shall have the following meanings:

"Senior Agent" means the administrative agent under the Senior Credit Agreement.

"Senior Credit Agreement" means that certain Credit Agreement, dated as of July 31, 2002, among The Williams Companies, Inc., a Delaware corporation, Williams Production Holdings LLC, a Delaware limited liability company, Williams Production RMT Company, a Delaware corporation, the Lenders party thereto from time to time, Lehman Brothers Inc., as Arranger, and Lehman Commercial Paper Inc., as Syndication Agent and as Administrative Agent.

"Senior Credit Documents" means the Senior Credit Agreement, the Senior Guaranty, all other Loan Documents (as defined in the Senior Credit Agreement) and all other documents evidencing or creating any Senior Obligations, and all documents and instruments delivered in connection with or pursuant thereto or under which rights or remedies with respect to any of the foregoing are governed, as any such document or instrument may from time to time be amended, renewed, restated, supplemented or otherwise modified.

"Senior Guaranty" means the guaranty of the Guarantor under that certain Guarantee and Collateral Agreement, dated as of July 31, 2002, by Williams Production RMT Company, the

Guarantor and each of the other signatories thereto in favor of the Senior Agent.

"Senior Obligations" means all obligations of the Guarantor under the Senior Credit Documents, and all other amounts, obligations, covenants and duties owing by the Guarantor to any lender under the Senior Credit Documents.

Section 8. Miscellaneous.

8.01. Amendments, Etc. No amendment or waiver of any provision of this Guaranty nor consent to any departure by any of the Guarantors therefrom shall be effective unless the same shall be in writing and signed by the Financial Institutions holding at least 51% of the principal amount of the Guaranteed Obligations at the time thereof and shall be effective only in the specific instance and for the specific purpose for which given. Provided, however, that any amendment or waiver releasing any Guarantor from any liability hereunder shall require the unanimous consent of all Financial Institutions and be effective only in the specific instance and for the specific purpose for which given.

8.02. Addresses for Notices. All notices and other communications to Guarantor shall be delivered to the address set forth beneath its signature on the signature page hereto, or to such other address as shall be designated by the Guarantor by written notice to all of the Financial Institutions. All notices and other communications provided for under this Guaranty shall be in writing (including telecopy communication), shall be mailed, telecopied, or delivered, and shall, when mailed or telecopied, be effective when received in the mail or sent by telecopier.

8.03. No Waiver; Remedies. No failure on the part of any Financial Institution to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

8.04. Right of Set-Off. From and after the repayment in full of the Senior Obligations, the following shall apply: Upon the occurrence and during the continuance of any default or event of default however described under a Credit Document, each Financial Institution party to such Credit Document is hereby authorized at any time, to the fullest extent permitted by law, to set off and apply any deposits (general or special, time or demand, provisional or final) and other indebtedness owing by such Financial Institution to the accounts of the Guarantor against any and all of the obligations of the Guarantor under this Guaranty, irrespective of whether or not such Financial Institution shall have made any demand under this Guaranty and although such obligations may be contingent and unmatured. Each Financial Institution agrees promptly to notify the Guarantor after any such set-off and application made by such Financial Institution provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Financial Institutions under this Section 8.04 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Financial Institutions may have.

8.05. Continuing Guaranty; Assignments under Credit Documents. This Guaranty is a

continuing guaranty and shall (a) remain in full force and effect until the indefeasible payment in full of the Guaranteed Obligations and all other amounts payable under this Guaranty, (b) be binding upon Guarantor and its respective successors and assigns, (c) inure to the benefit of, and be enforceable by, each of the Financial Institutions and their respective successors, transferees and assigns, and (d) not be terminated by Guarantor or any other Person. Without limiting the generality of the foregoing clause (c), any Financial Institution may assign or otherwise transfer all or any portion of its rights and Guaranteed Obligations and the assignee shall thereupon become vested with all the benefits in respect thereof granted to such Financial Institution herein or otherwise. Upon the indefeasible payment in full and termination of the Guaranteed Obligations, each guaranty granted hereby shall terminate and all rights hereunder shall revert to the Guarantor to the extent such rights have not been applied pursuant to the terms hereof. Upon any such termination, each Financial Institution will, at Guarantor's expense, execute and deliver to Guarantor such documents as Guarantor shall reasonably request and take any other actions reasonably requested to evidence or effect such termination. This Guaranty is not assignable by Guarantor without the written consent of each Financial Institution.

8.06 Incorporated Definitions. All defined terms that are incorporated from other agreements into this Guaranty by reference shall have the meanings assigned to such terms as of the date hereof but shall not be modified by any subsequent amendment or modification that takes place after the date hereof unless consented to by the parties hereto.

8.07. Governing Law; Submission to Jurisdiction; Suits and Claims.

(a) This Guaranty shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, except to the extent provided in Section 8.07(b) hereof and to the extent that the federal laws of the United States of America may otherwise apply.

(b) Notwithstanding anything in Section 8.07(a) hereof to the contrary, nothing in this Guaranty shall be deemed to constitute a waiver of any rights which any of the Financial Institutions may have under the National Bank Act or other federal law, including without limitation the right to charge interest at the rate permitted by the laws of the State where the applicable Financial Institution is located.

(c) ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, ANY CREDIT DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE FINANCIAL INSTITUTIONS OR GUARANTOR IN CONNECTION HEREWITH OR THEREWITH MAY BE BROUGHT AND MAINTAINED IN THE COURTS OF THE STATE OF NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. GUARANTOR IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE WITHIN OR WITHOUT THE STATE OF NEW YORK AT THE ADDRESS SET FORTH BENEATH ITS SIGNATURE ON THE SIGNATURE PAGE HERETO. GUARANTOR HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND

ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT GUARANTOR HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, GUARANTOR HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS GUARANTY AND THE CREDIT DOCUMENTS.

(d) GUARANTOR AND THE FINANCIAL INSTITUTIONS HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY.

(e) The provisions set forth in this Guaranty shall only be enforceable by the Financial Institutions and their respective successors and assigns, and no other Person shall have the right to bring any claim or cause of action based on this Guaranty.

Guarantor has caused this Guaranty to be duly executed as of the date first above written.

WILLIAMS PRODUCTION HOLDINGS L.L.C.

By: /s/ Phillip D. Wright

Name: Phillip D. Wright

Title: President

Address for Notices:

One Williams Center
Attn: Treasurer
Tulsa, OK 74172

ACKNOWLEDGED AND AGREED by the following parties as of the date first written above:

LEHMAN COMMERCIAL PAPER INC.,
as Administrative Agent

By:

Name:
Title:

CITICORP USA, INC., as Agent and Collateral Agent under the New Credit Agreement

By:

Name:
Title:

CITIBANK, N.A., as Bank and Issuing Bank under the New Credit Agreement

By:

Name:
Title:

[ADD SIGNATURE BLOCKS FOR EACH FINANCIAL INSTITUTION]

SCHEDULE I
CREDIT DOCUMENTS

NEW CREDIT FACILITY:

Credit Agreement dated as of July 31, 2002 executed by The Williams Companies, Inc., as borrower, Citicorp USA, Inc., as agent and collateral agent, Bank of America N.A. as syndication agent, Citibank, N.A. and Bank of America N.A. as issuing bank, Salomon Smith Barney Inc., as arranger, and the banks named therein.

All documents, instruments, agreements, certificates and notices at any time executed and/or delivered in connection with the foregoing.

PROGENY AGREEMENTS

$200,000,000 Parent Support Agreement dated as of December 23, 1998, made by The Williams Companies, Inc. in favor of Castle Associates L. P. and Colchester LLC and the other Indemnified Persons listed therein, as amended.

Amended and Restated Guarantee dated as of July 25, 2000, issued by The Williams Companies, Inc. for the benefit of The Commonwealth Plan, Inc. and CBL Capital Corporation, as amended. WFS-Pipeline Company, as lessee and Commonwealth, as lessor entered into a Lease Agreement dated as of December 29, 1995. WFS-Offshore Gathering Company, as lessee, and CBL, as lessor, entered into a Lease Agreement dated December 29, 1995, as amended and restated.

$400,000,000 Term Loan Agreement dated as of April 7, 2000, among The Williams Companies, Inc., as Borrower, and Credit Lyonnais New York Branch, as Administrative Agent, and the Lenders named therein, as amended.

$192,570,931 aggregate Second Amended and Restated Participation Agreements (2 separate leases) dated as of January 28, 2002, among Williams Oil Gathering, L.L.C. and Williams Field Services - Gulf Coast Company, L.P., as Lessees, Williams Field Services Company, as Construction Agent, The Williams Companies, Inc., as Guarantor, First Security Bank, N.A. as

Certificate Trustee, Wells Fargo Bank Nevada, N.A., as Collateral Agent, Bank of America, N.A., as Administrative Agent and Administrator, and financial institutions named therein as Certificate Holders, as amended.

$200,000,000 Term Loan Agreement dated as of January 29, 1999, among The Williams Companies, Inc., as Borrower, and The Fuji Bank, Limited, as Administrative Agent, and the Banks named therein, as amended.

$611,788,868 Joint Venture Sponsor Agreement dated as of December 28, 2000, among The Williams Companies, Inc., as Sponsor and Williams Field Services Company, in favor of Prairie Wolf Investors, Arctic Fox Assets, L.L.C., Williams Energy (Canada), Inc. and the other Indemnified Persons listed therein, as amended.

Letter of Credit and Reimbursement Agreement dated as of May 15, 1994, among Tulsa Parking Authority, The Williams Companies, Inc., Bank of Oklahoma, National Association, and Bank of America, N.A. (formerly Nationsbank of Texas, N.A.), relative to Tulsa Parking Authority First Mortgage Revenue Bonds, as amended.

$127,000,000 Master Agreement dated as of March 6, 2000, among The Williams Companies, Inc., as Guarantor, Williams TravelCenters, Inc., as Lessee, Atlantic Financial Group, Ltd., as Lessor, SunTrust Bank, as Agent, and the Lenders named therein, as amended.

$100,000.000 PPH Sponsor Agreement dated as of December 31, 2001, by The Williams Companies, Inc., as Sponsor, in favor of Piceance Production Holdings LLC, Plowshare Investors LLC, and other Indemnified Persons listed in the agreement, as amended.

All documents, instruments, agreements, certificates and notices at any time executed and/or delivered in connection with any of the foregoing.

LEGACY L/CS

See Attachment 1 attached hereto,

All documents, instruments, agreements, certificates and notices at any time executed and/or delivered in connection with the letters of credit described on Attachment I.

ATTACHMENT 1

OUTSTANDING LETTERS OF CREDIT

WILLIAMS ENERGY MARKETING & TRADING EUROPE LIMITED
AS OF 7-31-02

LETTER OF CREDIT #	ACCOUNT PARTY	NOTE	BENEFICIARY
KBC - CASH COLLATERALISED BY E. 1 MILLION CASH ON JULY 31ST			
	Williams Energy Marketing & Trading Europe Limited		The Belgian State
	Williams Energy Marketing & Trading Europe Limited		The Belgian State
RBS - RCF			
G259106	Williams Energy Marketing & Trading Europe Limited		RWE NET AG
G260899	Williams Energy Marketing & Trading Europe Limited		LPX LEIPZIG POWER EXCHANGE GMBH
G261340	Williams Energy Marketing & Trading Europe Limited		RESEAU DE TRANSPORT D'ELECTRICITE
G261666	Williams Energy Marketing & Trading Europe Limited		RESEAU DE TRANSPORT D'ELECTRICITE
G262939	Williams Energy Marketing & Trading Europe Limited		ELIA NV
G263006	Williams Energy Marketing & Trading Europe Limited		ELTRA
G263181	Williams Energy Marketing & Trading Europe Limited		TENNE T BV
G263374	Williams Energy Marketing & Trading Europe Limited		EDF SERVICE NATIONAL
G264373	Williams Energy Marketing & Trading Europe Limited		ELEXON CLEAR LIMITED
G264757	Williams Energy Marketing & Trading Europe Limited		SHELL INTERNATIONAL
G264860	Williams Energy Marketing & Trading Europe Limited		NATIONAL GRID COMPANY PLC
G265433	Williams Energy Marketing & Trading Europe Limited		ARTHUR ANDERSEN
G265560	Williams Energy Marketing & Trading Europe Limited		APCS Power Clearing and Settlement AG
G265977	Williams Energy Marketing & Trading Europe Limited		ENMO LTD
G266468	Williams Petroleos Espana SLU		Vitol Espana SA
G266531	Williams Energy Marketing & Trading Europe Limited		Texaco Limited
G266528	Williams Energy Marketing & Trading Europe Limited		Federal Tax Administration Dept for VAT
G266763	Williams Energy Marketing & Trading Europe Limited		Texaco Limited
RBS - BONDING LINE			
G265142	Williams Petroleos Espana SLU		TERMINALES PORTUARIAS
G265147	Williams Petroleos Espana SLU		DECAL ESPANA S.A.
G265151	Williams Petroleos Espana SLU		EUROENERGO ESPANA S.L.
G266709	Williams Energy Marketing & Trading Europe Limited		Sibneft Oil Trade Company Ltd

TOTAL LC'S OUTSTANDING EM&T EUROPE LIMITED

LETTER OF CREDIT #	AMOUNT	CONVERSION	DOLLARS	DATED	EXPIRY DATE
KBC - CASH COLLATERALISED BY E. MILLION CASH ON JULY 31ST					
	E.2,144,000	1.02	$2,099,902		No Fxd Exp
	E.4,037,000	1.02	$3,953,967		No Fxd Exp
RBS - RCF					
G259106	E.400,000	1.02	$391,773		No Fxd Exp
G260899	E.1,100,000	1.02	$1,077,375		No Fxd Exp
G261340	E.170,000	1.02	$166,503		11/8/2002
G261666	E.170,000	1.02	$166,503		3/31/2003
G262939	E.300,000	1.02	$293,830		2/28/2003
G263006	kr2,000,000	7.62	$262,330		3/31/2003
G263181	E.250,000	1.02	$244,858		No Fxd Exp
G263374	E.550,000	1.02	$538,688		7/21/2002
G264373	L.100,000	0.64	$155,743		3/25/2007
G264757	$250,000	1.00	$250,000		10/15/2002
G264860	L.20,000	0.64	$31,149		1/31/2003
G265433	E.39,580	1.02	$38,766		No Fxd Exp
G265560	E.600,000	1.02	$587,659		No Fxd Exp
G265977	L.500,000	0.64	$778,715		6/11/2003
G266468	$1,000,000	1.00	$1,000,000		8/12/2002
G266531	$3,360,000	1.00	$3,360,000		8/9/2002
G266528	CHF250,000	1.50	$167,133		Open Ended
G266763	$3,520,000	1.00	$3,520,000		8/12/2002
RBS - BONDING LINE					
G265142	E.9,992,442.00	1.02	$9,786,917		10/31/2002
G265147	E.5,538,378.00	1.02	$5,424,464		10/31/2002
G265151	E.3,029,742.00	1.02	$2,967,426		10/31/2002
G266709	$6,000,000.00	1.00	$6,000,000		8/12/2002

N/A	$43,263,700

EXHIBIT 10.12

[EXECUTION COPY]

CONSENT AND FOURTH AMENDMENT

DATED AS OF JULY 31, 2002

THE WILLIAMS COMPANIES, INC.
MULTI-YEAR CREDIT AGREEMENT

CONSENT AND FOURTH AMENDMENT TO THE CREDIT AGREEMENT (this "AGREEMENT"), dated as of July 31, 2002 is entered into by and among the Borrowers party to the Credit Agreement (as hereinafter defined), the Banks from time to time party to the Credit Agreement, the Co-Syndication Agents as named therein, the Documentation Agent as named therein and Citibank, N.A., as agent for the Banks (in such capacity, the "AGENT"). Except as otherwise defined or as the context requires, terms defined in the Credit Agreement are used herein as therein defined.

WITNESSETH

WHEREAS, The Williams Companies, Inc., a Delaware corporation ("TWC"), Northwest Pipeline Corporation, a Delaware corporation ("NWP"), Transcontinental Gas Pipe Line Corporation ("TGPL") a Delaware corporation, and Texas Gas Transmission Corporation, a Delaware corporation ("TGT"; TWC, NWP, TGPL and TGT each a "BORROWER" and collectively, the "BORROWERS") have entered into a certain Credit Agreement dated as of July 25, 2000 with the financial institutions from time to time party thereto (the "BANKS'), The Chase Manhattan Bank and Commerzbank AG, as Co-Syndication Agents, Credit Lyonnais New York Branch, as Documentation Agent, and Citibank, N.A., as Agent, as amended by a letter agreement dated as of October 10, 2000, by a Waiver and First Amendment to Credit Agreement dated as of January 31, 2001, by a Second Amendment to Credit Agreement dated as of February 7, 2002 and by a Third Amendment to Credit Agreement dated as of March 11, 2002 (the "CREDIT AGREEMENT").

WHEREAS, the Borrowers have requested that the Banks party hereto, constituting not less than the Majority Banks, consent to the TWC Asset Dispositions (as defined herein), and provide certain amendments to the terms and conditions of the Credit Agreement;

WHEREAS, the Banks party hereto are willing to grant the requests of the Borrowers as hereinafter set forth;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions hereof, the parties hereto agree as follows:

SECTION 1. Consent. The Banks party hereto consent to (i) the sale by the Borrowers or by any of their Subsidiaries of (1) WPC (the "CENTRAL PIPELINES ASSET DISPOSITION"), (2) MAPL (the "MAPL ASSET DISPOSITION"), (3) Seminole (the "SEMINOLE ASSET DISPOSITION"), (4) the Refineries (the "REFINERIES ASSET DISPOSITION"), (5) Soda Ash (the "SODA ASH ASSET DISPOSITION"), (6) TravelCenters (the "TRAVELCENTERS ASSET DISPOSITION"), and (7) Bio-Energy (the "BIO-ENERGY ASSET DISPOSITION", together with the Central Pipelines Asset Disposition, MAPL Asset Disposition and Seminole Asset Disposition, Refineries Asset Disposition, Soda Ash Disposition and TravelCenters Asset Disposition, the "TWC ASSET DISPOSITIONS"), (ii) the LLC Guaranty, Midstream Guaranty, and the Holdings Guaranty, and (iii) the execution and delivery of and performance by RMT, TWC and RMT LLC and their subsidiaries party thereto of the Barrett Loan Agreement and the transactions related thereto or contemplated thereby.

SECTION 2. Amendments to Credit Agreement. The Credit Agreement is, effective as of the date hereof and subject to the satisfaction of the Conditions of Effectiveness set forth in Section 3, hereby amended as follows:

(a) Section 1.01 of the Credit Agreement is hereby amended by replacing the definition of "Chase" with the following:

"Chase" means JPMorgan Chase Bank.

(b) Section 1.01 of the Credit Agreement is hereby amended by deleting the following definitions thereto: "Permitted NWP Liens", "Permitted TGPL Liens", "Permitted TGT Liens" and "Permitted TWC Liens";

(c) Section 1.01 of the Credit Agreement is hereby amended by inserting, or replacing as applicable, the following definitions in proper alphabetical order:

"Acceptable Security Interest" in any property shall mean a Lien granted pursuant to a Credit Document (a) which exists in favor of either (i) the Collateral Trustee for the benefit of itself and other parties, as more fully described in the Collateral Trust Agreement, or (ii) the Collateral Agent for the benefit of itself, the Issuing Banks, the "Agent" and the "Banks" (each as defined in the L/C Agreement), (b) which is superior to all other Liens, except Permitted Liens, (c) which secures (i) the "Secured Obligations" (as defined in the Security Agreement), and/or (ii) the "Obligations" (as defined in the L/C Agreement), and (d) which is perfected and is enforceable by either (i) the Collateral Trustee for the benefit of itself and other parties, as more fully described in the Collateral Trust Agreement or (ii) the Collateral Agent, for the benefit of itself, the Issuing Banks, "Agent" and the "Banks" (each as defined in the L/C Agreement), against all other Persons in preference to any rights of any such other Person therein; provided that such Lien may be subject to the Agreed Exceptions.

"Agreed Exceptions" means exceptions to title to be set forth in the "Mortgage" (as defined in the L/C Agreement) that are customary in similar mortgages, do not

materially detract from the value of the assets covered thereby, do not secure Debt and arise in the ordinary course of business.

"Applicable Margin" means as to any Eurodollar Rate Advance or Base Rate Advance to any Borrower, the rate per annum set forth in the applicable table on Schedule XI under the heading "Applicable Margin" for the relevant Rating Category applicable to TWC. The Applicable Margin determined pursuant to this definition for any Eurodollar Rate Advance or Base Rate Advance, as applicable, shall change when and as the relevant Rating Category applicable to TWC changes.

"Asset" or "property" (in each case, whether or not capitalized) means any right, title or interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible.

"Attributable Obligation" of any Person means, with respect to any Sale and Lease-Back Transaction of such Person as of any particular time, the present value at such time discounted at the rate of interest implicit in the terms of the lease of the obligations of the lessee under such lease for net rental payments during the remaining term of the lease (including any period for which such lease has been extended or may, at the option of such Person, be extended).

"Barrett Loan" means the loans made pursuant Barrett Loan Agreement.

"Barrett Loan Agreement" means the Credit Agreement dated July 31, 2002, among TWC, RMT LLC, RMT, the Lenders party thereto from time to time, Lehman Brothers Inc., as Arranger, and Lehman Commercial Paper Inc., as Syndication Agent and as Administrative Agent.

"Bio-Energy" means Williams Bio-Energy, L.L.C, Williams Ethanol Services, Inc., and Nebraska Energy, L.L.C.

"Capital Lease" means a lease that in accordance with generally acceptable accounting principles must be reflected on a company's balance sheet as an asset and corresponding liability.

"Cash Equivalents" means any of the following, to the extent owned by a Borrower or any of its Subsidiaries free and clear of all Liens other than Liens created under the L/C Collateral Documents and having a maturity of not greater than 270 days from the date of acquisition thereof: (a) readily marketable direct obligations of the Government of the United States or any agency or instrumentality thereof or obligations unconditionally guaranteed by the full faith and credit of the Government of the United States, (b) insured certificates of deposit of or time deposits with any commercial bank that is a Lender Party or a member of the Federal Reserve System, issues (or the parent of which issues) commercial paper rated as described in clause (c) below, is organized under the laws of the United States or any State thereof and has combined capital and surplus of at least $1 billion or (c) commercial paper in an aggregate amount of no more than $500,000,000, per issuer outstanding at any time, issued by any corporation organized

under the laws of any State of the United States and rated at least "Prime-1" (or the then equivalent grade) by Moody's Investors Service, Inc. or "A-1" (or the then equivalent grade) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc.

"Cash Flow" means, for any period, the Consolidated cash flow from operations of a Borrower and its Subsidiaries for such period determined in accordance with generally accepted accounting principles; provided that in determining such Consolidated cash flow from operations, there shall be excluded therefrom (to the extent otherwise included therein) (a) any positive cash flow from operations of any Person (including Project Financing Subsidiaries) subject to any restriction prohibiting the distribution of cash to such Borrower or any of its Subsidiaries, except and then only to the extent of the amount thereof that such Borrower or any of its Subsidiaries actually receives or has the right to receive (within the limits of such restrictions) during such period, (b) proceeds resulting from the sale, transfer or other disposition of any property by such Borrower or its Subsidiaries (other than sales, transfers and other dispositions in the ordinary course of business), (c) all other extraordinary items, (d) any item constituting the cumulative effect of a change in accounting principles, prior to applicable income taxes, (e) repayment of the WCG Synthetic Lease and (f) for the third Fiscal Quarter of 2002 only, margin and capital or adequate assurances relating to its refining and marketing and EMT.

"Citibank" means Citibank, N.A.

"Collateral" shall have the meaning specified in Section 1.1 of the L/C Agreement.

"Collateral Agent" means Citibank in its capacity as "Collateral Agent" pursuant to the L/C Collateral Documents and the L/C Agreement.

"Collateral Trust Agreement" means that certain Collateral Trust Agreement dated as of July 31, 2002 by and among the TWC, several of its Subsidiaries and the Collateral Trustee.

"Collateral Trustee" means CUSA in its capacity as "Collateral Trustee" pursuant to the Collateral Trust Agreement.

"Consent and Fourth Amendment" means that certain Consent and Fourth Amendment dated as of July 31, 2002 among the Borrowers, Banks, Co-Syndication Agents, Document Agent, Agent and Arranger.

"Consolidated" refers to the consolidation of the accounts of any Person and its consolidated subsidiaries in accordance with generally accepted accounting principles.

"Contractual Obligation" means as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Credit Documents" means this Agreement, the L/C Agreement, the L/C Collateral Documents, the Letter of Credit Documents, each Letter of Credit, all

documents, instruments, agreements, certificates and notices at any time executed and/or delivered to the Agent, any Issuing Bank, or any Bank in connection therewith.

"CUSA" means Citicorp USA, Inc.

"Debt" means, in the case of any Person, the principal or equivalent amount of (i) indebtedness of such Person for borrowed money, (ii) obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (iii) obligations of such Person to pay the deferred purchase price of property or services (other than trade payables not overdue by more than 60 days incurred in the ordinary course of business), (iv) obligations of such Person as lessee under leases that are, in accordance with generally accepted accounting principles, recorded as capital leases, (v) payments necessary to exercise a purchase option with respect to the property used by such Person and encumbered by a Synthetic Lease with such Person as lessee, excluding any portion of such amount representing accrued interest, transfer taxes or other ancillary items, (vi) obligations of such Person under any Financing Transaction, (vii) indebtedness incurred after the date of the Consent and Fourth Amendment of the Subsidiaries of such Person, and indebtedness incurred after the date of this Agreement of any other entity that has been created or utilized, directly or indirectly, for financing purposes of such Person or any of its Subsidiaries, (viii) obligations of such Person under guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of indebtedness or obligations of others of the kinds referred to in clauses (i) through (vii) of this definition, (ix) indebtedness or obligations of others of the kinds referred to in clauses (i) through (viii) of this definition secured by any Lien on or in respect of any property of such Person and (x) any Attributable Obligations of such Person; provided, however, that Debt shall not include (w) any obligations of TWC in respect of the FELINE PACS; (x) Non-Recourse Debt; (y) Performance Guaranties, (z) monetary obligations or guaranties of monetary obligations of Persons as lessee under leases (other than, to the extent provided herein above, Synthetic Leases) that are, in accordance with generally accepted accounting principles, recorded as operating leases and (aa) guarantees by such Person of obligations of others which are not obligations described in clauses (i) through (x) of this definition, and provided further that where any such indebtedness or obligation of such Person is made jointly, or jointly and severally, with any third party or parties other than any Subsidiary of such Person, the amount thereof for the purpose of this definition only shall be the pro rata portion thereof payable by such Person, so long as such third party or parties have not defaulted on its or their joint and several portions thereof and can reasonably be expected to perform its or their obligations thereunder. For the avoidance of doubt, "Debt" shall not include the Letters of Credit.

"Designated Midstream Subsidiaries" means Nebraska Energy, L.L.C; Rio Grande Pipeline Company; Baton Rouge Fractionators, L.L.C; Williams Lynxs Alaska CargoPort, L.L.C; Tri-States NGL Pipeline, L.L.C; WILPRISE Pipeline Company, L.L.C.; Williams Mobile Bay Producer Services, L.L.C; Williams Energy Partners L. P.; Williams Alaska Air Cargo Properties, L.L.C; and Williams GP LLC.

"EMT" means Williams Energy Marketing & Trading Company.

"Environmental Permits" mean any and all material permits, licenses, registrations, notifications, exemptions and any other authorization required under any Environmental Protection Statutes.

"Equity Interests" means any capital stock, partnership, joint venture, member or limited liability or unlimited liability company interest, beneficial interest in a trust or similar entity or other equity interest or investment of whatever nature.

"Excess Amount" has the meaning specified in Section 2.04(c).

"Excluded Collateral" means (i) all personal and real property owned by RMT LLC, WGPC and the Designated Midstream Subsidiaries and (ii) the Excluded Equity Interests.

"Excluded Equity Interests" means the Equity Interest in each of the Designated Midstream Subsidiaries (other than (i) Williams GP LLC and (ii) the Equity Interest of Williams Energy Partners L.P. held by Williams Energy Services, LLC and Williams Natural Gas Liquids, Inc.) provided, however, as to each Designated Midstream Subsidiary, at such time as the Company obtains the consents provided for in Paragraph 13 of Schedule XIII the Equity Interest of such Designated Midstream Subsidiary shall cease to be an "Excluded Equity Interest".

"Financing Transaction" means, with respect to any Person, any individual or group of related Persons (i) prepaid forward sales of oil, gas, minerals or other assets by such Person, (ii) interest rate, currency, commodity or other swaps, collars, caps, options or other derivatives or (iii) sales or transfers of assets, the primary effect of which or an important purpose of which is to receive money or credit in advance coupled with an obligation to repay or perform in the future to effect repayment thereof, including any contract monetization or production payment. Notwithstanding the foregoing, the following transactions, if entered into in the ordinary course of business by any Borrower or any of its affiliates and otherwise permitted hereunder, shall be deemed not to be Financing Transactions: (a) sales or exchanges of property fully delivered within 90 days of receipt of the first payment by a counterparty therefor, (b) interest rate, currency, commodity or other swaps, collars, caps, options or other derivatives (including prepayment of forward sales of property by a counterparty of any Borrower or any of its affiliates to hedge against the credit risk of such counterparty, provided that the forward delivery obligation with respect to the property sold must be fully performed within 120 days), and (c) "riskless" forward sales or exchanges of property whereby a third party guarantees the performance obligations of any Borrower or any of its affiliates to deliver such property without subrogation or other recourse against any Borrower or any of its affiliates by any party to the transaction. The term "contract monetization" as used in this definition means the acceleration of cash flows a contract party expects to receive from such contract pursuant to which the contract party retains a significant ongoing obligation to perform, but shall in any event exclude transactions commonly referred to as securitizations. The term "production payment" as used in this definition means a limited-term non-cost bearing right to receive produced hydrocarbons or the proceeds therefrom satisfiable in cash or in kind up to an aggregate defined amount of cash and/or hydrocarbons.

"Fiscal Quarter" means any quarter of a Fiscal Year.

"Fiscal Year" means any period of twelve consecutive calendar months ending on December 31; references to a Fiscal Year with a number corresponding to any calendar year (e.g., the "2002 Fiscal Year") refer to the Fiscal Year ending on December 31 of such calendar year.

"Governmental Authority" means the government of the United States, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other Person exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guaranties" means, collectively the LLC Guaranty, the Midstream Guaranty and the Holdings Guaranty.

"Hedge Agreements" means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other hedging obligations.

"Holdings Guaranty" means that certain guaranty executed by RMT LLC in substantially the form of Exhibit J to the L/C Agreement, as amended, supplemented or modified from time to time.

"Hydrocarbons" means oil, gas, casinghead gas, condensate, distillate, and liquid hydrocarbons.

"Interest Expense" means, for any period, the gross interest expense (determined in accordance with generally accepted accounting principles) of a Borrower and its Consolidated Subsidiaries accrued for such period, including that attributable to the capitalized amount of obligations owing under Capital Leases, all debt discount amortized in such period and all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, net of interest income (determined in accordance with generally accepted accounting principles) of a Borrower and its Consolidated Subsidiaries, but excluding such interest expense, debt discount, commissions, discounts and other fees and charges and interest income to the extent attributable to the Non-Recourse Debt of Project Financing Subsidiaries.

"Investment" in any Person means any loan or advance to such Person, any purchase or other acquisition of any Equity Interests or Debt or the assets comprising a division or business unit or a substantial part or all of the business of such Person, any capital contribution to such Person or any other direct or indirect investment in such Person, including, without limitation, any acquisition by way of a merger or consolidation and any arrangement pursuant to which the investor incurs Debt of the types referred to in clause (viii) or (ix) of the definition of "Debt" in respect of such Person.

"Issuing Banks" means Citibank and Bank of America N.A. in their capacity as issuers of Letters of Credit.

"L/C Agreement" means that certain Credit Agreement as in effect on July 31, 2002 among TWC as "Borrower", the "Agent", "Collateral Agent", "Syndication Agent", "Issuing Banks", the "Arranger", and those certain financial institutions party thereto as "Banks".

"L/C Collateral Documents" means the "Security Documents" as defined in the L/C Agreement.

"L/C Facility" means the letter of credit facility under the L/C Agreement.

"Legacy L/C's" means those outstanding letters of credit as of July 31, 2002 as set forth on Schedule XV, to the extent such letters of credit have not been cash collateralized.

"Letter of Credit" has the meaning specified in Section 1.1 of the L/C Agreement.

"Letter of Credit Documents" means, with respect to any Letter of Credit, collectively, any application therefor and any other agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for (a) the rights and obligations of the parties concerned or at risk with respect to such Letter of Credit or (b) any collateral security for any of such obligations, each as the same may be modified and supplemented and in effect from time to time.

"LLC Guaranty" means that certain guaranty executed by WGPC in substantially the form of exhibit G to the L/C Agreement, as amended, supplemented or modified from time to time.

"Major Subsidiary" means any Subsidiary of a Borrower with assets having a book value of $1,000,000,000 or more.

"MAPL" means Mid-America Pipeline Company, a Delaware corporation.

"MAPL Asset Disposition" means the sale, transfer or other distribution of the Equity Interests in or Assets of MAPL.

"Material Subsidiary" means (i) each Major Subsidiary and each other Subsidiary of a Borrower (other than a Project Financing Subsidiary) that itself (on an unconsolidated, stand alone basis) owns in excess of 5% of the book value of the Consolidated assets of a Borrower and its Consolidated Subsidiaries, (ii) each of TGPL, TGT and NWP and (iii) each Subsidiary that owns any direct or indirect interest in TGPL, TGT and NWP.

"Midstream Assets" means all assets now owned or hereafter acquired by TWC or any of its Subsidiaries, which are either individually, or in conjunction with other Midstream Assets, necessary for the conduct of the Midstream Business by TWC and its

Subsidiaries, including the Refineries in Alaska and Tennessee, except that "Midstream Assets" shall not include (a) the assets being part of either of the MAPL Asset Disposition or Seminole Asset Disposition, unless the MAPL Disposition or Seminole Asset Disposition, as applicable, shall not have occurred on or prior to the date that is 60 days from the date of the Consent and Fourth Amendment and (b) any Assets of Williams GP LLC, Williams Energy Partners L.P. or any of their Subsidiaries.

"Midstream Asset MLP" means one or more master limited partnerships included in the Consolidated financial statements of TWC to which TWC has transferred or shall transfer certain assets relating to the Midstream Business as well as certain marine and inland terminals and related pipeline systems, including Williams Energy Partners L.P.

"Midstream Business" means the gathering, marketing, dehydrating, treating, processing, fractionating, refining, storing, selling and transporting of Hydrocarbons and Refined Hydrocarbons, and any business relating thereto.

"Midstream Guaranty" means that certain guaranty executed by those certain guarantors in substantially the form of exhibit H to the L/C Agreement, as amended, supplemented or modified from time to time.

"Midstream Subsidiaries" means each Subsidiary of TWC, excluding Williams Mobile Bay Producer Services, L.L.C., Williams GP LLC, Williams Energy Partners L.P., and each of their Subsidiaries, if any, engaged either in whole or in part in the Midstream Business that either (1) owns, leases or has possession of Midstream Assets that have an aggregate fair market value of $1,000,000 or more, or (2) owns, leases or has possession of any Midstream Asset or right that is material to the ownership, leasing or operation of the Midstream Assets taken as a whole.

"Net Cash Proceeds" means, with respect to any sale, transfer or other disposition of any asset or the sale or issuance of any equity interests (including, without limitation, any capital contribution) by any Person, the gross cash proceeds received (including any cash received by way of deferred payment pursuant to a promissory note, receivable or otherwise, but only as and when received) by or on behalf of such Person in connection with such transaction net of only (a) reasonable transaction costs, including customary and reasonable brokerage commissions, underwriting fees and discounts, legal fees, fees paid to accountants and financial advisors, finder's fees and other similar fees and commissions, (b) the amount of taxes payable in connection with or as a result of such transaction, (c) the amount of any Debt by the terms of the agreement or instrument governing such Debt (including, without limitation, the Barrett Loan Agreement), that is required to be repaid or cash collateralized in the case of letters of credit, upon such disposition, including any premium, make-whole or breakage amount related thereto, (d) payments of unassumed liabilities relating to the assets sold at the time of, or within 60 days after, the date of such sale, and provided that such gross proceeds shall not include any portion of such gross cash proceeds which a Borrower determines in good faith should be reserved for post-closing adjustments (including indemnification payments, tax expenses and purchase price adjustments, to the extent the Person delivers to the Agent a certificate signed by an Officer of such Person as to such determination), it

being understood and agreed that on the day that all such post-closing adjustments have been determined (which shall not be later than 120 days following the date of the respective TWC Asset Disposition; provided, further that such 120-day period shall be extended to the extent any amount of such proceeds is subject to a good faith dispute or claim), the amount (if any) by which the reserved amount in respect of such sale or disposition exceeds the actual post-closing adjustments payable by such Person shall constitute Net Cash Proceeds on such date received by such Person from such sale, lease, transfer or other disposition.

"Net Worth" of any Person means, as of any date of determination, the excess of total assets of such Person plus all non-cash losses resulting from the write-down or disposition of the Trading Book over total liabilities of such Person, total assets and total liabilities each to be determined in accordance with generally accepted accounting principles; provided, however, that for purposes of calculating Net Worth, total liabilities shall not include any obligations of the Borrower in respect of the FELINE PACS.

"Non-Recourse Debt" means (i) any Debt incurred by any Project Financing Subsidiary to finance the acquisition (other than the acquisition from a Borrower or any Subsidiary of such Borrower that is not a Project Financing Subsidiary), improvement, installation, design, engineering, construction, development, completion, maintenance or operation of, or otherwise to pay costs and expenses relating to or providing financing for, a project listed on Schedule VI to the L/C Agreement or any new project commenced or acquired after the date hereof, which Debt does not provide for recourse against a Borrower or any Subsidiary of such Borrower (other than a Project Financing Subsidiary and such recourse as exists under a Performance Guaranty) or any property or asset of a Borrower or any Subsidiary of such Borrower (other than the property or assets of a Project Financing Subsidiary) and (ii) any refinancing of such Debt that does not increase the outstanding principal amount thereof at the time of the refinancing or increase the property subject to any Lien securing such Debt or otherwise add additional security or support for such Debt.

"Performance Guaranty" means any guaranty issued in connection with any Non-Recourse Debt that (i) if secured, is secured only by assets of, or Equity Interests in, a Project Financing Subsidiary, and (ii) guarantees to the provider of such Non-Recourse Debt or any other Person of the (a) performance of the improvement, installation, design, engineering, construction, acquisition, development, completion, maintenance or operation of, or otherwise affects any such act in respect of, all or any portion of the project that is financed by such Non-Recourse Debt, (b) completion of the minimum agreed equity contributions to the relevant Project Finance Subsidiary, or (c) performance by a Project Financing Subsidiary of obligations to Persons other than the provider of such Non-Recourse Debt.

"Permitted Liens" means Liens specifically described on Schedule VI.

"Prairie Wolf Facility" means the financing provided in connection with that certain $611,788,868 Joint Venture Sponsor Agreement dated as of December 28, 2000 (as amended, supplemented, amended and restated or otherwise modified from time to

time, the "SPONSOR AGREEMENT"), among TWC, as Sponsor, and Williams Field Services Company, in favor of Prairie Wolf Investors, Arctic Fox Assets, L.L.C., Williams Energy (Canada), Inc. and the other Indemnified Persons (as defined in the Sponsor Agreement) listed therein.

"Progeny Facilities" means the financing facilities specifically described on Schedule XII attached hereto.

"Project Financing Subsidiaries" means any non-material Subsidiary of any Borrower whose principal purpose is to incur Non-Recourse Debt and/or construct, lease, own or operate the assets financed thereby, or to become a direct or indirect partner, member or other equity participant or owner in a Business Entity so created, and substantially all the assets of which Subsidiary or Business Entity are limited to those assets being financed (or to be financed), or the operation of which is being financed (or to be financed), in whole or in part by Non-Recourse Debt, or to Equity Interests in, or Debt or other obligations of, one or more other such Subsidiaries or Business Entities, or to Debt or other obligations of any Borrower or its Subsidiaries or other Persons. For purposes of this definition, a "non-material Subsidiary" shall mean any Consolidated Subsidiary of any Borrower that is not the Borrower and which, as of the date of the most recent Consolidated balance sheet of the Borrower delivered pursuant to Section 4.01(e) or 5.01, has total assets which account for less than five percent (5%) of the total Consolidated assets of such Borrower and its Consolidated Subsidiaries, as shown on such Consolidated balance sheet; provided, that the aggregate assets of the non-material Subsidiaries shall not comprise more than ten percent (10%) of the total Consolidated assets of such Borrower and its Consolidated Subsidiaries, as shown on such Consolidated balance sheet.

"Refined Hydrocarbons" means all products refined, separated, fractionated, settled, and dehydrated from Hydrocarbons and all products derived therefrom, including, without limitation, kerosene, liquefied petroleum gas, refined lubricating oils, diesel fuels, drip gasoline, natural gasoline, helium, sulfur and all other minerals.

"Refineries" means the equity interest in, and assets owned by, the Midstream Business of TWC which produces Refined Hydrocarbons and is owned collectively by the following subsidiaries: Williams Express, Inc., a Delaware corporation, Williams Alaska Pipeline Company, LLC, a Delaware limited liability company, Williams Alaska Petroleum, Inc., an Alaska corporation, Williams Alaska Air Cargo Properties, LLC, an Alaska limited liability company, Williams Lynxs Alaska CargoPort, LLC, an Alaska limited liability company, Williams Express, Inc., an Alaska corporation, Williams Refining & Marketing, LLC, a Delaware limited liability company, Williams Olefins, LLC, a Delaware limited liability company, Williams Olefins Feedstock Pipelines, LLC, a Delaware limited liability company, Williams Memphis Terminal, Inc., a Delaware corporation, Williams Generating Memphis, LLC, a Delaware limited liability company.

"RMT" means Williams Production RMT Company.

"RMT LLC" means Williams Production Holdings LLC.

"Security Agreement" means a Security Agreement executed by the TWC and those certain guarantors party thereto in substantially the form of Exhibit F to the L/C Agreement, as amended, supplemented or modified from time to time.

"Seminole Asset Disposition" means the sale, transfer or other distribution of all or substantially all of the Equity Interests in or assets of Seminole.

"Soda Ash" means Williams Soda Products Company and American Soda, L.L.P.

"Solvent" and "Solvency" mean, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such person's ability to pay such debts and liabilities as they mature and (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Synthetic Lease" means any lease (including leases that may be terminated by the lessee at any time) of any property (whether real, personal or mixed) (i) that is not a capital lease in accordance with generally accepted accounting principles and (ii) in respect of which the lessee retains or obtains ownership of the property so leased for federal income tax purposes, other than any such lease under which such Person is the lessor.

"TGPL Bond Offering" means that certain $325,000,000, 8.875% Senior Notes due 2012 issued on July 3, 2002 by TGPL.

"Trading Book" means all mark to market daily and forward traded transactions inclusive of structured portfolio transactions consisting primarily of tolling and full requirements transactions.

"TravelCenters" means Williams TravelCenters, Inc.

"TWC Asset Dispositions" has the meaning specified in Section 1 of the Consent and Fourth Amendment.

"TWC Preferred Stock" means the shares of preferred stock of TWC which may be perpetual preferred stock or mandatorily convertible into shares of common stock of TWC.

"TWC Asset Disposition Documents" means all material agreements relating to the TWC Asset Dispositions.

"WCG Unwind Transaction" means a transaction in which (i) the TWC's Sale Leaseback transaction with WCG and its Subsidiary, Williams Technology Center, LLC ("WTC") involving Williams Technology Center and two aircraft dated September 13, 2001 (the "WCG Sale Leaseback"), is terminated, (ii) in exchange for such termination, TWC receives a promissory note payable by the reorganized WCG, WTC and/or the other WCG Subsidiaries, as co-makers in an amount of $100,000,000 or less, and (iii) consideration from the Borrower and its Subsidiaries includes termination of the existing WCG Sale Leaseback, but does not include any cash payment by TWC or any of its Subsidiaries to WCG or WTC.

"WPRMT" means Williams Production RMT Company, a Delaware company.

"WPXE" means WPX Enterprises, Inc., a Delaware corporation.

(d) Section 2.04 is hereby amended by adding to the end thereof a new subsection (c) to read as follows:

"(c) Mandatory. Upon the date of receipt by TWC or any of its Subsidiaries of any Net Cash Proceeds from (1) any asset disposition (other than the MAPL Asset Disposition and the Seminole Asset Disposition), or (2) an issuance of TWC Preferred Stock, TWC shall apply such Net Cash Proceeds as follows:

(i) in the case of any such Net Cash Proceeds arising from any disposition referred to in clause (1) above which consists of the Refinery in Alaska owned by certain Subsidiaries and the assets related thereto, 50% of such Net Cash Proceeds shall be applied on a pro-rata basis to the permanent ratable reduction of the respective Commitments of the Banks to TWC;

(ii) in the case of any such Net Cash Proceeds arising from any asset disposition referred to in clause (1) above and not otherwise applied pursuant to clause (i) above (including any disposition of the Refinery in Memphis, Tennessee owned by certain Subsidiaries and the assets related thereto), 50% of such Net Cash Proceeds shall be applied solely to the permanent ratable (x) reduction of the respective Commitments of the Banks to TWC and the outstanding amounts of the Progeny Facilities (excluding the Prairie Wolf Facility) and (y) cash collateralization of the Legacy L/Cs; and

(iii) in the case of any such Net Cash Proceeds arising from an issuance of TWC Preferred Stock referred to in clause (2) above, 100% of such Net Cash Proceeds shall be applied on a pro-rata basis to the permanent ratable (x) reduction of the respective Commitments of the

Banks to TWC and the outstanding amounts of the Progeny Facilities (excluding the Prairie Wolf Facility) and (y) cash collateralization of the Legacy L/Cs;

provided, however, that notwithstanding the foregoing provisions of this clause (c), in no event shall the Commitment of the Banks to TWC be reduced, pursuant to this clause (c), to less than $400,000,000; provided, further, that (1) upon the mandatory permanent reduction of the Commitments of the Banks to TWC to $400,000,000, 50% of any Net Cash Proceeds arising from an asset disposition referred to in clause (c)(ii) above shall be applied solely to the permanent ratable reduction of the outstanding amounts of the Progeny Facilities (excluding the Prairie Wolf Facility) and the cash collateralization of the Legacy L/Cs and (2) if a reduction of the Commitments pursuant to this Section 2.04(c) shall cause the Commitments as so reduced to be less than the aggregate outstanding principal amount of the Advances (such positive difference between the Commitments and the outstanding Advances being referred to herein as the "EXCESS AMOUNT"), TWC shall repay an aggregate principal amount equal to no less than such Excess Amount, and except as set forth in this proviso, the obligation of TWC to apply Net Cash Proceeds to the reduction of the Commitments of the Banks shall not require any payments to the Banks.";

(e) Section 2.06(a) is hereby amended by inserting the words "plus the Applicable Margin" after the words "Base Rate" in the second and ninth lines thereof ;

(f) Section 3.02 is hereby amended by adding at the end thereof a new clause (d) to read as follows:

"(d) Evidence that TWC shall have received gross cash proceeds in the aggregate amount of no less than $2,100,000,000; provided that some or all of those proceeds shall have been received from the MAPL Asset Disposition, Seminole Asset Disposition and Barrett Loan.";

(g) Section 3.03 is hereby amended by adding at the end thereof a new clause (e) to read as follows:

"(e) Evidence that TWC shall have received gross cash proceeds in the aggregate amount of no less than $2,100,000,000; provided that some or all of those proceeds shall have been received from the MAPL Asset Disposition, Seminole Asset Disposition and Barrett Loan.";

(h) Section 4.01(a) is hereby amended by replacing the words "material Subsidiary" in the eighth and thirteenth lines thereof and replacing them with "Material Subsidiary";

(i) Section 4.01(b) is hereby amended and restated in its entirety and replaced with the following:

"(b) The execution, delivery and performance by each Borrower of the Credit Documents to which it is a party delivered hereunder and the

consummation of the transactions contemplated thereby are within such Borrower's corporate or limited liability company powers, have been duly authorized by all necessary corporate or limited liability company action, do not contravene (i) any Borrower's charter, by-laws or formation agreement or (ii) law or any restriction under any material agreement binding on or affecting any Borrower or any Midstream Subsidiary and will not result in or require the creation or imposition of any Lien prohibited by this Agreement.";

(j) Section 4.01(c) is hereby amended and restated in its entirety and replaced with the following:

"(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by each Borrower or any Midstream Subsidiary of any Credit Document to which any of them is a party, or the consummation of the transactions contemplated thereby.";

(k) Section 4.01(e)(i) is hereby amended by deleting the following sentence at the end of thereof:

"Since March 31, 2000 there has been no material adverse change in the condition or operations of TWC or its Subsidiaries.";

(l) Section 4.01(e)(ii) is hereby amended by deleting the following sentence at the end of thereof:

"Since March 31, 2000, there has been no material adverse change in the condition or operations of NWP or its Subsidiaries.";

(m) Section 4.01(e)(iv) is hereby amended by deleting the following sentence at the end of thereof:

"Since March 31, 2000, there has been no material adverse change in the condition or operations of TGPL or its Subsidiaries.";

(n) Section 4.01(e)(v) is hereby amended by deleting the following sentence at the end of thereof:

"Since March 31, 2000, there has been no material adverse change in the condition or operations of TGT or its Subsidiaries.";

(o) Section 4.01(f) is hereby amended by deleting the words "material Subsidiary" commencing in the fourth sentence thereof and replacing them with "Material Subsidiary";

(p) Section 4.01(j) is hereby amended by deleting the words "material Subsidiary" in the third and ninth sentences thereof and replacing them with "Material Subsidiary";

(q) Section 4.01(k) is hereby amended by replacing the words "material Subsidiary" in the second sentence thereof with "Material Subsidiary";

(r) Section 4.01(m) is hereby amended and restated in its entirety and replaced with the following:

"(m) Except as set forth in the Public Filings or as otherwise disclosed in writing by any Borrower to the Banks and the Agent after the date hereof and approved by the Majority Banks, each Borrower and its respective Material Subsidiaries are in compliance in all material respects with all Environmental Protection Statutes to the extent material to the operations or the Consolidated financial condition of each Borrower and its Consolidated Subsidiaries taken as a whole. Except as set forth in the Public Filings or as otherwise disclosed in writing by any Borrower to the Banks and the Agent after the date hereof and approved by the Majority Banks, the aggregate contingent and non-contingent liabilities of each Borrower and its Consolidated Subsidiaries (other than those reserved for in accordance with generally accepted accounting principles and set forth in the financial statements regarding any such Borrower referred to in Section 4.1(e) and delivered to each Bank and excluding liabilities to the extent covered by insurance if the insurer has confirmed that such insurance covers such liabilities or which such Borrower reasonably expects to recover from ratepayers) which are reasonably expected to arise in connection with (i) the requirements of Environmental Protection Statutes or (ii) any obligation or liability to any Person in connection with any Environmental matters (including any release or threatened release (as such terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980) of any Hazardous Waste, Hazardous Substance, other waste, petroleum or petroleum products into the Environment) could not reasonably be expected to have a material adverse effect on the business, assets, conditions or operations of any Borrower and its Subsidiaries, taken as a whole. Each Borrower and its respective Material Subsidiaries holds all Environmental Permits (each of which is in full force and effect) required for any of its current or planned operations or for any property owned, leased, or otherwise operated by it; and is, and within the period of all applicable statutes of limitation has been, in compliance with all of its Environmental Permits."

(s) Section 4.01 is hereby amended by adding a new clauses (n), (o), (p), (q), (r) and (s) to read as follows:

"(n) Other than the Permitted Liens, each Borrower and its Subsidiaries has good, valid and indefeasible title to, or a valid leasehold interest in, its respective property and to all property reflected by its respective balance sheet referenced in clause (e) above as being owned by such Borrower. TWC and each of the Midstream Subsidiaries have sufficient title to all Midstream Assets they collectively own and operate as is necessary for the conduct of the Midstream Business after the date hereof in accordance with the ownership and operation of the Midstream Business in the twelve months prior to the date hereof. There

exists, or following completion of the post-closing items more fully described in Schedule XIII, there will exist an Acceptable Security Interest in all Collateral other than the Excluded Collateral.

(o) The Persons listed on Schedule XIV are all of the Midstream Subsidiaries and own, lease or hold all Midstream Assets necessary and/or appropriate for the operation and carrying on of the Midstream Business associated with the Midstream Assets as conducted during the 12 months preceding the date hereof.

(p) Neither TWC nor any Midstream Subsidiary is in default under or with respect to any of its Contractual Obligations in any respect which could reasonably be expected to have a material adverse effect the Midstream Business of TWC or any Midstream Subsidiary. No Default or Event of Default has occurred and is continuing.

(q) Except as would not have a material adverse effect on the conduct of the Midstream Business conducted by the Midstream Subsidiaries, the various gathering systems which comprise part of the Midstream Assets are covered by recorded fee deeds, right of ways, easements, leases, servitudes, permits, licenses, or other instruments in favor of the Midstream Subsidiaries (or their predecessors in title) and their successors and assigns, which instruments establish a contiguous right of way for the respective gathering systems and grant the right to construct, operate, and maintain the respective gathering system in, over, under, and across the land covered thereby; provided, that certain licenses and permits from railroads, utilities, meter sites, and from the various state and local Governmental Authorities and rights granted by Hydrocarbon producers on their respective properties may not be recorded. The pipelines comprising the various gathering systems which are part of the Midstream Assets of the Midstream Subsidiaries are located within the confines of contiguous rights of way and do not encroach upon any adjoining property in any material respects. The rights of ingress and egress held by the Midstream Subsidiaries with respect to such gathering systems allow the applicable Midstream Subsidiaries to inspect, operate, repair, and maintain such gathering systems in a normal manner consistent with past practices.

(r) After giving effect to the Consent and Fourth Amendment and the concurrent amendments to various financing arrangements and agreements of each Borrower and its Subsidiaries, each Borrower, individually and together with its Subsidiaries, is Solvent.";

(s) No Borrower nor any Midstream Subsidiary is in default under or with respect to any of its margin requirements and capital assurance requirements in any respect which could reasonably be expected to have a material adverse effect on the Midstream Business of TWC, or any Midstream Subsidiary. No Default or Event of Default has occurred and is continuing.";

(t) Section 5.01(b)(ii) is hereby amended and restated in its entirety and replaced with the following:

"(ii) as soon as available and in any event not later than 60 days after the end of each of the first three Fiscal Quarters of each Fiscal Year of such Borrower, (1) the Consolidated balance sheet of such Borrower and its Consolidated Subsidiaries as of the end of such Fiscal Quarters and the Consolidated statements of income and cash flows of such Borrower and its Consolidated Subsidiaries for the period commencing at the end of the previous year and ending with the end of such quarter, all in reasonable detail and duly certified (subject to year-end audit adjustments and the lack of footnotes) by an authorized financial officer of such Borrower as having been prepared in accordance with generally accepted accounting principles; provided that, if any financial statement referred to in this clause (ii) of Section 5.01(b) is readily available on-line through EDGAR as of the date on which such financial statement is required to be delivered hereunder, such Borrower shall not be obligated to furnish copies of such financial statement; and (2) a certificate of an authorized financial officer of such Borrower (a) stating that he has no knowledge that a Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action, if any, which such Borrower proposes to take with respect thereto, and (b) showing in detail the calculation supporting such statement in respect of Sections 5.02(b) and 5.02(m);";

(u) Section 5.01(b)(iii) is hereby amended and restated in its entirety and replaced with the following:

"(iii) as soon as available and in any event not later than 105 days after the end of each Fiscal Year of such Borrower, (1) a copy of the annual audited report for such year for such Borrower and its Consolidated Subsidiaries, including therein Consolidated balance sheet of such Borrower and its Consolidated Subsidiaries as of the end of such Fiscal Year and Consolidated statements of income and cash flows of such Borrower and its Consolidated Subsidiaries for such Fiscal Year, in each case prepared in accordance with generally accepted accounting principles and reported on by Ernst & Young, LLP or such other independent certified public accountants of recognized standing acceptable to the Majority Banks; provided that if any financial statement referred to in this clause (iii) of Section 5.01(b) is readily available on-line through EDGAR as of the date on which such financial statement is required to be delivered hereunder, such Borrower shall not be obligated to furnish copies of such financial statement; and (2) a letter of such accounting firm to the Banks (a) stating that, in the course of the regular audit of the business of such Borrower and its Consolidated Subsidiaries, which audit was conducted by such accounting firm in accordance with generally accepted auditing standards, such accounting firm has obtained no knowledge that a Default or Event of Default has occurred and is continuing, or if, in the opinion of such accounting firm, a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof, and

(b) showing in detail the calculations supporting such statement in respect of Sections 5.02(b) and 5.20(m), (which letter may nevertheless be limited in form, scope and substance to the extent required by applicable accounting rules or guidelines in effect from time to time);";

(v) Section 5.01(b)(iv) is hereby amended by deleting the words "material Subsidiaries" in the third line thereof and replacing them with "Material Subsidiaries";

(w) Section 5.01(b)(v) is hereby amended by deleting the words "material Subsidiary" in the fourth and eighth lines thereof and replacing them with "Material Subsidiaries";

(x) Section 5.01(b)(vi) is hereby amended and restated in its entirety and replaced with the following:

"(vi) as soon as possible and in any event within 30 Business Days after such Borrower or any ERISA Affiliate of such Borrower knows or has reason to know (A) that any Termination Event described in clause (i) of the definition of Termination Event with respect to any Plan has occurred that could have a material adverse effect on such Borrower or any Material Subsidiary of such Borrower or any ERISA Affiliate of such Borrower or (B) that any other Termination Event with respect to any Plan has occurred or is reasonably expected to occur that could have a material adverse effect on such Borrower or any Material Subsidiary of such Borrower or any ERISA Affiliate of such Borrower, a statement of the chief financial officer or chief accounting officer of such Borrower describing such Termination Event and the action, if any, which such Borrower or such Subsidiary or such ERISA Affiliate proposes to take with respect thereto;";

(y) Section 5.01(b) is hereby amended by adding at the end thereof a new clause (xii) to read as follows:

"(xii) promptly after any officer of such Borrower obtains knowledge thereof, notice of (1) any material violation of, noncompliance with, or remedial obligations under, any Environmental Protection Statute, and (2) any material release or threatened material release of Hazardous Substance or Hazardous Waste affecting any property owned, leased or operated by such Borrower or any Subsidiary of such Borrower that such Borrower or such Subsidiary is compelled by the requirements of any Environmental Protection Statute to report to any governmental agency, department, board or other instrumentality,";

(z) Section 5.01(c) is hereby amended by deleting the words "material Subsidiary" commencing in the first line thereof and replacing them with "Material Subsidiary";

(aa) Section 5.01 is hereby amended by adding at the end thereof new clauses (e), (f), (g), (h), (i), (j), (k), (l) and (m) to read as follows:

"(e) Acceptable Security Interest. Cause an Acceptable Security Interest to exist at all times in all Collateral, except as to the Excluded Collateral and as otherwise contemplated by Section 5.01(g).

(f) Further Assurances. At any time and from time to time, such Borrower shall, at its expense, promptly execute and deliver to the Collateral Trustee and/or the Collateral Agent such further instruments and documents, and take such further action (including, without limitation, with respect to the granting of a valid first priority Lien, subject to Permitted Liens, on any personal or real property of TWC, any MidStream Subsidiary or Williams Mobile Bay Producer Services, L.L.C. which, on the date of this Agreement, is subject to any contractual restriction prohibiting the granting of such a Lien on such property, which contractual restriction shall terminate prior to the Termination Date), as the Majority Banks may from time to time reasonably request, in order to further carry out the intent and purpose of the Credit Documents and to establish and protect the rights, interests and remedies created, or intended to be created, in favor of the Collateral Trustee, Collateral Agent or any of the Banks, including the execution, delivery, recordation and filing of security agreements, financing statements and continuation statements under the law of any applicable jurisdiction and mortgages and deeds of trust necessary to grant a valid first Lien on all Collateral of such Borrower and its Subsidiaries whether such Collateral is now owned, leased, possessed by license or any other means of acquiring a possessory interest or hereafter acquired or possessed (each such mortgage or deed of trust being an "Additional Mortgage"); provided, however, that (i) Williams GP LLC shall not be required to grant a Lien on any Equity Interests held by it in Williams Energy Partners L.P. and (ii) Williams Energy Partners L.P. shall not be required to grant a Lien on any of its personal or real property.

(g) Post-Closing Requirements. On or before the dates more fully set forth in Schedule XIII hereto, the Borrowers shall satisfy, or shall cause satisfaction, of the items more fully set forth in such Schedule XIII.

(h) Subsidiaries. Give the Agent thirty days prior written notice of the creation or acquisition of any Subsidiary (other than a Project Financing Subsidiary or any Subsidiary of Williams Energy Partners L.P.) and concurrently with the creation or acquisition of any such Subsidiary, cause such Subsidiary (other than a Project Financing Subsidiary or any Subsidiary of Williams Energy Partners L.P.) to provide to the Collateral Agent a Security Agreement granting an Acceptable Security Interest for the benefit of the Collateral Trustee, appropriate legal opinions and, if such Subsidiary owns any real property, a Mortgage covering such real property, all of which shall be in the form and substance satisfactory to the Collateral Agent.

(i) Bond Offerings. On or before August 1, 2002, cause the net proceeds from the TGPL Bond Offering to be maintained in a separate, segregated account in the name of TGPL to be used solely for the purpose of paying the bondholders as such bonds mature to be used solely as set forth in the offering documents for the TGPL Bond Offering.

(j) Midstream Subsidiaries. Cause the representation set forth in Section 4.01(p) to be true at all times.

(k) Cash Deposits. Maintain all or substantially all of its cash deposits with one or more of the Banks party to this Agreement, other than any cash deposit held in local operational account or any international accounts.

(l) Barrett Liquidity Reserve. Cause RMT to at all times maintain the Borrower Liquidity Reserve (as defined in the Barrett Loan Agreement).

(m) Williams GP LLC. (i)Upon any sale or other disposition (other than a redemption) of any Equity Interests of Williams Energy Partners L.P. owned, directly or indirectly, by Williams GP LLC, TWC shall furnish, or cause Williams GP LLC to furnish, to the Agent a fairness opinion with respect to such disposition prepared by a nationally recognized investment banking firm; (ii) TWC shall cause proceeds resulting from any redemption or disposition described in clause (i) which have been distributed by Williams GP LLC to, or otherwise received by, a Subsidiary (except Williams Energy Partners L.P. or a Subsidiary thereof) to be promptly delivered by such Subsidiary to the Collateral Trustee pursuant to the Collateral Trust Agreement, to be held by the Collateral Trustee as Collateral thereunder; and (iii) upon a purchase of any property by Williams GP LLC using proceeds from any redemption or disposition referred to in clause (i), TWC shall furnish, or cause Williams GP LLC to furnish, to the Agent a fairness opinion with respect to such purchase prepared by a nationally recognized investment banking firm.";

(bb) Section 5.02(a) is hereby amended in its entirety and replaced with the following:

"(a) Liens, Etc. Create, assume, incur or suffer to exist, or permit any of its Subsidiaries to create, assume, incur or suffer to exist, any Lien on or in respect of any of its property, whether now owned or hereafter acquired, or assign or otherwise convey, or permit any such Subsidiary to assign or otherwise convey, any right to receive income, in each case to secure or provide for the payment of any Debt, trade payable or other obligation or liability or any Person (other than obligations or liabilities that are (i) neither Debt nor trade payables, (ii) incurred, and are owed to trading counterparties, in the ordinary course of the trading business of the Borrowers or any of their Subsidiaries, and (iii) secured only by cash, short-term investments or a Letter of Credit); provided however, that, notwithstanding the foregoing, (1) the Borrowers or any of their Subsidiaries may create, incur, assume or suffer to exist Permitted Liens and (2) RMT and RMT LLC may create, incur, assume or suffer to exist any Lien created pursuant to the Barrett Loan Agreement or documents related thereto.";

(cc) Section 5.02(b)(i) is hereby amended in its entirety and replaced with the following:

"In the case of TWC, permit the ratio of (A) the aggregate amount of Consolidated Debt of TWC and its Consolidated Subsidiaries to (B) the sum of the Consolidated Net Worth of TWC plus the aggregate amount of Consolidated Debt of TWC and its Consolidated Subsidiaries to exceed at any time (x) on or before December 30, 2002, 0.70 to 1.00, (y) after December 30, 2002 and on or before March 30, 2003, 0.68 to 1.00 and (z) after March 30, 2003, 0.65 to 1.00.";

(dd) Section 5.02(b)(ii) is hereby amended in its entirety and replaced with the following:

"In the case of any Borrower (other than TWC), permit the ratio of (A) the aggregate amount of Consolidated Debt of such Borrower and its Subsidiaries on a Consolidated basis, to (B) the sum of the Consolidated Net Worth of such Borrower plus the aggregate amount of Consolidated Debt of such Borrower and its Subsidiaries on a Consolidated basis to exceed at any time 0.55 to 1.00.";

(ee) Section 5.02(c) is hereby amended and restated in its entirety and replaced with the following:

"(c) Merger and Sale of Assets. Merge or consolidate with or into any other Person, or sell, lease or otherwise transfer a material part of its assets, or permit any of its Major Subsidiaries to merge or consolidate with or into any other Person, or sell, lease or otherwise transfer a material part of such Major Subsidiary's assets, except that this Section 5.02(c) shall not prohibit any sale or transfer permitted by Section 5.02 (l) or any TWC Asset Disposition.";

(ff) Section 5.02(d) is hereby amended and restated in its entirety and replaced with the following:

"(d) Agreements to Restrict Certain Transfers. Enter into or suffer to exist, or permit any of its Subsidiaries to enter into or suffer to exist, any consensual encumbrance or restriction on its ability or the ability of any of its Subsidiaries (i) to pay, directly or indirectly, dividends or make any other distributions in respect of its capital stock or pay any Debt or other obligation owed to a Borrower or to any of its Subsidiaries; or (ii) to make loans or advances to a Borrower or any Subsidiary thereof, except (1) encumbrances and restrictions on any Subsidiary that is not a Material Subsidiary, (2) those encumbrances and restrictions existing on July 31, 2002, (3) other customary encumbrances and restrictions now or hereafter existing of a Borrower or any Subsidiary thereof entered into in the ordinary course of business that are not more restrictive in any material respect than the encumbrances and restrictions with respect to a Borrower or its Subsidiaries existing on the date hereof, (4) encumbrances or restrictions on any Subsidiary that is obligated to pay Non-Recourse Debt arising in connection with such Non-Recourse Debt, (5) encumbrances and restrictions on Williams Energy Partners L.P. and (6) encumbrances and restrictions on any Subsidiary pursuant to the Barrett Loan Agreement.";

(gg) Section 5.02(e) is hereby amended and restated in its entirety and replaced with the following:

"(e) Loans and Advances; Investments. Make or permit to remain outstanding, or allow any of its Subsidiaries to make or permit to remain outstanding, any loan or advance to, or own, purchase or acquire any obligations or debt or Equity Interests of, any WCG Subsidiary, except that a Borrower and

its Subsidiaries may (i) permit to remain outstanding, and to replace or refinance, loans and advances and other financing arrangements to, or Equity Interest in, a WCG Subsidiary existing or owned (in the case of such Equity Interests) as of the date hereof and listed on Exhibit E hereof, but no such replacement or refinancing shall exceed the amount of such loans, advances or other amounts outstanding immediately prior to such replacement or refinancing, (ii) pursuant to the WCG Unwind Transaction, acquire and own the promissory note referred to in clause (b) of the definition herein of WCG Unwind Transaction, and (iii) receive any distribution from WCG or any Subsidiary thereof in connection with the bankruptcy proceedings of WCG or any Subsidiary thereof. Except for those investments permitted in subsections (i), (ii) and (iii) above, no Borrower shall, and no Borrower shall permit any of its Subsidiaries to, acquire or otherwise invest in Equity Interests in, or make any loan or advance to, a WCG Subsidiary.";

(hh) Section 5.02(f) is hereby and restated in its entirety and replaced with the following:

"(f) Maintenance of Ownership of Certain Subsidiaries. Except with respect to Williams Energy Partners L.P., WPC, the Refineries, MAPL, Seminole and their respective Subsidiaries, sell, issue or otherwise dispose of, or create, assume, incur or suffer to exist any Lien on or in respect of, or permit any of its Subsidiaries to sell, issue or otherwise dispose of or create, assume, incur or suffer to exist any Lien on or in respect of, any Equity Interests or any direct or indirect interest in any Equity Interests in any Borrower or any of its Material Subsidiaries; provided, however, that this Section 5.02(f) shall not prohibit (i) Permitted Liens, (ii) the sale or other disposition of the Equity Interests in any Subsidiary of a Borrower to the Borrower or any Wholly-Owned Subsidiary of a Borrower if, but only if, (x) there shall not exist or result a Default or Event of Default and (y) in the case of each sale or other disposition referred to in this proviso involving such Borrower or any of its Subsidiaries, such sale or other disposition could not reasonably be expected to impair materially the ability of such Borrower to perform its obligations hereunder and under any other Credit Document and such Borrower shall continue to exist, (iii) any Subsidiary from selling or otherwise disposing of any direct or indirect Equity Interests in any Subsidiary (other than TPGL, TGT, or NWP) of a Borrower, (iv) any TWC Asset Disposition, or (v) the sale or other disposition of the Equity Interests in any Subsidiary of any Borrower pursuant to, and in accordance with, the Barrett Loan Agreement; provided that, after giving effect to any such sale or other disposition of any Equity Interests owned directly or indirectly by a Major Subsidiary, such Subsidiary continues to be a Major Subsidiary. Nothing herein shall be construed to permit the Borrower or any of its Subsidiaries to purchase shares, any interest in shares or any ownership interest in a WCG Subsidiary except as permitted by Section 5.02(d).";

(ii) Section 5.02(g) is hereby amended by deleting the words "material Subsidiary" in the third and sixth lines thereof and replacing them with "Material Subsidiary";

(jj) Section 5.02(h) is hereby amended by deleting the words "material Subsidiary" in the third line thereof and replacing them with "Material Subsidiary";

(kk) Section 5.02(i) is hereby amended and restated in its entirety and replaced with the following:

"(i) Guarantees. After the date of the Consent and Fourth Amendment, enter into any agreement to guarantee or otherwise become contingently liable for, or permit any of its Subsidiaries to guarantee or otherwise become contingently liable for, Debt or any other obligation of any WCG Subsidiary or to otherwise assure a WCG Subsidiary, or any creditor of a WCG Subsidiary, against loss, except for any guarantees permitted by the L/C Agreement and the Holdings Guaranty.";

(ll) Section 5.02(j) is hereby amended and restated in its entirety and replaced with the following:

"(j) Sale and Lease-Back Transactions. Enter into, or permit any of its Subsidiaries to enter into, any Sale and Lease-Back Transaction, if after giving effect thereto such Borrower would not be permitted to incur at least $1.00 of additional Debt secured by a Lien permitted by paragraph (y) of Schedule VI.";

(mm) Section 5.02(k) is hereby amended by adding to the end thereof the following:

"Notwithstanding anything to the contrary contained herein, if any, (i) with respect to EMT, proceeds of any Advance shall only be used, directly or indirectly, as necessary for the orderly disposition of the Trading Book and (ii) no proceeds of any Advance shall be used to pay any principal amounts outstanding, interest, fees or other costs with respect to the Barrett Loan, it being understood that proceeds of any Advance may be used to support margin requirements with regard to Hedging Agreements on oil and gas.";

(nn) Section 5.02 is hereby amended by adding at the end thereof new clauses (l), (m), (n), (o), and (p) to read as follows:

"(l) Asset Disposition. Sell, lease, transfer or otherwise dispose of, or permit any of their Material Subsidiaries to sell, lease, transfer or otherwise dispose of, any property of the Borrowers or any Material Subsidiary of the Borrowers, except (i) sales of inventory in the ordinary course of business and on reasonable terms, (ii) sales of worn out or obsolete equipment in the ordinary course of business, if no Event of Default exists at the time of such sale, (iii) replacement of equipment in the ordinary course of business with other equipment at least as useful and beneficial to TWC or its Material Subsidiaries and their

respective businesses as the equipment replaced if no Event of Default exists at the time of such replacement and an Acceptable Security Interest exists in such other equipment at the time of such replacement, (iv) sales of other immaterial Property (other than Equity Interests, Debt or other obligations of any Subsidiary) in the ordinary course of business and on reasonable terms, if no Event of Default exists at the time of such sale; provided that Property may not be sold pursuant to this clause (iv) if the aggregate fair market value of all Property sold pursuant to this clause (iv) exceeds $250,000 in any year, (v) sales of assets which are not Collateral for cash in arm's length transactions, (vi) sales or other dispositions of WPC or the Refineries, (vii) sales of MAPL and Seminole and (viii) sales or other dispositions of assets of Williams GP LLC or Williams Energy Partners L.P.; provided that (A) the proceeds from any disposition permitted pursuant to clauses (i) through (vi), shall be applied in accordance with the terms and conditions of this Agreement and (B) assets disposed of pursuant to clauses (i) through (v) shall not constitute a material part of the assets of TGPL, TGT or NWP. Upon receipt of a written request therefor from the applicable Borrower relating to dispositions permitted pursuant to this Section 5.02(l), (x) the Collateral Agent will execute and deliver all documents as may reasonably be requested to effect a release of the Liens on any such Collateral held by the Collateral Trustee pursuant the Collateral Trust Agreement and other L/C Collateral Documents and (y) each Bank shall be deemed to have affirmatively approved the release of such Collateral. Notwithstanding anything in this Section 5.02(l) to the contrary, and for greater certainty, nothing in this Agreement shall prohibit (1) the transfer of Equity Interests of RMT from TWC to RMT LLC or (2) TWC or any of its Subsidiaries (including RMT LLC, RMT and their respective Subsidiaries) from selling, leasing, transferring or otherwise disposing of any property of the Borrowers or any Subsidiaries of the Borrowers in accordance with the provisions of the Barrett Loan Agreement.

(m) Cash Flow to Interest Expense Ratio. Permit, for any period of four consecutive quarters, the ratio of (A) the sum of Cash Flow of any Borrower plus Interest Expense of such Borrower to (B) Interest Expense of such Borrower to be less than 1.5 to 1.0.

(n) Restricted Payments. Declare or pay any dividends, purchase, redeem, retire, defease or otherwise acquire for value any of its Equity Interests now or hereafter outstanding, return any capital to its stockholders, partners or members (or the equivalent Persons thereof) as such, make any distribution of assets, Equity Interests, obligations or securities to its stockholders, partners or members (or the equivalent Person thereof) as such or issue or sell any Equity Interests or accept any capital contributions, or permit any of its Subsidiaries to do any of the foregoing, or permit any of its Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any Equity Interests in a Borrower or to issue or sell any Equity Interests therein, make any prepayment with respect to any Debt (other than the Progeny Facilities or Debt of Williams Energy Partners L.P. and its Subsidiaries) or repurchase any Debt securities except as required by the terms thereof in effect on the date hereof, except that, so long as no Default

shall have occurred and be continuing at the time of any action described in clauses (i) through (iv) below or would result therefrom:

(i) TWC may (A) declare and pay cash dividends and distributions on its (1) 9 7/8ths% Cumulative Convertible Preferred Stock, (2) December 2000 Cumulative Convertible Preferred Stock and (3) March 2001 Mandatorily Convertible Single Reset Preferred Stock, (B) declare and pay cash dividends and distributions on TWC Preferred Stock issued on or after July 30, 2002 in form and substance satisfactory to the Agent and (C) in any Fiscal Quarter, declare and pay cash dividends to its stockholders and purchase, redeem, retire or otherwise acquire shares of its own outstanding capital stock for cash if after giving effect thereto the aggregate amount of such dividends, purchases, redemptions, retirements and acquisitions paid or made in any such Fiscal Quarter would be no greater than the sum of $6,250,000;

(ii) any Subsidiaries of TWC may (A) declare and pay cash dividends to TWC and (B) declare and pay cash dividends to any other Guarantor under the L/C Agreement of which it is a Subsidiary;

(iii) Williams Energy Partners L.P. may declare and pay cash distributions to its unitholders; provided that any such cash distribution shall comply with the partnership agreement governing Williams Energy Partners L.P.; and

(iv) Apco Argentina, Inc. may declare and pay dividends in accordance with applicable laws and its governing documents.".

(o) Investment in Other Persons. Make or hold, or permit any of its Subsidiaries to make or hold, any Investment in any Person, except (i) equity Investments by a Borrower and its Subsidiaries in their Subsidiaries outstanding on the date hereof and additional investments in Subsidiaries engaged in businesses reasonably related to the businesses carried on by such Borrower and its Subsidiaries on the date hereof; (ii) loans and advances to employees in the ordinary course of the business of a Borrower and its Subsidiaries as presently conducted; (iii) Investments of a Borrower and its Subsidiaries in Cash Equivalents; (iv) Investments existing on the date hereof; (v) Investments by a Borrower in Hedge Agreements entered into in the ordinary course of business and not for speculative purposes; (vi) Investments consisting of intercompany debt; and (vii) other Investments in an aggregate amount invested not to exceed $50,000,000 annually; provided that with respect to Investments made under this clause (vii); (1) any newly acquired or organized Subsidiary of a Borrower or any of its Subsidiaries shall be a wholly owned Subsidiary thereof; (2) immediately before and after giving effect thereto, no Default shall have occurred and be continuing or would result therefrom; and (3) any company or business acquired

or invested in pursuant to this clause (vii) shall be in the same line of business as the business of a Borrower or any of its Subsidiaries.

(p) Subsidiary Debt. Permit any of its Subsidiaries to create, incur, assume or suffer to exist Debt, other than (i) Debt incurred, assumed or suffered to exist by TGPL, TGT, NWP, or Williams Energy Partners L.P. or its Subsidiaries, (ii) Debt incurred, assumed or suffered to exist by Subsidiaries (other than those referred to in clause (i) and the Subsidiaries the stock of which is pledged under the Pledge Agreement (as defined in the L/C Agreement)) in an aggregate amount equal to $50,000,000, (iii) Debt in existence on the date hereof, (iv) Debt under the Guaranties, (v) Debt of the Project Financing Subsidiaries; (vi) Debt under the Barrett Loan Agreement and (vii) Debt consisting of intercompany debt so long as obligations of the debtors thereunder are subordinated to their obligations under the Credit Documents and are incurred in the ordinary of the cash management systems of the Borrowers and their Subsidiaries.";

(oo) Section 8.01 of the Credit Agreement is hereby amended by deleting the word "or" in the fifteenth line thereof and adding a new (h) at the end thereto to read as follows:

"or (h) release any of the Collateral (except as contemplated by Section 5.02(l))";

(pp) Schedule VI is hereby amended in its entirety and replaced with Annex A attached hereto;

(qq) Schedule XI is hereby amended in its entirety and replaced with Annex B attached hereto;

(rr) Schedules III, IV and V are hereby deleted in their entirety and replaced with the following:

"[Intentionally Omitted]";

(ss) The Credit Agreement is hereby amended by adding a new Schedule XII attached hereto as Annex C;

(tt) The Credit Agreement is hereby amended by adding a new Schedule XIII attached hereto as Annex D; and

(uu) The Credit Agreement is hereby amended by adding a new Schedule XIV attached hereto as Annex E.

SECTION 3. Successor Agent. Pursuant to Section 7.06 of the Credit Agreement, Citibank hereby resigns as Agent and, with the consent and approval of the Majority Banks and TWC, hereby appoints, in accordance with the terms of such Section 7.06, Citicorp USA, Inc. ("Citicorp") as successor Agent under the Credit Agreement. By its signature hereto, Citicorp hereby acknowledges its acceptance of such appointment as Agent and to the terms and conditions of such appointment as set forth in Section 7.06 of the Credit Agreement.

For purposes of Section 8.02 of the Credit Agreement, all notices and other communications to Citicorp, as Agent, shall be delivered to its address at 399 Park Avenue, New York, New York 10043, (telecopier number: (302) 894-6120), Attention: Williams Account Officer, with a copy to Citicorp North America, Inc., 1200 Smith Street, Suite 2000, Houston, Texas 77002 (telecopier number: (713) 654-2849), Attention: The Williams Companies, Inc. Account Officer, or at such other address as shall be designated by Citicorp in a written notice to the other parties.

SECTION 4. Conditions of Effectiveness. This Agreement shall become effective as of the date first above written when, and only when, on or before July 31, 2002, the Agent shall have received counterparts of this Agreement executed by the Borrowers and the Majority Banks or, as to any of the Banks, advice satisfactory to the Agent that such Bank has executed this Agreement. This Agreement is subject to the provisions of Section 8.01 of the Credit Agreement. Sections 1 through 3 hereof shall become effective when, and only when, on or before July 31, 2002, the Agent shall have additionally received all of the following documents, each such document (unless otherwise specified) dated the date of receipt thereof by the Agent (unless otherwise specified) and in sufficient copies for each Bank, in form and substance satisfactory to the Agent and the Majority Banks (unless otherwise specified) and in sufficient copies for each Bank:

(a) Certified copies of (i) the resolutions of the Board of Directors, or the Executive Committee thereof, of each of the Borrowers approving this Agreement and the matters contemplated hereby and (ii) all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and the matters contemplated hereby.

(b) A certificate of the Secretary or an Assistant Secretary of each Borrower certifying (i) the names and true signatures of the officers of such Borrower authorized to sign this Agreement and the other documents to be delivered hereunder and thereunder and, (ii) that attached thereto is a complete and correct copy of the Certificate of Incorporation and Bylaws of such Borrower together with any amendments thereto.

(c) Favorable opinions of William G. von Glahn, General Counsel of TWC, and Skadden, Arps, Slate, Meagher & Flom LLP, counsel for the Borrowers, substantially in the Form of Exhibit A hereto and as to such other matters as the Agent may reasonably require.

(d) A certificate signed by a duly authorized officer of each Borrower stating that:

(i) the representations and warranties contained in Section 5 are correct on and as of the date of such certificate as though made on and as of such date other than any such representations or warranties that, by their terms, refer to a date other than the date of such certificate; and

(ii) after giving effect to the Consent and Fourth Amendment and the transactions contemplated therein, no event has occurred and is continuing that constitutes a Default.

(e) A duly executed and fully effective L/C Agreement and an amendment to each of the Progeny Facility documents, other than those automatically amended by virtue of this Agreement, each dated the date of this Agreement.

(f) The L/C Collateral Documents (other than the Mortgages and Additional Mortgages; each as defined in the L/C Agreement) and all documents required for perfection of the Liens granted pursuant to such L/C Collateral Documents.

SECTION 5. Representations and Warranties of the Borrowers Each of the Borrowers represents and warrants as follows:

(a) Each Borrower is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction indicated in the recital of parties to this Agreement.

(b) The execution, delivery and performance by the Borrowers of this Agreement, and the consummation of the transactions contemplated hereby, are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action and do not (i) contravene the Borrowers' charters or by-laws, (ii) violate any law (including, without limitation, the Securities Exchange Act of 1934, as amended, and the Racketeer Influenced and Corrupt Organizations Chapter of the Organized Crime Control Act of 1970), rule or regulation (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System), or any order, writ, judgment, injunction, decree, determination or award, binding on or affecting the Borrowers or any of their Subsidiaries or any of their properties, (iii) conflict with or result in the breach of, or constitute a default under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting the Borrowers, any of their Subsidiaries or any of their properties or (iv) except for the Liens created under the L/C Collateral Documents and the TWC Asset Disposition Documents, as amended hereby, result in or require the creation or imposition of any Lien upon or with respect to any of the properties of the Borrowers or any of their Subsidiaries.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for the due execution, delivery or performance by the Borrowers of this Agreement or L/C Collateral Documents to which it is or is to be a party.

(d) This Agreement has been duly executed and delivered by each Borrower. This Agreement and the Credit Agreement, as amended hereby, to which each Borrower is a party, are legal, valid and binding obligations of each Borrower, enforceable against each Borrower in accordance with their respective terms.

(e) There is no action, suit, investigation, litigation or proceeding affecting any Borrower or any of its Subsidiaries (including, without limitation, any environmental

action) pending or threatened before any court, governmental agency or arbitrator 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 any Borrower or any of its Subsidiaries or (ii) purports to affect the legality, validity or enforceability of this Agreement or the Credit Agreement, as amended hereby, or the consummation of any of the transactions contemplated hereby.

(f) The representations and warranties made by each Borrower in Article IV of the Credit Agreement, as amended hereby, are correct and true in all material respects on and as of the date hereof as though made on and as of the date hereof (it being understood and agreed that any such representation or warranty which by its terms applies only to a specified date shall be true and correct in all material respects only as of such specified date).

(g) Except as has been disclosed to each Bank, from December 31, 2001, to the date of this Agreement, there has been no material adverse change in the Consolidated financial condition or Consolidated results of operations of any Borrower and its Consolidated Subsidiaries.

SECTION 6. Reference to and Effect on the Credit Agreement and the Notes.

(a) On and after the effectiveness of this Agreement, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the Notes to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Agreement.

(b) The Credit Agreement and the Notes, as specifically amended by this Agreement, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed.

(c) The execution, delivery and effectiveness of this Agreement shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Bank or the Agent under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement.

SECTION 7. Costs, Expenses and Taxes. The Borrowers, jointly and severely, agree to pay on demand all costs and expenses of the Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Agreement and the other instruments and documents to be delivered hereunder (including, without limitation, the reasonable fees and expenses of counsel for the Agent) in accordance with the terms of Section 8.04 of the Credit Agreement.

SECTION 8. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature

page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9. Miscellaneous. Each Bank party hereto which is also, on the date hereof, the issuing bank under any bilateral letter of credit to which any Borrower is the account party thereof shall be deemed to have waived its right, if any, to cash collateralize on demand such letter of credit by its signature hereto.

SECTION 10. Undertaking; Post Closing Actions. The parties to this Agreement hereby agree and undertake to each use their best efforts and to act diligently and promptly in taking any action or step necessary to resolve or correct any error, omission, open item or general inconsistency or other discrepancy which may exist, or of which the parties hereto may hereafter become aware, in any Credit Document.

SECTION 11. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

[Signature pages to follow on next page]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWERS:

THE WILLIAMS COMPANIES, INC.

By /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

TEXAS GAS TRANSMISSION CORPORATION

By /s/ Richard Rodekohr

Name: Richard Rodekohr
Title: V.P. and C.F.O.

TRANSCONTINENTAL GAS PIPE LINE CORPORATION

By /s/ Richard Rodekohr

Name: Richard Rodekohr
Title: V.P. and C.F.O.

NORTHWEST PIPELINE CORPORATION

By /s/ Richard Rodekohr

Name: Richard Rodekohr
Title: V.P. and C.F.O.

AGENT:

CITIBANK, N.A., as Agent

By: /s/ J. Christopher Lyons

Authorized Officer

Date: 7/31 , 2002

CO-SYNDICATION AGENTS:

JPMORGAN CHASE BANK
(formerly known as
THE CHASE MANHATTAN BANK),
as Co-Syndication Agent

By: /s/ Sanjeev Khemlani, V.P.

Authorized Officer

Date: July 31, 2002

COMMERZBANK AG,
as Co-Syndication Agent

By: /s/ Subash Viswanathan

Subash Viswanathan
Senior Vice President

By: /s/ Brian Campbell

Brian Campbell
Senior Vice President

Date: July 30, 2002

DOCUMENTATION AGENT:

CREDIT LYONNAIS NEW YORK BRANCH
as Documentation Agent

By: /s/ Bernard Weymuller

Bernard Weymuller
Senior Vice President

Date: July 31, 2002

BANKS:

CITIBANK, N.A.

By: /s/ J. Christopher Lyons

Authorized Officer

Date: 7/31 , 2002

THE BANK OF NOVA SCOTIA

By: /s/ Nadine Bell

Nadine Bell, Senior Manager

Date: , 2002

BANK OF AMERICA, N.A.

By: /s/ Claire Liu

Claire M. Liu

Date: , 2002

BANK ONE, N.A. (MAIN OFFICE - CHICAGO)

By: /s/ Jeanie C. Gonzalez

Authorized Officer

Date: July 31 , 2002

JPMORGAN CHASE BANK
(formerly known as
THE CHASE MANHATTAN BANK)

By: /s/ Sanjeev Khemlani

Sanjeev Khemlani

Date: July 31 , 2002

COMMERZBANK AG
NEW YORK AND GRAND CAYMAN BRANCHES

By:

Authorized Officer

By:

Authorized Officer

Date: , 2002

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ Bernard Weymuller

Bernard Weymuller
Senior Vice President

Date: July 31 , 2002

MIZUHO CORPORATE BANK, LTD.

By: /s/ Jacques Azagury

Authorized Officer
Jacques Azagury
Senior Vice President and Manager

Date: July 30 , 2002

NATIONAL WESTMINSTER BANK PLC
NEW YORK BRANCH

By: --

Name: ----------------------------

Title: ---------------------------

Date: -----------------, 2002

ABN AMRO BANK, N.V.

By:

Authorized Officer

By:

Authorized Officer

Date: , 2002

BANK OF MONTREAL

By: _____
Authorized Officer

Date: _____, 2002

THE BANK OF NEW YORK

By: /s/ Raymond J. Palmer

Authorized Officer
Raymond J. Palmer
Vice President

Date: July 30 , 2002

BARCLAYS BANK PLC

By: /s/ Richard B. Williams

Authorized Officer
Richard B. Williams
Director

Date: 7/31 , 2002

CIBC INC.

By: /s/ [ILLEGIBLE]

Authorized Officer

Date: July 31 , 2002

CREDIT SUISSE FIRST BOSTON

By: /s/ James P. Moran

Authorized Officer
James P. Moran, Director

By: /s/ Jay Chall

Authorized Officer
Jay Chall, Director

Date: July 30 , 2002

ROYAL BANK OF CANADA

By: /s/ Linda M. Stephens

Authorized Officer

Date: July 30 , 2002

THE BANK OF TOKYO-MITSUBISHI, LTD.,
HOUSTON AGENCY

By: /s/ K. Glasscock

Authorized Officer
K. Glasscock
VP & Manager

Date: July 30 , 2002

FLEET NATIONAL BANK
f/k/a Bank Boston, N.A.

By: _____
Authorized Officer

Date: _____, 2002

SOCIETE GENERALE, SOUTHWEST AGENCY

By: /s/ J. Douglas McMurrey, Jr.

Authorized Officer
J. Douglas McMurrey, Jr.
Managing Director

Date: July 31 , 2002

TORONTO DOMINION (TEXAS), INC.

By: /s/ Ann S. Slanis

Authorized Officer
Ann S. Slanis
Vice President

Date: July 31 , 2002

UBS AG, STAMFORD BRANCH

By: _____
Authorized Officer

By: _____
Authorized Officer

Date: _____, 2002

WELLS FARGO BANK TEXAS, N.A.

By: /s/ J. Alan Alexander

Authorized Officer
J. Alan Alexander
Vice President

Date: July 30 , 2002

WESTDEUTSCHE LANDESBANK GIRONZENTRALE,
NEW YORK BRANCH

By: /s/ [ILLEGIBLE]

Authorized Officer

By: /s/ [ILLEGIBLE]

Authorized Officer

Date: , 2002

CREDIT AGRICOLE INDOSUEZ

By: /s/ [ILLEGIBLE]

Authorized Officer

By: /s/ [ILLEGIBLE]

Authorized Officer

Date: 07/30 , 2002

SUNTRUST BANK

By: /s/ [ILLEGIBLE]

Authorized Officer

Date: July 31 , 2002

ARAB BANKING CORPORATION (B.S.C.)

By: /s/ [ILLEGIBLE]

Authorized Officer

Date: August 1st , 2002

BANK OF CHINA, NEW YORK BRANCH

By: _____
Authorized Officer

Date: _____, 2002

BANK OF OKLAHOMA, N.A.

By: /s/ Robert D. Mattax

Robert D. Mattax
Senior Vice President

Date: July 30 , 2002

BNP PARIBAS, HOUSTON AGENCY

By: /s/ Barton D. Schouest

Barton D. Schouest
Managing Director

By: /s/ Greg Smothers

Greg Smothers
Vice President

Date: July 31 , 2002

DZ BANK AG DEUTSCHE ZENTRAL-GENOSSENSCHAFTSBANK,

By:

Authorized Officer

By:

Authorized Officer

Date: , 2002

KBC BANK N.V.

By: /s/ Jean-Pierre Diels

Authorized Officer
Jean-Pierre Diels
First Vice President

By: /s/ Eric Raskin

Authorized Officer
Eric Raskin
Vice President

Date: , 2002

FIRST UNION NATIONAL BANK

By: _____
Authorized Officer

Date: _____, 2002

SUMITOMO MITSUI BANKING CORPORATION

By: /s/ John Kissinger
John Kissinger
General Manager

Date: July 31, 2002

COMMERCE BANK, N.A.

By: /s/ Dennis R. Block
Dennis R. Block, SVP

Date: July 30, 2002

WACHOVIA BANK, NATIONAL ASSOCIATION

By: /s/ David E. Humphreys
David E. Humphreys
Vice President

Date: 7/30, 2002

ACKNOWLEDGED
AND ACCEPTED BY
(with respect to Section 3):

CITICORP USA, INC.

By:

Authorized Officer

Date: , 2002

ANNEX A

SCHEDULE VI

PERMITTED LIENS

(a) (i) Any Lien existing on any property at the time of the acquisition thereof and not created in contemplation of such acquisition by any Borrower or any of its Subsidiaries, whether or not assumed by any Borrower or any of its Subsidiaries, (ii) purchase money, construction or analogous Liens securing obligations incurred in connection with or financing the direct or indirect costs of or relating to the acquisition, construction (including design, engineering, installation, testing and other related activities), development (including drilling), improvement, repair or replacement of property (including such Liens securing Debt or other obligations incurred in connection with the foregoing or within 30 days of the later of (x) the date on which such Property was acquired or construction, development, improvement, repair or replacement thereof was complete or (y) if applicable, the final "in service" date for commencement of full operations of such property), provided that all such Liens attach only to the property acquired, constructed, developed, improved or repaired or constituting replacement property, and the principal amount of the Debt or other obligations secured by such Lien, together with the principal amount of all other Debt secured by a Lien on such property, shall not exceed the gross acquisition, construction, replacement and other costs specified above of or for the property, (iii) Liens on receivables created pursuant to a sale, securitization or monetization of such receivables, and Liens on rights of any Borrower or any Subsidiary related to such receivables which are transferred to the purchaser of such receivables in connection with such sale, securitization or monetization; provided that the Liens secure only the obligations of any Borrower or any of its Subsidiaries in connection with such sale, securitization or monetization, (iv) Liens created by or reserved in any operating lease (whether for real or personal property) entered into in the ordinary course of business (excluding Synthetic Leases) provided that the Liens created thereby (1) attach only to the Property leased to any Borrower or one of its Subsidiaries, pursuant to such operating lease and (2) secure only the obligations under such lease and supporting documents that do not create obligations other than with respect to the leased property (including for rent and for compliance with the terms of the lease), (v) Liens on property subject to a Capital Lease created by such Capital Lease and securing only obligations under such Capital Lease and supporting documents that do not create obligations other than with respect to the leased property, (vi) any interest or title of a lessor in the property subject to any Capital Lease, Synthetic Lease or operating lease, (vii) Liens in the form of filed Uniform Commercial Code or personal property security statements (or similar filings outside Canada and the United States) to perfect any Permitted Lien, and (viii) Liens on up to four aircraft owned or leased by any Borrower or any Subsidiary of any such Borrower.

(b) Any Lien existing on any property of a Subsidiary of any Borrower at the time it becomes a Subsidiary of such Borrower and not created in contemplation thereof and any Lien existing on any property of any Person at the time such Person is merged or liquidated into or consolidated with any such Borrower or any Subsidiary thereof and not created in contemplation thereof.

(c) Mechanics', materialmen's, workmen's, warehousemen's, carrier's, landlord's or other similar Liens arising in the ordinary course of business securing amounts incurred in the ordinary course of business which are not more than 90 days past due or are being contested in good faith by appropriate proceedings.

(d) Liens arising by reason of pledges, deposits or other security to secure payment of workmen's compensation insurance or unemployment insurance, pension plans or systems and other types of social security, and good faith deposits or other security to secure tenders or leases of property or bids, in each case to secure obligations of any Borrower or any of its Subsidiaries under such insurance, tender, lease, bid or contract, as the case may be; provided, however, that the only Liens permitted by this paragraph (d) shall be Liens incurred in the ordinary course of business that do not secure any Debt or accounts payable (other than accounts payable to the counterparties or obligees applicable to the foregoing).

(e) Liens on deposits or other security given to secure public or statutory obligations, or to secure or in lieu of surety bonds (other than appeal bonds) and deposits as security for the payment of taxes or assessments or other similar charges, in each case to secure obligations of any Borrower or any of its Subsidiaries arising in the ordinary course of business; provided, however, that the aggregate amount of obligations secured by Liens permitted by this paragraph (e) shall not exceed 10% of Consolidated Tangible Net Worth of the Borrower.

(f) Any Lien arising by reason of deposits with or the giving of any form of security to any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation (i) as a condition to the transaction by any Borrower or any of its Subsidiaries of any business or the exercise by any Borrower or any of its Subsidiaries of any privilege or license, (ii) to enable any Borrower or any of its Subsidiaries to maintain self-insurance or to participate in any fund for liability on any insurance risks or (iii) in connection with workmen's compensation, unemployment insurance, old age pensions or other social security with respect to any Borrower or any of its Subsidiaries to share in the privileges or benefits required for companies participating in such arrangements.

(g) Liens incurred in the ordinary course of business upon rights-of-way securing obligations (other than Debt and trade payables) of any Borrower or any of its Subsidiaries.

(h) Undetermined mortgages and charges incidental to construction or maintenance arising in the ordinary course of business which are not more than 90 days past due or are being contested in good faith by appropriate proceedings.

(i) The right reserved to, or vested in, any municipality or governmental or other public authority or railroad by the terms of any right, power, franchise, grant, license, permit or by any provision of law, to terminate or to require annual or other periodic payments as a condition to the continuance of such right, power, franchise, grant, license or permit.

(j) The Lien of taxes, customs duties or other governmental charges or assessments that are not at the time determined (or, if determined, are not at the time delinquent), or that are delinquent but the validity of which is being contested in good faith by any Borrower or any of its Subsidiaries by appropriate proceedings and with respect to which reserves in conformity

with generally accepted accounting principles, if required by such principles, have been provided on the books of the Borrower or the relevant Subsidiary of any Borrower, as the case may be.

(k) The Lien reserved in (i) leases entered into in the ordinary course of business for rent and for compliance with the terms of the lease in the case of real or personal property leasehold estates or (ii) leases and sub-leases granted to others that do not materially interfere with the ordinary course of business of any Borrower and its Subsidiaries, taken as a whole.

(l) Defects and irregularities in the titles to any property (including rights-of-way and easements) which are not material to the business, assets, operations or financial condition of any Borrower and its Subsidiaries, taken as a whole.

(m) Easements, exceptions or reservations in any property of any Borrower or any of its Subsidiaries granted or reserved in the ordinary course of business for the purpose of pipelines, roads, equipment, streets, alleys, highways, railroads, the removal of oil, gas, coal or other minerals or timber, and other like purposes, or for the joint or common use of real property, facilities and equipment, or in favor of governmental authorities or public utilities, in each case above which do not materially impair the use of such property for the purposes for which it is held by any Borrower or such Subsidiary.

(n) Rights reserved to or vested in any municipality or public authority to control or regulate any property of any Borrower or any of its Subsidiaries, or to use such property in any manner which does not materially impair the use of such property for the purposes for which it is held by any Borrower or such Subsidiary.

(o) Any obligations or duties, affecting the property of any Borrower or any of its Subsidiaries, to any municipality or public authority with respect to any franchise, grant, license or permit.

(p) The Liens of any judgments in an aggregate amount for any Borrower and all of its Subsidiaries (i) not in excess of $8,500,000, the execution of which has not been stayed and (ii) not in excess of $40,000,000, the execution of which has been stayed and which have been appealed and secured, if necessary, by a stay or appeal bond or other security of similar effect and stay or appeal bonds in respect of the judgments permitted in clause (ii).

(q) Zoning laws and ordinances.

(r) Liens existing on July 1, 2002, that secure only Debt and other obligations incurred or committed and available for draw down on or prior to or outstanding on July 1, 2002 and listed on Schedule IX as secured by such Liens.

(s) Liens existing on July 1, 2002 (i) that cover only immaterial assets and (ii) that secure only Debt and other obligations incurred or committed and available for draw down on or prior to or outstanding on July 1, 2002.

(t) Liens reserved in customary oil, gas and/or mineral leases for bonus or rental payments and for compliance with the terms of such leases and Liens reserved in customary operating agreements, farm-out and farm-in agreements, exploration agreements, development agreements

and other similar agreements for compliance with the terms of such agreements; provided that (i) such Liens do not secure Debt or accounts payable (other than obligations under such lease or agreement, as the case may be) and (ii) such leases and agreements are entered into in the ordinary course of business.

(u) Liens arising in the ordinary course of business out of all presently existing and future division and transfer orders, advance payment agreements, processing contracts, gas processing plant agreements, operating agreements, gas balancing or deferred production agreements, participation, joint venture, joint operating, pooling, unitization or communitization agreements, pipeline, gathering or transportation agreements, platform agreements, drilling contracts, injection or repressuring agreements, cycling agreements, construction agreements, salt water or other disposal agreements, leases, sub-leases or rental agreements, royalty interests, overriding royalty interests, farm-out and farm-in agreements, exploration and development agreements, and any and all other contracts or agreements covering, arising out of, used or useful in connection with or pertaining to the exploration, development, operation, production, sale, use, purchase, exchange, storage, separation, dehydration, treatment, compression, gathering, transportation, processing, improvement, marketing, disposal or handling of any property of a Person (each such order, agreement or contract being a "Subject Document"), provided that and to the extent that (i) such Subject Documents are entered into the ordinary course of business and contain terms customary for such documents in the industry, (ii) such permitted Liens shall not include any security interests in accounts receivable or other receivables and do not secure Debt or accounts payable (other than accounts payable arising under the particular Subject Document that creates the Lien), and (iii) such Subject Documents do not create nor do such Liens secure Financing Transactions.

(v) Liens arising by law under Section 9.343 of the Texas Uniform Commercial Code or similar statutes of states other than Texas.

(w) Liens arising pursuant to the L/C Collateral Documents which secure the obligations of the Borrowers and their Subsidiaries under this Agreement and the L/C Agreement and certain public debt of TWC.

(x) Liens in existence prior to the date hereof in the nature of a right of offset or netting of cash amounts owed arising in the ordinary course of business (and Liens on the trading receivables owed by any trading counterparty and/or affiliate thereof to a Borrower or any affiliate thereof granted by a Borrower or any such affiliate thereof under agreements commonly in use in the industry of a Borrower or such affiliate, but solely to secure the offset or netting rights of such trading counterparty and/or affiliates thereof to the payment of such trading receivables arising from and to the extent of the trading obligations of a Borrower or any affiliate thereof to such trading counterparty or its affiliates).

(y) Any Lien not permitted by paragraphs (a) through (x) above or (z) through (ii) below securing Debt of the Borrower or any of its Subsidiaries if at the time of, and after giving effect to, the creation or assumption of any such Lien, the aggregate (without duplication) of the principal or equivalent amount of all Debt of a Borrower and its Subsidiaries secured by all such Liens not so permitted by paragraphs (a) through (x) above or (z) through (ii) below plus the amount of Attributable Obligations (other than those relating to Liens described in clause

(a)(viii)) of a Borrower and its Subsidiaries in respect of Sale and Lease-Back Transactions permitted by Section 5.02(l) which does not exceed $100,000,000.

(z) To the extent applicable, any overriding royalties or other rights of Pacific Northwest Pipeline Corporation, a Delaware corporation ("Pacific") and Phillips Petroleum Company ("Phillips") or their respective successors in interest under a contract dated January 9, 1953, as amended, between Phillips and Pacific, to which the Borrower is successor in interest; and the obligations of the Borrower to surrender, transfer, release or reassign the leases or interests or rights to which said instruments relate under the conditions and upon the occurrence of the events specified in said instruments.

(aa) Any option or other agreement to purchase any property of any Borrower or any Subsidiary the purchase, sale or other disposition of which is not prohibited by any other provision of this Agreement.

(bb) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the proceeds and products thereof.

(cc) Liens on the products and proceeds (including insurance, condemnation and eminent domain proceeds) of and accessions to, and contract or other rights (including rights under insurance policies and product warranties) derivative of or relating to, property permitted to be subject to Liens under this Agreement but subject to the same restrictions and limitations herein set forth as to Liens on such property (including the requirement that such Liens on products, proceeds, accessions and rights secure only obligations that such property is permitted to secure).

(dd) Liens on the Property of a Project Finance Subsidiary or the Equity Interests in such Project Finance Subsidiary securing the Non-Recourse Debt of such Project Finance Subsidiary.

(ee) Liens on cash and short-term investments incurred in the ordinary course of business, consistent with past practices and not for the purpose of securing Debt (i) deposited by any Borrower or any of its Subsidiaries in margin accounts with or on behalf of futures contract brokers or other counterparties or (ii) pledged by any Borrower or any of its Subsidiaries, in the case of each of clauses (i) and (ii) above, to secure its obligations with respect to (x) contracts (including without limitation, physical delivery, option (whether cash or financial), exchange, swap and futures contracts) for the purchase or sale of any energy-related commodity or (y) interest rate or currency rate management contracts.

(ff) Liens securing Debt of Williams Energy Partners LP and/or its Subsidiaries; provided that such Liens shall only apply to assets owned directly by Williams Energy Partners LP and/or its Subsidiaries.

(gg) Liens securing the Barrett Loan.

(hh) Liens securing Permitted Refinancing Debt (as defined below) (and related obligations) covering the substantially the same collateral) securing (immediately prior to such refinancing) the Debt Refinanced (as defined below) by such Permitted Refinancing Debt; provided that: (i) the principal amount of such Permitted Refinancing Debt does not exceed the principal amount of the Debt Refinanced (plus the amount of penalties, premiums (including required premiums and the amount of any premiums reasonably determined by any Borrower being in its best economic interest and as necessary to accomplish such Refinancing by means of a tender offer or privately negotiated repurchase), fees, accrued interest and reasonable expenses and other obligations incurred in connection therewith) at the time of refinancing; and (ii) such Debt is incurred either by any Borrower or by such Subsidiary that is the obligor of the Debt being Refinanced. "Permitted Refinancing Debt" means any Debt (other than Debt referred to clause

(gg) above) of any Borrower or any of its Subsidiaries issued to Refinance other Debt of the Borrower or any such Subsidiaries. "Refinance" means, in respect of any Debt (other than Debt referred to clause (gg) above), to refinance, extend, renew, refund, repay, prepay, replace, acquire, redeem, defease or retire, or to issue other Debt in exchange or replacement, directly or indirectly for, such Debt in whole or in part.

(ii) Liens extending, renewing or replacing any of the foregoing Liens (other than Liens referred to in clause (gg) above), provided that the principal amount of the Debt or other obligation secured by such Lien is not increased or the maturity thereof shortened and such Lien is not extended to cover any additional Debt, obligations or property, other than like obligations of no greater principal amount and the substitution of like property (or specific categories of property of the same grantor to the extent the terms of the Lien being extended, renewed or replaced, extended to or covered such categories of property) of no greater value.

ANNEX B

SCHEDULE XI

RATING CATEGORIES

Pricing: Pricing is based upon the lower rating from S&P and Moody's, with respect to TWC's senior unsecured long-term debt. The pricing grid is as follows:

EURODOLLAR RATE ADVANCES

RATING CATEGORY OF THE BORROWER	S&P OR MOODY'S RATINGS OF THE SENIOR UNSECURED LONG-TERM DEBT OF THE BORROWER	APPLICABLE MARGIN		APPLICABLE COMMITMENT FEE RATE
		< or = to 25% OF COMMITMENTS DRAWN	>25% OF COMMITMENTS DRAWN	
One	BB+ or Ba1 or higher	3.00%	3.25%	.75%
Two	BB or Ba2	3.50%	3.75%	.875%
Three	BB- or Ba3	4.00%	4.25%	1.00%
Four	B+ or B1	4.25%	4.50%	1.25%
Five	B or B2 or lower	4.50%	4.75%	1.50%

BASE RATE ADVANCES

RATING CATEGORY OF THE BORROWER	S&P OR MOODY'S RATINGS OF THE SENIOR UNSECURED LONG-TERM DEBT OF THE BORROWER	APPLICABLE MARGIN		APPLICABLE COMMITMENT FEE RATE
		< or = to 25% OF COMMITMENTS DRAWN	>25% OF COMMITMENTS DRAWN	
One	BB+ or Ba1 or higher	1.75%	2.00%	.75%
Two	BB or Ba2	2.25%	2.50%	.875%
Three	BB- or Ba3	2.75%	3.00%	1.00%
Four	B+ or B1	3.00%	3.25%	1.25%
Five	B or B2 or lower	3.25%	3.50%	1.50%

ANNEX C

SCHEDULE XII

PROGENY FACILITIES

$200,000,000 Parent Support Agreement dated as of December 23, 1998, made by The Williams Companies, Inc. in favor of Castle Associates L.P. and Colchester LLC and the other Indemnified Persons listed therein, as amended.

Amended and Restated Guarantee dated as of July 25, 2000, issued by The Williams Companies, Inc. for the benefit of The Commonwealth Plan, Inc. and CBL Capital Corporation, as amended. WFS-Pipeline Company, as lessee and Commonwealth, as lessor entered into a Lease Agreement dated as of December 29, 1995. WFS-Offshore Gathering Company, as lessee, and CBL, as lessor, entered into a Lease Agreement dated December 29, 1995, as amended and restated.

$400,000,000 Term Loan Agreement dated as of April 7, 2000, among The Williams Companies, Inc., as Borrower, and Credit Lyonnais New York Branch, as Administrative Agent, and the Lenders named therein, as amended.

$192,570,931 aggregate Second Amended and Restated Participation Agreements (2 separate leases) dated as of January 28, 2002, among Williams Oil Gathering, L.L.C. and Williams Field Services - Gulf Coast Company, L.P., as Lessees, Williams Field Services Company, as Construction Agent, The Williams Companies, Inc., as Guarantor, First Security Bank, N.A. as Certificate Trustee, Wells Fargo Bank Nevada, N.A., as Collateral Agent, Bank of America, N.A., as Administrative Agent and Administrator, and financial institutions named therein as Certificate Holders, as amended.

$200,000,000 Term Loan Agreement dated as of January 29, 1999, among The Williams Companies, Inc., as Borrower, and The Fuji Bank, Limited, as Administrative Agent, and the Banks named therein, as amended.

The Prairie Wolf Facility.

Letter of Credit and Reimbursement Agreement dated as of May 15, 1994, among Tulsa Parking Authority, The Williams Companies, Inc., Bank of Oklahoma, National Association, and Bank of America, N.A. (formerly Nationsbank of Texas, N.A.), relative to Tulsa Parking Authority First Mortgage Revenue Bonds, as amended.

$127,000,000 Master Agreement dated as of March 6, 2000, among The Williams Companies, Inc., as Guarantor, Williams TravelCenters, Inc., as Lessee, Atlantic Financial Group, Ltd., as Lessor, SunTrust Bank, as Agent, and the Lenders named therein, as amended.

$100,000,000 PPH Sponsor Agreement dated as of December 31, 2001, by The Williams Companies, Inc., as Sponsor, in favor of Piceance Production Holdings LLC, Plowshare Investors LLC, and other Indemnified Persons listed in the agreement, as amended.

Legacy L/C's.

All documents, instruments, agreements, certificates and notices at any time executed and/or delivered in connection with any of the foregoing.

ANNEX D

SCHEDULE XIII

POST-CLOSING ITEMS

1. Consents, Licenses and Approvals. All governmental and third party approvals (including consents) necessary in connection with the continuing operations of the Borrower and its Midstream Subsidiaries and the execution, delivery and performance of the Credit Documents shall have been obtained and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority which would restrain, prevent or otherwise impose adverse conditions on the execution and delivery of the Credit Documents or the financing thereof, including, without limitation, this Agreement. TO BE REQUESTED 10 DAYS AFTER THE DATE OF THIS AGREEMENT.

2. Legal Opinions. The Agent shall have received, with a counterpart for each Issuing Bank, the executed legal opinions of local counsel to the Agents in the States of Colorado, New Mexico and Wyoming, such other states as requested by Agent which such legal opinions shall cover such matters incident to the perfection of the Liens and the other transactions contemplated by the Agreement as the Agent may reasonably require. TO BE DELIVERED 15 DAYS AFTER THE DATE OF THIS AGREEMENT.

3. Actions to Perfect Liens. The Agent shall have received properly completed and executed financing statements (or other similar documents), including, without limitation, duly executed financing statements on form UCC-1, necessary or, in the opinion of the Collateral Agent, desirable to perfect the Liens created by the Security Documents, and the Collateral Agent shall be reasonably satisfied that, other than filing such financing statements and other similar documents and the Mortgages, no other filings, recordings, registrations or other actions are necessary or, in the opinion of the Collateral Agent, desirable to perfect the Liens created by the Security Documents. TO BE COMPLETED 60 DAYS AFTER THE DATE OF THIS AGREEMENT.

4. Surveys. At the request of the Agent, the Agent shall have received boundary line surveys of (i) the property leased by the Borrower and the Midstream Subsidiaries located in the States of Alaska, Arkansas, Colorado, New Mexico, Tennessee, and Wyoming, and such other states as may be designated by the Agent, (ii) the real property owned by Borrower and the Midstream Subsidiaries located in the States of Alaska, Arkansas, Colorado, New Mexico, Tennessee, and Wyoming, and such other states as may be designated by the Agent, other than the Gathering Systems which boundary line surveys shall in each case be (A) dated a date reasonably close to the date of the Agreement (as determined by the Agent), (B) prepared by an independent professional licensed land surveyor reasonably satisfactory to the Agent, (C) prepared in a manner reasonably acceptable to the Agent and (D) shall reflect that the buildings, structures and other improvements necessary for the ownership and operation of the

processing plants purported to be located on the property surveyed do not protrude on any adjoining property nor do any improvements located on land adjacent to the property surveyed encroach upon the property surveyed, which encroachments or protrusions in either case could reasonably be expected to adversely affect the ability of the Borrower or the Midstream Subsidiaries to own, maintain, operate or sell the property surveyed and/or the improvements located thereon. The Agent shall have received a certificate of an authorized officer of the Borrower certifying said boundary line surveys are true and correct as of the date of the Agreement. TO BE COMPLETED 60 DAYS AFTER REQUEST BY THE AGENT.

5. Flood Insurance. If requested by the Agent, the Agent shall have received a policy of flood insurance in form and substance satisfactory to the Agent. TO BE COMPLETED 60 DAYS AFTER THE DATE OF THIS AGREEMENT.

6. Copies of Documents. If requested by the Agent, the Agent shall have received a copy, certified by such parties as the Agent may deem appropriate, of any document burdening the property covered by any Mortgage. TO BE COMPLETED 30 DAYS AFTER THE DATE OF THIS AGREEMENT.

7. Lien Searches. The Agent shall have received the results of recent lien searches by Persons reasonably satisfactory to the Agent, in each of the jurisdictions and offices where assets of the Borrower or any of the Midstream Subsidiaries are located or recorded, and such searches shall reveal no Liens on any assets of the Borrower or any such Subsidiary, except for (i) Liens permitted by the Agreement and (ii) Liens to be released or assigned to the Agent, for the ratable benefit of the Banks, on the date of the Agreement in connection with the execution, delivery and performance of the Credit Documents. TO BE COMPLETED 30 DAYS AFTER THE DATE OF THIS AGREEMENT.

8. Insurance. The Agent shall have received (i) copies of, or an insurance broker's or agent's certificate as to coverage under, the insurance policies required by the Agreement and the applicable provisions of the Security Documents, each of which policies shall be endorsed or otherwise amended to include a "standard" or "New York" lender's loss payable endorsement and to name the Agent as additional insured, in form and substance satisfactory to the Collateral Agent and (ii) confirmation from such insurance broker that the scope and amount of coverage maintained by the Borrower and its Subsidiaries are comparable to the scope and amount of the insurance maintained by other companies of similar size in the same industry and general location. TO BE COMPLETED 30 DAYS AFTER THE DATE OF THIS AGREEMENT.

9. Solvency. If requested by the Agent, the Agent shall have received (i) a satisfactory solvency opinion from an independent valuation firm satisfactory to the Issuing Banks which shall document the solvency of the Borrower and its Subsidiaries, on a consolidated basis, after giving effect to the execution, delivery and performance of the Credit Documents, the other transactions contemplated thereby and the extensions of credit contemplated hereby and (ii) a certificate from the chief financial officer of the

Borrower (in his capacity as chief financial officer) as to the solvency of each of the Borrower and its Subsidiaries, on a consolidated basis, after giving effect to the execution, delivery and performance of the Credit Documents, the other transactions contemplated hereby and the extensions of credit contemplated hereunder. TO BE COMPLETED 60 DAYS AFTER THE DATE OF THIS AGREEMENT.

10. Environmental Reports. If requested by the Agent, the Agent shall have received environmental assessment reports from E.vironment, Inc. with respect to processing, refining and other facilities and other parcels of real property owned or leased by the Borrower and the Midstream Subsidiaries, and the Issuing Banks shall be reasonably satisfied with the potential environmental liabilities to which the Borrower and its Subsidiaries may be subject based on such reports. TO BE COMPLETED 60 DAYS AFTER THE DATE OF THIS AGREEMENT.

11. Title Vested in Borrower. The Agent and the Issuing Banks shall be reasonably satisfied that all filings and other actions required to be taken or made in order to vest title to all of the Properties of the Borrower and the Midstream Subsidiaries shall have been taken or made and are in full force and effect. TO BE COMPLETED 60 DAYS AFTER THE DATE OF THIS AGREEMENT.

12. Mortgages. The Collateral Agent shall receive, on or before August 9, 2002, evidence of the completion of all recordings and filings of each initial "Mortgage" (as defined in the L/C Agreement)(which "initial" Mortgages consist of Mortgages filed in Colorado, Wyoming and New Mexico) as may be necessary, in the opinion of the Collateral Agent, to perfect the Liens in favor of the Collateral Agent created by such Mortgages. Thereafter, the Collateral Agent shall receive, within fifteen Business Days of the delivery of any additional Mortgage to the Borrower, evidence of such recordings and filings as may be necessary, in the opinion of the Collateral Agent, to perfect the Liens in favor of the Collateral Agent created by such additional Mortgage. Upon the request of Collateral Agent, the Borrower shall provide all assistance as may be necessary in connection with the preparation of the Mortgages.

13. Consents to the Pledging of Excluded Equity Interest. TWC shall use its best efforts to obtain all third party consents necessary to pledge the Excluded Equity Interests in (other than the Equity Interest in Williams Mobile Bay Producer Services, L.L.C. and the Equity Interest of Williams Energy Partners L.P. held by Williams GP LLC) pursuant to the Pledge Agreement. TO BE REQUESTED 30 DAYS AFTER THE DATE OF THIS AGREEMENT AND TO BE PURSUED DILIGENTLY THEREAFTER

14. Additional Matters. All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by this Agreement and the other Credit Documents shall be satisfactory in form and substance to the Administrative Agent, and the Administrative Agent shall have received such other documents and legal opinions in respect of any aspect or consequence of the transactions contemplated hereby or thereby as it shall reasonably request.

ANNEX E

SCHEDULE XIV

MIDSTREAM SUBSIDIARIES

Delaware
- --------
Williams Energy Services, L.L.C.
Williams Natural Gas Liquids, Inc.
Williams Midstream Natural Gas Liquids, Inc.
Williams Express, Inc. (a Delaware corporation)
Williams Field Services Group, Inc.
Williams Alaska Pipeline Company, L.L.C.
Williams Bio-Energy, L.L.C.
Williams Merchant Services Company, Inc.
Mapco, Inc.
WFS Enterprises, Inc.
WFS-Liquids Company
Williams Field Services Company
Williams Gas Processing Company
Williams Gas Processing - Wamsutter Company
North Padre Island Spindown, Inc.
Williams Ethanol Services, Inc.
Williams Energy Marketing & Trading Company
Worthington Generation, L.L.C.
Memphis Generation, L.L.C.
Gas Supply, L.L.C.
Williams Generation Company - Hazelton
Juarez Pipeline Company
MAPL Investments, Inc.
Williams Refining & Marketing, L.L.C.
Williams Memphis Terminal, Inc.
Williams Mid-South Pipelines, L.L.C.
Williams Olefins, L.L.C.
Williams Olefins Feedstock Pipelines, L.L.C.
Williams Generating Memphis, LLC
Williams Field Services-Gulf Coast Company, L.P.
Williams Gas Pipeline Company, L.L.C.
Williams Petroleum Pipeline Systems, Inc.
WFS - NGL Pipeline Company Inc.
WFS - Offshore Gathering Company
Baton Rouge Fractionators, L.L.C.
Tri-States NGL Pipeline, L.L.C.
WILPRISE Pipeline Company, L.L.C.

Alaska
- ------
Williams Express, Inc. (an Alaska corporation)
Williams Alaska Petroleum, Inc.
Williams Alaska Air Cargo Properties, L.L.C.
Williams Lynxs Alaska CargoPort, L.L.C.

Texas
- -----
Black Marlin Pipeline Company
Rio Grande Pipeline Company

Kansas
- ------
Nebraska Energy, L.L.C

EXHIBIT A

Please see attached.

EXHIBIT 10.13

[EXECUTION COPY]

U.S. $400,000,000

CREDIT AGREEMENT

Dated as of July 31, 2002

among

THE WILLIAMS COMPANIES, INC.

as Borrower

CITICORP USA, INC.

as Agent and Collateral Agent

BANK OF AMERICA N.A.

as Syndication Agent

CITIBANK, N.A.
BANK OF AMERICA N.A.

as Issuing Banks

THE BANKS NAMED HEREIN

as Banks

Arranger:

SALOMON SMITH BARNEY INC.

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CREDIT AGREEMENT

This Credit Agreement, dated as of July 31, 2002 (as may be amended, modified, supplemented, renewed, extended or restated from time to time, this "Agreement"), is by and among The Williams Companies, Inc. and its Subsidiaries named herein and parties hereto, the various lenders as are or may become parties hereto; the Issuing Bank, and Citicorp USA, Inc., as Agent and Collateral Agent. In consideration of the mutual covenants and agreements contained herein, the Borrower, the Agent and the Banks hereby agree as set forth herein.

PRELIMINARY STATEMENTS

WHEREAS, the Borrower may from time to time request that an Issuing Bank issue Letters of Credit pursuant to the terms and conditions and in the amounts set forth herein.

WHEREAS, each Issuing Bank is willing, on the terms and subject to the conditions hereinafter set forth (including Article III), to issue Letters of Credit and each Bank is willing to hold a participation interest in such Letters of Credit on the terms and subject to the conditions hereinafter set forth (including Article III).

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.1. Certain Defined Terms. As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"Acceptable Security Interest" in any property shall mean a Lien granted pursuant to a Credit Document (a) which exists in favor of either (i) the Collateral Trustee for the benefit of itself and other parties, as more fully described in the Collateral Trust Agreement or (ii) the Collateral Agent for the benefit of itself, the Agent, the Issuing Bank and the Banks, (b) which is superior to all other Liens, except Permitted Liens, (c) which secures (i) the "Secured Obligations" as defined in the Security Agreement and/or (ii) the Obligations, and (d) which is perfected and is enforceable by either (i) the Collateral Trustee for the benefit of itself and other parties, as more fully described in the Collateral Trust Agreement or (ii) the Collateral Agent, for the benefit of itself, the Agent, the Issuing Bank and the Banks, against all other Persons in preference to any rights of any such other Person therein; provided that such Lien may be subject to the Agreed Exceptions.

"Additional Mortgage" has the meaning specified in Section 5.1(f).

"Agent" means Citicorp USA, Inc. in its capacity as agent pursuant to Article VIII hereof and any successor Agent pursuant to Section 8.7.

"Agreed Exceptions" means exceptions to title to be set forth in the Mortgage that are customary in similar mortgages, do not materially detract from the value of the assets covered thereby, do not secure Debt and arise in the ordinary course of business.

"Agreement" has the meaning specified in the first paragraph of this Agreement.

"American Soda" means American Soda, L.L.P., a Colorado limited liability partnership.

"Applicable Issued LC Margin" means, for purposes of Section 2.1(b)(ii), the rate per annum set forth in Schedule V under the heading "Applicable Issued LC Margin" for the relevant Rating Category applicable to the Borrower from time to time, and the Applicable Issued LC Margin for purposes of Section 2.1(b)(ii) shall change when and as the relevant applicable Rating Category changes, provided that for each day on which the aggregate stated amount of the Letters of Credit issued and outstanding hereunder is equal to or greater than 25% of the aggregate amount of the total Letter of Credit Commitments hereunder, the Applicable Issued LC Margin for the Borrower shall be increased by 0.250% for such day.

"Applicable LC Commitment Margin" means, for purposes of Section 2.1(b)(ii), the rate per annum set forth in Schedule V under the heading "Applicable LC Commitment Margin" for the relevant Rating Category applicable to the Borrower from time to time, and the Applicable LC Commitment Margin for purposes of Section 2.1(b)(ii) shall change when and as the relevant applicable Rating Category changes.

"Arranger" means Salomon Smith Barney Inc.

"Asset" or "property" (in each case, whether or not capitalized) means any right, title or interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible.

"Attributable Obligation" of any Person means, with respect to any Sale and Lease-Back Transaction of such Person as of any particular time, the present value at such time discounted at the rate of interest implicit in the terms of the lease of the obligations of the lessee under such lease for net rental payments during the remaining term of the lease (including any period for which such lease has been extended or may, at the option of such Person, be extended).

"Banks" means the lenders listed on the signature pages hereof and each other Person that becomes a Bank pursuant to the last sentence of Section 8.6(a).

"Barrett Loan" means that loans made pursuant to the Barrett Loan Agreement.

"Barrett Loan Agreement" means the Credit Agreement, dated as of July 31, 2002, among TWC, Williams Production Holdings LLC ("RMT LLC"), Williams Production RMT Company ("RMT"), the Lenders party thereto from time to time, Lehman Brothers Inc., as Arranger, and Lehman Commercial Paper Inc., as Syndication Agent and as Administrative Agent.

"Base Rate" means a fluctuating interest rate per annum as shall be in effect from time to time which rate per annum shall at all times be equal to the highest of:

(a) the rate of interest announced publicly by Citibank in New York, New York, from time to time, as Citibank's base rate;

(b) the sum (adjusted to the nearest 1/4 of 1% or, if there is no nearest 1/4 of 1%, to the next higher 1/4 of 1%) of (i) 1/2 of 1 percent per annum plus (ii) the rate obtained by dividing (A) the latest three-week moving average of secondary market morning offering rates in the United States for three-month certificates of deposit of major United States money market banks, such three-week moving average (adjusted to the basis of a year of 360 days) being determined weekly on each Monday (or, if such day is not a Business Day, on the next succeeding Business Day) for the three week period ending on the previous Friday by Citibank on the basis of such rates reported by certificate of deposit dealers to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations for such rates received by Citibank from three New York certificate of deposit dealers of recognized standing selected by Citibank, by (B) a percentage equal to 100% minus the average of the daily percentages specified during such three week period by the Federal Reserve Board for determining the maximum reserve requirement (including, but not limited to, any emergency, supplemental or other marginal reserve requirement) for Citibank with respect to liabilities consisting of or including (among other liabilities) three-month Dollar non-personal time deposits in the United States, plus (iii) the average during such three-week period of the annual assessment rates estimated by Citibank for determining the then current annual assessment payable by Citibank to the Federal Deposit Insurance Corporation (or any successor) for insuring Dollar deposits of Citibank in the United States; and

(c) the sum of 1/2 of one percent per annum plus the Federal Funds Rate in effect from time to time.

"Borrower" means TWC.

"Business Day" means a day of the year on which banks are not required or authorized to close in New York City.

"Business Entity" means a partnership, limited partnership, limited liability partnership, corporation (including a business trust), limited liability company, unlimited liability company, joint stock company, trust, unincorporated association, joint venture or other entity.

"Capital Lease" means a lease that in accordance with generally acceptable accounting principles must be reflected on a company's balance sheet as an asset and corresponding liability.

"Cash Collateralize" means, with respect to a Letter of Credit, the deposit of immediately available funds into the LC Cash Collateral Account in an amount equal to the stated amount of, and all Letter of Credit fees related to, such Letter of Credit.

"Cash Flow" means, for any period, the Consolidated cash flow from operations of the Borrower and its Subsidiaries for such period determined in accordance with generally accepted accounting principles; provided that in determining such Consolidated cash flow from operations, there shall be excluded therefrom (to the extent otherwise included therein) (a) any positive cash flow from operations of any Person (including Project Financing Subsidiaries) subject to any restriction prohibiting the distribution of cash to the Borrower or any of its Subsidiaries, except and then only to the extent of the amount thereof that the Borrower or any of its Subsidiaries actually receives or has the right to receive (within the limits of such restrictions) during such period, (b) proceeds resulting from the sale, transfer or other disposition of any property by the Borrower or its Subsidiaries (other than sales, transfers and other dispositions in the ordinary course of business), (c) all other extraordinary items, (d) any item constituting the cumulative effect of a change in accounting principles, prior to applicable income taxes, (e) repayment of the WCG Synthetic Lease and (f) for the third Fiscal Quarter of 2002 only, margin and capital or adequate assurances relating to its refining and marketing and EMT.

"Cash Equivalents" means any of the following, to the extent owned by the Borrower or any of its Subsidiaries free and clear of all Liens other than Liens created under the Collateral Documents and having a maturity of not greater than 270 days from the date of acquisition thereof: (a) readily marketable direct obligations of the Government of the United States or any agency or instrumentality thereof or obligations unconditionally guaranteed by the full faith and credit of the Government of the United States, (b) insured certificates of deposit of or time deposits with any commercial bank that is a Lender Party or a member of the Federal Reserve System, issues (or the parent of which issues) commercial paper rated as described in clause (c) below, is organized under the laws of the United States or any State thereof and has combined capital and surplus of at least $1 billion or (c) commercial paper in an aggregate amount of no more than $500,000,000, per issuer outstanding at any time, issued by any corporation organized under the laws of any State of the United States and rated at least "Prime-1" (or the then equivalent grade) by Moody's Investors Service, Inc. or "A-1" (or the then equivalent grade) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc.

"Citibank" means Citibank, N.A.

"Citicorp" means Citicorp USA, Inc.

"Code" means, as appropriate, the Internal Revenue Code of 1986, as amended, or any successor federal tax code, and any reference to any statutory provision shall be deemed to be a reference to any successor provision or provisions.

"Collateral" means all personal and real property comprising the Midstream Assets of the Borrower, each Guarantor and each of the Midstream Subsidiaries whether now owned or hereafter acquired; provided that no real or personal property of RMT LLC or WGPC shall be included as "Collateral".

"Collateral Account" means a deposit account of the Borrower (i) with a commercial banking institution that is a member of the Federal Reserve System, has its short-term deposits rated A- or higher by Moody's or Standard & Poor's and has a combined capital, surplus and undivided profits of not less than $1,000,000,000, (ii) over which the Borrower has no control, (iii) in which an Acceptable Security Interest exists, (iv) as to which (if not held with the Collateral Agent) Borrower has complied with Sections 3.1 and 3.6 of the Security Agreement, and (v) deposits in which, if invested, may be invested only in those investments permitted under Section 5.2(g).

"Collateral Agent" means Citicorp in its capacity as Collateral Agent pursuant to Article VIII and any successor in such capacity pursuant to Section 8.14.

"Collateral Trust Agreement" means the Collateral Trust Agreement dated as of July 31, 2002 by and among the Company, several of its Subsidiaries and Citibank N.A., as Collateral Trustee, which Collateral Trust Agreement provides for certain collateral to be held by such Collateral Trustee for the benefit of the lenders, issuing banks and agents under this Agreement, the lenders, issuing banks and agents under the Multiyear Williams Credit Agreement and the holders of certain public debt of TWC.

"Collateral Trustee" means Citibank, N.A., in its capacity as Collateral Trustee under the terms of the Collateral Trust Agreement and its successors or assigns appointed pursuant to Article 5 of the Collateral Trust Agreement.

"Consolidated" refers to the consolidation of the accounts of any Person and its consolidated subsidiaries in accordance with generally accepted accounting principles.

"Consolidated Net Worth" of any Person means the Net Worth of such Person and its Subsidiaries on a Consolidated basis plus, in the case of the Borrower, the Designated Minority Interests to the extent not otherwise included; provided that in no event shall the value ascribed to Designated Minority Interests for the Subsidiaries of the Borrower described in clauses (i) through (v), (vii) and (viii) of the definition of "Designated Minority Interests" below exceed $136,892,000 in the aggregate for the purposes of this definition. As used in this definition, "Designated Minority Interests" means, as of any date of determination, the total value, determined in accordance with generally accepted accounting principles, of the minority interests of Persons other than the Borrower and Subsidiaries of the Borrower in the following Subsidiaries of the Borrower: (i) El Furrial, (ii) PIGAP II, (iii) Nebraska Energy, (iv) Seminole, (v) American Soda, (vi) the Midstream Asset MLP, (vii) Apco Argentina, Inc. and (viii) other Subsidiaries with a value not to exceed in the aggregate $9,000,000 for such other Subsidiaries not referred to in items (i) through (vii); provided that minority interests which provide for a stated preferred cumulative return shall not be included in "Designated Minority Interests".

"Consolidated Tangible Net Worth" of any Person means the Tangible Net Worth of such Person and its Subsidiaries on a Consolidated basis.

"Credit Documents" means this Agreement, the Security Documents, the Letter of Credit Documents, each Letter of Credit, all documents, instruments, agreements, certificates and notices at any time executed and/or delivered to the Agent, the Collateral Trustee, any Issuing Bank, or any Bank in connection therewith.

"Debt" means, in the case of any Person, the principal or equivalent amount of (i) indebtedness of such Person for borrowed money, (ii) obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (iii) obligations of such Person to pay the deferred purchase price of property or services (other than trade payables not overdue by more than 60 days incurred in the ordinary course of business), (iv) obligations of such Person as lessee under leases that are, in accordance with generally accepted accounting principles, recorded as capital leases, (v) payments necessary to exercise a purchase option with respect to the property used by such Person and encumbered by a Synthetic Lease with such Person as lessee, excluding any portion of such amount representing accrued interest, transfer taxes or other ancillary items, (vi) obligations of such Person under any Financing Transaction, (vii) indebtedness incurred after the date of this Agreement of the Subsidiaries of such Person, and indebtedness incurred after the date of this Agreement of any other entity that has been created or utilized, directly or indirectly, for financing purposes of such Person or any of its Subsidiaries, (viii) obligations of such Person under guaranties in respect of, and obligations (contingent or otherwise) to purchase or otherwise acquire, or otherwise to assure a creditor against loss in respect of indebtedness or obligations of others of the kinds referred to in clauses (i) through (vii) of this definition, (ix) indebtedness or obligations of others of the kinds referred to in clauses (i) through (viii) of this definition secured by any Lien on or in respect of any property of such Person and (x) any Attributable Obligations of such Person; provided, however, that Debt shall not include (w) any obligations of the Borrower in respect of the FELINE PACS; (x) [Intentionally Omitted]; (y) Non-Recourse Debt; (z) Performance Guaranties, (aa) monetary obligations or guaranties of monetary obligations of Persons as lessee under leases (other than, to the extent provided herein above, Synthetic Leases) that are, in accordance with generally accepted accounting principles, recorded as operating leases and (bb) guarantees by such Person of obligations of others which are not obligations described in clauses (i) through (x) of this definition, and provided further that where any such indebtedness or obligation of such Person is made jointly, or jointly and severally, with any third party or parties other than any Subsidiary of such Person, the amount thereof for the purpose of this definition only shall be the pro rata portion thereof payable by such Person, so long as such third party or parties have not defaulted on its or their joint and several portions thereof and can reasonably be expected to perform its or their obligations thereunder. For the avoidance of doubt, "Debt" shall include, without duplication, the principal amount of the obligations of the Borrower hereunder in respect of the Letters of Credit that have been drawn upon by the beneficiaries to the extent of the amount drawn.

"Default" means any event or condition that, upon the giving of notice or passage of time or both, if required by Section 6.1, would constitute an Event of Default.

"Designated Midstream Subsidiaries" means Nebraska Energy; Rio Grande Pipeline Company; Baton Rouge Fractionators, L.L.C.; Williams Lynxs Alaska CargoPort, L.L.C.; Tri-States NGL Pipeline, L.L.C; WILPRISE Pipeline Company, L.L.C.; Williams Energy Partners L. P.; Williams Alaska Air Cargo Properties, L.L.C.; Williams Mobile Bay Producer Services, L.L.C.; and Williams GP LLC.

"Designating Bank" has the meaning specified in Section 8.6(g).

"Dollars" and "$" means lawful money of the United States of America.

"EDGAR" means "Electronic Data Gathering, Analysis and Retrieval" system, a database maintained by the Securities and Exchange Commission containing electronic filings of issuers of certain securities.

"El Furrial" means WilPro Energy Services (El Furrial) Limited, a Cayman Islands corporation.

"Eligible Assignee" means (i) any Bank, (ii) any affiliate of any Bank, (iii) in the case of an assignment during the continuance of an Event of Default, any fund that invests in bank loans, and (iv) any other Person not covered by clause (i), (ii) or (iii) of this definition that is consented to by the Borrower, the Agent and the Issuing Bank (which consents shall not be unreasonably withheld); provided that if any Default or Event of Default has occurred and is continuing, no consent of the Borrower shall be required; provided further that the Borrower nor any affiliate of the Borrower shall be an Eligible Assignee.

"EMT" means Williams Energy Marketing & Trading Company.

"Environment" shall have the meaning set forth in 42 U.S.C. 9601(8) or any successor statute and "Environmental" shall mean pertaining or relating to the Environment.

"Environmental Permits" mean any and all material permits, licenses, registrations, notifications, exemptions and any other authorization required under any Environmental Protection Statutes.

"Environmental Protection Statute" shall mean any United States local, state or federal, or any foreign, law, statute, regulation, order, consent decree or other agreement or Governmental Requirement arising from or in connection with or relating to the protection or regulation of the Environment, including those laws, statutes, regulations, orders, decrees, agreements and other Governmental Requirements relating to the disposal, cleanup, production, storing, refining, handling, transferring, processing or transporting of Hazardous Waste, Hazardous Substances or any pollutant or contaminant, wherever located.

"Equity Interests" means any capital stock, partnership, joint venture, member or limited liability or unlimited liability company interest, beneficial interest in a trust or similar entity or other equity interest or investment of whatever nature.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) which is a member of a group of which the Borrower is a member and which is under common control within the meaning of Section 414 of the Code and the regulations promulgated thereunder.

"Eurocurrency Liabilities" has the meaning assigned to that term in Regulation D of the Federal Reserve Board, as in effect from time to time.

"Events of Default" has the meaning specified in Section 6.1.

"Excluded Collateral" means (i) all personal and real property owned by RMT LLC, WGPC and the Designated Midstream Subsidiaries and (ii) the Excluded Equity Interest.

"Excluded Equity Interests" means the Equity Interests in each of the Designated Midstream Subsidiaries (other than (i) Williams GP LLC and (ii) the Equity Interest of Williams Energy Partners L.P. held by Williams Energy Services, L.L.C. and Williams Natural Gas Liquids, Inc.); provided, however, as to each Designated Midstream Subsidiary, at such time as the Company obtains the consents provided for in Paragraph 13 of Schedule XII the Equity Interest of such Designated Midstream Subsidiary shall cease to be an "Excluded Equity Interest".

"Federal Funds Rate" means, for any day, a fluctuating interest rate per annum equal for such day to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Agent from three federal funds brokers of recognized standing selected by it.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System, or any federal agency or authority of the United States from time to time succeeding to its function.

"FELINE PACS" means those certain units, as described in the Borrower's prospectus supplement dated January 7, 2002, issued by the Borrower in January, 2002 in an aggregate face amount of $1,100,000,000.

"Financing Transaction" means, with respect to any Person, any individual or group of related Persons (i) prepaid forward sales of oil, gas, minerals or other assets by such Person, (ii) interest rate, currency, commodity or other swaps, collars, caps, options or other derivatives or (iii) sales or transfers of assets, the primary effect of which or an important purpose of which is to receive money or credit in advance coupled with an obligation to repay or perform in the future to effect repayment thereof, including any contract monetization or production payment. Notwithstanding the foregoing, the

following transactions, if entered into in the ordinary course of business by the Borrower or any of its affiliates and otherwise permitted hereunder, shall be deemed not to be Financing Transactions: (a) sales or exchanges of property fully delivered within 90 days of receipt of the first payment by a counterparty therefor, (b) interest rate, currency, commodity or other swaps, collars, caps, options or other derivatives (including prepayment of forward sales of property by a counterparty of the Borrower or any of its affiliates to hedge against the credit risk of such counterparty, provided that the forward delivery obligation with respect to the property sold must be fully performed within 120 days), and (c) "riskless" forward sales or exchanges of property whereby a third party guarantees the performance obligations of the Borrower or any of its affiliates to deliver such property without subrogation or other recourse against the Borrower or any of its affiliates by any party to the transaction. The term "contract monetization" as used in this definition means the acceleration of cash flows a contract party expects to receive from such contract pursuant to which the contract party retains a significant ongoing obligation to perform, but shall in any event exclude transactions commonly referred to as securitizations. The term "production payment" as used in this definition means a limited-term non-cost bearing right to receive produced hydrocarbons or the proceeds therefrom satisfiable in cash or in kind up to an aggregate defined amount of cash and/or hydrocarbons.

"Fiscal Quarter" means any quarter of a Fiscal Year.

"Fiscal Year" means any period of twelve consecutive calendar months ending on December 31; references to a Fiscal Year with a number corresponding to any calendar year (e.g., the "2002 Fiscal Year") refer to the Fiscal Year ending on December 31 of such calendar year.

"Fitch" means Fitch, Inc.

"Governmental Authority" means the government of the United States, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other Person exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Governmental Requirements" means all judgments, orders, writs, injunctions, decrees, awards, laws, ordinances, statutes, regulations, rules, franchises, permits, certificates, licenses, authorizations and the like and any other requirements of any government or any commission, board, court, agency, instrumentality or political subdivision thereof.

"Guaranties" means, collectively, the LLC Guaranty, the Midstream Guaranty and the Holdings Guaranty.

"Guarantor" and "Guarantors" means, individually and collectively, as applicable, RMT LLC, WGPC, EMT and each of the Midstream Subsidiaries.

"Hazardous Substance" shall have the meaning set forth in 42 U.S.C. Section 9601(14) and shall also include each other substance considered to be a hazardous substance under any Environmental Protection Statute.

"Hazardous Waste" shall have the meaning set forth in 42 U.S.C. Section 6903(5) and shall also include each other substance considered to be a hazardous waste under any Environmental Protection Statute (including 40 C.F.R. Section 261.3).

"Hedge Agreements" means interest rate swap, cap or collar agreements, interest rate future or option contracts, currency swap agreements, currency future or option contracts and other hedging obligations.

"Holdings Guaranty" means a Guaranty executed by RMT LLC in substantially the form of Exhibit J, as amended, supplemented or modified from time to time.

"Hydrocarbons" means oil, gas, casinghead gas, condensate, distillate, and liquid hydrocarbons.

"Indemnified Parties" shall have the meaning set forth in Section 8.4(c).

"Insufficiency" means, with respect to any Plan, the amount, if any, by which the present value of the vested benefits under such Plan exceeds the fair market value of the assets of such Plan allocable to such benefits.

"Interest Expense" means, for any period, the gross interest expense (determined in accordance with generally accepted accounting principles) of the Borrower and its Consolidated Subsidiaries accrued for such period, including that attributable to the capitalized amount of obligations owing under Capital Leases, all debt discount amortized in such period and all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, net of interest income (determined in accordance with generally accepted accounting principles) of the Borrower and its Consolidated Subsidiaries, but excluding such interest expense, debt discount, commissions, discounts and other fees and charges and interest income to the extent attributable to the Non-Recourse Debt of Project Financing Subsidiaries.

"Issuing Banks" means Citibank, N.A. and Bank of America N.A. in their capacity as issuers of Letters of Credit.

"Investment" in any Person means any loan or advance to such Person, any purchase or other acquisition of any Equity Interests or Debt or the assets comprising a division or business unit or a substantial part or all of the business of such Person, any capital contribution to such Person or any other direct or indirect investment in such Person, including, without limitation, any acquisition by way of a merger or consolidation and any arrangement pursuant to which the investor incurs Debt of the types referred to in clause (viii) or (ix) of the definition of "Debt" in respect of such Person.

"LC Cash Collateral Accounts" has the meaning assigned to such term in Section 6.2.

"LC Participation Percentage" of any Bank means, at any time, the amount set opposite such Bank's name on Schedule IV or as reflected for such Bank in the relevant Transfer Agreement to which it is a party, as such amount may be terminated, reduced or increased pursuant to Section 9.6(a).

"Lending Office" means, with respect to any Bank, the office of such Bank specified as its "Lending Office" opposite its name on Schedule I hereto or in the relevant Transfer Agreement delivered pursuant to Section 8.6(a), or such other office of such Bank as such Bank may from time to time specify to the Borrower and the Agent.

"Letter of Credit" has the meaning assigned to such term in Section 2.10.

"Letter of Credit Commitment" of any Issuing Bank means, at any time, the amount set opposite such Bank's name on Schedule IV or as reflected for such Bank in the relevant Transfer Agreement to which it is a party, as such amount may be terminated, reduced or increased pursuant to Section 2.2, Section 2.8, Section 6.1 or Section 9.6(a).

"Letter of Credit Documents" means, with respect to any Letter of Credit, collectively, any application therefor and any other agreements, instruments, guarantees or other documents (whether general in application or applicable only to such Letter of Credit) governing or providing for (a) the rights and obligations of the parties concerned or at risk with respect to such Letter of Credit or (b) any collateral security for any of such obligations, each as the same may be modified and supplemented and in effect from time to time.

"Letter of Credit Interest" means, for each Bank, (i) such Bank's participation interest in Letters of Credit (and, in the case of an Issuing Bank, such Issuing Bank's retained interest in Letters of Credit issued by it), and (ii) such Bank's rights and interests in Reimbursement Obligations and fees, interest and other amounts payable in connection with Letters of Credit and Reimbursement Obligations.

"Letter of Credit Liability" means at any time and in respect of any Letter of Credit, the sum (without duplication) of (a) the maximum possible undrawn amount of such Letter of Credit at such time (after giving effect to any step up provision or other mechanism for increase, if any, and assuming that all conditions to drawing have been satisfied) plus (b) the aggregate unpaid amount of all drawings under such Letter of Credit that are unpaid at such time. For purposes of this Agreement, a Bank shall be deemed to hold a Letter of Credit Liability in an amount equal to its LC Participation Percentage in the related Letter of Credit under Section 2.10.

"Lien" means any mortgage, lien, pledge, charge, deed of trust, security interest, encumbrance or other analogous type of preferential arrangement to secure or provide for the payment of any Debt, trade payable, obligation or other liability of any Person, whether arising by contract, operation of law or otherwise (including the interest of a

vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement).

"LLC Guaranty" means a Guaranty executed by WGPC in substantially the form of Exhibit G, as amended, supplemented or modified from time to time.

"Major Subsidiary" means any Subsidiary of the Borrower with assets having a book value of $1,000,000,000 or more.

"Majority Banks" means at any time (i) Banks having more than 50% of the Letter of Credit Commitments, or (ii) if the Letter of Credit Commitments have terminated and any Letter of Credit or any Letter of Credit Interest is outstanding, then Banks having more than 50% of the sum of the aggregate unpaid principal amount of the outstanding Letter of Credit Interests (provided that for purposes of this definition and Sections 2.8, 6.1 and 7.1 neither the Borrower nor any Subsidiary or Related Party of the Borrower, if a Bank, shall be included in (i) the Banks owed or holding Letter of Credit Interests or (ii) determining the aggregate amount of the Letter of Credit Interests).

"MAPL" means Mid-America Pipeline Company, LLC, a Delaware limited liability company.

"MAPL Asset Disposition" means the sale, transfer or other distribution of the equity interests in or assets of MAPL.

"Material Subsidiary" means (i) each Major Subsidiary and each other Subsidiary of the Borrower (other than a Project Financing Subsidiary) that itself (on an unconsolidated, stand alone basis) owns in excess of 5% of the book value of the Consolidated assets of the Borrower and its Consolidated Subsidiaries, (ii) each of TGPL, TGT and NWP and (iii) each Subsidiary that owns any direct or indirect interest in TGPL, TGT and NWT.

"Midstream Assets" means all assets now owned or hereafter acquired by the Borrower or any of its Subsidiaries, which are either individually, or in conjunction with other Midstream Assets, necessary for the conduct of the Midstream Business by Borrower and its Subsidiaries, including the Refineries in Alaska and Tennessee, except that "Midstream Assets" shall not include (a) the assets being part of either of the MAPL Asset Disposition or Seminole Asset Disposition unless the MAPL Asset Disposition or Seminole Assets Disposition, as applicable, shall not have occurred on or prior to the date that is 60 days from the date of this Agreement and (b) any assets of Williams GP LLC, Williams Energy Partners L.P. or their Subsidiaries.

"Midstream Asset MLP" means one or more master limited partnerships included in the Consolidated financial statements of the Borrower to which the Borrower has transferred or shall transfer certain assets relating to the Midstream Business as well as certain marine and inland terminals and related pipeline systems, including Williams Energy Partners L.P.

"Midstream Business" means the gathering, marketing, dehydrating, treating, processing, fractionating, refining, storing, selling and transporting of Hydrocarbons and Refined Hydrocarbons, and any business relating thereto.

"Midstream Guaranty" means a Guaranty executed by certain Guarantors in substantially the form of Exhibit H, as amended, supplemented or modified from time to time.

"Midstream Subsidiaries" means each Subsidiary of the Borrower, excluding Williams Mobile Bay Producer Services, L.L.C., Williams GP LLC, Williams Energy Partners L.P. and each of their Subsidiaries, if any, engaged either in whole or in part of the Midstream Business that either (1) owns, leases or has possession of Midstream Assets that have an aggregate fair market value of $1,000,000 or more, or (2) owns, leases or has possession of any Midstream Asset or right that is material to the ownership, leasing or operation of the Midstream Assets taken as a whole.

"Moody's" means Moody's Investors Service, Inc. or its successor.

"Mortgage" means each mortgage, deed of trust or comparable real property Lien document and Security Agreement executed by any Guarantor from time to time, in such form as necessary to grant an Acceptable Security Interest in favor of the Collateral Trustee for the benefit of itself and other parties, as more fully described in the Collateral Trust Agreement.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which the Borrower or any ERISA Affiliate of the Borrower is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means an employee benefit plan as defined in Section 3(2) of ERISA, other than a Multiemployer Plan, subject to Title IV of ERISA to which the Borrower or any ERISA Affiliate of the Borrower, and one or more employers other than the Borrower or an ERISA Affiliate of the Borrower, is making or accruing an obligation to make contributions or, in the event that any such plan has been terminated, to which the Borrower or any ERISA Affiliate of the Borrower made or accrued an obligation to make contributions during any of the five plan years preceding the date of termination of such plan.

"Multiyear Williams Credit Agreement" means that certain Credit Agreement dated as of July 25, 2000 among the Borrower, NWP, TGPL and TGT, as Borrowers; the financial institutions party thereto, as "Banks" thereunder; JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank) and Commerzbank AG, as Co-Syndication Agents; Credit Lyonnais New York Branch, as Documentation Agent; and Citibank, N.A. as Agent (as the same may from time to time be amended, supplemented, restated or otherwise modified).

"Nebraska Energy" means Nebraska Energy, L.L.C., a Kansas limited liability company.

"Net Cash Proceeds" means, with respect to any sale, transfer or other disposition of any asset or the sale or issuance of any equity interests (including, without limitation, any capital contribution) by any Person, the gross cash proceeds received (including any cash received by way of deferred payment pursuant to a promissory note, receivable or otherwise, but only as and when received) by or on behalf of such Person in connection with such transaction net of only (a) reasonable transaction costs, including customary and reasonable brokerage commissions, underwriting fees and discounts, legal fees, fees paid to accountants and financial advisors, finder's fees and other similar fees and commissions, (b) the amount of taxes payable in connection with or as a result of such transaction, (c) the amount of any Debt by the terms of the agreement or instrument governing such Debt (including, without limitation, the Barrett Loan Agreement), that is required to be repaid or cash collateralized in the case of letters of credit, upon such disposition, including any premium, make-whole or breakage amount related thereto, (d) payments of unassumed liabilities relating to the assets sold at the time of, or within 60 days after, the date of such sale, and provided that such gross proceeds shall not include any portion of such gross cash proceeds which the Borrower determines in good faith should be reserved for post-closing adjustments (including indemnification payments, tax expenses and purchase price adjustments, to the extent the Person delivers to the Agent a certificate signed by an Officer of such Person as to such determination), it being understood and agreed that on the day that all such post-closing adjustments have been determined (which shall not be later than 120 days following the date of the respective TWC Asset Disposition; provided, further that such 120-day period shall be extended to the extent any amount of such proceeds is subject to a good faith dispute or claim), the amount (if any) by which the reserved amount in respect of such sale or disposition exceeds the actual post-closing adjustments payable by such Person shall constitute Net Cash Proceeds on such date received by such Person from such sale, lease, transfer or other disposition.

"Net Worth" of any Person means, as of any date of determination, the excess of total assets of such Person plus all non-cash losses resulting from the write-down or disposition of the Trading Book over total liabilities of such Person, total assets and total liabilities each to be determined in accordance with generally accepted accounting principles; provided, however, that for purposes of calculating Net Worth, total liabilities shall not include any obligations of the Borrower in respect of the FELINE PACS.

"Non-Recourse Debt" means (i) any Debt incurred by any Project Financing Subsidiary to finance the acquisition (other than the acquisition from the Borrower or any Subsidiary of the Borrower that is not a Project Financing Subsidiary), improvement, installation, design, engineering, construction, development, completion, maintenance or operation of, or otherwise to pay costs and expenses relating to or providing financing for, a project listed on Schedule VI or any new project commenced or acquired after the date hereof, which Debt does not provide for recourse against the Borrower or any Subsidiary of the Borrower (other than a Project Financing Subsidiary and such recourse as exists under a Performance Guaranty) or any property or asset of the Borrower or any Subsidiary of the Borrower (other than the property or assets of a Project Financing Subsidiary) and (ii) any refinancing of such Debt that does not increase the outstanding principal amount thereof at the time of the refinancing or increase the property subject to

any Lien securing such Debt or otherwise add additional security or support for such Debt.

"Notice of Letter of Credit" has the meaning specified in Section 2.10(a).

"NWP" means Northwest Pipeline Corporation, a Delaware corporation.

"Obligations" means all Letter of Credit Liabilities and all other Debt, advances, debts, liabilities, obligations, indemnities, covenants and duties owing by the Borrower or any Guarantor to any Bank, the Agent, any Issuing Bank, or to any other Person required to be indemnified under any Credit Document, of any kind or nature, present or future, whether or not evidenced by any note, guaranty or other instrument, arising under or in connection with this Agreement or any other Credit Document or any of the transactions evidenced by this Agreement or any other Credit Document, whether or not for the payment of money, whether arising by reason of an extension of credit, loan, guaranty, indemnification or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired. The term "Obligations" includes all interest, charges, expenses, fees, attorneys' fees and disbursements and any other sum chargeable to the Borrower under this Agreement or any other Credit Document.

"PBGC" means the Pension Benefit Guaranty Corporation.

"Performance Guaranty" means any guaranty issued in connection with any Non-Recourse Debt that (i) if secured, is secured only by assets of or Equity Interests in a Project Financing Subsidiary, and (ii) guarantees to the provider of such Non-Recourse Debt or any other Person (a) performance of the improvement, installation, design, engineering, construction, acquisition, development, completion, maintenance or operation of, or otherwise affects any such act in respect of, all or any portion of the project that is financed by such Non-Recourse Debt, (b) completion of the minimum agreed equity contributions to the relevant Project Finance Subsidiary, or (c) performance by a Project Financing Subsidiary of obligations to Persons other than the provider of such Non-Recourse Debt.

"Permitted Liens" means Liens specifically described on Schedule III.

"Person" means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or other Business Entity, or a government or any political subdivision or agency thereof.

"PIGAP II" means WilPro Energy Services (PIGAP II) Limited, a Cayman Islands corporation.

"Plan" means an employee pension benefit plan (other than a Multiemployer Plan) as defined in Section 3(2) of ERISA currently maintained by, or in the event such plan has terminated, to which contributions have been made or an obligation to make such contributions has accrued during any of the five plan years preceding the date of the termination of such plan by, the Borrower or any ERISA Affiliate of the Borrower for

employees of the Borrower or any such ERISA Affiliate and covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code.

"Pledge Agreement" means a Pledge Agreement executed by the Borrower and certain Guarantors in substantially the form of Exhibit I, as amended, supplemented or modified from time to time.

"Progeny Facilities" means the financing facilities specifically described on Schedule XI.

"Project Financing Subsidiaries" means any non-material Subsidiary of the Borrower whose principal purpose is to incur Non-Recourse Debt and/or construct, lease, own or operate the assets financed thereby, or to become a direct or indirect partner, member or other equity participant or owner in a Business Entity so created, and substantially all the assets of which Subsidiary or Business Entity are limited to those assets being financed (or to be financed), or the operation of which is being financed (or to be financed), in whole or in part by Non-Recourse Debt, or to Equity Interests in, or Debt or other obligations of, one or more other such Subsidiaries or Business Entities, or to Debt or other obligations of the Borrower or its Subsidiaries or other Persons. For purposes of this definition, a "non-material Subsidiary" shall mean any Consolidated Subsidiary of the Borrower that is not the Borrower and which, as of the date of the most recent Consolidated balance sheet of the Borrower delivered pursuant to Section 4.1(e) or 5.1, has total assets which account for less than five percent (5%) of the total Consolidated assets of the Borrower and its Consolidated Subsidiaries, as shown on such Consolidated balance sheet; provided, that the aggregate assets of the non-material Subsidiaries shall not comprise more than ten percent (10%) of the total Consolidated assets of the Borrower and its Consolidated Subsidiaries, as shown on such Consolidated balance sheet.

"Public Filings" means the Borrower's, NWP's, TGPL's and TGT's (i) annual report on Form 10-K/A for the year ended December 31, 2001 and (ii) quarterly report on Form 10-Q for the quarter ended March 31, 2002.

"Rating Category" means, as to the Borrower, the relevant category applicable to the Borrower from time to time as set forth on Schedule V, which is based on the ratings (or lack thereof) of the Borrower's senior unsecured long-term debt by S&P or Moody's. In the event there is a split between the ratings of the Borrower's senior unsecured long-term debt by S&P and Moody, "Rating Category" shall be determined based on the lowest rating of the Borrower's senior unsecured long-term debt by S&P or Moody's.

"Refined Hydrocarbons" means all products refined, separated, fractionated, settled, and dehydrated from Hydrocarbons and all products derived therefrom, including, without limitation, kerosene, liquefied petroleum gas, refined lubricating oils, diesel fuels, drip gasoline, natural gasoline, helium, sulfur and all other minerals.

"Refineries" means the equity interest in and assets owned by the Midstream Business of the Borrower which produces Refined Hydrocarbons and is owned

collectively by the following Subsidiaries: Williams Express, Inc., a Delaware corporation, Williams Alaska Pipeline Company, LLC, a Delaware limited liability company, Williams Alaska Petroleum, Inc., an Alaska corporation, Williams Alaska Air Cargo Properties, LLC, an Alaska limited liability company, Williams Lynx Alaska CargoPort, LLC, an Alaska limited liability company, Williams Express, Inc., an Alaska corporation, Williams Refining & Marketing, LLC, a Delaware limited liability company, Williams Olefins, LLC, a Delaware limited liability company, Williams Olefins Feedstock Pipelines, LLC, a Delaware limited liability company, Williams Memphis Terminal, Inc., a Delaware corporation, Williams Generating Memphis, LLC, a Delaware limited liability company.

"Reg U Limited Assets" means assets that are subject to any arrangement (as contemplated by Regulation U) with any Bank, the Agent or any Issuing Bank (i) that restricts the right or ability of the Borrower or its Subsidiaries to sell, pledge or otherwise dispose of (within the meaning of Regulation U) such assets or (ii) that provides that the exercise of such right is or may be cause for accelerating the maturity of all or any portion of any amount payable hereunder or under such arrangement.

"Register" shall mean the books and accounts maintained by the Agent of the interests of each Bank under this Agreement and its Letter of Credit Interest, including records of transfers of any interests in this Agreement and the Letter of Credit Commitment of any Bank pursuant to Section 9.6.

"Reimbursement Obligations" means, at any time, the obligations of the Borrower then outstanding, or that may thereafter arise, in respect of all Letters of Credit then outstanding to reimburse amounts paid by any Issuing Bank in respect of any drawings under a Letter of Credit.

"Related Party" of any Person means any corporation, partnership, joint venture or other entity of which more than 10% of the outstanding Equity Interests having ordinary voting power to elect a majority of the board of directors of such corporation, partnership, joint venture or other entity or others performing similar functions (irrespective of whether or not at the time Equity Interests of any other class or classes of such corporation, partnership, joint venture or other entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person or which owns at the time directly or indirectly more than 10% of the Equity Interests having ordinary voting power to elect a majority of the board of directors of such Person or others performing similar functions (irrespective of whether or not at the time Equity Interests of any other class or classes of such corporation, partnership, joint venture or other entity shall or might have voting power upon the occurrence of any contingency); provided, however, that neither the Borrower nor any Subsidiary of the Borrower shall be considered to be a Related Party of the Borrower or any Subsidiary of the Borrower.

"RMT" means Williams Production RMT Company.

"RMT LLC" means Williams Production Holdings LLC.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or its successor.

"Sale and Lease-Back Transaction" of any Person means any arrangement entered into by such Person or any Subsidiary of such Person, directly or indirectly, whereby such Person or any Subsidiary of such Person shall sell or transfer any property, whether now owned or hereafter acquired to any other person (a "Transferee"), and whereby such Person or any Subsidiary of such Person shall then or thereafter rent or lease as lessee such property or any part thereof or rent or lease as lessee from such Transferee or any other Person other property which such Person or any Subsidiary of such Person intends to use for substantially the same purpose or purposes as the property sold or transferred.

"Security Agreement" means a Security Agreement executed by the Borrower and certain of the Guarantors in substantially the form of Exhibit F, as amended, supplemented or modified from time to time.

"Security Documents" means each Mortgage and Additional Mortgage, the Security Agreement, the Pledge Agreement, the Collateral Trust Agreement and the Guaranties.

"Seminole" means Seminole Pipeline Company, a Delaware corporation.

"Solvent" and "Solvency" mean, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such person's ability to pay such debts and liabilities as they mature and (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"SPC" has the meaning specified in Section 9.6(g).

"Stated Termination Date" means July 30, 2003, or such later date, if any as may be agreed to by the Borrower and the Banks pursuant to Section 2.9.

"Subordinated Debt" means any Debt of the Borrower which is effectively subordinated to the obligations of the Borrower hereunder.

"Subsidiary" of any Person means (i) any corporation, partnership, joint venture or other entity of which more than 50% of the outstanding Equity Interests having ordinary voting power to elect a majority of the board of directors of such corporation, partnership, joint venture or other entity or others performing similar functions

(irrespective of whether or not at the time Equity Interests of any other class or classes of such corporation, partnership, joint venture or other entity shall or might have voting power upon the occurrence of any contingency) is at the time directly or indirectly owned by such Person, and (ii) any Person that is under the direct or indirect control of such Person, by voting rights, contract or otherwise, and in accordance with generally accepted accounting principles, is Consolidated with the Borrower in its Consolidated financial statements.

"Synthetic Lease" means any lease (including leases that may be terminated by the lessee at any time) of any property (whether real, personal or mixed) (i) that is not a capital lease in accordance with generally accepted accounting principles and (ii) in respect of which the lessee retains or obtains ownership of the property so leased for federal income tax purposes, other than any such lease under which such Person is the lessor.

"Tangible Net Worth" of any Person means, as of any date of determination, the excess of total assets of such Person over total liabilities of such Person, total assets and total liabilities each to be determined in accordance with generally accepted accounting principles, excluding, however, from the determination of total assets (i) patents, patent applications, trademarks, copyrights and trade names, (ii) goodwill, organizational, experimental, research and development expense and other like intangibles, (iii) treasury stock, (iv) monies set apart and held in a sinking or other analogous fund established for the purchase, redemption or other retirement of capital stock or Subordinated Debt, and (v) unamortized debt discount and expense.

"Termination Date" means the earlier of (i) the Stated Termination Date or (ii) the date of termination in whole of the Letter of Credit Commitments pursuant to Section 2.2, 2.8 or 6.1.

"Termination Event" means (i) a "reportable event", as such term is described in Section 4043 of ERISA (other than a "reportable event" not subject to the provision for 30-day notice to the PBGC), or (ii) the withdrawal of the Borrower or any ERISA Affiliate of the Borrower from a Multiple Employer Plan during a plan year in which it was a "substantial employer," as such term is defined in Section 4001(a)(2) of ERISA, or the incurrence of liability by the Borrower or any ERISA Affiliate of the Borrower under Section 4064 of ERISA upon the termination of a Plan or Multiple Employer Plan, or (iii) the distribution of a notice of intent to terminate a Plan pursuant to Section 4041(a)(2) of ERISA or the treatment of a Plan amendment as a termination under Section 4041 of ERISA, or (iv) the institution of proceedings to terminate a Plan by the PBGC under Section 4042 of ERISA, or (v) any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

"TGPL" means Transcontinental Gas Pipe Line Corporation, a Delaware corporation.

"TGPL Bond Offering" means the $325,000,000, 8.875% Senior Notes issued on July 3, 2002, by TGPL.

"TGT" means Texas Gas Transmission Corporation, a Delaware corporation.

"Trading Book" means all mark to market daily and forward traded transactions inclusive of structured portfolio transactions consisting primarily of tolling and full requirements transactions.

"Transfer Agreement" means an agreement executed pursuant to Section 8.6 by an assignor Bank and assignee Bank substantially in the form of Exhibit D, which agreement shall be executed by the Borrower and the Agent to evidence the consent of each if such consent is required pursuant to the definition herein of "Eligible Assignee" or the terms of Section 9.6.

"TWC" means The Williams Companies, Inc., a Delaware corporation.

"TWC Asset Disposition" means the sale by TWC or by any of its Subsidiaries of (a) Williams Gas Pipelines Central, Inc., (b) MAPL, (c) Seminole, (d) the Refineries, (e) Williams Soda Products Company and American Soda, L.L.P, (f) Williams TravelCenters, Inc., (g) Williams Bio-Energy, LLC, (h) Williams Ethanol Services, Inc. and (i) Nebraska Energy, L.L.C.

"TWC Preferred Stock" means the shares of preferred stock of TWC which may be mandatorily convertible into shares of common stock of TWC.

"WCG" means Williams Communications Group, Inc., a Delaware corporation.

"WCG Subsidiaries" means, collectively, WCG and any direct or indirect Subsidiary of WCG.

"WCG Synthetic Lease" means that certain Amended and Restated Lease between State Street Bank and Trust Company of Connecticut, National Association, as Lessor and Williams Communications, Inc., as Lessee, dated as of September 2, 1998, as amended, which has been terminated and was fully repaid on March 29, 2002.

"WCG Unwind Transaction" means a transaction in which (i) the Borrower's Sale Leaseback transaction with WCG and its Subsidiary, Williams Technology Center, LLC ("WTC") involving Williams Technology Center and two aircraft dated September 13, 2001 (the "WCG Sale Leaseback"), is terminated, (ii) in exchange for such termination, the Borrower receives a promissory note payable by the reorganized WCG, WTC and/or the other WCG Subsidiaries, as co-makers in an amount of $100,000,000 or less, and (iii) consideration from the Borrower and its Subsidiaries includes termination of the existing WCG Sale Leaseback, but does not include any cash payment by the Borrower or any of its Subsidiaries to WCG or WTC.

"Wholly-Owned Subsidiary" of any Person means any Subsidiary of such Person all of the Equity Interests in which are owned by such Person and/or one or more other Wholly-Owned Subsidiaries of such Person.

"WF Group" means Williams Field Services Group, Inc., a Delaware corporation.

"WGPC" means Williams Gas Pipeline Company, L.L.C., a Delaware limited liability company.

"Withdrawal Liability" shall have the meaning given such term under Part I of Subtitle E of Title IV of ERISA.

"WPRMT" means Williams Production RMT Company, a Delaware corporation.

SECTION 1.2. Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding."

SECTION 1.3. Accounting Terms. All accounting terms not specifically defined shall be construed in accordance with general accounting principles, and each reference herein to "generally accepted accounting principles" shall mean U.S. generally accepted accounting principles in effect, consistently applied.

SECTION 1.4. Miscellaneous. The words "hereof," "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Article, Section, Schedule and Exhibit references are to Articles and Sections of and Schedules and Exhibits to this Agreement, unless otherwise specified. The term "including" shall mean "including, without limitation,".

SECTION 1.5. Ratings. A rating, whether public or private, by S&P or Moody's shall be deemed to be in effect on the date of announcement or publication by S&P or Moody's, as the case may be, of such rating or, in the absence of such announcement or publication, on the effective date of such rating and will remain in effect until the announcement or publication of, or in the absence of such announcement or publication, the effective date of, any change in, or withdrawal or termination of, such rating. In the event the standards for any rating by Moody's or S&P are revised, or any such rating is designated differently (such as by changing letter designations to different letter designations or to numerical designations), the references herein to such rating shall be deemed to refer to the revised or redesignated rating for which the standards are closest to, but not lower than, the standards at the date hereof for the rating which has been revised or redesignated, all as determined by the Majority Banks in good faith. Long-term debt supported by a letter of credit, guaranty, insurance or other similar credit enhancement mechanism shall not be considered as senior unsecured long-term debt. If either Moody's or S&P has at any time more than one rating applicable to senior unsecured long-term debt of the Borrower, the lowest such rating shall be applicable for purposes hereof. For example, if Moody's rates some senior unsecured long-term debt of the Borrower Ba1 and other such debt of

the Borrower Ba2, the senior unsecured long-term debt of the Borrower shall be deemed to be rated Ba2 by Moody's.

ARTICLE II
AMOUNTS AND TERMS OF THE LETTERS OF CREDIT

SECTION 2.1. Fees.

(a) Agent's Fees. The Borrower agrees to pay to the Agent, for its sole account, such fees as may be separately agreed to in writing by the Borrower and the Agent.

(b) Letter of Credit Fees.

(i) Issuing Banks. The Borrower agrees to pay to the Agent for the account of each Issuing Bank a fronting fee on the maximum possible amount of each Letter of Credit (for the stated duration thereof, and giving effect to any step up provision or other mechanism for increase that (1) occurs automatically or (2) that is unilaterally exercisable by the Borrower) issued by such Issuing Banks in an amount equal to 0.125% per annum.

(ii) Participating Banks. The Borrower agrees to pay to the Agent for the account of each Bank (in accordance with their respective LC Participation Percentage) a letter of credit fee (1) on the sum of the aggregate outstanding Letter of Credit Commitment at the time of determination less the aggregate outstanding stated amount of the Letters of Credit issued by the Issuing Banks at such time in an amount equal to the Applicable LC Commitment Margin in effect from time to time per annum, (2) on the issued and outstanding stated amount of the Letters of Credit at the time of determination issued by the Issuing Banks in an amount equal to the Applicable Issued LC Margin in effect from time to time per annum (for the stated duration thereof, and giving effect to any step up provision or other mechanism for increase that (x) occurs automatically or (y) that is unilaterally exercisable by the Borrower). All amounts payable pursuant to this clause (ii) shall be paid in arrears on the last day of each March, June, September and December and on the Termination Date.

The letter of credit fees referred to in this Section 2.1(b) not paid on the date due shall accrue interest until such letter of credit fees are paid in full, due and payable on demand, at a per annum rate equal at all times to the sum of Base Rate plus 6.5% per annum.

SECTION 2.2. Reduction of the Commitments(a) . The Borrower shall have the right, upon at least five Business Days notice to the Agent, to terminate in whole or reduce ratably in part the unused portions of the respective Letter of Credit Commitments; provided that each partial reduction shall be in the aggregate amount of at least $10,000,000; and provided further that the aggregate amount of the Letter of Credit Commitments shall not be reduced to an amount which is less than the aggregate unpaid amount of all drawings under all Letters of Credit that are unpaid at the time of such reduction.

SECTION 2.3. Prepayments.

(a) The Borrower may, upon notice to the Agent before 10:00 A.M. (New York City time) on the date of prepayment stating the proposed date (which shall be a Business Day) and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, Cash Collateralize the outstanding Letter of Credit Liabilities in whole or in part, together with accrued interest and fees to the date of such Cash Collateralization on the Cash Collateralized Letter of Credit Liabilities; provided, however, that each partial Cash Collateralization pursuant to this Section 2.3(a) shall be in an aggregate principal amount not less than the lesser of (1) $5,000,000 and (2) the aggregate outstanding Letter of Credit Liabilities at the time of such Cash Collateralization.

(b) All amounts received by the Agent from either the Collateral Agent or the Collateral Trustee pursuant to any Security Document shall be applied first, to reimburse the Collateral Agent for all costs and expenses incurred by the Collateral Agent in connection with, and other amounts expended by the Collateral Agent for which the Collateral Agent is entitled to reimbursement under, any Security Document, and second, as set forth in Sections 6.2.

(c) In the event that on any Business Day the aggregate amount of all Letter of Credit Liabilities exceeds the aggregate Letter of Credit Commitments (the amount of such excess herein referred to as the "Excess Exposure"), the Borrower will deliver to the Agent, at its address specified in Section 9.2, on such next Business Day, for deposit into the LC Cash Collateral Account, an amount at least equal to such Excess Exposure.

SECTION 2.4. Increased Costs.

(a) If any Bank or Issuing Bank determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental or monetary authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Bank or Issuing Bank, as the case may be, or any corporation controlling such Bank or Issuing Bank, as the case may be, and that the amount of such capital is increased by or based upon the existence of such Bank's or such Issuing Bank's, as the case may be, commitment to issue Letters of Credit or purchase participations in Letters of Credit and other commitments of this type, then, upon demand by such Bank or Issuing Bank, as the case may be (with a copy of such demand to the Agent), the Borrower shall immediately pay to the Agent for the account of such Bank or Issuing Bank, as the case may be, from time to time as specified by such Bank or Issuing Bank, as the case may be, additional amounts sufficient to compensate such Bank or Issuing Bank, as the case may be, or such corporation in the light of such circumstances, to the extent that such Bank or Issuing Bank, as the case may be, reasonably determines such increase in capital to be allocable to the existence of such Bank's or such Issuing Bank's, as the case may be, commitment to issue Letters of Credit or purchase participations in Letters of Credit hereunder. A certificate as to the amount of such additional amounts, submitted to the Borrower and the Agent by such Bank or Issuing Bank, as the case may be, shall be prima facie evidence of the amount of such additional amounts. No Bank or Issuing Bank shall have any right to recover any additional amounts under this Section 2.4(a) for any period more than 90 days prior to the date such Bank or Issuing Bank, as the case may be, notifies the Borrower of any such compliance.

(b) In the event that any Bank makes a demand for payment under Section 2.6 or this Section 2.4, the Borrower may within ninety (90) days of such demand, if no Default or Event of Default then exists, replace such Bank with another commercial bank in accordance with all of the provisions of the second and third sentences of Section 9.6(a), and clauses (b) and (d) of Section 9.6 (including execution of an appropriate Transfer Agreement); provided that (i) all obligations of such Bank to purchase participations in Letters of Credit shall be terminated and the Letter of Credit Interests held by such Bank and all other obligations owed to such Bank hereunder shall be purchased in full without recourse at par plus accrued interest at or prior to such replacement, (ii) such replacement bank shall be an Eligible Assignee, (iii) such replacement bank shall, from and after such replacement, be deemed for all purposes to be a "Bank" hereunder with Letter of Credit Liabilities in the amount of the Letter of Credit Liabilities of such Bank immediately prior to such replacement (plus, if such replacement bank is already a Bank prior to such replacement the respective Letter of Credit Liabilities of such Bank prior to such replacement), as such amount may be changed from time to time pursuant hereto, and shall have all of the rights, duties and obligations hereunder of the Bank being replaced, including obligations under Section 2.10, and (iv) such other actions shall be taken by the Borrower, such Bank and such replacement bank as may be appropriate to effect the replacement of such Bank with such replacement bank on terms such that such replacement bank has all of the rights, duties and obligations hereunder as such Bank (including specification of the information contemplated by Schedule I as to such replacement bank).

(c) Before making any demand under this Section 2.4, each Bank agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Lending Office if the making of such a designation would avoid the need for, or reduce the amount of, such increased cost and would not, in the reasonable judgment of such Bank, be otherwise disadvantageous to such Bank.

SECTION 2.5. Payments and Computations.

(a) The Borrower shall make each payment hereunder to be made by it not later than 11:00 A.M. (New York City time) on the day when due in Dollars to the Agent at its New York address referred to in Section 9.2, in same day funds, without deduction, counterclaim or offset of any kind. The Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest or letter of credit fees to the Banks for the account of their respective Lending Offices, and like funds relating to the payment of any other amount payable to any Bank to such Bank for the account of its Lending Office, in each case to be applied in accordance with the terms of this Agreement. The Paying Agent will promptly pay to the Collateral Agent like funds relating to the payment of any amount payable to the Collateral Agent. In no event shall any Bank be entitled to share any fee paid to the Agent pursuant to Section 2.1(a), any other fee paid to the Agent, as such or any fronting fee paid to an Issuing Bank pursuant to Section 2.1(b).

(b) [Intentionally Omitted]

(c) (i) All computations of interest based on clause (a) or clause (b) of the definition herein of Base Rate shall be made by the Agent on the basis of a year of 365 or 366 days, as the case may be, and (ii) all computations of interest based on the Federal Funds Rate or

clause (c) of the definition herein of Base Rate shall be made by the Agent, and all computations of letter of credit fees shall be made by the Issuing Banks that issued the relevant Letter of Credit, on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest or letter of credit fees are payable. Each determination by the Agent of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or letter of credit fee, as the case may be.

(e) Unless the Agent shall have received notice from the Borrower prior to the date on which any payment is due by the Borrower to any Bank hereunder that the Borrower will not make such payment in full, the Agent may assume that the Borrower has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank hereunder. If and to the extent the Borrower shall not have so made such payment in full to the Agent, each Bank shall repay to the Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Federal Funds Rate.

SECTION 2.6. Taxes.

(a) Any and all payments by the Borrower hereunder shall be made, in accordance with Section 2.5, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings with respect thereto, and all liabilities with respect thereto, excluding in the case of each Bank and the Agent, (i) taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Bank or the Agent (as the case may be) is organized or any political subdivision thereof and (ii) taxes imposed as a result of a present or former connection between such Bank or the Agent, as the case may be, and the jurisdiction imposing such tax or any political subdivision thereof and, in the case of each Bank, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction of such Bank's Lending Office or any political subdivision thereof, other than any such connection arising solely from the Bank or Agent having executed or delivered, or performed its obligations or received a payment under, or taken any other action related to this Agreement (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder to any Bank or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.6) such Bank or the Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies which arise from any payment made by the Borrower hereunder or from the execution, delivery or registration of, or otherwise with respect to, this Agreement (hereinafter referred to as "Other Taxes").

(c) The Borrower will indemnify each Bank, each Issuing Bank and the Agent for the full amount of Taxes or Other Taxes (including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.6) owed and paid by such Bank, such Issuing Bank or the Agent, as the case may be, and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Bank, such Issuing Bank or the Agent, as the case may be, makes written demand therefor; provided that the Borrower shall have no liability pursuant to this clause (c) of this Section 2.6 to indemnify a Bank, an Issuing Bank or the Agent for Taxes or Other Taxes which were paid by such Bank, such Issuing Bank or the Agent, as the case may be, more than ninety days prior to such written demand for indemnification.

(d) In the event that a Bank, an Issuing Bank or the Agent receives a written communication from any governmental authority with respect to an assessment or proposed assessment of any Taxes, such Bank, such Issuing Bank or Agent, as the case may be, shall promptly notify the Borrower in writing and provide the Borrower with a copy of such communication. The Agent's, an Issuing Bank's or a Bank's failure to provide a copy of such communication to the Borrower shall not relieve the Borrower of any of its obligations hereunder.

(e) Within 30 days after the date of the payment of Taxes by or at the direction of the Borrower, the Borrower will furnish to the Agent, at its address referred to in Section 9.2, the original or a certified copy of a receipt evidencing payment thereof. Should any Bank, any Issuing Bank or the Agent ever receive any refund, credit or deduction from any taxing authority to which such Bank, such Issuing Bank or the Agent, as the case may be, would not be entitled but for the payment by the Borrower of Taxes as required by this Section 2.6 (it being understood that the decision as to whether or not to claim, and if claimed, as to the amount of any such refund, credit or deduction shall be made by such Bank, such Issuing Bank or the Agent, as the case may be, in its reasonable judgment), such Bank, such Issuing Bank or the Agent, as the case may be, thereupon shall repay to the Borrower an amount with respect to such refund, credit or deduction equal to any net reduction in taxes actually obtained by such Bank, such Issuing Bank or the Agent, as the case may be, and determined by such Bank, such Issuing Bank or the Agent, as the case may be, to be attributable to such refund, credit or deduction.

(f) Each Bank organized under the laws of a jurisdiction outside the United States shall on or prior to the date of its execution and delivery of this Agreement in the case of each Bank which is a party to this Agreement on the date this Agreement becomes effective and on the date of the Transfer Agreement pursuant to which it becomes a Bank is first effective in the case of each other Bank, and from time to time thereafter as necessary or appropriate (but only so long thereafter as such Bank remains lawfully able to do so), provide each of the Agent and the Borrower with two original Internal Revenue Service Forms W-8BEN or W-8ECI (or, in the case of a Bank that has provided a certificate to the Agent that it is not (i) a "bank" as defined in

Section 881(c)(3)(A) of the Internal Revenue Code, (ii) a ten-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Internal Revenue Code) of the Borrower or (iii) a controlled foreign corporation related to the Borrower (within the meaning of Section 864(d)(4) of the Internal Revenue Code), Internal Revenue Service Form W-8BEN), or any successor or other form prescribed by the Internal Revenue Service, certifying that such Bank is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or any other Credit Document or, in the case of a Bank that has certified that it is not a "bank" as described above, certifying that such Bank is a foreign corporation. If the forms provided by a Bank at the time such Bank first becomes a party to this Agreement indicate a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Bank provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such forms.

(g) For any period with respect to which a Bank has failed to provide the Borrower with the appropriate form, certificate or other document described in subsection (f) of this Section 2.6 (other than if such failure is due to a change in the applicable law, or in the interpretation or application thereof, occurring after the date on which a form, certificate or other document originally was required to be provided) such Bank shall not be entitled to indemnification under subsection (a) or (c) of this Section 2.6 with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should a Bank become subject to Taxes because of its failure to deliver a form, certificate or other document required hereunder, the Borrower shall take such steps as such Bank shall reasonably request to assist such Bank in recovering such Taxes.

(h) Any Bank claiming any additional amounts payable pursuant to this Section 2.6 agrees to use reasonable efforts to change the jurisdiction of its Lending Office if the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts that may thereafter accrue and would not, in the reasonable judgment of such Bank, be otherwise materially disadvantageous to such Bank.

(i) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.6 shall survive the payment in full of principal and interest hereunder and the Termination Date.

(j) Notwithstanding any provision of this Agreement to the contrary, this Section 2.6 shall be the sole provision governing indemnities and claims for taxes under this Agreement.

SECTION 2.7. Sharing of Payments, Etc. If any Bank shall obtain any payment (whether voluntary or involuntary, or through the exercise of any right of set-off or otherwise) on account of its Letter of Credit Interest (other than pursuant to Section 2.6 or 9.4(b)) in excess of its ratable share of payments on account of all Letter of Credit Interests obtained by all the Banks, such Bank shall forthwith purchase from the other Banks such participations in the Letter of Credit Interests of such other Banks as shall be necessary to cause such purchasing Bank to share the excess payment ratably with each of them, provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Bank, such purchase from

each Bank shall be rescinded and such Bank shall repay to the purchasing Bank the purchase price to the extent of such Bank's ratable share (according to the proportion of (i) the amount of the participation purchased from such Bank as a result of such excess payment to (ii) the total amount of such excess payment) of such recovery together with an amount equal to such Bank's ratable share (according to the proportion of (i) the amount of such Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Borrower agrees that any Bank so purchasing a participation from another Bank pursuant to this Section 2.7 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Borrower in the amount of such participation.

SECTION 2.8. Optional Termination. Notwithstanding anything to the contrary in this Agreement, if (i) any Person (other than a trustee or other fiduciary holding securities under an employee benefit plan of the Borrower or of any Subsidiary of the Borrower) or two or more Persons acting in concert (other than any group of employees of the Borrower or of any of its Subsidiaries) shall have acquired beneficial ownership (within the meaning of Rule l3d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934), directly or indirectly, of securities of the Borrower (or other securities convertible into such securities) representing 35% or more of the combined voting power of all securities of the Borrower entitled to vote in the election of directors, other than securities having such power only by reason of the happening of a contingency, or (ii) during any period of up to 24 consecutive months, commencing on, before or after the date of this Agreement, individuals who at the beginning of such 24-month period were directors of the Borrower or who were elected by individuals who at the beginning of such period were such directors or by individuals elected in accordance with this clause (ii) shall cease for any reason (other than as a result of death, incapacity or normal retirement) to constitute a majority of the board of directors of the Borrower, or (iii) any Person (other than the Borrower or a Wholly-Owned Subsidiary of the Borrower) or two or more Persons acting in concert shall have acquired by contract or otherwise, or shall have entered into a merger or purchase agreement with the Borrower pursuant to which such Person or Persons shall have acquired the power to exercise, directly or indirectly, a controlling influence over the management or policies of the Borrower; then the Agent shall at the request, or may with the consent, of the Majority Banks, by notice to the Borrower, declare all of the Letter of Credit Commitments of each Bank and the obligation of each Issuing Bank to issue Letters of Credit to be terminated, whereupon all of the Letter of Credit Commitments and each such obligation of the Banks (including the obligation to issue or participate in any new Letters of Credit issued after such termination, but specifically excluding the obligation of each Bank to participate in Letters of Credit outstanding at the time of such termination) shall forthwith terminate, and the Borrower shall not have any further right to obtain Letters of Credit hereunder.

SECTION 2.9. Extension of Termination Date. By notice given to the Agent and the Banks, at least thirty days but not more than forty-five days before the Stated Termination Date then in effect, the Borrower may request the Banks to extend the Stated Termination Date for an additional period to a date which is 364 days after the then current Stated Termination Date. Within thirty days after receipt of such request, each Bank that agrees, in its sole and absolute discretion, to so extend the Stated Termination Date shall notify the Borrower and the

Agent in writing that it so agrees, and if all Banks so agree the Stated Termination Date shall be so extended.

SECTION 2.10. Letter of Credit Facility. Subject to the terms and conditions of this Agreement, the Letter of Credit Commitments may be utilized, upon the request of the Borrower, by the issuance by any Issuing Bank (such issuance, and any funding of a draw thereunder, to be made by the Issuing Banks in reliance of the agreements of the other Banks in this Section) of standby letters of credit (collectively, the "Letters of Credit", and each a "Letter of Credit") for the account of the Borrower; provided that in no event shall (i) the aggregate amount of all Letter of Credit Liabilities exceed the aggregate Letter of Credit Commitments, (ii) the aggregate amount of all Letters of Credit issued by any Issuing Bank exceed the aggregate Letter of Credit Commitments of such Issuing Bank, (iii) the expiration date of any Letter of Credit extend beyond the date that is ten Business Days prior to the Stated Termination Date then in effect, or (iv) any Letter of Credit be payable in any currency other than Dollars. The following additional provisions shall apply to Letters of Credit:

(a) Notice of Issuance. The Borrower shall give the Agent and the Issuing Bank from which it is requesting a Letter of Credit at least three Business Days' (or such shorter period as agreed to by the Agent and such Issuing Bank) prior notice, in the form of Exhibit E (a "Notice of Letter of Credit"), specifying the Business Day such Letter of Credit is to be issued and the account party or parties therefor and describing in reasonable detail the proposed terms of such Letter of Credit (including the beneficiary thereof) and the nature of the transactions or obligations proposed to be supported thereby.

(b) Participations in Letters of Credit. On each day during the period commencing with the issuance by any Issuing Bank of any Letter of Credit and until such Letter of Credit shall have expired or been terminated, the Letter of Credit Commitment of each Issuing Bank shall be deemed to be utilized for all purposes of this Agreement in an amount equal to the stated amount of such Letter of Credit. Each Bank agrees that, upon the issuance of any Letter of Credit hereunder by any Issuing Bank, it shall automatically acquire a participation in such Issuing Bank's liability under such Letter of Credit in an amount equal to such Bank's LC Participation Percentage of such liability, and each Bank thereby shall absolutely, unconditionally and irrevocably assume, as primary obligor and not as surety, and shall be unconditionally obligated to such Issuing Bank to the extent provided in this Section 2.10.

(c) Reimbursement Obligations; Notice of Drawings. Upon receipt from the beneficiary of any Letter of Credit of any demand for payment under such Letter of Credit, the Issuing Banks that issued such Letter of Credit shall promptly notify the Borrower (through the Agent) of the amount to be paid by such Issuing Bank as a result of such demand and the date on which payment is to be made by such Issuing Bank to such beneficiary in respect of such demand, which shall be at least one Business Day after the date on which the Agent shall deliver such notice to the Borrower pursuant to this sentence. Notwithstanding the identity of the account party of any Letter of Credit, the Borrower hereby unconditionally agrees to pay and reimburse the Agent for the account of the Issuing Bank that issued a Letter of Credit for the amount of each demand

for payment under such Letter of Credit that is in substantial compliance with the provisions of such Letter of Credit at or prior to the date on which payment is to be made by such Issuing Bank to the beneficiary thereunder, without presentment, demand, protest or other formalities of any kind, together with interest thereon at a rate per annum equal to the Base Rate plus 6.5% per annum for the period from the date of such demand until the date of such reimbursement. The Borrower's obligations to reimburse each Issuing Bank as provided herein shall be absolute, unconditional and irrevocable under all circumstances whatsoever, including the following circumstances: (i) any lack of validity of this Agreement, the other Credit Documents or the other documents to be delivered under this Agreement; (ii) the existence of any claim, set-off, defense or other right that the Borrower may have at any time against the Agent, any Bank, any Issuing Bank or any other Person, whether in connection with the transactions contemplated by this Agreement or any unrelated transaction; (iii) any action or inaction taken or suffered by any Issuing Bank under a Letter of Credit if taken in good faith and in conformity with applicable law; (iv) the payment by any Issuing Bank under a Letter of Credit against presentation of a demand, statement or other document which in the sole discretion of such Issuing Bank substantially complies with the terms of such Letter of Credit, including any demand, statement or other document which is forged, fraudulent, invalid or inaccurate in any respect; (v) any exchange, release or non-perfection of any Collateral for, or any release or amendment or waiver of or consent to departure from any guarantee of, all or any of the Obligations of the Borrower in respect of any Letter of Credit and (vi) any determination of invalidity or unenforceability with respect to any Letter of Credit after payment by an Issuing Bank thereunder.

(d) Payments by Banks to Issuing Banks. To the extent that the Borrower fails to make any payment to an Issuing Bank that the Borrower is required to make pursuant to Section 2.10(c), each Bank (other than such Issuing Bank) shall pay to the Agent, for the account of such Issuing Bank in Dollars and in immediately available funds, the amount of such Bank's LC Participation Percentage of any payment under a Letter of Credit upon notice by such Issuing Bank (through the Agent) to such Bank requesting such payment and specifying such amount. Each such Bank's obligation to make such payment to the Agent for the account of such Issuing Bank under this Section 2.10(d), and such Issuing Bank's right to receive the same, shall be absolute and unconditional and shall not be affected by any circumstance whatsoever other than the gross negligence or willful misconduct of such Issuing Bank in making payment under such Letter of Credit, including the failure of any other Bank to make its payment under this Section 2.10(d), the financial condition of the Borrower (or any account party in respect of such Letter of Credit), the existence of any Event of Default or the termination of the Letter of Credit Commitments. If any Bank shall default in its obligation to make any such payment to the Agent for the account of an Issuing Bank, for so long as such default shall continue the Agent may at the request of such Issuing Bank withhold from any payments received by the Agent under this Agreement for the account of such Bank the amount so in default and, to the extent so withheld, pay the same to such Issuing Bank for application to such defaulted obligation.

(e) Participations in Reimbursement Obligations. Upon the making of each payment by a Bank to an Issuing Bank pursuant to Section 2.10(d) in respect of any

Letter of Credit, such Bank shall, automatically and without any further action on the part of the Agent, any Issuing Bank or such Bank, acquire (i) a funded participation in an amount equal to such payment in the Reimbursement Obligation owing to such Issuing Bank by the Borrower hereunder and under the Letter of Credit Documents relating to such Letter of Credit and (ii) a participation in a percentage equal to such Bank's LC Participation Percentage in any interest or other amounts payable by the Borrower hereunder and under such Letter of Credit Documents in respect of such Reimbursement Obligation (other than the fronting fee contemplated by Section 2.1(b)(i)). Upon receipt by any Issuing Bank from or for the account of the Borrower of any payment in respect of any Reimbursement Obligation or any such interest or other amount (including by way of setoff or application of proceeds of any collateral security), such Issuing Bank shall promptly pay to the Agent, for the account of each Bank entitled thereto, such Bank's participation percentage of such payment, each such payment by such Issuing Bank to be made in the same currency and funds in which received by any Issuing Bank. In the event any payment received by such Issuing Bank and so paid to the Banks hereunder is rescinded or must otherwise be returned by any Issuing Bank, each Bank shall, upon the request of such Issuing Bank (through the Agent), repay to such Issuing Bank (through the Agent) the portion of such payment paid to such Bank.

(f) Information Provided by Issuing Banks to Banks. Promptly after the issuance of or amendment to any Letter of Credit, each Issuing Bank will notify the Agent and the Borrower in writing of such issuance or amendment and such notice shall be accompanied by a copy of such issuance or amendment. Upon receipt of such notice, the Agent shall notify each Bank of such issuance or amendment and, if requested by a Bank, the Agent shall provide such Bank with copies of such issued or amended Letter of Credit.

(g) Conditions Precedent to Issuance, Extension and Modification. The issuance by any Issuing Bank of a Letter of Credit, or any extension of any outstanding Letter of Credit, shall be subject to satisfaction of each of the conditions precedent set forth in Article III, and shall further be subject to the conditions precedent that (i) such Letter of Credit shall be in such form and contain such terms as shall be reasonably satisfactory to such Issuing Bank consistent with its then current practices and procedures of general applicability with respect to letters of credit of the same type and (ii) the Borrower shall have executed and delivered such agreements and other instruments relating to such Letter of Credit as such Issuing Bank shall have reasonably requested consistent with its then current practices and procedures of general applicability with respect to letters of credit of the same type; provided that in the event of any conflict between any such application, agreement or other instrument and the provisions of this Agreement, the provisions of this Agreement shall control. The issuance by any Issuing Bank of any modification or supplement to any Letter of Credit hereunder shall be subject to the same conditions applicable under this Section 2.10 to the issuance of new Letters of Credit, and no such modification or supplement shall be issued hereunder unless the Letter of Credit affected thereby would have complied with such conditions had it originally been issued hereunder in such modified or supplemented form.

(h) Interest Payable to Issuing Banks by Banks. To the extent that any Bank shall fail to pay any amount required to be paid pursuant to Section 2.10(d) or (e) on the due date therefor, such Bank shall pay interest to the Issuing Bank owed such amount (through the Agent) on such amount from and including such due date to but excluding the date such payment is made at a rate per annum equal to the Federal Funds Rate.

(i) Indemnification of the Banks, Issuing Banks and Agent. the Borrower hereby indemnifies and holds harmless each Bank, each Issuing Bank and the Agent from and against any and all claims, damages, losses, liabilities, costs and expenses that such Bank, such Issuing Bank or the Agent may incur (or that may be claimed against such Bank, such Issuing Bank or the Agent by any Person whatsoever) by reason of or in connection with the execution and delivery or transfer of or payment or refusal to pay by each Issuing Bank under any Letter of Credit (EXPRESSLY INCLUDING ANY SUCH CLAIM, DAMAGE, LOSS, LIABILITY OR EXPENSE ATTRIBUTABLE TO THE ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE OF SUCH BANK, SUCH ISSUING BANK OR THE AGENT, AS THE CASE MAY BE, BUT EXCLUDING ANY SUCH CLAIM, DAMAGE, LOSS, LIABILITY OR EXPENSE ATTRIBUTABLE TO THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF SUCH BANK, SUCH ISSUING BANK AND THE AGENT). IT IS THE INTENT OF THE PARTIES HERETO THAT EACH BANK, EACH ISSUING BANK OR THE AGENT, AS THE CASE MAY BE, SHALL, TO THE EXTENT PROVIDED IN THIS SECTION 2.10(i), BE INDEMNIFIED FOR ITS OWN ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE; provided that the Borrower shall not be required to indemnify -------- any Bank, any Issuing Bank or the Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (x) in the case of each Issuing Bank, the willful misconduct or gross negligence of such Issuing Bank in determining whether a request presented under any Letter of Credit complied with the terms of such Letter of Credit or (y) in the case of any Bank, such Bank's failure to pay its Letter of Credit Liabilities pursuant to Sections 2.10(d), (e) and (h).

ARTICLE III
CONDITIONS

SECTION 3.1. Conditions Precedent to Initial Issuance. The obligation of each Issuing Bank to issue its initial Letter of Credit is subject to the condition precedent that the Agent shall have received on or before the date hereof, each dated on or before such date, in form and substance satisfactory to the Agent (and the Banks, in the case of the Security Documents) and in sufficient copies (if applicable) for each Bank:

(a) Certified copies of the resolutions of the Board of Directors, or the Executive Committee thereof, of the Borrower authorizing the execution of this Agreement, the other Credit Documents to which the Borrower is a party, and each Notice of Letter of Credit, and all other documents, in each case evidencing any necessary company action and governmental approvals, if any, with respect to each such Credit Document.

(b) A certificate of the Secretary or an Assistant Secretary of the Borrower certifying (i) that attached thereto are true and correct copies of the Certificate of Incorporation and Bylaws of the Borrower, together with any amendments thereto, and (ii) the names and true signatures of the officers of the Borrower authorized to sign each Credit Document.

(c) Opinions of each of (i) William G. von Glahn, General Counsel of the Borrower, substantially in the form of Exhibit A hereto and (ii) Skadden, Arps, Slate, Meagher & Flom LLP, New York counsel to the Borrower and Guarantors, substantially in the form of Exhibits B-1 and B-2 hereto, and, in each case, as to such other matters as any Bank through the Agent may reasonably request.

(d) A duly executed and fully effective amendment to the Multiyear Williams Credit Agreement and each of the Progeny Facility documents, other than those automatically amended by virtue of the amendment to the Multiyear Williams Credit Agreement, each dated the date of this Agreement.

(e) A certificate of an officer of the Borrower stating the respective ratings by each of S&P and Moody's of the senior unsecured long-term debt of the Borrower as in effect on the date of this Agreement.

(f) The Security Documents (other than the Mortgages and Additional Mortgages) and all documents required for perfection of the Liens granted pursuant to such Security Documents.

(g) Evidence that TWC shall have received gross cash proceeds in the aggregate amount of no less than $2,100,000,000; provided that some or all of those proceeds shall have been received from each of the MAPL Asset Disposition, Seminole Asset Disposition and Barrett Loan.

(h) The Borrower shall have paid all accrued fees of the Agent and all accrued expenses of the Agent (including the accrued fees and expenses of counsel to the Agent and local counsel to the Agent).

For purposes of determining compliance with the conditions specified in this Section 3.1, each Bank shall be deemed to have consented to, approved and accepted and to be satisfied with each document or other matter required under this Section 3.1, unless both (i) an officer of the Agent responsible for the transactions contemplated by this Agreement shall have received written notice from such Bank prior to the issuance of the initial Letter of Credit specifying its objection thereto and (ii) such Bank shall not have accepted any portion of the fees set forth in Section 2.1(b).

SECTION 3.2. Conditions Precedent to an Issuance of a Letter of Credit. The obligation of each Issuing Bank to issue a Letter of Credit (including the initial Letter of Credit) shall be subject to the further conditions precedent that on the date of the requested issuance of such Letter of Credit, the following statements shall be true (and each of the giving of the applicable Notice of Letter of Credit and the issuance of such Letter of Credit shall constitute

a representation and warranty by the Borrower that on the date such Letter of Credit is issued such statements are true):

(a) The representations and warranties contained in Section 4.1 are correct on and as of the date of such Letter of Credit, before and after issuance of such Letter of Credit, as though made on and as of such date (unless such representation and warranty speaks solely as of a particular date or a particular period, in which case, as of such date or for such period),

(b) No event has occurred and is continuing, or would result from the issuance of such Letter of Credit, which constitutes a Default or Event of Default, and

(c) After giving effect to such Letter of Credit and Letters of Credit which have been requested by the Borrower on or prior to such date but which have not been made or issued prior to such date, the sum of the aggregate amount of all Letter of Credit Liabilities will not exceed the aggregate of the Letter of Credit Commitments.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

SECTION 4.1. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) The Borrower is duly organized or validly formed, validly existing and (if applicable) in good standing under the laws of the State of Delaware and has all corporate or limited liability company powers and all governmental licenses, authorizations, certificates, consents and approvals required to carry on its business as now conducted in all material respects, except for those licenses, authorizations, certificates, consents and approvals the failure to have which could not reasonably be expected to have a material adverse effect on the business, assets, condition or operation of the Borrower and its Subsidiaries taken as a whole. Each Material Subsidiary is duly organized or validly formed, validly existing and (if applicable) in good standing under the laws of its jurisdiction of incorporation or formation, except where the failure to be so organized, existing and in good standing could not reasonably be expected to have a material adverse effect on the business, assets, condition or operations of the Borrower and its Subsidiaries taken as a whole. Each Material Subsidiary has all corporate or limited liability company powers and all governmental licenses, authorizations, certificates, consents and approvals required to carry on its business as now conducted in all material respects, except for those licenses, authorizations, certificates, consents and approvals the failure to have which could not reasonably be expected to have a material adverse effect on the business, assets, condition or operation of the Borrower and its Subsidiaries taken as a whole.

(b) The execution, delivery and performance by the Borrower of the Credit Documents to which it is a party delivered hereunder and the consummation of the transactions contemplated thereby are within the Borrower's corporate or limited liability

company powers, have been duly authorized by all necessary corporate or limited liability company action, do not contravene (i) the Borrower's charter, by-laws or formation agreement or (ii) law or any restriction under any material agreement binding on or affecting the Borrower, any Guarantor or any Midstream Subsidiary and will not result in or require the creation or imposition of any Lien prohibited by this Agreement.

(c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Borrower, any Guarantor or any Midstream Subsidiary of any Credit Document to which any of them is a party, or the consummation of the transactions contemplated thereby.

(d) Each Credit Document to which the Borrower is a party has been duly executed and delivered by the Borrower and is the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and by general principles of equity.

(e) (i) The Consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as at December 31, 2001, and the related Consolidated statements of income and cash flows of the Borrower and its Consolidated Subsidiaries for the fiscal year then ended, copies of which have been furnished to each Bank, and the Consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as at March 31, 2002, and the related Consolidated statements of income and cash flows of the Borrower and its Consolidated Subsidiaries for the three months then ended, duly certified by an authorized financial officer of the Borrower, copies of which have been furnished to each Bank, fairly present (in the case of such balance sheets as at March 31, 2002, and such statements of income and cash flows for the three months then ended, subject to year-end audit adjustments and the lack of footnotes) the Consolidated financial condition of the Borrower and its Consolidated Subsidiaries as at such dates and the Consolidated results of operations of the Borrower and its Consolidated Subsidiaries for the year and three month period, respectively, ended on such dates, all in accordance with generally accepted accounting principles consistently applied. Except as has been disclosed to each Bank, from December 31, 2001 to the date of this Agreement, there has been no material adverse change in the Consolidated financial condition or Consolidated results of operations of the Borrower and its Consolidated Subsidiaries.

(ii) The Consolidated balance sheet of WGPC and its Consolidated Subsidiaries as at December 31, 2001, and the related Consolidated statements of income and cash flows of WGPC and its Consolidated Subsidiaries for the fiscal year then ended, copies of which have been furnished to each Bank, and the Consolidated balance sheet of WGPC and its Consolidated Subsidiaries as at March 31, 2002, and the related Consolidated statements of income and cash flows of WGPC and its Consolidated Subsidiaries for the three months then ended, duly certified by an authorized financial officer of WGPC, copies of which have been furnished to each Bank, fairly present (in the case of such balance sheets as at March 31, 2002, and such statements of income and

cash flows for the three months then ended, subject to year-end audit adjustments and the lack of footnotes) the Consolidated financial condition of WGPC and its Consolidated Subsidiaries, respectively, as at such dates and the Consolidated results of operations of WGPC and its Consolidated Subsidiaries, respectively, for the year and three month period, respectively, ended on such dates, all in accordance with generally accepted accounting principles consistently applied. From December 31, 2001 to the date of this Agreement, there has been no material adverse change in the Consolidated financial condition or Consolidated results of operations of WGPC and its Consolidated Subsidiaries.

(iii) The unaudited Consolidated balance sheet of WF Group and its Consolidated Subsidiaries as at December 31, 2001, and the related unaudited Consolidated statements of income and cash flows of WF Group and its Consolidated Subsidiaries for the fiscal year then ended, copies of which have been furnished to each Bank, and the unaudited Consolidated balance sheet of WF Group and its Consolidated Subsidiaries as at March 31, 2002, and the related unaudited Consolidated statements of income and cash flows of WF Group and its Consolidated Subsidiaries for the three months then ended, duly certified by an authorized financial officer of WF Group, copies of which have been furnished to each Bank, fairly present (in the case of such balance sheets as at March 31, 2002, and such statements of income and cash flows for the three months then ended, subject to the lack of footnotes) the Consolidated financial condition of WF Group and its Consolidated Subsidiaries as at such dates and the Consolidated results of operations of WF Group and its Consolidated Subsidiaries for the year and three month period, respectively, ended on such dates, all in accordance with generally accepted accounting principles consistently applied.

(f) Except as set forth in the Public Filings or as otherwise disclosed in writing by the Borrower to the Banks and the Agent after the date hereof and approved by the Majority Banks, there is no pending or, to the knowledge of the Borrower, threatened action or proceeding affecting the Borrower, any Guarantor or any Material Subsidiary of the Borrower or against any of its or their respective properties or revenues before any court, governmental agency or arbitrator, which could reasonably be expected to materially and adversely affect the financial condition or operations of the Borrower and its Subsidiaries taken as a whole or which purports to affect the legality, validity, binding effect or enforceability of this Agreement or any other Credit Document.

(g) Letter of Credit has been or will be used for any purpose or in any manner not permitted by Section 5.2(l).

(h) The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Federal Reserve Board), and no proceeds of any issuance of a Letter of Credit will be used to purchase or carry any such margin stock (other than purchases of common stock expressly permitted by Section 5.2(l)) or to extend credit to others for the purpose of purchasing or carrying any such margin stock. Following application of the proceeds of each issuance of a Letter of Credit, no more than 25% of the value of the Reg U Limited Assets of the Borrower will consist of margin stock (as defined in

Regulation U), and no more than 25% of the value of the Reg U Limited Assets of the Borrower and its Subsidiaries on a consolidated basis will consist of margin stock (as defined in Regulation U).

(i) The Borrower is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(j) No Termination Event has occurred or is reasonably expected to occur with respect to any Plan that could reasonably be expected to have a material adverse effect on any of the Borrower or any Material Subsidiary of the Borrower. The Borrower has not nor has any ERISA Affiliate of the Borrower received any notification that any Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA, and the Borrower is not aware of any reason to expect that any Multiemployer Plan is to be in reorganization or to be terminated within the meaning of Title IV of ERISA that would have any material adverse effect on the Borrower, any Material Subsidiary of the Borrower or any ERISA Affiliate of the Borrower.

(k) As of the date of this Agreement, the United States federal income tax returns of the Borrower and its Material Subsidiaries have been examined through the fiscal year ended December 31, 1995. The Borrower and its Subsidiaries have filed all United States Federal income tax returns and all other material domestic tax returns which are required to be filed by them and have paid, or provided for the payment before the same become delinquent of, all taxes due pursuant to such returns or pursuant to any assessment received by the Borrower or any such Subsidiary, other than those taxes contested in good faith by appropriate proceedings. The charges, accruals and reserves on the books of the Borrower and the Material Subsidiaries of the Borrower in respect of taxes are adequate.

(l) The Borrower is not a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," or a "public utility" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(m) Except as set forth in the Public Filings or as otherwise disclosed in writing by the Borrower to the Banks and the Agent after the date hereof and approved by the Majority Banks, the Borrower and its respective Material Subsidiaries are in compliance in all material respects with all Environmental Protection Statutes to the extent material to the operations or the consolidated financial condition of the Borrower and its Consolidated Subsidiaries taken as a whole. Except as set forth in the Public Filings or as otherwise disclosed in writing by the Borrower to the Banks and the Agent after the date hereof and approved by the Majority Banks, the aggregate contingent and non-contingent liabilities of the Borrower and its Consolidated Subsidiaries (other than those reserved for in accordance with generally accepted accounting principles and set forth in the financial statements regarding the Borrower referred to in Section 4.1(e) and delivered to each Bank and excluding liabilities to the extent covered by insurance if the insurer has confirmed that such insurance covers such liabilities or which the Borrower reasonably

expects to recover from ratepayers) which are reasonably expected to arise in connection with (i) the requirements of Environmental Protection Statutes or (ii) any obligation or liability to any Person in connection with any Environmental matters (including any release or threatened release (as such terms are defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980) of any Hazardous Waste, Hazardous Substance, other waste, petroleum or petroleum products into the Environment) could not reasonably be expected to have a material adverse effect on the business, assets, conditions or operations of the Borrower and its Subsidiaries, taken as a whole. The Borrower and its respective Material Subsidiaries holds all Environmental Permits (each of which is in full force and effect) required for any of its current or planned operations or for any property owned, leased, or otherwise operated by it; and is, and within the period of all applicable statutes of limitation has been, in compliance with all of its Environmental Permits.

(n) Other than the Permitted Liens, the Borrower and its Subsidiaries have good, valid and indefeasible title to, or a valid leasehold interest in, its respective property and to all property reflected by its respective balance sheet referenced in clause (e) above as being owned by the Borrower. Each of the Borrower, the Guarantors and each of the Midstream Subsidiaries have sufficient title to all Midstream Assets they collectively own and operate as is necessary for the conduct of the Midstream Business after the date hereof in accordance with the ownership and operation of the Midstream Business in the twelve months prior to the date hereof. There exists, or following completion of the post-closing items more fully described in Schedule XII, there will exist an Acceptable Security Interest in all Collateral other than the Excluded Collateral.

(o) After giving effect to this Agreement and the concurrent amendments to various financing arrangements and agreements of the Borrower and its Subsidiaries, the Borrower and each Guarantor, individually and together with its Subsidiaries, is Solvent.

(p) The Persons listed on Schedule X are all of the Midstream Subsidiaries and own, lease or hold all Midstream Assets necessary and/or appropriate for the operation and carrying on of the Midstream Business associated with the Midstream Assets as conducted during the 12 months preceding the date hereof.

(q) Neither the Borrower nor any Guarantor or any Midstream Subsidiary is in default under or with respect to any of its margin requirements and capital assurance requirements in any respect which could reasonably be expected to have a material adverse effect on the Midstream Business of the Borrower, any Guarantor or any Midstream Subsidiary. No Default or Event of Default has occurred and is continuing.

(r) Except as would not have a material adverse effect on the conduct of the Midstream Business conducted by the Midstream Subsidiaries, the various gathering systems which comprise part of the Midstream Assets are covered by recorded fee deeds, right of ways, easements, leases, servitudes, permits, licenses, or other instruments in favor of the Midstream Subsidiaries (or their predecessors in title) and their successors and assigns, which instruments establish a contiguous right of way for the respective gathering systems and grant the right to construct, operate, and maintain the respective

gathering system in, over, under, and across the land covered thereby; provided, that certain licenses and permits from railroads, utilities, meter sites, and from the various state and local Governmental Authorities and rights granted by Hydrocarbon producers on their respective properties may not be recorded. The pipelines comprising the various gathering systems which are part of the Midstream Assets of the Midstream Subsidiaries are located within the confines of contiguous rights of way and do not encroach upon any adjoining property in any material respects. The rights of ingress and egress held by the Midstream Subsidiaries with respect to such gathering systems allow the applicable Midstream Subsidiaries to inspect, operate, repair, and maintain such gathering systems in a normal manner consistent with past practices.

ARTICLE V

COVENANTS OF THE BORROWER

SECTION 5.1. Affirmative Covenants. So long as any Letter of Credit shall remain outstanding, any Letter of Credit Liability shall exist or any Bank shall have any Letter of Credit Commitment hereunder, the Borrower will, unless the Majority Banks shall otherwise consent in writing:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, in all material respects with all applicable laws, rules, regulations and orders (except where failure to comply could not reasonably be expected to have a material adverse effect on the business, assets, condition or operations of the Borrower and its Subsidiaries taken as a whole), such compliance to include the payment and discharge before the same become delinquent of all taxes, assessments and governmental charges or levies imposed upon it or any of its Subsidiaries or upon any of its property or any property of any of its Subsidiaries, and all lawful claims which, if unpaid, might become a Lien upon any property of it or any of its Subsidiaries; provided that neither the Borrower nor any Subsidiary of the --------
Borrower shall be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings and with respect to which reserves in conformity with generally accepted accounting principles, if required by such principles, have been provided on the books of the Borrower or such Subsidiary, as the case may be.

(b) Reporting Requirements. Furnish to each of the Banks:

(i) as soon as possible and in any event within five days after the occurrence of each Default or Event of Default, continuing on the date of such statement, a statement of an authorized financial officer of the Borrower setting forth the details of such Default or Event of Default and the actions, if any, which the Borrower has taken and proposes to take with respect thereto;

(ii) as soon as available and in any event not later than 60 days after the end of each of the first three quarters of each fiscal year of the Borrower, (1) the Consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such quarter and the Consolidated statements of income and cash

flows of the Borrower and its Consolidated Subsidiaries for the period commencing at the end of the previous year and ending with the end of such quarter, all in reasonable detail and duly certified (subject to year-end audit adjustments and the lack of footnotes) by an authorized financial officer of the Borrower as having been prepared in accordance with generally accepted accounting principles; provided that, if any financial statement referred to in this clause (ii) of Section 5.1(b) is readily available on-line through EDGAR as of the date on which such financial statement is required to be delivered hereunder, the Borrower shall not be obligated to furnish copies of such financial statement; and (2) a certificate of an authorized financial officer of the Borrower (a) stating that he has no knowledge that a Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action, if any, which the Borrower proposes to take with respect thereto, and (b) showing in detail the calculation supporting such statement in respect of Sections 5.2(b) and 5.2(c);

(iii) as soon as available and in any event not later than 105 days after the end of each fiscal year of the Borrower, (1) a copy of the annual audit report for such year for the Borrower and its Consolidated Subsidiaries, including therein Consolidated balance sheet of the Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and Consolidated statements of income and cash flows of the Borrower and its Consolidated Subsidiaries for such fiscal year, in each case prepared in accordance with generally accepted accounting principles and reported on by Ernst & Young, LLP or other independent certified public accountants of recognized standing acceptable to the Majority Banks; provided that if any financial statement referred to in this clause (iii) of Section 5.1(b) is readily available on-line through EDGAR as of the date on which such financial statement is required to be delivered hereunder, the Borrower shall not be obligated to furnish copies of such financial statement; and (2) a letter of such accounting firm to the Banks (a) stating that, in the course of the regular audit of the business of the Borrower and its Consolidated Subsidiaries, which audit was conducted by such accounting firm in accordance with generally accepted auditing standards, such accounting firm has obtained no knowledge that a Default or Event of Default has occurred and is continuing, or if, in the opinion of such accounting firm, a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof, and (b) showing in detail the calculations supporting such statement in respect of Sections 5.2(b) and 5.2(c), (which letter may nevertheless be limited in form, scope and substance to the extent required by applicable accounting rules or guidelines in effect from time to time);

(iv) such other information respecting the business or properties, or the condition or operations, financial or otherwise, of the Borrower or any of its Material Subsidiaries as any Bank through the Agent may from time to time reasonably request;

(v) promptly after the sending or filing thereof, copies of all proxy material, reports and other information which the Borrower sends to any of its security holders, and copies of all final reports and final registration statements which the Borrower or any Material Subsidiary of the Borrower files with the Securities and Exchange Commission or any national securities exchange; provided that if such proxy materials and reports, registration statements and other information are readily available on-line through EDGAR, the Borrower or Material Subsidiary shall not be obligated to furnish copies thereof;

(vi) as soon as possible and in any event within 30 Business Days after the Borrower or any ERISA Affiliate of the Borrower knows or has reason to know (A) that any Termination Event described in clause (i) of the definition of Termination Event with respect to any Plan has occurred that could have a material adverse effect on the Borrower or any Material Subsidiary of the Borrower or any ERISA Affiliate of the Borrower or (B) that any other Termination Event with respect to any Plan has occurred or is reasonably expected to occur that could have a material adverse effect on the Borrower or any Material Subsidiary of the Borrower or any ERISA Affiliate of the Borrower, a statement of the chief financial officer or chief accounting officer of the Borrower describing such Termination Event and the action, if any, which the Borrower or such Subsidiary or such ERISA Affiliate proposes to take with respect thereto;

(vii) promptly and in any event within 25 Business Days after receipt thereof by the Borrower or any ERISA Affiliate, copies of each notice received by the Borrower or any ERISA Affiliate of the Borrower from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any Plan;

(viii) within 30 days following request therefor by any Bank, copies of each Schedule B (Actuarial Information) to each annual report (Form 5500 Series) of the Borrower or any ERISA Affiliate of the Borrower with respect to each Plan;

(ix) promptly and in any event within 25 Business Days after receipt thereof by the Borrower or any ERISA Affiliate of the Borrower from the sponsor of a Multiemployer Plan, a copy of each notice received by the Borrower or any ERISA Affiliate of the Borrower concerning (A) the imposition of a Withdrawal Liability by a Multiemployer Plan, (B) the determination that a Multiemployer Plan is, or is expected to be, in reorganization within the meaning of Title IV of ERISA, (C) the termination of a Multiemployer Plan within the meaning of Title IV of ERISA, or (D) the amount of liability incurred, or expected to be incurred, by the Borrower or any ERISA Affiliate of the Borrower in connection with any event described in clause (A), (B) or (C) above that, in each case, could have a material adverse effect on the Borrower or any ERISA Affiliate of the Borrower;

(x) not more than 60 days (or 105 days in the case of the last fiscal quarter of a fiscal year of the Borrower) after the end of each fiscal quarter of the Borrower, a certificate of an authorized financial officer of the Borrower stating the respective ratings, if any, by each of S&P and Moody's of the senior unsecured long-term debt of the Borrower as of the last day of such quarter; and

(xi) promptly after any withdrawal or termination of any letter of credit, guaranty, insurance or other credit enhancement referred to in the second to last sentence of Section 1.5 or any change in the indicated rating set forth therein or any change in, or issuance, withdrawal or termination of, the rating of any senior unsecured long-term debt of the Borrower by S&P or Moody's, notice thereof.

(xii) Promptly after any officer of the Borrower obtains knowledge thereof, notice of (1) any material violation of, noncompliance with, or remedial obligations under, any Environmental Protection Statute, and (2) any material release or threatened material release of Hazardous Substance or Hazardous Waste affecting any property owned, leased or operated by the Borrower or any Subsidiary of the Borrower that the Borrower or such Subsidiary is compelled by the requirements of any Environmental Protection Statute to report to any governmental agency, department, board or other instrumentality,

(c) Maintenance of Insurance. Maintain, and cause each of its Material Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or its Subsidiaries operate, provided that the Borrower or any of its Subsidiaries may self-insure to the extent and in the manner normal for companies of like size, type and financial condition.

(d) Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified, and cause each Subsidiary to qualify and remain qualified, as a foreign corporation in each jurisdiction in which qualification is necessary or desirable in view of its business and operations or the ownership of its properties, except (i) in the case of any Subsidiary of the Borrower, where the failure of such Subsidiary to so preserve, maintain, qualify and remain qualified could not reasonably be expected to have a material adverse effect on the business, assets, condition or operations of the Borrower and its Subsidiaries taken as a whole; (ii) in the case of the Borrower, where the failure of the Borrower to preserve and maintain such rights, franchises and privileges and to so qualify and remain qualified could not reasonably be expected to have a material adverse effect on the business, assets, condition or operations of the Borrower and its Subsidiaries taken as a whole, (iii) the Borrower and its Subsidiaries may consummate any merger or consolidation permitted pursuant to Section 5.2(d), and (iv) the Borrower and any of its Subsidiaries may be converted into a limited liability company by statutory election;

provided that any such conversion of the Borrower shall not affect its liabilities and obligations to the Banks pursuant to this Agreement.

(e) Acceptable Security Interest. Cause an Acceptable Security Interest to exist at all times in all Collateral, except as to the Excluded Collateral and as otherwise contemplated by Section 5.1(g).

(f) Further Assurances. At any time and from time to time, the Borrower shall, at its expense, promptly execute and deliver to the Collateral Trustee and/or the Collateral Agent such further instruments and documents, and take such further action (including, without limitation, with respect to the granting of a valid first priority Lien, subject to Permitted Liens, on any personal or real property of the Borrower, any Midstream Subsidiary or Williams Mobile Bay Producer Services, L.L.C. which, on the date of this Agreement, is subject to any contractual restriction prohibiting the granting of such a Lien on such property, which contractual restriction shall terminate prior to the Termination Date), as the Majority Banks may from time to time reasonably request, in order to further carry out the intent and purpose of the Credit Documents and to establish and protect the rights, interests and remedies created, or intended to be created, in favor of the Collateral Trustee, Collateral Agent or any of the Banks, including the execution, delivery, recordation and filing of security agreements, financing statements and continuation statements under the law of any applicable jurisdiction and mortgages and deeds of trust necessary to grant a valid first Lien on all Collateral of the Borrower and its Subsidiaries whether such Collateral is now owned, leased, possessed by license or any other means of acquiring a possessory interest or hereafter acquired or possessed (each such mortgage or deed of trust being an "Additional Mortgage"); provided, however, that (i) Williams GP LLC shall not be required to grant a Lien on any Equity Interests held by it in Williams Energy Partners L.P. and (ii) Williams Energy Partners L.P. shall not be required to grant a Lien on any of its personal or real property.

(g) Post-Closing Requirements. On or before the dates more fully set forth in Schedule XII hereto, the Borrower shall satisfy, or shall cause the satisfaction, of the items more fully set forth in such Schedule XII.

(h) Subsidiaries. Give the Agent thirty days prior written notice of the creation or acquisition of any Subsidiary, other than a Project Financing Subsidiary or any Subsidiary of Williams Energy Partners L.P., and concurrently with the creation or acquisition of any such Subsidiary, cause such Subsidiary, other than a Project Financing Subsidiary or any Subsidiary of Williams Energy Partners L.P., to provide to the Collateral Agent a Security Agreement granting an Acceptable Security Interest for the benefit of the Collateral Trustee, appropriate legal opinions and, if such Subsidiary owns any real property, a Mortgage covering such real property, all of which shall be in the form and substance satisfactory to the Collateral Agent.

(i) Bond Proceeds. On or before August 1, 2002, cause the net proceeds from the TGPL Bond Offerings to be maintained in a separate, segregated account in the name of TGPL to be used solely as set forth in the offering documents for the TGPL Bond Offering.

(j) Midstream Subsidiaries. Cause the representation set forth in Section 4.1(p) to be true at all times.

(k) Cash Deposits. Maintain all or substantially all of its cash deposits with one or more of the lenders under the Multiyear Williams Credit Agreement, other than any cash deposits held in local operational accounts or any international accounts.

(l) Barrett Liquidity Reserve. Cause RMT to at all times maintain the Barrett Liquidity Reserve (as defined in the Barrett Loan Agreement).

(m) Williams GP LLC. (i)Upon any sale or other disposition (other than a redemption) of any Equity Interests of Williams Energy Partners L.P. owned by Williams GP LLC, the Borrower shall furnish, or cause Williams GP LLC to furnish, to the Agent a fairness opinion with respect to such disposition prepared by a nationally recognized investment banking firm; (ii) the Borrower shall cause proceeds resulting from any redemption or disposition described in clause (i) which have been distributed by Williams GP LLC to, or otherwise received by, a Subsidiary (except Williams Energy Partners L.P. or a Subsidiary thereof) to be promptly delivered by such Subsidiary to the Collateral Trustee pursuant to the Collateral Trust Agreement, to be held by the Collateral Trustee as Collateral thereunder; and (iii) upon a purchase of any property by Williams GP LLC using proceeds from any redemption or disposition referred to in clause (i), the Borrower shall furnish, or cause Williams GP LLC to furnish, to the Agent a fairness opinion with respect to such purchase prepared by a nationally recognized investment banking firm.

SECTION 5.2. Negative Covenants. So long as any Letter of Credit Liability shall exist or any Bank shall have any Letter of Credit Commitment hereunder, the Borrower will not, without the written consent of the Majority Banks:

(a) Liens, Etc. Create, assume, incur or suffer to exist, or permit any of its Subsidiaries to create, assume, incur or suffer to exist, any Lien on or in respect of any of its property, whether now owned or hereafter acquired, or assign or otherwise convey, or permit any such Subsidiary to assign or otherwise convey, any right to receive income, in each case to secure or provide for the payment of any Debt, trade payable or other obligation or liability of any Person (other than obligations or liabilities that are (i) neither Debt nor trade payables, (ii) incurred, and are owed to trading counterparties, in the ordinary course of the trading business of the Borrower or any Subsidiary, and (iii) secured only by cash, short-term investments or a Letter of Credit); provided, however, that notwithstanding the foregoing (1) the Borrower or any of its Subsidiaries may create, incur, assume or suffer to exist Permitted Liens and (2) RMT and RMT LLC may create, incur, assume or suffer to exist any Lien created pursuant to the Barrett Loan Agreement or documents related thereto.

(b) Debt.

(i) In the case of the Borrower, permit the ratio of (A) the aggregate amount of Consolidated Debt of the Borrower and its Consolidated Subsidiaries to (B) the sum of the Consolidated Net Worth of the Borrower plus the aggregate amount of Consolidated Debt of the Borrower and its Consolidated Subsidiaries to exceed at any time (i) on or before December 30, 2002, 0.70 to 1.00, (ii) after December 30, 2002 and on or before March 30, 2003, 0.68 to 1.00 and (iii) after March 30, 2003, 0.65 to 1.00.

(ii) With respect to each of TGPL, TGT and NWP, permit the ratio of (A) the aggregate amount of Consolidated Debt of such Subsidiary and its

Consolidated Subsidiaries to (B) the sum of the Consolidated Net Worth of such Subsidiary plus the aggregate amount of Consolidated Debt of such Subsidiary and its Consolidated Subsidiaries to exceed at any time 0.55 to 1.00.

(c) Cash Flow to Interest Expense Ratio. Permit, for any period of four consecutive quarters, the ratio of (A) the sum of Cash Flow of the Borrower plus Interest Expense of the Borrower to (B) Interest Expense of the Borrower to be less than 1.5 to 1.0.

(d) Merger and Sale of Assets. Merge or consolidate with or into any other Person, or sell, lease or otherwise transfer a material part of its assets, or permit any of its Major Subsidiaries to merge or consolidate with or into any other Person, or sell, lease or otherwise transfer a material part of such Major Subsidiary's assets, except that this Section 5.2(d) shall not prohibit any sale or transfer permitted by Section 5.2(e) or any TWC Asset Disposition.

(e) Asset Disposition. Sell, lease, transfer or otherwise dispose of, or permit any of its Material Subsidiaries or the Guarantors to sell, lease, transfer or otherwise dispose of, any property of the Borrower or any Guarantor or Material Subsidiary of the Borrower, except (i) sales of inventory in the ordinary course of business and on reasonable terms, (ii) sales of worn out or obsolete equipment in the ordinary course of business, if no Event of Default exists at the time of such sale, (iii) replacement of equipment in the ordinary course of business with other equipment at least as useful and beneficial to the Borrower or its Material Subsidiaries and their respective businesses as the equipment replaced if no Event of Default exists at the time of such replacement and an Acceptable Security Interest exists in such other equipment at the time of such replacement, (iv) sales of other immaterial Property (other than Equity Interests, Debt or other obligations of any Subsidiary) in the ordinary course of business and on reasonable terms, if no Event of Default exists at the time of such sale; provided that Property may not be sold pursuant to this clause (iv) if the aggregate fair market value of all Property sold pursuant to this clause (iv) exceeds $250,000 in any year, (v) sales of assets which are not Collateral for cash in arm's length transactions, (vi) sales or other dispositions of Williams Pipelines Central, Inc. or the Refineries, (vii) sales of MAPL and Seminole and (viii) sales or other dispositions of assets of Williams GP LLC or Williams Energy Partners L.P.; provided that, (A) so long as the Multiyear Williams Credit Agreement is still in effect, the proceeds received from any disposition permitted pursuant to clauses (i) through (vi) shall be applied in accordance with the terms and conditions of the Multiyear Williams Credit Agreement and (B) assets disposed of pursuant to clauses (i) through (v) shall not constitute a material part of the assets of TGPL, TGT or NWP. Upon receipt of a written request therefor from the Borrower relating to dispositions permitted pursuant to this Section 5.2(e), (x) the Collateral Agent will execute and deliver all documents as may reasonably be requested to effect a release of the Liens on any such Collateral held by the Collateral Trustee pursuant to the Collateral Trust Agreement and the other Security Documents and (y) each Bank shall be deemed to have affirmatively approved the release of such Collateral. Notwithstanding anything in this Section 5.2(e) to the contrary, nothing in this Agreement shall prohibit (1) the transfer of Equity Interests of RMT from TWC to RMT LLC or (2) TWC or any of its Subsidiaries (including RMT

LLC, RMT and their respective Subsidiaries) from selling, leasing, transferring or otherwise disposing of any property of the Borrowers or any Subsidiaries of the Borrowers in accordance with the provisions of the Barrett Loan Agreement.

(f) Maintenance of Ownership of Certain Subsidiaries. Except with respect to Williams Energy Partners L.P., Williams Pipelines Central, Inc., the Refineries, MAPL, Seminole and their respective Subsidiaries, sell, issue or otherwise dispose of, or create, assume, incur or suffer to exist any Lien on or in respect of, or permit any of its Subsidiaries to sell, issue or otherwise dispose of or create, assume, incur or suffer to exist any Lien on or in respect of, any Equity Interests or any direct or indirect interest in any Equity Interests in the Borrower or any Material Subsidiary; provided, however, that this Section 5.2(f) shall not prohibit (i) Permitted Liens, (ii) the sale or other disposition of the Equity Interests in any Subsidiary of the Borrower to the Borrower or any Wholly-Owned Subsidiary of the Borrower if, but only if, (x) there shall not exist or result a Default or Event of Default and (y) in the case of each sale or other disposition referred to in this proviso involving the Borrower or any of its Subsidiaries, such sale or other disposition could not reasonably be expected to impair materially the ability of the Borrower to perform its obligations hereunder and under any other Credit Document and the Borrower shall continue to exist, (iii) any Subsidiary from selling or otherwise disposing of any direct or indirect Equity Interests in any Subsidiary of the Borrower (other than TGPL, TGT or NWP), (iv) the sale or other disposition of the Equity Interests in any Subsidiary of the Borrower pursuant to, and in accordance with, the Barrett Loan Agreement or (v) any TWC Asset Disposition; provided that, after giving effect to any sale or other disposition of any Equity Interests owned directly or indirectly by a Major Subsidiary, such Subsidiary continues to be a Major Subsidiary. Nothing herein shall be construed to permit the Borrower or any of its Subsidiaries to purchase shares, any interest in shares or any ownership interest in a WCG Subsidiary except as permitted by Section 5.2(h).

(g) Agreements to Restrict Certain Transfers. Enter into or suffer to exist, or permit any of its Subsidiaries to enter into or suffer to exist, any consensual encumbrance or restriction on its ability or the ability of any of its Subsidiaries (i) to pay, directly or indirectly, dividends or make any other distributions in respect of its capital stock or pay any Debt or other obligation owed to the Borrower or to any of its Subsidiaries; or (ii) to make loans or advances to the Borrower or any Subsidiary thereof, except (1) encumbrances and restrictions on any Subsidiary that is not a Material Subsidiary, (2) those encumbrances and restrictions existing on the date hereof, (3) other customary encumbrances and restrictions now or hereafter existing of the Borrower or any Subsidiary thereof entered into in the ordinary course of business that are not more restrictive in any material respect than the encumbrances and restrictions with respect to the Borrower or its Subsidiaries existing on the date hereof, (4) encumbrances or restrictions on any Subsidiary that is obligated to pay Non-Recourse Debt arising in connection with such Non-Recourse Debt, (5) encumbrances and restrictions on Williams Energy Partners L.P. and (6) encumbrances and restrictions on any Subsidiary pursuant to the Barrett Loan Agreement.

(h) Loans and Advances; Investments. Make or permit to remain outstanding, or allow any of its Subsidiaries to make or permit to remain outstanding, any loan or advance to, or own, purchase or acquire any obligations or debt or Equity Interests of, any WCG Subsidiary, except that the Borrower and its Subsidiaries may (i) permit to remain outstanding, and to replace or refinance, loans and advances and other financing arrangements to, or Equity Interest in, a WCG Subsidiary existing or owned (in the case of such Equity Interests) as of the date hereof and listed on Exhibit C hereof, but no such replacement or refinancing shall exceed the amount of such loans, advances or other amounts outstanding immediately prior to such replacement or refinancing, (ii) pursuant to the WCG Unwind Transaction, acquire and own the promissory note referred to in clause (b) of the definition herein of WCG Unwind Transaction and (iii) receive any distribution from WCG or any Subsidiary thereof in connection with the bankruptcy proceedings of WCG or any Subsidiary thereof. Except for those investments permitted in subsections (i), (ii) and (iii) above, no Borrower shall, and no Borrower shall permit any of its Subsidiaries to, acquire or otherwise invest in Equity Interests in, or make any loan or advance to, a WCG Subsidiary.

(i) Compliance with ERISA. (i) Terminate, or permit any ERISA Affiliate of the Borrower to terminate, any Plan so as to result in any material liability of the Borrower or any ERISA Affiliate of the Borrower or any Material Subsidiary to the PBGC, or (ii) permit to exist any occurrence of any Termination Event with respect to a Plan which would have a material adverse effect on the Borrower or any Material Subsidiary of the Borrower.

(j) Transactions with Related Parties. Make any sale to, make any purchase from, extend credit to, make payment for services rendered by, or enter into any other transaction with, or permit any Material Subsidiary of the Borrower to make any sale to, make any purchase from, extend credit to, make payment for services rendered by, or enter into any other transaction with, any Related Party of the Borrower or of such Subsidiary unless as a whole such sales, purchases, extensions of credit, rendition of services and other transactions are (at the time such sale, purchase, extension of credit, rendition of services or other transaction is entered into) on terms and conditions reasonably fair in all material respects to the Borrower or such Subsidiary in the good faith judgment of the Borrower.

(k) Guarantees. After the date of this Agreement, enter into any agreement to guarantee or otherwise become contingently liable for, or permit any of its Subsidiaries to guarantee or otherwise become contingently liable for, Debt or any other obligation of any WCG Subsidiary or to otherwise assure a WCG Subsidiary, or any creditor of a WCG Subsidiary, against loss.

(l) Sale and Lease-Back Transactions. Enter into, or permit any of its Subsidiaries to enter into, any Sale and Lease-Back Transaction, if after giving effect thereto the Borrower would not be permitted to incur at least $1.00 of additional Debt secured by a Lien permitted by paragraph (y) of Schedule III.

(m) Use of Proceeds. Use any Letter of Credit for any purpose other than general corporate purposes relating to the business of the Borrower and its Subsidiaries, (including working capital and capital expenditures), or use any Letter of Credit in any manner which violates or results in a violation of law; provided, however, that no Letter of Credit will be used to acquire any equity security of a class which is registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (other than any purchase of common stock of any corporation, if such purchase is not subject to Sections 13 and 14 of the Securities Exchange Act of 1934 and is not opposed, resisted or recommended against by such corporation or its management or directors, provided that the aggregate amount of common stock of any corporation (other than Apco Argentina Inc., a Cayman Islands corporation) purchased during any calendar year shall not exceed 1% of the common stock of such corporation issued and outstanding at the time of such purchase) or in any manner which contravenes law, and no Letter of Credit will be used to purchase or carry any margin stock (within the meaning of Regulation U issued by the Federal Reserve Board), except purchases by the Borrower of its capital stock if, after giving effect thereto, no Letter of Credit would constitute purpose credit within the meaning of such Regulation U. Notwithstanding anything to the contrary contained herein, if any, (i) with respect to EMT, Letters of Credit shall only be used, directly or indirectly, as necessary for the orderly disposition of the Trading Book and (ii) no Letter of Credit shall be used to pay any principal amounts outstanding, interest, fees or other costs with respect to the Barrett Loan, it being understood that Letters of Credit may be used to support margin requirements with regard to Hedging Agreements on oil and gas.

(n) Restricted Payments. Declare or pay any dividends, purchase, redeem, retire, defease or otherwise acquire for value any of its Equity Interests now or hereafter outstanding, return any capital to its stockholders, partners or members (or the equivalent Persons thereof) as such, make any distribution of assets, Equity Interests, obligations or securities to its stockholders, partners or members (or the equivalent Person thereof) as such or issue or sell any Equity Interests or accept any capital contributions, or permit any of its Subsidiaries to do any of the foregoing, permit any of its Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any Equity Interests in the Borrower or to issue or sell any Equity Interests therein, make any prepayment with respect to any Debt (other than the Progeny Facilities or Debt of Williams Energy Partners L.P. and its Subsidiaries) or repurchase any Debt securities except as required by the terms thereof in effect on the date hereof, except that, so long as no Default shall have occurred and be continuing at the time of any action described in clause (i) through (iv) below or would result therefrom:

(i) The Borrower may (A) declare and pay cash dividends and distributions on its (1) 9 7/8ths% Cumulative Convertible Preferred Stock, (2) December 2000 Cumulative Convertible Preferred Stock and (3) March 2001 Mandatorily Convertible Single Reset Preferred Stock, (B) declare and pay cash dividends and distributions on TWC Preferred Stock issued on or after July 30, 2002 in form and substance satisfactory to the Agent and (C) in any Fiscal Quarter, declare and pay cash dividends to its stockholders and purchase, redeem, retire or otherwise acquire shares of its own outstanding capital stock for cash if after giving effect thereto the aggregate amount of such dividends, purchases,

redemptions, retirements and acquisitions paid or made in any such Fiscal Quarter would be not greater than the sum of $6,250,000;

(ii) any Subsidiaries of the Borrower may (A) declare and pay cash dividends to the Borrower and (B) declare and pay cash dividends to any other Guarantor of which it is a Subsidiary;

(iii) Williams Energy Partners L.P. may declare and pay cash distributions to its unitholders; provided that any such cash distribution shall comply with the partnership agreement governing Williams Energy Partners L.P.; and

(iv) Apco Argentina, Inc. may declare and pay dividends in accordance with applicable laws and its governing documents.

(o) Investments in Other Persons. Make or hold, or permit any of its Subsidiaries to make or hold, any Investment in any Person, except (i) equity Investments by the Borrower and its Subsidiaries in their Subsidiaries outstanding on the date hereof and additional investments in Subsidiaries engaged in businesses reasonably related to the businesses carried on by the Borrower and its Subsidiaries on the date hereof; (ii) loans and advances to employees in the ordinary course of the business of the Borrower and its Subsidiaries as presently conducted; (iii) Investments of the Borrower and its Subsidiaries in Cash Equivalents; (iv) Investments existing on the date hereof; (v) Investments by the Borrower in Hedge Agreements entered into in the ordinary course of business and not for speculative purposes; (vi) Investments consisting of intercompany debt; and (vii) other Investments in an aggregate amount invested not to exceed $50,000,000 annually; provided that, with respect to Investments made under this clause (vii), (1) any newly acquired or organized Subsidiary of the Borrower or any of its Subsidiaries shall be a wholly owned Subsidiary thereof; (2) immediately before and after giving effect thereto, no Default shall have occurred and be continuing or would result therefrom; and (3) any company or business acquired or invested in pursuant to this clause (vii) shall be in the same line of business as the business of the Borrower or any of its Subsidiaries.

(p) Subsidiary Debt. Permit any of its Subsidiaries to create, incur, assume or suffer to exist Debt, other than (i) debt incurred, assumed or suffered to exist by TGPL, TGT, NWP or Williams Energy Partners L.P. or its Subsidiaries, (ii) Debt incurred, assumed or suffered to exist by Subsidiaries (other than those referred to in clause (i) and Subsidiaries the stock of which is pledged under the Pledge Agreement) in an aggregate amount equal to $50,000,000, (iii) Debt in existence on the date hereof, (iv) Debt under the Guaranties, (v) Debt of the Project Financing Subsidiaries, (vi) Debt under the Barrett Loan Agreement and (vii) Debt consisting of intercompany debt so long as the obligations of the debtors thereunder are subordinated to their obligations under the Credit Documents and are incurred in the ordinary course of the cash management system of the Borrower and its Subsidiaries.

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.1. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) The Borrower (i) shall fail to pay any Reimbursement Obligation when the same becomes due and payable, or (ii) shall fail to pay any interest on any Reimbursement Obligation within three days after the same becomes due and payable or (iii) shall fail to pay any fee or other amount to be paid by it hereunder or under any Credit Document to which it is a party within ten days after the same becomes due and payable; or

(b) Any certification, representation or warranty made by the Borrower herein or by the Borrower (or any officer of the Borrower) in writing under or in connection with this Agreement or any instrument executed in connection herewith (including representations and warranties deemed made pursuant to Section 3.2) shall prove to have been incorrect in any material respect when made or deemed made; or

(c) The Borrower shall fail to perform or observe (i) any term, covenant or agreement contained in Section 5.1(b) on its part to be performed or observed and such failure shall continue for five Business Days after the earlier of the date notice thereof shall have been given to the Borrower by the Agent or any Bank or the date the Borrower shall have knowledge of such failure, or (ii) any term, covenant or agreement contained in this Agreement (other than a term, covenant or agreement contained in Section 5.1(b), Section 5.2 or any other Credit Document on its part to be performed or observed and such failure shall continue for ten Business Days after the earlier of the date notice thereof shall have been given to the Borrower by the Agent or any Bank or the date the Borrower shall have knowledge of such failure; or (iii) any term, covenant or agreement contained in Section 5.2; or

(d) The Borrower or any Subsidiary of the Borrower shall fail to pay any principal of or premium or interest on any Debt which is outstanding in a principal amount of at least $60,000,000 in the aggregate (excluding Debt incurred pursuant to any Letter of Credit) of the Borrower and/or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment, as required in connection with any permitted sale of assets or as required in connection with any casualty or condemnation), prior to the stated maturity thereof; provided, however, that the provisions of this Section 6.1(d)

shall not apply to any Non-Recourse Debt of any non-material Subsidiary of the Borrower which is a Non-Borrowing Subsidiary as defined in the Multiyear Williams Credit Agreement; or

(e) The Borrower or any Material Subsidiary of the Borrower (i) shall generally not pay its debts as such debts become due, or (ii) shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors or any proceeding shall be instituted by or against the Borrower or any Material Subsidiary of the Borrower seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), shall remain undismissed or unstayed for a period of 60 days; or the Borrower or any Material Subsidiary of the Borrower shall take any action to authorize any of the actions set forth above in this subsection (e); or

(f) Any judgment or order for the payment of money in excess of $60,000,000 shall be rendered against the Borrower or any Material Subsidiary of the Borrower and remain unsatisfied and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(g) Any Termination Event with respect to a Plan shall have occurred and, 30 days after notice thereof shall have been given to the Borrower by the Agent, (i) such Termination Event shall still exist and (ii) the sum (determined as of the date of occurrence of such Termination Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans with respect to which a Termination Event shall have occurred and then exist (or in the case of a Plan with respect to which a Termination Event described in clause (ii) of the definition of Termination Event shall have occurred and then exist, the liability related thereto) is equal to or greater than $75,000,000; or

(h) The Borrower or any ERISA Affiliate of the Borrower shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount which, when aggregated with all other amounts required to be paid to Multiemployer Plans in connection with Withdrawal Liabilities (determined as of the date of such notification), exceeds $75,000,000 in the aggregate or requires payments exceeding $50,000,000 per annum; or

(i) The Borrower or any ERISA Affiliate of the Borrower shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result of such reorganization or termination the aggregate annual contributions of the Borrower and its ERISA Affiliates to all Multiemployer Plans which are then in reorganization or being terminated have been or will be increased over the amounts

contributed to such Multiemployer Plans for the respective plan years which include the date hereof by an amount exceeding $75,000,000;

(j) Any provision (other than any provision excepted from, or subject to a qualification in, the opinion delivered pursuant to Section 3.1(c), but only to the extent of such exception or qualification) of any Security Document for any reason is not a legal, valid, binding and enforceable obligation of the Borrower party thereto or the Borrower party thereto shall so state in writing;

(k) Any material portion of the Collateral that is not covered by adequate insurance shall be destroyed or any material portion of the Collateral shall otherwise become unavailable for use by its owner for a period in excess of 30 days (or 90 days if such owner has business interruption insurance adequate to cover the loss to it resulting from such Collateral being unavailable for use) or title to any material portion of the Collateral shall be successfully challenged; or

(l) Any "Default" or "Event of Default" as defined in any Security Document shall occur;

then, and in any such event, the Agent (i) shall at the request, or may with the consent, of the Majority Banks, by notice to the Borrower, declare, the obligation of each Issuing Bank to issue any Letter of Credit to be terminated, whereupon each such obligation shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Majority Banks, by notice to the Borrower, declare the principal of the Reimbursement Obligations, all interest thereon and all other amounts payable by the Borrower under this Agreement and any other Credit Document to be forthwith due and payable, whereupon all such amounts shall become and be forthwith due and payable, without requirement of any presentment, demand, protest, notice of intent to accelerate, further notice of acceleration or other further notice of any kind (other than the notice expressly provided for above), all of which are hereby expressly waived by the Borrower; provided, however, that in the event of any Event of Default described in Section 6.1(e)(ii), (A) the obligation of each Issuing Bank to issue a Letter of Credit shall automatically be terminated and (B) the principal of the Reimbursement Obligations, all such interest and all such other amounts shall automatically become and be due and payable, without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or any other notice of any kind, all of which are hereby expressly waived by the Borrower. For purposes of this Section 6.1, any Reimbursement Obligation owed to an SPC shall be deemed to be owed to its Designating Bank.

SECTION 6.2. LC Cash Collateral Accounts. Upon the occurrence and during the continuance of any Event of Default (if the Agent has declared all amounts owed hereunder to be due and payable), the Borrower agrees that it shall forthwith, without any demand or the taking of any other action by any Issuing Bank, the Agent, or any of the Banks, provide cover for the outstanding Letter of Credit Liabilities by paying to the Agent immediately available funds in an amount equal to the then aggregate undrawn face amount of all outstanding Letters of Credit, which funds shall be deposited into a blocked deposit account or accounts to be established and maintained at the office of Citibank (or an affiliate thereof) in the name of the Agent as collateral security for any outstanding Letter of Credit Liabilities (the "LC Cash Collateral Accounts"). The Borrower hereby pledges, and grants to the Agent for the ratable benefit of each Issuing

Bank and the Banks, a security interest in all funds held in the LC Cash Collateral Accounts from time to time and all proceeds thereof, as security for the payment of the outstanding Letter of Credit Liabilities. The Agent shall from time to time withdraw funds then held in the LC Cash Collateral Accounts to satisfy the payment of any Reimbursement Obligations owing to any Issuing Bank as shall have become or shall become due and payable by the Borrower to such Issuing Bank under this Agreement in connection with the Letters of Credit. The Agent shall exercise reasonable care in the custody and preservation of any funds held in the LC Cash Collateral Accounts and shall be deemed to have exercised such care if such funds are accorded treatment substantially equivalent to that which the Agent accords its own property, it being understood that the Agent shall not have any responsibility for taking any necessary steps to preserve rights against any parties with respect to any such funds. If at any time (a) no Event of Default exists and (b) the funds in the LC Cash Collateral Accounts exceed the aggregate amount of all Letter of Credit Liabilities, the Agent shall, upon request of the Borrower, return such excess to the Borrower or to any Person designated by the Borrower.

ARTICLE VII

[INTENTIONALLY OMITTED]

ARTICLE VIII

THE AGENT; ISSUING BANK; THE COLLATERAL AGENT; OTHERS

SECTION 8.1. Agent's Authorization and Action. Each Bank hereby appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including enforcement of the terms of this Agreement or collection of the Reimbursement Obligations, fees and any other amounts due and payable pursuant to this Agreement), the Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Banks, and such instructions shall be binding upon all Banks; provided, however, that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to this Agreement or applicable law. The Agent agrees to give to each Bank prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

SECTION 8.2. Agent's Reliance, Etc. Neither the Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Agent: (i) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iii) shall not have any duty to ascertain or to inquire as to the performance

or observance of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or to inspect the property (including the books and records) of the Borrower; (iv) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (v) shall incur no liability under or in respect of any Letter of Credit or this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties; and (vi) may treat any Issuing Bank that issues or has issued a Letter of Credit as being the issuer of such Letter of Credit for all purposes.

SECTION 8.3. Issuing Banks' Reliance, Etc. Neither the Issuing Banks nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. The Issuing Banks shall not have, by reason of this Agreement a fiduciary relationship in respect of any Bank; and nothing in this Agreement, expressed or implied, is intended or shall be so construed as to impose upon the Issuing Banks any obligations in respect of this Agreement except as expressly set forth herein. Without limitation of the generality of the foregoing, the Issuing Banks: (i) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or to inspect the property (including the books and records) of the Borrower; (iv) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; and (v) shall incur no liability under or in respect of any Letter of Credit or this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 8.4. Rights. With respect to any Letter of Credit Interest held by it, Citibank shall have the same rights and powers under this Agreement as any other Bank and may exercise the same as though it was not the Agent; with respect to its Letter of Credit Commitments, the Reimbursement Obligations owed to it, any Letter of Credit Interest held by it, the Issuing Banks shall have the right and power under this Agreement as any other Bank and may exercise the same as though it was not an Issuing Bank, as the case may be. The term "Bank" or "Banks" shall, unless otherwise expressly indicated, include each of the Issuing Banks in their individual capacity. Citicorp, each Issuing Bank and the respective affiliates of each may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Borrower, any Subsidiary of the Borrower, any Person who may do business with or own, directly or indirectly, securities of the Borrower or any such Subsidiary and any other Person, all as if Citicorp were not the Agent and each Issuing Bank was not an Issuing Bank, in each case without any duty to account therefor to the Banks.

SECTION 8.5. Bank Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Collateral Trustee, Agent, the Arranger, the Issuing Banks or any other Bank and based on the financial statements referred to in Section 4.1(e) and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Collateral Trustee, Agent, the Issuing Banks, the Arranger or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 8.6. Indemnification. The Banks agree to indemnify the Agent (to the extent not reimbursed by the Borrower), ratably according to the respective Reimbursement Obligations then owed to each of them (or if no Reimbursement Obligations are at the time outstanding, ratably according to their respective LC Participation Percentage), from and against any and all claims, damages, losses, liabilities and expenses (including reasonable fees and disbursements of counsel) of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Agent under this Agreement (EXPRESSLY INCLUDING ANY SUCH CLAIM, DAMAGE, LOSS, LIABILITY OR EXPENSE ATTRIBUTABLE TO THE ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE OF THE AGENT, BUT EXCLUDING ANY SUCH CLAIM, DAMAGE, LOSS, LIABILITY OR EXPENSE ATTRIBUTABLE TO THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE AGENT). IT IS THE INTENT OF THE PARTIES HERETO THAT THE AGENT SHALL, TO THE EXTENT PROVIDED IN THIS SECTION 8.6, BE INDEMNIFIED FOR ITS OWN ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE. Without limitation of the foregoing, each Bank agrees to reimburse the Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under this Agreement to the extent that the Agent is not reimbursed for such expenses by the Borrower.

SECTION 8.7. Successor Agent. The Agent may resign at any time as Agent under this Agreement by giving written notice thereof to the Banks and the Borrower and may be removed at any time with or without cause by the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint, with the consent the Borrower (which consent shall not be unreasonably withheld and shall not be required if an Event of Default exists), a successor Agent from among the Banks. If no successor Agent shall have been so appointed by the Majority Banks with such consent, and shall have accepted such appointment, within 30 days after the retiring Agent's giving of notice of resignation or the Majority Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent, which shall be a Bank which is a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Upon the acceptance of any appointment as Agent under this Agreement by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent and shall function as the Agent under this Agreement, and the retiring Agent shall be discharged

from its duties and obligations as Agent under this Agreement. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent under this Agreement.

SECTION 8.8. Collateral Agent's Authorization and Action. Each Bank hereby appoints and authorizes the Collateral Agent to take such action as agent on its behalf and to exercise such powers under this Agreement as are delegated to the Collateral Agent by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including enforcement of the terms of this Agreement or collection of the Reimbursement Obligations, fees and any other amounts due and payable pursuant to this Agreement), the Collateral Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Banks, and such instructions shall be binding upon all Banks; provided, however, that the Collateral Agent shall not be required to take any action which exposes the Collateral Agent to personal liability or which is contrary to this Agreement or applicable law. The Collateral Agent agrees to give to each Bank prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

SECTION 8.9. Collateral Agent's Reliance, Etc. Neither the Collateral Agent nor any of its directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, the Collateral Agent: (i) may consult with legal counsel (including counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (ii) makes no warranty or representation to any Bank and shall not be responsible to any Bank for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement; (iii) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement on the part of the Borrower or to inspect the property (including the books and records) of the Borrower; (iv) shall not be responsible to any Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (v) shall incur no liability under or in respect of any Note, Letter of Credit or this Agreement by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties; and (vi) may treat any Issuing Bank that issues or has issued a Letter of Credit as being the issuer of such Letter of Credit for all purposes.

SECTION 8.10. Collateral Agent and Its Affiliates. With respect to any Letter of Credit Interest held by it, each Bank which is also the Collateral Agent shall have the same rights and powers under the Credit Documents as any other Bank and may exercise the same as though it were not the Collateral Agent; and the term "Bank" or "Banks" shall, unless otherwise expressly indicated, include any Bank serving as the Collateral Agent in its individual capacity. Any Bank serving as the Collateral Agent and its affiliates may accept deposits from, lend

money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, the Borrower, any of the Subsidiaries and any Person who may do business with or own securities of the Borrower or any Subsidiary, all as if such Bank were not the Collateral Agent and without any duty to account therefor to the Banks.

SECTION 8.11. Bank Credit Decision. Each of the Banks and the other beneficiaries of any Security Document parties hereto (both on its own behalf and on behalf of any of its affiliates that is a beneficiary of any Security Document) acknowledges that it has, independently and without reliance upon the Collateral Trustee, Collateral Agent or any other Bank and based on the financial statements referred to in Section 4.1(e) and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each of the Banks and the other beneficiaries of any Security Document parties hereto (both on its own behalf and on behalf of any of its Affiliates that is a beneficiary of any Security Document) also acknowledges that it will, independently and without reliance upon the Collateral Trustee, Collateral Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Credit Documents. Neither the Collateral Trustee nor the Collateral Agent shall have any duty or responsibility, either initially or on a continuing basis, to provide any Person with any credit or other information with respect thereto, whether coming into its possession before the issuance of any Letter of Credit or at any time or times thereafter.

SECTION 8.12. Certain Rights of the Collateral Agent. If the Collateral Agent shall request instructions from the Majority Banks with respect to any act or action (including failure to act) in connection with this Agreement or any other Credit Document, the Collateral Agent shall be entitled to refrain from such act or taking such action unless and until the Collateral Agent shall have received instructions from the Majority Banks; and it shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no Bank nor any beneficiary of any Security Document shall have any right of action whatsoever against the Collateral Agent as a result of its acting or refraining from acting hereunder or under any other Loan Document in accordance with the instructions of the Majority Banks or all of the Banks, as the case may be. Furthermore, except for action expressly required of the Collateral Agent hereunder, the Collateral Agent shall in all cases be fully justified in failing or refusing to act hereunder unless it shall be specifically indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

SECTION 8.13. Collateral Agent Indemnification. The Banks agree to indemnify the Collateral Agent (to the extent not reimbursed by the Borrower), including to the extent the Collateral Agent is acting in its capacity as "Collateral Trustee" under the Collateral Trust Agreement, ratably according to the respective principal amounts of the Reimbursement Obligations then owed to each of them (or if no Reimbursement Obligations are at the time outstanding, ratably according to their LC Participation Percentage), from and against any and all claims, damages, losses, liabilities and expenses (including reasonable fees and disbursements of counsel) of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Collateral Agent in any way relating to or arising out of this Agreement or any action taken or omitted by the Collateral Agent under this Agreement (EXPRESSLY INCLUDING

ANY SUCH CLAIM, DAMAGE, LOSS, LIABILITY OR EXPENSE ATTRIBUTABLE TO THE ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE OF THE COLLATERAL AGENT, BUT EXCLUDING ANY SUCH CLAIM, DAMAGE, LOSS, LIABILITY OR EXPENSE ATTRIBUTABLE TO THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE COLLATERAL AGENT). IT IS THE INTENT OF THE PARTIES HERETO THAT THE COLLATERAL AGENT SHALL, TO THE EXTENT PROVIDED IN THIS SECTION 8.5, BE INDEMNIFIED FOR ITS OWN ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE. Without limitation of the foregoing, each Bank agrees to reimburse the Collateral Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by the Collateral Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under this Agreement to the extent that the Collateral Agent is not reimbursed for such expenses by the Borrower.

SECTION 8.14. Successor Collateral Agent. The Collateral Agent may resign at any time as Collateral Agent under this Agreement by giving written notice thereof to the Banks and the Borrower and may be removed at any time with or without cause by the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint, with the consent of the Borrower (which consent shall not be unreasonably withheld and shall not be required if an Event of Default exists), a successor Collateral Agent from among the Banks. If no successor Collateral Agent shall have been so appointed by the Majority Banks with such consent, and shall have accepted such appointment, within 30 days after the retiring Collateral Agent's giving of notice of resignation or the Majority Banks' removal of the retiring Collateral Agent, then the retiring Collateral Agent may, on behalf of the Banks, appoint a successor Collateral Agent, which shall be a Bank which is a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $500,000,000. Upon the acceptance of any appointment as Collateral Agent under this Agreement by a successor Collateral Agent, such successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Collateral Agent and shall function as the Collateral Agent under this Agreement, and the retiring Collateral Agent shall be discharged from its duties and obligations as Collateral Agent under this Agreement. After any retiring Collateral Agent's resignation or removal hereunder as Collateral Agent, the provisions of this Article VIII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Collateral Agent under this Agreement.

SECTION 8.15. Other Agents; the Arranger. The other agents, the Collateral Trustee, and the Arranger have no duties or obligations under this Agreement. None of the other agents, the Collateral Trustee, nor the Arranger shall have, by reason of this Agreement or the other Credit Documents, a fiduciary relationship in respect of any Bank, and nothing in this Agreement or other Credit Documents, express or implied, is intended or shall be so construed to impose on any of the other agents or the Arranger any obligation in respect of this Agreement or other Credit Documents.

ARTICLE IX

MISCELLANEOUS

SECTION 9.1. Amendments, Etc. No amendment or waiver of any provision of this Agreement, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Majority Banks, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver or consent shall, unless in writing and signed by all the Banks, do any of the following: (a) waive any of the conditions specified in Article III, (b) increase the Letter of Credit Commitments of the Issuing Banks or subject any Bank to any additional obligation, (c) reduce the Reimbursement Obligations or any fees or other amounts payable hereunder, (d) postpone any date fixed for any payment of the Reimbursement Obligations or any fees or other amounts payable hereunder, (e) take any action which requires the signing of all the Banks pursuant to the terms of this Agreement, (f) change the definition of Majority Banks or otherwise change the percentage of the Letter of Credit Commitments or of the aggregate unpaid principal amount of the Letter of Credit Liabilities or the Reimbursement Obligations, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Agreement, (g) release any of the Collateral (except as contemplated by Section 5.2(e)), or (h) amend this Section 9.1; and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Agent in addition to the Banks required above to take such action, affect the rights or duties of the Agent under any Credit Document; and provided further that no amendment, waiver or consent shall, unless in writing and signed by each Issuing Bank in addition to the Banks required above to take such action, affect the rights or duties of any Issuing Bank under any Credit Document; and provided further that no amendment, waiver or consent shall, unless in writing and signed by the Collateral Agent in addition to the Banks required above to take such action, affect the rights or duties of the Collateral Agent under any Credit Document.

SECTION 9.2. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telecopy communication) and mailed, telecopied or delivered, if to any Bank, as specified opposite its name on Schedule I hereto or specified in a Transfer Agreement for any assignee Bank delivered pursuant to Section 9.6(a); if to the Borrower, as specified opposite its name on Schedule II hereto; if to an Issuing Bank to its address as specified opposite its name on Schedule I; and if to Citicorp, as Agent or Collateral Agent, to its address at 399 Park Avenue, New York, New York 10043, (telecopier number: (302) 894-6120), Attention: Williams Account Officer, with a copy to Citicorp North America, Inc., 1200 Smith Street, Suite 2000, Houston, Texas 77002 (telecopier number: (713) 654-2849), Attention: The Williams Companies, Inc. Account Officer, or, as to the Borrower, any Issuing Bank, the Collateral Agent, or the Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower, each Issuing Bank, the Collateral Agent and the Agent. All such notices and communications shall, when mailed or telecopied, be effective when received in the mail, sent by telecopier to any party to the telecopier number as set forth herein or on Schedule I or Schedule II or specified in a Transfer Agreement for any assignee Bank delivered pursuant to Section 9.6(a) (or other telecopy number specified by such party in a written notice to the other parties hereto), respectively, except that

notices and communications to the Agent shall not be effective until received by the Agent. Any notice or communication to a Bank shall be deemed to be a notice or communication to any SPC designated by such Bank and no further notice to an SPC shall be required. Delivery by telecopier of an executed counterpart of this Agreement or of any amendment or waiver of any provision of this Agreement or any Schedule or Exhibit F hereto to be executed and delivered hereunder shall be effective as delivery of a manually executed counterpart thereof.

SECTION 9.3. No Waiver; Remedies. No failure on the part of any Bank or the Agent to exercise, and no delay in exercising, any right under this Agreement or any other Credit Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in this Agreement are cumulative and not exclusive of any remedies provided by law.

SECTION 9.4. Costs and Expenses.

(a) (i) the Borrower agrees to pay on demand all reasonable out-of-pocket costs and expenses of the Arranger and the Agent in connection with the preparation, execution, delivery, administration, modification and amendment of this Agreement, the other Credit Documents, if any, and the other documents to be delivered under this Agreement, including the reasonable fees and out-of-pocket expenses of counsel for the Agent with respect thereto and with respect to advising the Agent as to its rights and responsibilities under this Agreement and any other Credit Document, the reasonable costs and expenses of the Issuing Banks in connection with any Letter of Credit, the reasonable costs and expenses of the Collateral Agent and all amounts paid by the Collateral Agent pursuant to any Security Document, and (ii) the Borrower agrees to pay on demand all costs and expenses, if any (including reasonable counsel fees and expenses, which may include allocated costs of in-house counsel), of the Agent, the Collateral Agent, the Issuing Banks and each Bank in connection with the enforcement (whether before or after the occurrence of an Event of Default and whether through negotiations (including formal workouts or restructurings), legal proceedings or otherwise) against the Borrower of any Credit Document to be delivered by the Borrower under this Agreement.

(b) The Borrower agrees, to the fullest extent permitted by law, to indemnify and hold harmless the Agent, the Collateral Agent, the Issuing Banks, other agents, the Arranger and each Bank and each of their respective directors, officers, employees and agents (the "Indemnified Parties") from and against any and all claims, damages, losses, liabilities and expenses (including reasonable fees and disbursements of counsel) of any kind or nature whatsoever for which any of them may become liable or which may be incurred by or asserted against any of the Indemnified Parties (other than by another Bank or any successor or assign of another Bank), in each case in connection with or arising out of or by reason of any investigation, litigation, or proceeding, whether or not any of the Indemnified Parties is a party thereto, arising out of, related to or in connection with this Agreement or any transaction in which any proceeds of all or any part of Letters of Credit are applied (EXPRESSLY INCLUDING ANY SUCH CLAIM, DAMAGE, LOSS, LIABILITY OR EXPENSE ATTRIBUTABLE TO THE ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE OF SUCH INDEMNIFIED PARTY, BUT EXCLUDING ANY SUCH CLAIM, DAMAGE, LOSS, LIABILITY OR EXPENSE ATTRIBUTABLE TO THE GROSS NEGLIGENCE

OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY). IT IS THE INTENT OF THE PARTIES HERETO THAT EACH INDEMNIFIED PARTY SHALL, TO THE EXTENT PROVIDED IN THIS SECTION 9.4(b), BE INDEMNIFIED FOR ITS OWN ORDINARY, SOLE OR CONTRIBUTORY NEGLIGENCE.

SECTION 9.5. Right of Set-off. Upon (i) the occurrence and during the continuance of any Event of Default and (ii) the making of the request or the granting of the consent specified by Section 6.1 to authorize the Agent to declare the Reimbursement Obligations due and payable pursuant to the provisions of Section 6.1, each Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Bank to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and the other Credit Documents, if any, held by such Bank, irrespective of whether or not such Bank shall have made any demand under this Agreement or the other Credit Documents and although such obligations may be unmatured. Each Bank agrees promptly to notify the Borrower after such set-off and application made by such Bank, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Bank under this Section are in addition to other rights and remedies (including other rights of set-off) which such Bank may have.

SECTION 9.6. Binding Effect; Transfers.

(a) This Agreement shall become effective when it shall have been executed by the Borrower, the Agent, the Collateral Agent and the Issuing Banks, and when each Bank listed on the signature pages hereof has delivered an executed counterpart hereof to the Agent, has sent to the Agent a facsimile copy of its signature hereon or has notified the Agent that such Bank has executed this Agreement and thereafter shall be binding upon and inure to the benefit of the Borrower, the Agent, the Collateral Agent, the Issuing Banks and each Bank and their respective successors and assigns; provided that the Borrower shall not have the right to assign any of its rights hereunder or any interest herein without the prior written consent of the Agent. Each Bank may assign to one or more banks, financial institutions or other entities all or a portion of its rights and obligations under this Agreement (including all or a portion of its Letter of Credit Commitments or its Letter of Credit Interest); provided, however, that (i) each such assignment shall be of a constant, and not a varying, percentage of all rights and obligations under this Agreement, (ii) except in the case of an assignment of all of a Bank's rights and obligations under this Agreement or an assignment to another Bank, the amount of the Letter of Credit Commitment and/or LC Participation Percentage of the assigning Bank being assigned pursuant to each such assignment (determined as of the date of the Transfer Agreement with respect to such assignment) shall in no event be less than $5,000,000 in the aggregate or such lesser amount as may be consented to by the Agent and the Borrower, (iii) each such assignment shall be to an Eligible Assignee, and (iv) the parties to each such assignment shall execute and deliver to the Agent, for its acceptance and recording in the Register maintained by the Agent, a Transfer Agreement and, unless the assignment is to an affiliate of such Bank, a processing and recordation fee of $3,500. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Transfer Agreement, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it

pursuant to such Transfer Agreement, have the rights and obligations of a Bank hereunder (including obligations to the Agent pursuant to Section 8.5) and (y) the Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Transfer Agreement, relinquish its rights and be released from its obligations under this Agreement, except for rights and obligations which continue after repayment of the Reimbursement Obligations or termination of this Agreement pursuant to the express terms of this Agreement (and, in the case of a Transfer Agreement covering all of an assigning Bank's rights and obligations under this Agreement, such Bank shall cease to be a party hereto).

(b) By executing and delivering a Transfer Agreement, the Bank assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Transfer Agreement, such assigning Bank makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement, any other Credit Document or any other instrument or document furnished pursuant hereto or in connection herewith, the perfection, existence, sufficiency or value of any Collateral, guaranty or insurance or the execution, legality, validity, enforceability, genuineness, sufficiency or value of any Credit Document or any other instrument or document furnished pursuant hereto or in connection herewith; (ii) such assigning Bank makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any other Person or the performance or observance by the Borrower or any other Person of any of its respective obligations under the Credit Documents or any other instrument or document furnished pursuant hereto or in connection herewith; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of such financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Transfer Agreement; (iv) such assignee will, independently and without reliance upon the Agent, the Collateral Agent, any Issuing Bank, such assigning Bank or any other Bank and based on such financial statements and such other documents and information as it shall deem appropriate at the time, continue to make its own credit analysis and decisions in taking or not taking action under this Agreement, any of the other Credit Documents or any other instrument or document; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Agent to act as Agent on its behalf and to exercise such powers and discretion under the Agreement, any other Credit Document or any other document executed in connection herewith or therewith as are delegated to the Agent by the terms hereof or thereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Bank.

(c) The Agent shall maintain a copy of each Transfer Agreement, delivered to and accepted by it and the Register for the recordation of the names and addresses of the Banks and the Letter of Credit Commitment of and Letter of Credit Interest of each Bank from time to time.

(d) Upon its receipt of a Transfer Agreement executed and completed by an assigning Bank and an assignee representing that it is an Eligible Assignee (and consented to by the Agent and, if required, by the Borrower), the Agent shall (i) accept such Transfer Agreement,

(ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower.

(e) Each Bank may sell participations to one or more banks or other entities (other than the Borrower or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including all or a portion of its Letter of Credit Interest); provided, however, that (i) such Bank's obligations under this Agreement (including its Letter of Credit Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the Borrower, the Agent, the Collateral Agent, each Issuing Bank and the other Banks shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement, (iv) all amounts payable under this Agreement shall be calculated as if such Bank had not sold such participation, and (v) the terms of any such participation shall not restrict such Bank's ability to consent to any departure by the Borrower herefrom without the approval of the participant, except that the approval of the participant may be required to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Reimbursement Obligations or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or postpone any date fixed for any payment of principal of, or interest on, the Reimbursement Obligations or any fees or other amounts payable hereunder, in each case to the extent subject to such participation.

(f) Notwithstanding any other provisions set forth in this Agreement, any Bank may at any time create a security interest in all or any portion of its rights under this Agreement (including its Letter of Credit Interest) in favor of any Federal Reserve Bank in accordance with Regulation A of the Federal Reserve Board without notice to or consent of the Borrower or the Agent. Furthermore, any Bank may assign, as collateral or otherwise, any of its rights (including rights to payments of principal of and/or interest on its Letter of Credit Interest) under this Agreement or any of its Letter of Credit Interest to any Federal Reserve Bank without notice to or consent of the Borrower or the Agent.

(g) Notwithstanding anything to the contrary contained herein, any Bank (a "Designating Bank") with the consent of the Agent and, if no Event of Default has occurred and is continuing, the Borrower may grant to a special purpose funding vehicle (an "SPC"), identified as such in writing from time to time by the Designating Bank to the Agent and the Borrower, the option to fund all or any part of any payment to any Issuing Bank which the Designating Bank has agreed to make; provided that no Designating Bank shall have granted at any one time such option to more than one SPC and provided further that (i) such Designating Bank's obligations under this Agreement (including its Letter of Credit Commitment to the Borrower hereunder, if any) shall remain unchanged, (ii) such Designating Bank shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the Borrower, the Issuing Banks, the Collateral Agent, the Agent and the other Banks shall continue to deal solely and directly with such Designating Bank in connection with such Designating Bank's rights and obligations under this Agreement, (iv) any such option granted to an SPC shall not constitute a commitment by such SPC to fund any drawing under a Letter of Credit, and (v) neither the grant nor the exercise of such option to an SPC shall increase the costs or expenses or otherwise increase or change the obligations of the Borrower under this Agreement (including its obligations under Section 2.6). The issuance of a Letter of Credit by an SPC

hereunder shall utilize the Letter of Credit Commitment of the Designating Bank to the same extent, and as if, such Letter of Credit were issued by such Designating Bank. Each party hereto hereby agrees that no SPC shall be liable for any indemnity or similar payment obligation under this Agreement to the extent that any such indemnity or similar payment obligations shall have been paid by its Designating Bank. In furtherance of the foregoing, each party hereto hereby agrees (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper or other senior indebtedness of any SPC, it will not institute against, or join any other person in instituting against such SPC any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings under the laws of the United States. In addition, notwithstanding anything to the contrary contained in this Section 9.6, an SPC may not assign its interest in any Letter of Credit Interests except that, with notice to, but without the prior written consent of, the Borrower and the Agent and without paying any processing fee therefor, such SPC may assign all or a portion of its interests in any Letter of Credit Interests to the Designating Bank or to any financial institutions (consented to by the Borrower and Agent), providing liquidity and/or credit support to or for the account of such SPC to support the funding or maintenance of Letter of Credit Interests. Each Designating Bank shall serve as the agent of its SPC and shall on behalf of its SPC: (i) receive any and all payments made for the benefit of such SPC and (ii) give and receive all communications and notices, and vote, approve or consent hereunder, and take all actions hereunder, including votes, approvals, waivers, consents and amendments under or relating to this Agreement and the other Credit Documents. Any such notice, communication, vote, approval, waiver, consent or amendment shall be signed by the Designating Bank for the SPC and need not be signed by such SPC on its own behalf. The Borrower, the Issuing Banks, the Collateral Agent, the Agent and the Banks may rely thereon without any requirement that the SPC sign or acknowledge the same or that notice be delivered to the Borrower or the SPC. This Section 9.6(g) may not be amended without the written consent of any SPC, which shall have been identified to the Agent and the Borrower.

SECTION 9.7. [Intentionally Omitted.]

SECTION 9.8. Governing Law. This Agreement and the other Credit Documents shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 9.9. Interest. It is the intention of the parties hereto that the Agent, each Issuing Bank, the Collateral Agent and each Bank shall conform strictly to usury laws applicable to it, if any. Accordingly, if the transactions with the Agent, any Issuing Bank, the Collateral Agent or any Bank contemplated hereby would be usurious under applicable law, then, in that event, notwithstanding anything to the contrary in this Agreement or any other agreement entered into in connection with or as security for this Agreement, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under applicable law that is contracted for, taken, reserved, charged or received by the Agent, such Issuing Bank, the Collateral Agent or such Bank, as the case may be, under this Agreement, any other Credit Document or under any other agreement entered into in connection with or as security for this Agreement or the other Credit Documents shall under no circumstances exceed the maximum amount allowed by such applicable law and any excess shall be canceled automatically and, if theretofore paid, shall at the option of the Agent, such Issuing Bank, the Collateral Agent or such Bank, as the case may be, be credited by the Agent, such Issuing Bank, the Collateral Agent or such Bank, as the case may be, on the principal amount of the obligations owed to the Agent, such Issuing Bank, the Collateral Agent or such

Bank, as the case may be, by the Borrower or refunded by the Agent, such Issuing Bank, the Collateral Agent or such Bank, as the case may be, to the Borrower, and (ii) in the event that the maturity of any obligation payable to the Agent, such Issuing Bank, the Collateral Agent or such Bank, as the case may be, is accelerated or in the event of any required or permitted prepayment, then such consideration that constitutes interest under law applicable to the Agent, such Issuing Bank, the Collateral Agent or such Bank, as the case may be, may never include more than the maximum amount allowed by such applicable law and excess interest, if any, to the Agent, such Issuing Bank, the Collateral Agent or such Bank, as the case may be, provided for in this Agreement or otherwise shall be canceled automatically as of the date of such acceleration or prepayment and, if theretofore paid, shall, at the option of the Agent, such Issuing Bank, the Collateral Agent or such Bank, as the case may be, be credited by the Agent, such Issuing Bank, the Collateral Agent or such Bank, as the case may be, on the principal amount of the obligations owed to the Agent, such Issuing Bank, the Collateral Agent or such Bank, as the case may be, by the Borrower or refunded by the Agent, such Issuing Bank, the Collateral Agent or such Bank, as the case may be, to the Borrower.

SECTION 9.10. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 9.11. Survival of Agreements, Representations and Warranties, Etc. All warranties, representations and covenants made by the Borrower or any officer of the Borrower herein or in any certificate or other document delivered in connection with this Agreement shall be considered to have been relied upon by the Banks and shall survive the issuance and delivery of the Notes, if any, the issuance of any Letters of Credit and the making of the Advances regardless of any investigation. The indemnities and other payment obligations of the Borrower set forth in Sections 2.4, 2.6 and 9.4, the indemnities set forth in Section 2.10 and the indemnities by the Banks in favor of the Agent and its officers, directors, employees and agents, will survive the repayment of the Reimbursement Obligations and the termination of this Agreement.

SECTION 9.12. Undertaking; Post Closing Actions. The parties to this Agreement hereby agree and undertake to each use their best efforts and to act diligently and promptly in taking any action or step necessary to resolve or correct any error, omission, open item or general inconsistency or other discrepancy which may exist, or of which the parties hereto may hereafter become aware, in any Credit Document.

SECTION 9.13. Confidentiality. Each Bank agrees that it will not disclose without the prior consent of the Borrower (other than to employees, auditors, accountants, counsel or other professional advisors of the Agent or any Bank) any information with respect to the Borrower or its Subsidiaries (which term shall be deemed to include the WCG Subsidiaries for purposes of this Section 9.13), which is furnished pursuant to this Agreement and which (i) the Borrower in good faith considers to be confidential and (ii) is either clearly marked confidential or is designated by the Borrower to the Agent and the Banks in writing as

confidential, provided that any Bank may disclose any such information (a) as has become generally available to the public, (b) as may be required or appropriate in any report, statement or testimony submitted to or required by any municipal, state or Federal regulatory body having or claiming to have jurisdiction over such Bank or submitted to or required by the Federal Reserve Board or the Federal Deposit Insurance Corporation or similar organizations (whether in the United States or elsewhere) or their successors, (c) as may be required or appropriate in response to any summons or subpoena in connection with any litigation, (d) in order to comply with any law, order, regulation or ruling applicable to such Bank, (e) to the prospective transferee or grantee in connection with any contemplated transfer of any of the Letter of Credit Commitments or Letter of Credit Interests or any interest therein by such Bank or the grant of an option to an SPC to fund any drawing under a Letter of Credit, provided that such prospective transferee executes an agreement with or for the benefit of the Borrower containing provisions substantially identical to those contained in this Section 9.13, and provided further that if the contemplated transfer is a grant of an option to fund a drawing under a Letter of Credit to an SPC pursuant to Section 9.6(g), such SPC may disclose, on a confidential basis, any non-public information relating to such drawings funded by it to any rating agency, commercial paper dealer or provider of any surety, guaranty or credit or liquidity enhancement to such SPC, and (ii) if prior notice of the delivery thereof is given to the Borrower, such information as may be required by law or regulation to be delivered, (f) in connection with the exercise of any remedy by such Bank following an Event of Default pertaining to this Agreement, any of the other Credit Documents or any other document delivered in connection herewith, (g) in connection with any litigation involving such Bank pertaining to this Agreement, any of the other Credit Documents or any other document delivered in connection herewith, (h) to any Bank, any Issuing Bank, the Collateral Agent or the Agent, or (i) to any affiliate of any Bank, provided that such affiliate executes an agreement with or for the benefit of the Borrower containing provisions substantially identical to those contained in this Section 9.13.

SECTION 9.14. Waiver of Jury Trial. THE BORROWER, THE AGENT, THE COLLATERAL AGENT, THE ISSUING BANK AND THE BANKS HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER CREDIT DOCUMENT, ANY LETTER OF CREDIT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 9.15. Forum Selection and Consent to Jurisdiction. ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, ANY LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF THE AGENT, THE BANKS, ANY ISSUING BANK OR THE BORROWER IN CONNECTION HEREWITH OR THEREWITH MAY BE BROUGHT AND MAINTAINED IN THE COURTS OF THE STATE OF NEW YORK OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK; PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT THE AGENT'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE SUCH COLLATERAL OR OTHER PROPERTY MAY BE FOUND. THE BORROWER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS BY REGISTERED MAIL, POSTAGE PREPAID, OR BY PERSONAL SERVICE

WITHIN OR WITHOUT THE STATE OF NEW YORK AT THE ADDRESS FOR NOTICES SPECIFIED IN SECTION 9.2. THE BORROWER HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY HAVE OR HEREAFTER MAY HAVE TO THE LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. TO THE EXTENT THAT THE BORROWER HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER THROUGH SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, THE BORROWER HEREBY IRREVOCABLY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THE LOAN DOCUMENTS.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWER:

THE WILLIAMS COMPANIES, INC.

By: /s/ James G. Ivey

Name: James G. Ivey
Title: Treasurer

BANKS:

CITICORP USA, INC., as Agent and Collateral Agent

By:

Authorized Officer

CITIBANK, N.A., as Bank and Issuing Bank

By: /s/ J. Christopher Lyons

Authorized Officer

BANK OF AMERICA N.A., as Issuing Bank and Bank

By: /s/ Claire Liu

Authorized Officer
Claire Liu
Managing Director

JPMORGAN CHASE BANK

By: /s/ Sanjeev Khemlani, V.P.

Authorized Officer

TORONTO DOMINION (TEXAS), INC.

By: /s/ Ann S. Slanis

Authorized Officer
Ann S. Slanis
Vice President

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ Bernard Weymuller

Authorized Officer
Bernard Weymuller,
Senior Vice President

THE BANK OF NOVA SCOTIA

By: /s/ Nadine Bell

Nadine Bell,
Senior Manager

MERRILL LYNCH CAPITAL CORP.

By: /s/ Carol J.B. Fosley

Authorized Officer
Carol J.B. Fosley
Vice President
Merrill Lynch Capital Corp.

LEHMAN COMMERCIAL PAPER INC.

By: /s/ Michele Swanson

Authorized Officer
Michele Swanson
Authorized Signatory

SCHEDULE I

APPLICABLE LENDING OFFICES

Name of Bank	Lending Office
Citibank N.A.	Citibank N.A. 399 Park Avenue New York, New York 10043 Notices: Citibank, N.A. 399 Park Avenue New York, New York 10043 Telecopier: (212) 527-1084 Attn: Christine Grundel Dept: Medium Term Finance with copies to: Citicorp North America, Inc. 1200 Smith Street, Suite 2000 Houston, Texas 77002 Telecopier: (713) 654-2849 Attn: The Williams Companies, Inc. Account Officer
Citicorp USA, Inc.	Citicorp USA, Inc. 399 Park Avenue New York, New York 10043 Notices: Citicorp USA, Inc. 399 Park Avenue New York, New York 10043 Telecopier: (212) 527-1084 Attn: Christine Grundel Dept: Medium Term Finance with copies to: Citicorp North America, Inc. 1200 Smith Street, Suite 2000 Houston, Texas 77002 Telecopier: (713) 654-2849 Attn: The Williams Companies, Inc. Account Officer
The Bank of Nova Scotia	The Bank of Nova Scotia 600 Peachtree Street, N.E., Suite 2700 Atlanta, Georgia 30308 Telecopier: (404) 888-8998 Telephone: (404) 877-1555

	Attn: Cleve Boushey with copies to: 1100 Louisiana, Suite 3000 Houston, Texas 77002 Telecopier: (713) 752-2425 Telephone: (713) 759-3435 Attn: Joe Lattanzi Telecopier: (713) 752-2425 Telephone: (713) 759-3426 Attn: John Frazell
Bank of America, N.A.	Bank of America, N.A. 901 Main Street, 14th Floor Dallas, Texas 75202 Telecopier: (214) 290-9415 Telephone: (214) 209-1228 Attn: Marija Salic with copies to: Bank of America, N.A. Three Allen Center, Suite 4550 Houston, Texas 77002 Telecopier: (713) 651-4807 Telephone: (713) 651-4855 Attn: Claire Liu
JPMorgan Chase Bank	JPMorgan Chase Bank 270 Park Avenue, 23rd Floor New York, New York 10017 Telecopier: (212) 270-3089 Telephone: (212) 270-7056 Attn: Steve Wood
Credit Lyonnais New York Branch	Credit Lyonnais 1301 Travis, Suite 2100 Houston, Texas 77002 Telecopier: (713) 890-8666 Telephone: (713) 890-8605 Attn: Rich Kaufman Telecopier: (713) 751-0307 Telephone: (713) 753-8741 Attn: Ericka Jackson
Toronto Dominion (Texas), Inc.	Toronto Dominion (Texas), Inc. 909 Fannin Street, 17th Floor Houston, Texas 77010 Swift Address: TDOMU S4H Telecopier: (713) 951-9921 Attn: Ann Slanis

Merrill Lynch Capital Corp.	Merrill Lynch Capital Corp. 4 World Financial Center, 7th Floor New York, New York 10080 Telecopier: (212) 738-1649 Telephone: (212) 449-8414 Attn: Carol Seely (Notices) Telecopier: (212) 738-1719 Telephone: (212) 449-6996 Attn: Mark Campbell (Operations)
Lehman Commercial Paper Inc.	Lehman Commercial Paper Inc. 745 Seventh Avenue, 19th Floor New York, NY 10019 Telecopier: (212) 526-0242/7691 Telephone: (212) 526-0330 Attn: Michele Swanson (Credit) Telecopier: (212) 526-6653 Telephone: (212) 526-3321 Attn: Marie Cowell (Operations)

SCHEDULE II

BORROWER INFORMATION

Name of Borrower	Information for Notices
The Williams Companies, Inc.	The Williams Companies, Inc. One Williams Center, Suite 5000 Tulsa, Oklahoma 74172 Attention: Patti J. Kastl Telecopier: (918) 573-2065 Telephone: (918) 573-2172

SCHEDULE III

PERMITTED BORROWER LIENS

(a) (i) Any Lien existing on any property at the time of the acquisition thereof and not created in contemplation of such acquisition by the Borrower or any of its Subsidiaries, whether or not assumed by the Borrower or any of its Subsidiaries, (ii) purchase money, construction or analogous Liens securing obligations incurred in connection with or financing the direct or indirect costs of or relating to the acquisition, construction (including design, engineering, installation, testing and other related activities), development (including drilling), improvement, repair or replacement of property (including such Liens securing Debt or other obligations incurred in connection with the foregoing or within 30 days of the later of (x) the date on which such Property was acquired or construction, development, improvement, repair or replacement thereof was complete or (y) if applicable, the final "in service" date for commencement of full operations of such property), provided that all such Liens attach only to the property acquired, constructed, developed, improved or repaired or constituting replacement property, and the principal amount of the Debt or other obligations secured by such Lien, together with the principal amount of all other Debt secured by a Lien on such property, shall not exceed the gross acquisition, construction, replacement and other costs specified above of or for the property, (iii) Liens on receivables created pursuant to a sale, securitization or monetization of such receivables, and Liens on rights of the Borrower or any Subsidiary related to such receivables which are transferred to the purchaser of such receivables in connection with such sale, securitization or monetization; provided that the Liens secure only the obligations of the Borrower or any of its Subsidiaries in connection with such sale, securitization or monetization, (iv) Liens created by or reserved in any operating lease (whether for real or personal property) entered into in the ordinary course of business (excluding Synthetic Leases) provided that the Liens created thereby (1) attach only to the Property leased to the Borrower or one of its Subsidiaries, pursuant to such operating lease and (2) secure only the obligations under such lease and supporting documents that do not create obligations other than with respect to the leased property (including for rent and for compliance with the terms of the lease), (v) Liens on property subject to a Capital Lease created by such Capital Lease and securing only obligations under such Capital Lease and supporting documents that do not create obligations other than with respect to the leased property, (vi) any interest or title of a lessor in the property subject to any Capital Lease, Synthetic Lease or operating lease, (vii) Liens in the form of filed Uniform Commercial Code or personal property security statements (or similar filings outside Canada and the United States) to perfect any Permitted Lien, and (viii) Liens on up to four aircraft owned or leased by the Borrower or any Subsidiary of the Borrower.

(b) Any Lien existing on any property of a Subsidiary of the Borrower at the time it becomes a Subsidiary of the Borrower and not created in contemplation thereof and any Lien existing on any property of any Person at the time such Person is merged or liquidated into or consolidated with the Borrower or any Subsidiary thereof and not created in contemplation thereof.

(c) Mechanics', materialmen's, workmen's, warehousemen's, carrier's, landlord's or other similar Liens arising in the ordinary

course of business securing amounts incurred in the ordinary course of business which are not more than 90 days past due or are being contested in good faith by appropriate proceedings.

(d) Liens arising by reason of pledges, deposits or other security to secure payment of workmen's compensation insurance or unemployment insurance, pension plans or systems and other types of social security, and good faith deposits or other security to secure tenders or leases of property or bids, in each case to secure obligations of the Borrower or any of its Subsidiaries under such insurance, tender, lease, bid or contract, as the case may be; provided, however, that the only Liens permitted by this paragraph (d) shall be Liens incurred in the ordinary course of business that do not secure any Debt or accounts payable (other than accounts payable to the counterparties or obligees applicable to the foregoing).

(e) Liens on deposits or other security given to secure public or statutory obligations, or to secure or in lieu of surety bonds (other than appeal bonds) and deposits as security for the payment of taxes or assessments or other similar charges, in each case to secure obligations of the Borrower or any of its Subsidiaries arising in the ordinary course of business; provided, however, that the aggregate amount of obligations secured by Liens permitted by this paragraph (e) shall not exceed 10% of Consolidated Tangible Net Worth of the Borrower.

(f) Any Lien arising by reason of deposits with or the giving of any form of security to any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation (i) as a condition to the transaction by the Borrower or any of its Subsidiaries of any business or the exercise by the Borrower or any of its Subsidiaries of any privilege or license, (ii) to enable the Borrower or any of its Subsidiaries to maintain self-insurance or to participate in any fund for liability on any insurance risks or (iii) in connection with workmen's compensation, unemployment insurance, old age pensions or other social security with respect to the Borrower or any of its Subsidiaries to share in the privileges or benefits required for companies participating in such arrangements.

(g) Liens incurred in the ordinary course of business upon rights-of-way securing obligations (other than Debt and trade payables) of the Borrower or any of its Subsidiaries.

(h) Undetermined mortgages and charges incidental to construction or maintenance arising in the ordinary course of business which are not more than 90 days past due or are being contested in good faith by appropriate proceedings.

(i) The right reserved to, or vested in, any municipality or governmental or other public authority or railroad by the terms of any right, power, franchise, grant, license, permit or by any provision of law, to terminate or to require annual or other periodic payments as a condition to the continuance of such right, power, franchise, grant, license or permit.

(j) The Lien of taxes, customs duties or other governmental charges or assessments that are not at the time determined (or, if determined, are not at the time delinquent), or that are delinquent but the validity of which is being contested in good faith by the Borrower or any of its Subsidiaries by appropriate proceedings and with respect to which reserves in conformity with generally accepted accounting principles, if required by such principles, have been provided on the books of the Borrower or the relevant Subsidiary of the Borrower, as the case may be.

(k) The Lien reserved in (i) leases entered into in the ordinary course of business for rent and for compliance with the terms of the lease in the case of real or personal property leasehold estates or (ii) leases and sub-leases granted to others that do not materially interfere with the ordinary course of business of the Borrower and its Subsidiaries, taken as a whole.

(l) Defects and irregularities in the titles to any property (including rights-of-way and easements) which are not material to the business, assets, operations or financial condition of the Borrower and its Subsidiaries, taken as a whole.

(m) Easements, exceptions or reservations in any property of the Borrower or any of its Subsidiaries granted or reserved in the ordinary course of business for the purpose of pipelines, roads, equipment, streets, alleys, highways, railroads, the removal of oil, gas, coal or other minerals or timber, and other like purposes, or for the joint or common use of real property, facilities and equipment, or in favor of governmental authorities or public utilities, in each case above which do not materially impair the use of such property for the purposes for which it is held by the Borrower or such Subsidiary.

(n) Rights reserved to or vested in any municipality or public authority to control or regulate any property of the Borrower or any of its Subsidiaries, or to use such property in any manner which does not materially impair the use of such property for the purposes for which it is held by the Borrower or such Subsidiary.

(o) Any obligations or duties, affecting the property of the Borrower or any of its Subsidiaries, to any municipality or public authority with respect to any franchise, grant, license or permit.

(p) The Liens of any judgments in an aggregate amount for the Borrower and all of its Subsidiaries (i) not in excess of $8,500,000, the execution of which has not been stayed and (ii) not in excess of $40,000,000, the execution of which has been stayed and which have been appealed and secured, if necessary, by a stay or appeal bond or other security of similar effect and stay or appeal bonds in respect of the judgments permitted in clause (ii).

(q) Zoning laws and ordinances.

(r) Liens existing on July 1, 2002, that secure only Debt and other obligations incurred or committed and available for draw down on or prior to or outstanding on July 1, 2002 and listed on Schedule IX as secured by such Liens.

(s) Liens existing on July 1, 2002 (i) that cover only immaterial assets and (ii) that secure only Debt and other obligations incurred or committed and available for draw down on or prior to or outstanding on July 1, 2002.

(t) Liens reserved in customary oil, gas and/or mineral leases for bonus or rental payments and for compliance with the terms of such leases and Liens reserved in customary operating agreements, farm-out and farm-in agreements, exploration agreements, development agreements and other similar agreements for compliance with the terms of such agreements; provided that (i) such Liens do not secure Debt or accounts payable (other than obligations under such lease or

agreement, as the case may be) and (ii) such leases and agreements are entered into in the ordinary course of business.

(u) Liens arising in the ordinary course of business out of all presently existing and future division and transfer orders, advance payment agreements, processing contracts, gas processing plant agreements, operating agreements, gas balancing or deferred production agreements, participation, joint venture, joint operating, pooling, unitization or communitization agreements, pipeline, gathering or transportation agreements, platform agreements, drilling contracts, injection or repressuring agreements, cycling agreements, construction agreements, salt water or other disposal agreements, leases, sub-leases or rental agreements, royalty interests, overriding royalty interests, farm-out and farm-in agreements, exploration and development agreements, and any and all other contracts or agreements covering, arising out of, used or useful in connection with or pertaining to the exploration, development, operation, production, sale, use, purchase, exchange, storage, separation, dehydration, treatment, compression, gathering, transportation, processing, improvement, marketing, disposal or handling of any property of a Person (each such order, agreement or contract being a "Subject Document"), provided that and to the extent that (i) such Subject Documents are entered into the ordinary course of business and contain terms customary for such documents in the industry, (ii) such permitted Liens shall not include any security interests in accounts receivable or other receivables and do not secure Debt or accounts payable (other than accounts payable arising under the particular Subject Document that creates the Lien), and (iii) such Subject Documents do not create nor do such Liens secure Financing Transactions.

(v) Liens arising by law under Section 9.343 of the Texas Uniform Commercial Code or similar statutes of states other than Texas.

(w) Liens arising pursuant to the Security Documents which secure the obligations of TWC and its Subsidiaries under this Agreement and the Multiyear Williams Credit Agreement and certain public debt of TWC.

(x) Liens in existence prior to the date hereof in the nature of a right of offset or netting of cash amounts owed arising in the ordinary course of business (and Liens on the trading receivables owed by any trading counterparty and/or affiliate thereof to the Borrower or any affiliate thereof granted by the Borrower or any such affiliate thereof under agreements commonly in use in the industry of the Borrower or such affiliate, but solely to secure the offset or netting rights of such trading counterparty and/or affiliates thereof to the payment of such trading receivables arising from and to the extent of the trading obligations of the Borrower or any affiliate thereof to such trading counterparty or its affiliates).

(y) Any Lien not permitted by paragraphs (a) through (x) above or (z) through (ii) below securing Debt of the Borrower or any of its Subsidiaries if at the time of, and after giving effect to, the creation or assumption of any such Lien, the aggregate (without duplication) of the principal or equivalent amount of all Debt of the Borrower and its Subsidiaries secured by all such Liens not so permitted by paragraphs (a) through (x) above or (z) through (ii) below plus the amount of Attributable Obligations (other than those relating to Liens described in clause (a)(viii)) of the Borrower and its Subsidiaries in respect of Sale and Lease-Back Transactions permitted by Section 5.2(l) does not exceed $100,000,000.

(z) Any overriding royalties or other rights of Pacific Northwest Pipeline Corporation, a Delaware corporation ("Pacific") and Phillips Petroleum Company ("Phillips") or their respective successors in interest under a contract dated January 9, 1953, as amended, between Phillips and Pacific, to which the Borrower is successor in interest; and the obligations of the Borrower to surrender, transfer, release or reassign the leases or interests or rights to which said instruments relate under the conditions and upon the occurrence of the events specified in said instruments.

(aa) Any option or other agreement to purchase any property of the Borrower or any Subsidiary the purchase, sale or other disposition of which is not prohibited by any other provision of this Agreement.

(bb) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the proceeds and products thereof.

(cc) Liens on the products and proceeds (including insurance, condemnation and eminent domain proceeds) of and accessions to, and contract or other rights (including rights under insurance policies and product warranties) derivative of or relating to, property permitted to be subject to Liens under this Agreement but subject to the same restrictions and limitations herein set forth as to Liens on such property (including the requirement that such Liens on products, proceeds, accessions and rights secure only obligations that such property is permitted to secure).

(dd) Liens on the Property of a Project Finance Subsidiary or the Equity Interests in such Project Finance Subsidiary securing the Non-Recourse Debt of such Project Finance Subsidiary.

(ee) Liens on cash and short-term investments incurred in the ordinary course of business, consistent with past practice and not for the purpose of securing Debt (i) deposited by the Borrower or any of its Subsidiaries in margin accounts with or on behalf of futures contract brokers or other counterparties or (ii) pledged by the Borrower or any of its Subsidiaries, in the case of each of clauses (i) and (ii) above, to secure its obligations with respect to (x) contracts (including without limitation, physical delivery, option (whether cash or financial), exchange, swap and futures contracts) for the purchase or sale of any energy-related commodity or (y) interest rate or currency rate management contracts.

(ff) Liens securing Debt of Williams Energy Partners L.P. and/or its Subsidiaries; provided that such Liens shall only apply to assets owned directly by William Energy Partners L.P. or its Subsidiaries.

(gg) Liens securing the Barrett Loan.

(hh) Liens securing Permitted Refinancing Debt (as defined below) (and related obligations) covering substantially the same collateral securing (immediately prior to such refinancing) the Debt Refinanced (as defined below) by such Permitted Refinancing Debt; provided that: (i) the principal amount of such Permitted Refinancing Debt does not exceed the principal amount of the Debt Refinanced (plus the amount of penalties, premiums (including required premiums and the amount of any premiums reasonably determined by the Borrower being in its best economic interest and as necessary to accomplish such Refinancing by means of a tender offer or privately

negotiated repurchase), fees, accrued interest and reasonable expenses and other obligations incurred in connection therewith) at the time of refinancing; and (ii) such Debt is incurred either by the Borrower or by such Subsidiary that is the obligor of the Debt being Refinanced. "Permitted Refinancing Debt" means any Debt (other than Debt referred to clause (gg) above) of the Borrower or any of its Subsidiaries issued to Refinance other Debt of the Borrower or any such Subsidiaries. "Refinance" means, in respect of any Debt (other than Debt referred to clause (gg) above), to refinance, extend, renew, refund, repay, prepay, replace, acquire, redeem, defease or retire, or to issue other Debt in exchange or replacement, directly or indirectly for, such Debt in whole or in part.

(ii) Liens extending, renewing or replacing any of the foregoing Liens (other than Liens referred to in clause (gg) above), provided that the principal amount of the Debt or other obligation secured by such Lien is not increased or the maturity thereof shortened and such Lien is not extended to cover any additional Debt, obligations or property, other than like obligations of no greater principal amount and the substitution of like property (or specific categories of property of the same grantor to the extent the terms of the Lien being extended, renewed or replaced, extended to or covered such categories of property) of no greater value.

SCHEDULE IV

COMMITMENTS

AS OF JULY 31, 2002

BANKS	LETTER OF CREDIT COMMITMENT	LC PARTICIPATION PERCENTAGE
CITIBANK, N.A.	$200,000,000	0
BANK OF AMERICA N.A.	$200,000,000	20.625%
CITICORP USA, INC.	0	20.625%
JPMORGAN CHASE BANK	0	16.25%
TORONTO DOMINION (TEXAS), INC.	0	12.5%
CREDIT LYONNAIS NEW YORK BRANCH	0	12.5%
THE BANK OF NOVA SCOTIA	0	12.5%
MERRILL LYNCH CAPITAL CORP.	0	2.5%
LEHMAN COMMERCIAL PAPER INC.	0	2.5%
TOTAL:	$400,000,000	100%

SCHEDULE V

RATING CATEGORIES

Rating Category	S&P or Moody's ratings of the senior unsecured long-term debt of the applicable Borrower*	Applicable Issued LC Margin	Applicable LC Commitment Margin
One	BB+ or better by S&P and Ba1 or better by Moody's	3.00%	0.75%
Two	BB by S&P and Ba2 by Moody's	3.50%	0.875%
Three	BB- by S&P and Ba3 by Moody's	4.00%	1.00%
Four	B+ by S&P and B1 by Moody's	4.25%	1.25%
Five	Below B+ by S&P or below B1 by Moody's	4.50%	1.50%

*If split-rated, the lower rating will apply. At all times when no senior unsecured long-term debt of the Borrower is rated by Moody's or when no senior unsecured long-term debt of the Borrower is rated by S&P, Rating Category five shall apply.

SCHEDULE VI

EXISTING PROJECTS

1. Gulfstream

2. Cove Point

3. Devil's Tower

4. PIGAP II Project

SCHEDULE VII

[INTENTIONALLY OMITTED.]

SCHEDULE VIII

[INTENTIONALLY OMITTED.]

SCHEDULE IX

LIENS SECURING EXISTING DEBT/OBLIGATIONS

Liens existing on July 1, 2002, that secure only Debt and other obligations incurred or committed and available for draw down on or prior to or outstanding on July 1, 2002 and listed on Schedule IX as secured by such Liens. See clause (r) on Schedule III.

1. Liens granted in connection with those Amended and Restated Participation Agreements (2 separate leases) dated as of January 28, 2002, among Williams Oil Gathering, L.L.C. and Williams Field Services - Gulf Coast Company, L.P., as Lessees, Williams Field Services Company, as Construction Agent, TWC, as Guarantor, First Security Bank, N.A. as Certificate Trustee, Wells Fargo Bank nevada, N.A., as Collateral Agent, Bank of America, N.A., as Administrative Agent and Administrator, and financial institutions named therein as Certificate Holders, as amended, and related transaction documents.

2. Liens granted in connection with the Master Agreement dated as of March 6, 2000, among TWC, as Guarantor, Williams TravelCenters, Inc., as Lessee, Atlantic Financial Group, Ltd., as Lessor, SunTrust Bank, as Agent, and the Lenders named therein, as amended, and related transaction documents.

3. Liens granted in connection with the Joint Venture Sponsor Agreement dated as of December 28, 2000, among TWC, as Sponsor and Williams Field Services Company, in favor of Prairie Wolf Investors ("Investor"), Arctic Fox Assets, L.L.C., Williams Energy (Canada), Inc. and the other Indemnified Persons listed therein, as amended, and related transaction documents.

4. Liens granted in connection with the PPH Sponsor Agreement dated as of December 31, 2001, by TWC, as Sponsor, in favor of Piceance Production Holdings LLC, Plowshare Investors LLC ("Investor"), and other Indemnified Persons listed in the agreement, as amended, and related transaction documents.

5. Liens granted in connection with the Parent Support Agreement dated as of December 23, 1998, made by TWC in favor of Castle Associates L. P. "(Castle") and Colchester LLC ("Investor") and the other Indemnified Persons listed therein, as amended, and related transaction documents.

6. Liens granted in connection with the Loan Agreement dated as of March 17, 1998 Pine Needle LNG Company, LLC among Pine Needle LNG Company, LLC and Central Commercial Lending Institutions as the Lenders and Bank of Montreal as the agent for the Lenders, and related transaction documents.

7. Liens granted in connection Finance Agreement among WilPro Energy Services (El Furrial) Limited, Overseas Private Investment Corporation dated as of January 31, 1999, and related transaction documents.

SCHEDULE X

MIDSTREAM SUBSIDIARIES

Delaware
- --------
Williams Energy Services, L.L.C.
Williams Natural Gas Liquids, Inc.
Williams Midstream Natural Gas Liquids, Inc.
Williams Express, Inc. (a Delaware corporation)
Williams Field Services Group, Inc.
Williams Alaska Pipeline Company, L.L.C.
Williams Bio-Energy, L.L.C.
Williams Merchant Services Company, Inc.
Mapco, Inc.
WFS Enterprises, Inc.
WFS-Liquids Company
Williams Field Services Company
Williams Gas Processing Company
Williams Gas Processing - Wamsutter Company
North Padre Island Spindown, Inc.
Williams Ethanol Services, Inc.
Williams Energy Marketing & Trading Company
Worthington Generation, L.L.C.
Memphis Generation, L.L.C.
Gas Supply, L.L.C.
Williams Generation Company - Hazelton
Juarez Pipeline Company
MAPL Investments, Inc.
Williams Refining & Marketing, L.L.C.
Williams Memphis Terminal, Inc.
Williams Mid-South Pipelines, L.L.C.
Williams Olefins, L.L.C.
Williams Olefins Feedstock Pipelines, L.L.C.
Williams Generating Memphis, LLC
Williams Field Services-Gulf Coast Company, L.P.
Williams Gas Pipeline Company, L.L.C.
WFS - NGL Pipeline Company Inc.
WFS - Offshore Gathering Company
Baton Rouge Fractionators, L.L.C.
Tri-States NGL Pipeline, L.L.C.
WILPRISE Pipeline Company, L.L.C.

Alaska
- ------
Williams Express, Inc. (an Alaska corporation)
Williams Alaska Petroleum, Inc.
Williams Alaska Air Cargo Properties, L.L.C.
Williams Lynxs Alaska CargoPort, L.L.C.

Texas
- -----
Black Marlin Pipeline Company
Rio Grande Pipeline Company

Kansas
- ------
Nebraska Energy, L.L.C.

SCHEDULE XI

PROGENY FACILITIES

$200,000,000 Parent Support Agreement dated as of December 23, 1998, made by The Williams Companies, Inc. in favor of Castle Associates L. P. and Colchester LLC and the other Indemnified Persons listed therein, as amended.

Amended and Restated Guarantee dated as of July 25, 2000, issued by The Williams Companies, Inc. for the benefit of The Commonwealth Plan, Inc. and CBL Capital Corporation, as amended. WFS-Pipeline Company, as lessee and Commonwealth, as lessor entered into a Lease Agreement dated as of December 29, 1995. WFS-Offshore Gathering Company, as lessee, and CBL, as lessor, entered into a Lease Agreement dated December 29, 1995, as amended and restated.

$400,000,000 Term Loan Agreement dated as of April 7, 2000, among The Williams Companies, Inc., as Borrower, and Credit Lyonnais New York Branch, as Administrative Agent, and the Lenders named therein, as amended.

$192,570,931 aggregate Second Amended and Restated Participation Agreements (2 separate leases) dated as of January 28, 2002, among Williams Oil Gathering, L.L.C. and Williams Field Services - Gulf Coast Company, L.P., as Lessees, Williams Field Services Company, as Construction Agent, The Williams Companies, Inc., as Guarantor, First Security Bank, N.A. as Certificate Trustee, Wells Fargo Bank Nevada, N.A., as Collateral Agent, Bank of America, N.A., as Administrative Agent and Administrator, and financial institutions named therein as Certificate Holders, as amended.

$200,000,000 Term Loan Agreement dated as of January 29, 1999, among The Williams Companies, Inc., as Borrower, and The Fuji Bank, Limited, as Administrative Agent, and the Banks named therein, as amended.

$611,788,868 Joint Venture Sponsor Agreement dated as of December 28, 2000, among The Williams Companies, Inc., as Sponsor and Williams Field Services Company, in favor of Prairie Wolf Investors, Arctic Fox Assets, L.L.C., Williams Energy (Canada), Inc. and the other Indemnified Persons listed therein, as amended.

Letter of Credit and Reimbursement Agreement dated as of May 15, 1994, among Tulsa Parking Authority, The Williams Companies, Inc., Bank of Oklahoma, National Association, and Bank of America, N.A. (formerly Nationsbank of Texas, N.A.), relative to Tulsa Parking Authority First Mortgage Revenue Bonds, as amended.

$127,000,000 Master Agreement dated as of March 6, 2000, among The Williams Companies, Inc., as Guarantor, Williams TravelCenters, Inc., as Lessee, Atlantic Financial Group, Ltd., as Lessor, SunTrust Bank, as Agent, and the Lenders named therein, as amended.

$100,000,000 PPH Sponsor Agreement dated as of December 31, 2001, by The Williams Companies, Inc., as Sponsor, in favor of Piceance Production Holdings LLC, Plowshare Investors LLC, and other Indemnified Persons listed in the agreement, as amended.

Outstanding letters of credit as of July 31, 2002 (as set forth on Schedule XIII) to the extent they have not been Cash Collateralized.

All documents, instruments, agreements, certificates and notices at any time executed and/or delivered in connection with any of the foregoing.

SCHEDULE XII

POST-CLOSING ITEMS

1. Consents, Licenses and Approvals. All governmental and third party approvals (including consents) necessary in connection with the continuing operations of the Borrower and its Midstream Subsidiaries and the execution, delivery and performance of the Credit Documents shall have been obtained and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority which would restrain, prevent or otherwise impose adverse conditions on the execution and delivery of the Credit Documents or the financing thereof, including, without limitation, this Agreement. TO BE REQUESTED 10 DAYS AFTER THE DATE OF THIS AGREEMENT.

2. Legal Opinions. The Agent shall have received, with a counterpart for each Issuing Bank, the executed legal opinions of local counsel to the Agents in the States of Colorado, New Mexico and Wyoming, such other states as requested by Agent which such legal opinions shall cover such matters incident to the perfection of the Liens and the other transactions contemplated by the Agreement as the Agent may reasonably require. TO BE DELIVERED 15 DAYS AFTER THE DATE OF THIS AGREEMENT WITH RESPECT TO THE ABOVE LISTED STATES AND 15 DAYS AFTER THE REQUEST THEREFOR BY THE AGENT WITH RESPECT TO ANY OTHER STATE.

3. Actions to Perfect Liens. The Agent shall have received properly completed and executed financing statements (or other similar documents), including, without limitation, duly executed financing statements on form UCC-1, necessary or, in the opinion of the Collateral Agent, desirable to perfect the Liens created by the Security Documents, and the Collateral Agent shall be reasonably satisfied that, other than filing such financing statements and other similar documents and the Mortgages, no other filings, recordings, registrations or other actions are necessary or, in the opinion of the Collateral Agent, desirable to perfect the Liens created by the Security Documents. TO BE COMPLETED 60 DAYS AFTER THE DATE OF THIS AGREEMENT.

4. Surveys. At the request of the Agent, the Agent shall have received boundary line surveys of (i) the property leased by the Borrower and the Midstream Subsidiaries located in the States of Alaska, Arkansas, Colorado, New Mexico, Tennessee and Wyoming, and (ii) the real property owned by Borrower and the Midstream Subsidiaries located in the States of Alaska, Arkansas, Colorado, New Mexico, Tennessee and Wyoming, other than the Gathering Systems which boundary line surveys shall in each case be (A) dated a date reasonably close to the date of the Agreement (as determined by the Agent), (B) prepared by an independent professional licensed land surveyor reasonably satisfactory to the Agent, (C) prepared in a manner reasonably acceptable to the

Agent and (D) shall reflect that the buildings, structures and other improvements necessary for the ownership and operation of the processing plants purported to be located on the property surveyed do not protrude on any adjoining property nor do any improvements located on land adjacent to the property surveyed encroach upon the property surveyed, which encroachments or protrusions in either case could reasonably be expected to adversely affect the ability of the Borrower or the Midstream Subsidiaries to own, maintain, operate or sell the property surveyed and/or the improvements located thereon. The Agent shall have received a certificate of an authorized officer of the Borrower certifying said boundary line surveys are true and correct as of the date of the Agreement. TO BE COMPLETED 60 DAYS AFTER REQUEST BY THE AGENT THEREFOR.

5. Flood Insurance. If requested by the Agent, the Agent shall have received a policy of flood insurance in form and substance satisfactory to the Agent. TO BE COMPLETED 60 DAYS AFTER THE DATE OF THIS AGREEMENT.

6. Copies of Documents. If requested by the Agent, the Agent shall have received a copy, certified by such parties as the Agent may deem appropriate, of any document burdening the property covered by any Mortgage. TO BE COMPLETED 30 DAYS AFTER THE DATE OF THIS AGREEMENT.

7. Lien Searches. The Agent shall have received the results of recent lien searches by Persons reasonably satisfactory to the Agent, in each of the jurisdictions and offices where assets of the Borrower or any of the Midstream Subsidiaries are located or recorded, and such searches shall reveal no Liens on any assets of the Borrower or any such Subsidiary, except for (i) Liens permitted by the Agreement and (ii) Liens to be released or assigned to the Agent, for the ratable benefit of the Banks, on the date of the Agreement in connection with the execution, delivery and performance of the Credit Documents. TO BE COMPLETED 30 DAYS AFTER THE DATE OF THIS AGREEMENT.

8. Insurance. The Agent shall have received (i) copies of, or an insurance broker's or agent's certificate as to coverage under, the insurance policies required by the Agreement and the applicable provisions of the Security Documents, each of which policies shall be endorsed or otherwise amended to include a "standard" or "New York" lender's loss payable endorsement and to name the Agent as additional insured, in form and substance satisfactory to the Collateral Agent and (ii) confirmation from such insurance broker that the scope and amount of coverage maintained by the Borrower and its Subsidiaries are comparable to the scope and amount of the insurance maintained by other companies of similar size in the same industry and general location. TO BE COMPLETED 30 DAYS AFTER THE DATE OF THIS AGREEMENT.

9. Solvency. If requested by the Agent, the Agent shall have received (i) a satisfactory solvency opinion from an independent valuation firm satisfactory to the Issuing Banks which shall document the solvency of the Borrower and its Subsidiaries, on a consolidated basis, after giving effect to the execution, delivery and performance of the Credit Documents, the other transactions contemplated thereby and the extensions of credit contemplated hereby and (ii) a certificate from the chief financial officer of the Borrower (in his capacity as chief financial officer) as to the solvency of each of the Borrower and its Subsidiaries, on a consolidated basis, after giving effect to the execution, delivery and performance of the Credit Documents, the other transactions contemplated hereby and the extensions of credit contemplated hereunder. TO BE COMPLETED 60 DAYS AFTER THE DATE OF THIS AGREEMENT.

10. Environmental Reports. If requested by the Agent, the Agent shall have received environmental assessment reports from E.vironment, Inc. with respect to processing, refining and other facilities and other parcels of real property owned or leased by the Borrower and the Midstream Subsidiaries, and the Issuing Banks shall be reasonably satisfied with the potential environmental liabilities to which the Borrower and its Subsidiaries may be subject based on such reports. TO BE COMPLETED 60 DAYS AFTER THE DATE OF THIS AGREEMENT.

11. Title Vested in Borrower. The Agent and the Issuing Banks shall be reasonably satisfied that all filings and other actions required to be taken or made in order to vest title to all of the Properties of the Borrower and the Midstream Subsidiaries shall have been taken or made and are in full force and effect. TO BE COMPLETED 60 DAYS AFTER THE DATE OF THIS AGREEMENT.

12. Mortgages. The Collateral Agent shall receive, on or before August 9, 2002, evidence of the completion of all recordings and filings of each initial Mortgage (which "initial" Mortgages consist of Mortgages filed in Colorado, Wyoming and New Mexico) as may be necessary, in the opinion of the Collateral Agent, to perfect the Liens in favor of the Collateral Agent created by such Mortgages. Thereafter, the Collateral Agent shall receive, within fifteen Business Days of the delivery of any additional Mortgage to the Borrower, evidence of such recordings and filings as may be necessary, in the opinion of the Collateral Agent, to perfect the Liens in favor of the Collateral Agent created by such additional Mortgage. Upon the request of Collateral Agent, the Borrower shall provide all assistance as may be necessary in connection with the preparation of the Mortgages.

13. Consents to the Pledging of Excluded Equity Interest. The Company shall use its best efforts to obtain all third party consents necessary to pledge the Excluded Equity Interests (other than the Equity Interest in Williams Mobile Bay Producer Services, L.L.C. and the Equity Interest of Williams Energy Partners L.P. held by Williams GP LLC) pursuant to the Pledge Agreement. TO BE REQUESTED 30

DAYS AFTER THE DATE OF THIS AGREEMENT AND TO BE PURSUED DILIGENTLY THEREAFTER.

14. Additional Matters. All corporate and other proceedings, and all documents, instruments and other legal matters in connection with the transactions contemplated by this Agreement and the other Credit Documents shall be satisfactory in form and substance to the Administrative Agent, and the Administrative Agent shall have received such other documents and legal opinions in respect of any aspect or consequence of the transactions contemplated hereby or thereby as it shall reasonably request.

EXHIBIT A
TO
CREDIT AGREEMENT

OPINION OF WILLIAM G. VON GLAHN

EXHIBIT B-1
TO
CREDIT AGREEMENT

OPINION OF SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
(ENFORCEABILITY)

EXHIBIT B-2
TO
CREDIT AGREEMENT

OPINION OF SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP
(PERFECTION)

EXHIBIT C
TO
CREDIT AGREEMENT

EXISTING LOANS AND INVESTMENTS IN WGC SUBSIDIARIES

TWC CONTINUING CONTRACTS TO WHICH WCG IS A PARTY

AGREEMENT	DATE	PARTIES
Amended and Restated Administrative Services Agreement but excluding all Service Level Agreements included therein other than those listed below		
	23-Apr-01	TWC and WCG
Amended and Restated Administrative Services Agreement -- Cafeteria Card (SLA No. ASF-11)		
Amended and Restated Administrative Services Agreement -- Catering Services (SLA No. ASF-3)		
Amended and Restated Administrative Services Agreement -- Data Center Floor Space (SLA No. IT-23)		
Amended and Restated Administrative Services Agreement -- Security System Administration (SLA No. ASR-2)		
Amended and Restated Administrative Services Agreement -- Telecommunications Support (PBX) (SLA No. IT-19)		
Amended and Restated Administrative Services Agreement -- Warren Clinic (SLA No. HR-17)		
Amended and Restated Administrative Services Agreement -- Records Management (Revised) (SLA No. ASF-9)		
Amended and Restated Confidentiality and Nondisclosure Agreement	1-Feb-02	TWC and WCG
Amended and Restated Cross-License Agreement	23-Apr-01	TWC and WCG
Amended and Restated Employee Benefits Agreement	23-Apr-01	TWC and WCG
Amended and Restated Separation Agreement	23-Apr-01	TWC and WCG
Amendment of State of Oklahoma OIC Agreement	23-Apr-01	TWC and WCG
ITWill Assignment and Assumption Agreement	23-Apr-01	TWC and WCG
Mutual Waiver, dated April 23, 2001	23-Apr-01	TWC and WCG
Professional Services Agreement	23-Apr-01	TWC, WCG, The Feinberg Group, LLP
Relocation Services Agreement	2-Jan-02	Williams Relocation Management, Inc. (a TWC subsidiary) and WCG
Restructuring Support Agreement	23-Feb-02	TWC and WCG
Shareholder Agreement	23-Apr-01	TWC and WCG
Trademark License Agreement	23-Apr-01	TWC and WCG

All agreements and exhibits related to or incorporated by the foregoing that were entered into to implement the transactions contemplated thereby, e.g. Assignment and Assumption Agreements, Bills of Sale.

TWC CONTINUING CONTRACTS TO WHICH WCG IS NOT A PARTY

AGREEMENT	DATE	PARTIES
Agreement Of Purchase And Sale And Construction Completion	26-Feb-01 (as amended 13-Mar-01, 13-April-01, 13-Sep-01, 30-Apr-02	Williams Headquarters Building Company and WCL
Agreement To Terminate Aircraft Dry Lease -- N352WC	27-Mar-02	Williams Aircraft Leasing, LLC (a TWC subsidiary) and WCL
Aircraft Dry Lease -- N358WC	13-Sep-01	Williams Communications Aircraft, LLC (a TWC subsidiary) and WCL
Aircraft Dry Lease -- N359WC	13-Sep-01	Williams Communications Aircraft, LLC (a TWC subsidiary) and WCL
Bank of Oklahoma Tower Use Agreement	23-Apr-01	Williams Headquarters Building Company and WCL
Central Plant Lease Agreement	23-Apr-01 (as amended 13-Sep-01)	Williams Headquarters Building Company and Williams Technology Center, LLC (a WCL subsidiary)
Construction, Operating and Maintenance Agreement	1-Jan-97 (as amended 19-Feb-99)	Transcontinental Gas Pipe Line Corporation (a TWC subsidiary) and WCL
Consulting Services Agreement	29-Oct-01	Williams Pipe Line Company (a TWC subsidiary) and WCL
Co-Occupancy Agreement	18-Feb-99	Northwest Pipeline Corporation (a TWC subsidiary) and WCL
Co-Occupancy Agreement	22-Feb-99	Williams Gas Pipelines Central, Inc. (a TWC subsidiary) and WCL
Co-Occupancy Agreement	1-May-00	Williams Pipe Line Company (a TWC subsidiary) and WCL
Co-Occupancy Agreement	5-Mar-99 (as amended 23-Apr-01)	Mid-America Pipeline Company (a TWC subsidiary) and WCL
Co-Occupancy Agreement	5-Mar-99 (as amended 23-Apr-01)	Williams Field Services Company (a TWC subsidiary) and WCL
Dark Fiber IRU Agreement	26-Feb-01	Transcontinental Gas Pipe Line Corporation (a TWC Subsidiary) and WCL
Fairfax Terminal Station Site Lease	26-Aug-96	Williams Pipe Line Company (a TWC subsidiary) and WCL
First Amendment to Level 3 Sublease Agreement	1-Jan-99 (as amended 31-Dec-00 and assigned 23-Apr-01)	TWC and WCL

AGREEMENT	DATE	PARTIES
Lease Agreement	1-Jan-97	Williams Natural Gas Company (a TWC subsidiary now known as Williams Gas Pipelines Central, Inc.) and WCL
Lease Agreement	1-Sep-95	Transcontinental Gas Pipe Line Corporation (a TWC subsidiary) and WCL
Lease Agreement	1-Mar-97	Texas Gas Transmission Corporation and WCL
Management Services Agreement	23-Apr-01 (as amended 13-Sep-01)	Williams Headquarters Building Company and Williams Technology Center, LLC (a WCL subsidiary)
Master Agreement	23-Feb-99 (as amended 23-Apr-01)	Williams Pipe Line Company (a TWC subsidiary) and WCL
Nondisclosure Agreement	29-Oct-01	TWC and WCL
Northwest Plaza Level Amended and Restated Lease Agreement	1-Jan-99 (as amended 31-Dec-00)	Original Amended and Restated Lease Agreement between Williams Headquarters Building Company, Landlord, and WCL, Tenant; amendment between TWC, Sublessor, and WCG, Sublessee
Operation, Maintenance and Repair Agreement	19-Feb-99 (as amended 31-Aug-99)	Mid-America Pipeline Company, Northwest Pipeline Corporation, Texas Gas Transmission Corporation, Transcontinental Gas Pipe Line Corporation, Williams Field Services Company, Williams Gas Pipelines Central, Inc. and Williams Pipe Line Company and WCL
Partial Assignment and Assumption Agreement	26-Feb-01	Williams Headquarters Building Company and Williams Technology Center, LLC (a WCL subsidiary)
Sale Agreement	14-Feb-97	Williams Pipe Line Company (a TWC subsidiary) and WCL
Southwest Plaza Level Amended and Restated Lease Agreement	1-Jan-99	Williams Headquarters Building Company and WCL
Sublease Agreement	1-May-00	Williams Pipe Line Company (a TWC subsidiary) and WCG; WCG assigned its rights to WCL on 2-Apr-02
Technical Services Agreement	1998	Spectrum Network Systems Limited (now known as PowerTel Limited, a 45% WCG subsidiary) and Williams International Services Company (a TWC subsidiary)
Teleport Services Agreement	9-Oct-01	Williams Energy Marketing & Trading co. (a TWC subsidiary and WCL
The Depot Amended and Restated Lease Agreement	1-Jan-99 (as amended 31-Dec-00 and assigned 23-Apr-01)	Williams Headquarters Building Company and WCL
TWC Corporate Guarantee	23-Apr-01	TWC guaranteed a TWC subsidiary in favor of a WCL subsidiary
TWC Corporate Guarantee	23-Apr-01	TWC guaranteed a TWC subsidiary in

		favor of a WCL subsidiary
TWC Guaranty	23-Apr-01	TWC guaranteed a TWC subsidiary in favor of a WCL subsidiary
User Agreement for Pipe	5-Mar-99 (as amended 23-Apr-01)	Williams Pipe Line Company (a TWC subsidiary) and WCL
Utility Service Agreement	23-Apr-01 (as amended 13-Sep-01)	Williams Headquarters Building Company and Williams Technology Center, LLC (a WCL subsidiary)
Web Hosting and Streaming Services Agreement	2-Oct-00	Williams Energy Services, Inc. (a TWC subsidiary) and WCL
Weld County Sublease Agreement	19-Apr-96	Williams Natural Gas Company (a TWC subsidiary) and WCL

All agreement and exhibits related to or incorporated by the foregoing that were entered into to implement the transactions contemplated thereby, e.g. Assignment and Assumption Agreements, Bills of Sale.

EXHIBIT D
TO
CREDIT AGREEMENT

FORM OF TRANSFER AGREEMENT

Dated _____, 20__

Reference is made to the Credit Agreement, dated as of July 31, 2002 (such Credit Agreement, as amended or otherwise modified from time to time, being herein referred to as the "Credit Agreement"), among The Williams Companies, Inc., as Borrower, Citicorp USA, Inc., as Agent and Collateral Agent for the Banks, Bank of America N.A., as Syndication Agent, the Banks and Issuing Banks parties thereto and Salomon Smith Barney Inc., as Arranger. Terms defined in the Credit Agreement are used herein with the same meaning.

_____ (the "Assignor") and _____ (the "Assignee") agree as follows:

1. The Assignor hereby sells and assigns to the Assignee, without recourse, and the Assignee hereby purchases and assumes from the Assignor, an interest in and to all of the Assignor's rights and obligations under the Credit Agreement and the other Credit Documents executed in connection therewith as of the date hereof equal to the percentage interest specified on Schedule 1 hereto of all outstanding rights and obligations under the Credit Agreement. After giving effect to such sale and assignment, the Assignee's and Assignor's respective Letter of Credit Commitments and LC Participation Percentage will be as set forth in Schedule 1.

2. The Assignor (i) represents and warrants that it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement, the other Credit Documents or other instrument or document furnished pursuant thereto or in connection therewith, the perfection, existence, sufficiency or value of any Collateral, guaranty or insurance or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement, any of the other Credit Documents or any other instrument or document furnished pursuant thereto or in connection therewith; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any other Person or the performance or observance by the Borrower or any other Person of any of its respective obligations under the Credit Agreement, the other Credit Documents or any other instrument or document furnished pursuant thereto or in connection therewith.

3. The Assignee (i) confirms that it has received a copy of the Credit Agreement, together with copies of the financial statements referred to in Section 4.1(e) of the Credit Agreement and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Transfer

Agreement; (ii) agrees that it will, independently and without reliance upon the Agent, the Collateral Agent, any Issuing Bank, the Assignor or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement, any other Credit Document, or any other instrument or document; (iii) confirms that it is an Eligible Assignee; (iv) appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Credit Agreement as are delegated to the Agent by the terms thereof, together with such powers and discretion as are reasonably incidental thereto; (v) agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Credit Agreement are required to be performed by it as a Bank; and (vi) specifies as its Lending Office (and address for notices) the office set forth beneath its name on the signature pages hereof.

4. Following the execution of this Transfer Agreement by the Assignor and the Assignee, this Transfer Agreement will be delivered to the Agent for acceptance and recording by the Agent. The effective date of this Transfer Agreement (the "Effective Date") shall be the date of acceptance thereof by the Agent, unless otherwise specified on Schedule 1 hereto.

5. Upon such acceptance and recording by the Agent, as of the Effective Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Transfer Agreement, have the rights and obligations of a Bank thereunder and under the other and (ii) the Assignor shall, to the extent provided in this Transfer Agreement, relinquish its rights and be released from its obligations under the Credit Agreement and under the other Credit Documents.

6. Upon such acceptance and recording by the Administrative Agent, from and after the Effective Date, the Administrative Agent shall make all payments under the Credit Agreement and the other instrument or document furnished pursuant thereto or in connection therewith in respect of the interest assigned hereby (including all payments of principal, interest and fees with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement and the other instrument or document furnished pursuant thereto or in connection therewith for periods prior to the Effective Date directly between themselves.

7. This Transfer Agreement by, and construed in accordance with, the laws of the State of New York.

8. This Transfer Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of Schedule 1 to this Transfer Agreement by telecopier shall be as effective as delivery of a manually executed counterpart of this Transfer Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Transfer Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written, such execution being made on Schedule 1 hereto.

Schedule 1
to
Transfer Agreement

Section 1.
- ---------
LC Participation Percentage interest assigned: _____%
Assignee's LC Participation Percentage interest before giving effect to this Transfer Agreement: _____%
Assignee's LC Participation Percentage interest after giving effect to this Transfer Agreement: _____%
Assignor's remaining LC Participation Percentage interest after giving effect to this Transfer Agreement: _____%

Section 2.
- ---------
Letter of Credit Commitment interest assigned: $_____
Assignee's Letter of Credit Commitment before giving effect to this Transfer Agreement: $_____
Assignee's Letter of Credit Commitment after giving effect to this Transfer Agreement: $_____
Assignor's remaining Letter of Credit Commitment after giving effect to this Transfer Agreement: $_____

Section 3.
- ---------
Effective Date: _____, 20____

[NAME OF ASSIGNOR], as Assignor

By:

Name:
Title:
Dated:

[NAME OF ASSIGNEE], as Assignee

By:

Name:
Title:
Dated:

Lending Office (and address for notices):

[Address]

[Approved this ___ day of _____, _____

THE WILLIAMS COMPANIES, INC.

By:

Name:
Title:]

[Approved this ___ day of _____, _____

[NAME OF [ISSUING BANK][BANK]], as [Issuing Bank][Bank]

By:

Name:
Title:]

[Approved this ___ day of _____, _____

CITICORP USA, INC., as Agent

By:

Name:
Title:]

EXHIBIT E
TO
CREDIT AGREEMENT

FORM OF NOTICE OF LETTER OF CREDIT

[Date]

Citicorp USA, Inc., as Agent
for the Banks parties to the Credit
Agreement referred to below
399 Park Avenue
New York, New York 10043

Attention: Williams Account Officer

Ladies and Gentlemen:

The undersigned, The Williams Companies, Inc. (the "Borrower"), (a) refers to that certain Credit Agreement, dated as of July 31, 2002 (as amended or otherwise modified from time to time, the "Credit Agreement"; the terms defined therein and not defined herein being used herein as therein defined), among The Williams Companies, Inc., as Borrower, Citicorp USA, Inc., as Agent and Collateral Agent for the Banks, Bank of America N.A., as Syndication Agent, the Banks and Issuing Banks parties thereto and Salomon Smith Barney Inc., as Arranger; (b) hereby gives you notice, irrevocably, pursuant to Section 2.10 of the Credit Agreement that the undersigned hereby requests you to issue an irrevocable standby Letter of Credit as set forth below in such language as you may deem appropriate and (c) in that connection sets forth below the information relating to such standby Letter of Credit (the "Standby Letter of Credit") as required by Section 2.10 of the Credit Agreement:

(i) The Business Day upon which the Standby Letter of Credit will be issued is _____, 20____ (the "Issuance Date").

(ii) The account party for the Standby Letter of Credit is the undersigned.

(iii) Attached hereto as Exhibit A are the proposed terms of the Standby Letter of Credit (including the beneficiary thereof and the nature of the transactions or obligations proposed to be supported thereby).

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the Issuance Date:

(a) the representations and warranties contained in Section 4.1 of the Credit Agreement are correct on and as of the Issuance Date, before and after the issuance of the Standby Letter of Credit, as though made on and as of such date;

(b) no event has occurred and is continuing, or would result from the issuance of the Standby Letter of Credit, which constitutes a Default or Event of Default;

(c) after giving effect to the Standby Letter of Credit and all Letters of Credit which have been requested on or prior to the date hereof but which have not been made or issued prior to the date hereof, the sum of the aggregate principal amount of all Letter of Credit Liabilities will not exceed the aggregate of the Letter of Credit Commitments; and

(d) after giving effect to the Standby Letter of Credit and all Letters of Credit issued on or prior to the date hereof, the sum of the aggregate principal amount of all Letters of Credit issued by the Issuing Bank to which this issuance request is being made will not exceed the aggregate of the Letter of Credit Commitments of such Issuing Bank.

Very truly yours,

THE WILLIAMS COMPANIES, INC.

By: ----------

Name: ----------

Title: ----------

cc: Citicorp North America, Inc.
1200 Smith Street, Suite 2000
Houston, Texas 77002
Attn: The Williams Companies, Inc.
Account Officer

[Issuing Bank]

EXHIBIT F
TO
CREDIT AGREEMENT

FORM OF SECURITY AGREEMENT

EXHIBIT G
TO
CREDIT AGREEMENT

FORM OF LLC GUARANTY

EXHIBIT H
TO
CREDIT AGREEMENT

FORM OF MIDSTREAM GUARANTY

EXHIBIT I
TO
CREDIT AGREEMENT

FORM OF PLEDGE AGREEMENT

EXHIBIT J
TO
CREDIT AGREEMENT

FORM OF HOLDINGS GUARANTY

EXHIBIT 12

The Williams Companies, Inc. and Subsidiaries
Computation of Ratio of Earnings to Combined Fixed Charges
and Preferred Stock Dividend Requirements
(Dollars in millions)

	Six months ended June 30, 2002
Earnings:	
Income (loss) from continuing operations before income taxes	$(303.4)
Add:	
Interest expense - net	483.0
Rental expense representative of interest factor	15.6
Preferred returns and minority interest in income of consolidated subsidiaries	37.0
Interest accrued - 50% owned company	2.7
Equity losses in less than 50% owned companies	26.6
Other	5.5
Total earnings (loss) as adjusted plus fixed charges	$ 267.0
Fixed charges and preferred stock dividend requirements:	
Interest expense - net	$ 483.0
Capitalized interest	12.4
Rental expense representative of interest factor	15.6
Pre-tax effect of preferred stock dividend requirements of the Company	11.6
Pre-tax effect of preferred returns of subsidiaries	13.0
Interest accrued - 50% owned company	2.7
Combined fixed charges and preferred stock dividend requirements	$ 538.3
Ratio of earnings to combined fixed charges and preferred stock dividend requirements	(a)

(a) Earnings were inadequate to cover combined fixed charges and preferred stock dividend requirements by $271.3 million for the six months ended June 30, 2002.

EXHIBIT 99.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Williams Companies, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven J. Malcolm, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Steven J. Malcolm

Steven J. Malcolm
Chief Executive Officer
August 13, 2002

EXHIBIT 99.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Williams Companies, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jack D. McCarthy, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Jack D. McCarthy

Jack D. McCarthy
Chief Financial Officer
August 13, 2002